Kernel Holding S.A.
Annual Report and Accounts
30 June 2014

Contents

Kernel is a diversified agricultural business in the Black Sea region, listed on the main market of the Warsaw Stock Exchange.

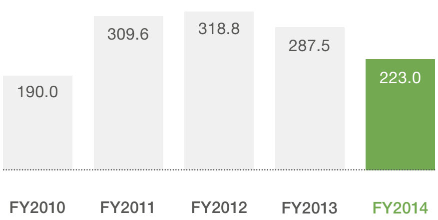
We are the largest sunflower oil producer in the region, a leading exporter of grains and oilseeds, operator of an extensive agriculture logistics asset base and one of the largest farmers. Each year we supply in excess of six million tons of agricultural products across the world.

Financial Highlights

USD million except ratios and EPS	FY2014	FY2013	y-o-y
Income statement highlights			
Revenue	**2,393.3**	2,796.8	(14.4%)
EBITDA[1]	**223.0**	287.5	(22.4%)
Net (loss)/profit attributable to equity holders of Kernel Holding S.A.	**(98.3)**	111.6	n/m
EBITDA margin	**9.3%**	10.3%	(1.0pp)
Net margin	**(4.1%)**	4.0%	(8.1pp)
EPS, USD	**(1.23)**	1.40	n/m
Cash flow highlights			
Operating profit before working capital changes	**195.5**	288.0	(32.1%)
Changes in working capital	**(0.9)**	135.4	n/m
Cash generated from operations	**194.7**	423.5	(54.0%)
Net cash generated by operating activities	**82.5**	303.9	(72.9%)
Net cash used in investing activities	**(83.2)**	(266.1)	(68.7%)
Credit metrics			
Net interest-bearing debt	**684.0**	655.3	4.4%
Readily marketable inventories	**243.4**	175.1	39.0%
Adjusted net debt[2]	**440.6**	480.2	(8.2%)
Shareholders' equity	**1,029.7**	1,335.5	(22.9%)
Net debt/EBITDA	**3.1x**	2.3x	+0.8x
Adjusted net debt[2]/EBITDA	**2.0x**	1.7x	+0.3x
EBITDA/Interest	**3.1x**	3.8x	(0.7x)

Note: Financial year ends 30 June.
1 Hereinafter, EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation.
2 Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.
Source: Kernel.

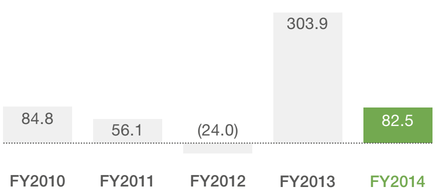
EBITDA
(USD million)



$223.0m

EBITDA is calculated as the sum of the profit from operating activities plus amortization and depreciation.

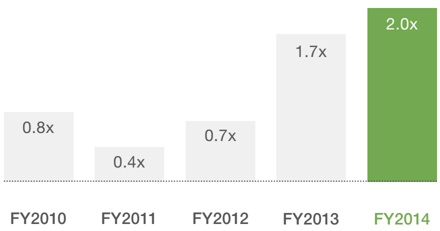
Net cash from operations
(USD million)



$82.5m

Cash obtained from operations including changes in working capital minus finance costs and income tax paid.

Adjusted net debt/EBITDA



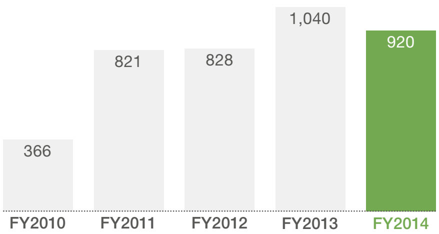
2.0x

Adjusted net financial debt is the sum of short-term interest-bearing debt, current maturities of long-term interest-bearing debt and long-term interest-bearing debt, less cash and cash equivalents, marketable securities and readily marketable inventories.

Source: Kernel.

Operating Highlights

Sunflower oil sold in bulk
(thousand tons)



FY2014 performance

The 12% y-o-y decline in FY2014 is explained by negligible sales in the first quarter, which were poor because of the low availability of sunflower seed from the 2012 harvest and low carry-over sunflower oil inventories.

As the new crop was harvested in September-October 2013 at 11.1 million tons in Ukraine (vs. 8.4 million tons a year earlier), sunflower seed crush and sales volumes of sunflower oil in bulk revived in the second to fourth quarters of our financial year and were in line with production at close-to-full capacity utilization.

Sunflower oil sold bottled
(million liters)

FY2014 performance

71% of our bottled oil was sold in Ukraine in FY2014, in line with the previous year, while remaining volumes were exported to nearby countries.

Our full year bottled oil sales volumes were down 13% y-o-y, primarily because of sales during the first quarter of the financial year that were lower y-o-y and due to a slight decline in volumes of branded sales, as we increased the price premium of our brands to private labels – a move that proved to be profit-positive in the reporting year.

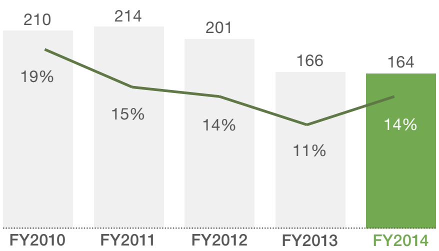
Grain sales
(thousand tons)

FY2014 performance

Our strong grain sales growth of 40% y-o-y in FY2014 came from an upsurge in exports from Russia, as this year was our first full season of operations at the Taman grain port, which was acquired through a 50/50 joint venture in FY2013.

Volumes in Ukraine were up, though at a slower pace than the export surplus from the country, as a less aggressive approach to volumes was required this season in order to achieve overall better profits.

Sunflower oil sold in bulk EBITDA
(USD/ton, %)



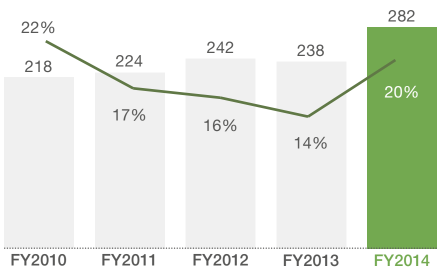
The sunflower oil sold in bulk segment's EBITDA divided by tonnage of sunflower oil sold in bulk or as a percentage of revenues.

FY2014 performance

The segment's profitability improved in Q2-Q4 FY2014 y-o-y as Ukraine's sunflower seed harvest provided ample supply of feedstock, lowering competition among crushers compared to the previous year. As a percentage of sales, the sunflower oil in bulk segment's EBITDA was about 16% in Q2-Q4 FY2014, driving the full-year figure to 14% in FY2014, compared to 11% in FY2013.

Note: Hereinafter, segment EBITDA is presented prior to certain unallocated G&A costs.
Source: Kernel.

Bottled sunflower oil EBITDA
(USD/thousand liters, %)

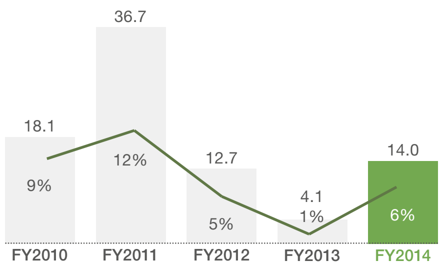


The bottled sunflower oil segment's EBITDA divided by volumes of bottled sunflower oil sold measured in thousand liters or as a percentage of revenues.

FY2014 performance

The drop in global sunflower oil prices in the beginning of the 2014 financial year increased the bottled segment's profits as the natural stickiness of retail prices allowed for earning extra profits for a prolonged period of time and we utilized the moment to increase our brands' price premium. And even though Ukrainian hryvnya devaluation in the second half of the financial year reversed the trend and put upward pressure on retail prices, the bottled oil segment's full year EBITDA was strong in FY2014.

Grain segment EBITDA
(USD/ton, %)



The grain segment's EBITDA divided by tonnage of corn, wheat, barley, soybean and rapeseed sold or as a percentage of revenues.

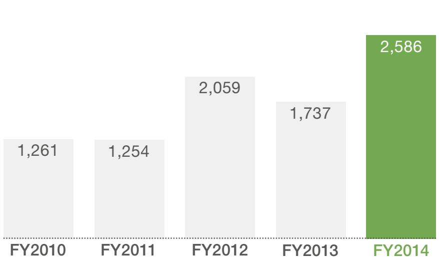
FY2014 performance

While competition remained strong during the first half of the financial year as farmers were reluctant to sell their crops in the low price environment, grain export profitability improved in the second half of the year. This was due to the uncertainty over the government's intention to renew refunds of VAT on grain export, which improved grain trading margins and farmers turning into heavy-sellers during the spring planting campaign.

As a result, full year EBITDA per ton improved to 6% in FY2014 from a low 1% a year ago.

Operating Highlights continued

Grain received in inland silos
(thousand tons)

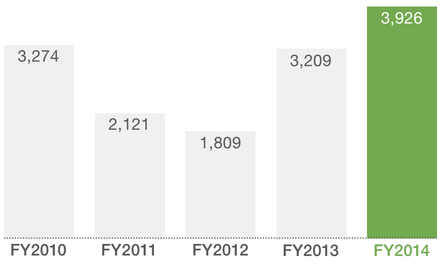


FY2014 performance

We commissioned 200,000 tons of new grain silo capacity in storage-deficit regions in FY2014, boosting our total storage capacity to 2.8 million tons.

Capacity expansion along with the country's strong harvest allowed us to boost throughput to 2.6 million tons in FY2014, up 49% y-o-y and increasing our capacity utilization to 92% in FY2014 compared with 67% a year ago.

Export terminals throughput
(thousand tons)

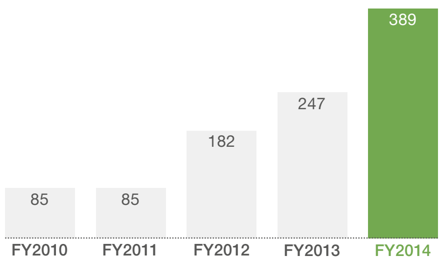


FY2014 performance

Export terminals' throughput increased 22% y-o-y as a result of improved utilization at our Taman grain transshipment facility where we operated for the first full season following acquisition through a 50/50 joint venture in FY2013.

Ukraine's throughput volumes slightly decreased y-o-y, reflecting lower sunflower oil transshipment at our port in Mykolaiv.

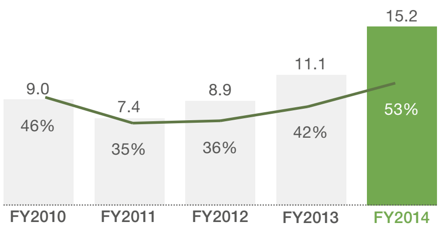
Acreage harvested
(thousand hectares)



FY2014 performance

Our harvested acreage increased to 389 thousand hectares in FY2014, up 58% compared to the previous year following two acquisitions completed in the second half of FY2013.

Silo services EBITDA
(USD/ton, %)



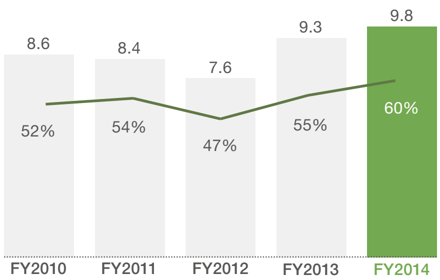
The silo services segment's EBITDA divided by throughput for the full financial year or as a percentage of revenues. Services provided intra-group were accounted for at an arm's-length basis.

FY2014 performance

Utilization growth reduced fixed costs per ton, benefitting the segment's profitability in the reporting year.

A further earnings boost came from unusually rainy weather in September-October 2013, which forced farmers to harvest autumn crops with excessive moisture boosting demand for grain drying services provided at silos – a highly profitable service, especially at silos like ours, which are equipped with modern drying equipment.

Export terminals EBITDA
(USD/ton, %)

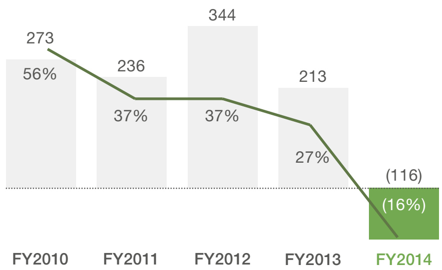


EBITDA derived from providing transshipment services by our two export terminals in Ukraine divided by their throughput volumes for the full financial year or as a percentage of revenues. Services provided intra-group were accounted for at an arm's-length basis. Excludes Taman volumes and earnings, which are reported under the equity method of accounting.

FY2014 performance

Transshipment services' profitability was unchanged y-o-y, with a slight increase in EBITDA per ton to USD 9.8 in FY2014 from USD 9.3 in FY2013.

Farming segment EBITDA
(USD/hectare, %)



The farming segment's EBITDA divided by average acreage during the period.

FY2014 performance

While the average 28% y-o-y decline in farm gate prices was the most significant factor behind the slump in profitability, our crop yields were below management expectations and costs were negatively affected by abnormally high drying expenses, which were caused by continuous rains during harvesting.

Source: Kernel.

Chairman's Statement
Andriy Verevskyy

$223.0m

EBITDA in the financial year ended 30 June 2014

$98.3m

Net loss attributable to equity holders of Kernel Holding S.A. in the financial year ended 30 June 2014

$0.25

Recommended dividend per share for the year ended 30 June 2014

Dear shareholders,

We are reporting our results for the 12 months ended 30 June 2014: our revenues were down 14% y-o-y to USD 2,393 million and our EBITDA decreased 22% y-o-y to USD 223 million. Our net loss amounted to USD 98 million in FY2014 compared to a profit of USD 112 million a year earlier.

This year is probably the most difficult for our country since it became independent and it is hard to believe that the country has gotten into this political situation, which has worried not only Ukrainians but the whole world. Obviously, the current political environment has put a negative perception on business activity in Ukraine.

The year behind was challenging and reflected different market factors: a plunge in soft commodity prices, low sunflower seed stocks carried forward from the previous year, and substantial depreciation of the Ukrainian hryvnya. At the same time, we enjoyed strong grain and sunflower seed harvests in Ukraine and Russia. I will review our businesses to discuss the key events that shaped our performance in FY2014.

Sunflower oil

The start of the financial year in the sunflower oil business was affected by the previous poor harvest as virtually no sunflower seeds were available in the market toward the end of the crushing season (September 2012-August 2013). As a result, the sunflower oil business delivered very poor volumes and earnings in the first quarter of FY2014 and was characterized by abnormally low capacity utilization. The new sunflower seed harvest came in September-October at a record 11 million tons in Ukraine, growth of about 2 million tons compared to the previous year.

The strong supply of raw material ensured good industry-wide utilization and improved our crushing margins starting from the second quarter. Bottled oil sales in the domestic market also outperformed our expectations: the segment posted a sound profitability premium to sales in bulk as global prices declined compared to the previous year.

Grain and infrastructure

The grain and infrastructure business posted a record contribution. Ukraine's grain harvest reached 63 million tons, as farmers planted a historically high acreage with corn. At the same time, Russia's grain harvest was historically average, at 92 million tons, but significantly higher than the previous year's. Consequently, Ukraine's total grain exports increased to a high 32 million tons in 2013/14 and Russia's exports reached 26 million tons, growth of 1.4x and 1.6x y-o-y, respectively. This enabled us to post 40% y-o-y growth in grain sales to 4.2 million tons in FY2014 and drove the throughput of our infrastructure assets. The profitability of grain and infrastructure was strong throughout the year, with an additional upsurge in silo services due to rainy autumn weather, which required more grain drying services at silos. Our increased internal grain production also provided incremental volumes to our grain and infrastructure throughput levels, as approximately 85% of our crop production went through other segments, earning extra profits along the supply chain. >

Chairman's Statement continued

Farming

Farming was the worst performing segment in FY2014, posting negative EBITDA of USD 44 million and becoming one of the key reasons for our poor financial performance in the year. Unlike other parts of our business, the farming segment is directly exposed to global soft commodity price volatility. In early FY2014, global grain and vegetable oil prices plunged, driven by growth in production. This resulted in a material decline in farm gate prices in Ukraine, following the global trend. As a result, the average price for agricultural produce declined by 28% year-on-year. At the same time, production costs were high, as most inputs were procured and used in a high price environment – prior to the downward shift in the commodity cycle. Additionally, heavy rain through most of the autumn increased the moisture content in harvested crops. This translated into higher drying costs during intake at silo storage, driving our production costs by up to 15% above budgeted levels.

In addition to negative external factors, we were absolutely not pleased with crop yields delivered by our farming segment. Though yields increased for all crops, they were behind management's expectations. Owing to both external and internal factors, we posted our first-ever loss from farming operations in FY2014.

Last year we changed the leadership of our farming division and made a detailed review of our operations, which resulted in a material advance in our production technology already for the harvest of FY2015.

Ukrainian hryvnya devaluation

I would also comment on the impact of the sharp devaluation of the Ukrainian hryvnya in FY2014 on our business. Having 90% of revenues coming from exports and about 80% of expenses linked to the US dollar, we essentially run almost a dollar-based business. At the same time, the positives and negatives of hryvnya devaluation have had slightly different timeframes. As the hryvnya sharply devalued by 32% in the second half of FY2014, we posted a USD 54 million loss from the revaluation of our local currency denominated VAT receivables and also revalued some other assets and liabilities. With the resulting forex loss affecting our net income in FY2014, most of the benefits are expected to be seen in FY2015.

Dividends

In line with our dividend policy, our board of directors recommends to the general meeting of shareholders to approve an ordinary dividend of USD 0.25 per share.

FY2015 outlook

As for the outlook for FY2015, I would start with sunflower oil. As Ukraine is expected to produce about 10 million tons of sunflower seed – strong but lower than the previous year's figure. This, however, will be more than compensated by the record high utilization of our crushing plants in the first quarter, the fact that many small and medium crushers lack access to working capital financing, and that almost one million tons of capacity in the east is out of the market this year. Taking into account all these factors, we expect to crush 2.4-2.5 million tons of sunflower seed in FY2015 with a healthy margin.

In grain and infrastructure, we forecast that Ukraine will deliver approximately 60 million tons of grain crops, which will ensure high export volumes of approximately 30 million tons. Russia's exports are also likely to reach 30 million tons, driven by a higher-than-average harvest of about 100 million tons of grains. This leads us to believe we can increase our grain exports to 4.5-5.0 million tons in FY2015 and we expect our export terminals and silo services to follow these dynamics.

In farming, our autumn crop harvesting is currently underway. While final detailed data will be available closer to the end of November, the numbers to date show material progress across the board, with y-o-y yield growth of about 30% for corn and soybean and 20-25% growth for sunflower seed and wheat. Meanwhile, production costs per hectare are down significantly compared to the previous year because of hryvnya devaluation. However, unfortunately for our farming division, global soft commodity prices further declined this year as U.S. farmers are experiencing their best weather pattern in the last 30 years. With prices remaining a key uncertainty factor, we expect the farming segment's contribution to be positive in FY2015 but definitely below our initial expectations because of a strong correction in soft commodities prices.

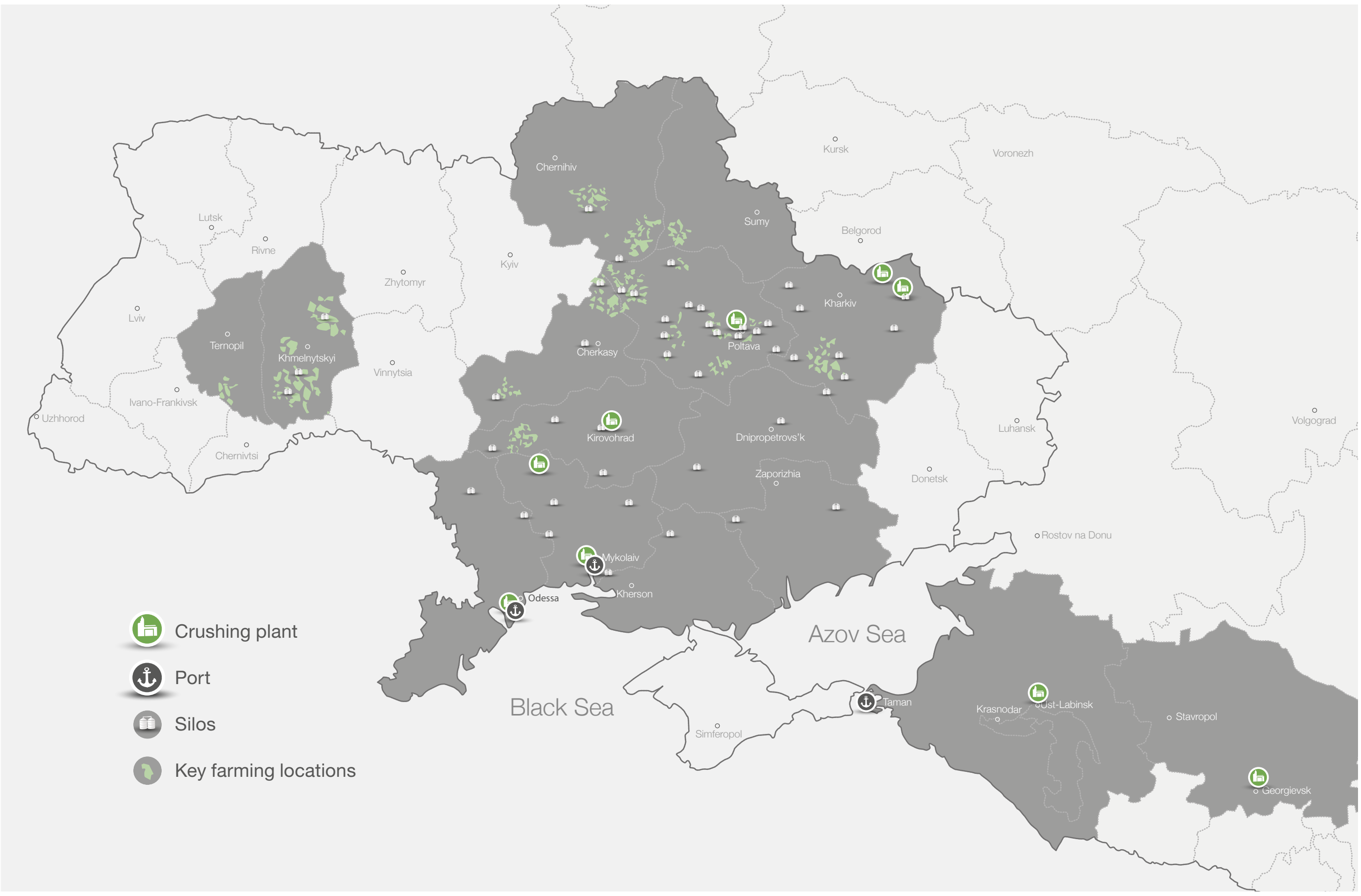
In general, we believe we are heading in the right direction with the changes introduced in our farming arm. What our farming management is seeing is just the beginning of a trend, while we still have lots of things to improve in our management structure and technology process. Ultimately, within the next two-three seasons, we want to see our farming operations to set an industry standard for operational excellence, outperforming the results of our key industrialized competitors in the country. The whole Kernel team is committed to this goal and there is nothing to prohibit us from reaching it.

I would also like to express my gratitude to our banks who continue to partner with our business despite the challenging times for the country. We have secured all required facilities for this marketing season and do not have any long-term debt maturing this year. At the same time, our CapEx plan for this year stands at only USD 55 million, which should further strengthen our financial position.

In conclusion, despite the negative sentiment around Ukraine, our business is doing well, which is evidenced by the outstanding performance of our core business. We are optimistic about the year ahead. We have fully procured our working capital needs. Throughout the political turbulence, we have operated as usual with all of our people and assets safe. We cut our CapEx plans and will use this period of instability to de-leverage and straighten our balance sheet. And we remain in a leadership position in the sector.

Andriy Verevskyy
Chairman of the board of directors
21 October 2014

Kernel at a Glance



Segment results summary

	Revenue, USD million			EBITDA, USD million			EBITDA margin		Volumes, thousand tons		
	FY2014	FY2013	y-o-y	FY2014	FY2013	y-o-y	FY2014	FY2013	FY2014	FY2013	y-o-y
Sunflower oil											
Sunflower oil sold in bulk	1,079.0	1,527.7	(29.4%)	151.2	173.2	(12.7%)	14.0%	11.3%	920.3	1,040.3	(11.5%)
Bottled sunflower oil	132.6	182.6	(27.4%)	26.6	25.8	3.3%	20.1%	14.1%	94.4[1]	108.2[1]	(12.8%)
Grain and infrastructure											
Grain	1,053.6	972.3	8.4%	59.4	12.5	4.7x	5.6%	1.3%	4,243.5	3,021.7	40.4%
Export terminals	45.5	49.1	(7.3%)	27.3	27.1	0.8%	60.1%	55.2%	3,926.4[2]	3,209.2[2]	22.3%
Silo services	74.5	46.4	60.6%	39.2	19.4	2.0x	52.6%	41.8%	2,584.3	1,736.6	48.8%
Farming											
Farming	290.1	193.1	50.2%	(44.3)	67.7	n/m	(15.3%)	35.0%	1,375.3	613.6	2.2x
Sugar and discontinued operations[3]	34.9	29.3	19.2%	0.3	(4.0)	n/m	1.0%	(13.6%)	57.8	46.1	25.6%
Unallocated corporate and other				(36.7)	(34.1)	7.6%					
Revenue reconciliation	(317.0)	(203.7)	55.6%								
Total	2,393.3	2,796.8	(14.4%)	223.0	287.5	(22.4%)	9.3%	10.3%			

Note: Differences are possible due to rounding.
1 Million liters.
2 Including 1,144,717 tons transshipped through Taman port in FY2014 and 298,802 tons in FY2013 (Kernel's share in joint venture). Earnings from the joint venture are accounted for below EBITDA.
3 Discontinued operations from sugar and assets held for sale.
Source: Kernel.

Kernel at a Glance continued

Sunflower oil

We are the largest producer of sunflower oil in the Black Sea region, with our share in global trade of sunflower oil standing at 13% in 2013/14[1].

We operate nine oilseed crushing plants, with a total annual capacity of 2.9 million tons of sunflower seed located across the sunflower seed growing belt in Ukraine (88% of capacity) and Russia.

Approximately 90% of our sunflower oil production is exported across the world, with India, the Middle East, North Africa and southern Europe being key destinations. Global consumption of sunflower oil has been growing at 5% per year on average for the last ten years.

Another 10% of volumes are bottled and sold in Ukraine and neighboring countries, primarily through our three brands that have dominating market positions and premium pricing compared to private labels.

Our business model is margin-driven: when purchasing sunflower seed from farmers, we enter into forward sale contracts for sunflower oil, effectively locking-in our margin.

The sunflower oil business is reported under two operating segments:

→ sunflower oil sold in bulk;
→ bottled sunflower oil.

▶ For more info on our sunflower oil business, see pages **15-20.**

1 Based on USDA data on global trade.

Grain and infrastructure

As one of the largest grain exporters in the Black Sea region, we annually supply over 4 million tons of grains to global markets.

Our business model is based on buying grain from farmers either at farm gate or inland silos and simultaneously selling volumes through forward contracts to international off-takers.

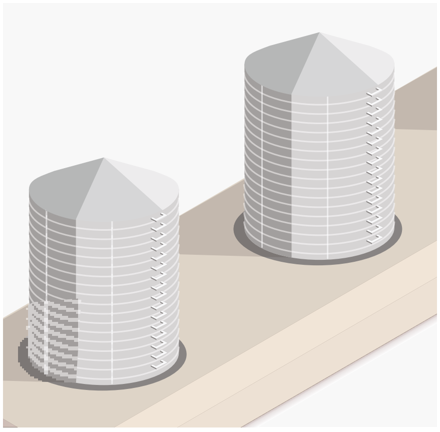
We manage logistics from farmer to the port of choice, owning critical infrastructure assets along the supply chain.

Our silo network of 2.8 million tons is the largest in Ukraine and provides grain drying, cleaning and storage services to third party farmers and our own crop production division. Last year, we commissioned 200,000 tons of best-in-class storage capacity in regions where there is a deficit to support our own farming and grain export business.

We operate two deep-water grain export terminals, which are critical for our grain export business. The majority of our grain exports from Ukraine go through our 4 million ton transshipment facility in the port of Illichevsk and our exports from Russia are routed through a 4 million ton[2] jetty facility on the Taman peninsula, the latter owned through a 50/50 joint venture.

This business is reported under three operating segments:

→ grain;
→ silo services;
→ export terminals.



▶ For more info on our grain and infrastructure business, see pages **21-25.**

2 Total facility capacity following expansion completed in September 2014.

Farming

We are the second largest crop producer in Ukraine, with 389,000 leasehold hectares being farmed and annual production of 1.4-2.0 million tons of grain and oilseeds.

Our acreage is located across the so-called black soil region in the central and western parts of Ukraine, areas with sufficient precipitation levels.

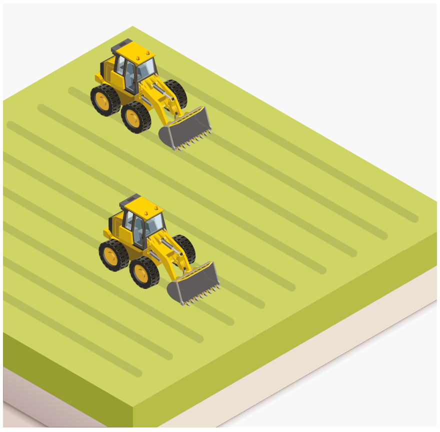
Our crop mix is focused on four crops, with corn comprising 40-50% of the total, sunflower seed and soybean splitting about 40% of the acreage and wheat and other minor crops comprising the rest.

Virtually all crops produced are exported through our grain and infrastructure division or processed at our plants (in the case of sunflower seed).

Sales prices follow global soft commodity levels and, unlike our other segments, farming materially depends on global commodity price movements. This makes the farming part of our business the most volatile, but also the most profitable on average. Up to one-third of total volumes are contracted ahead of production, while remaining volumes are sold throughout the year.

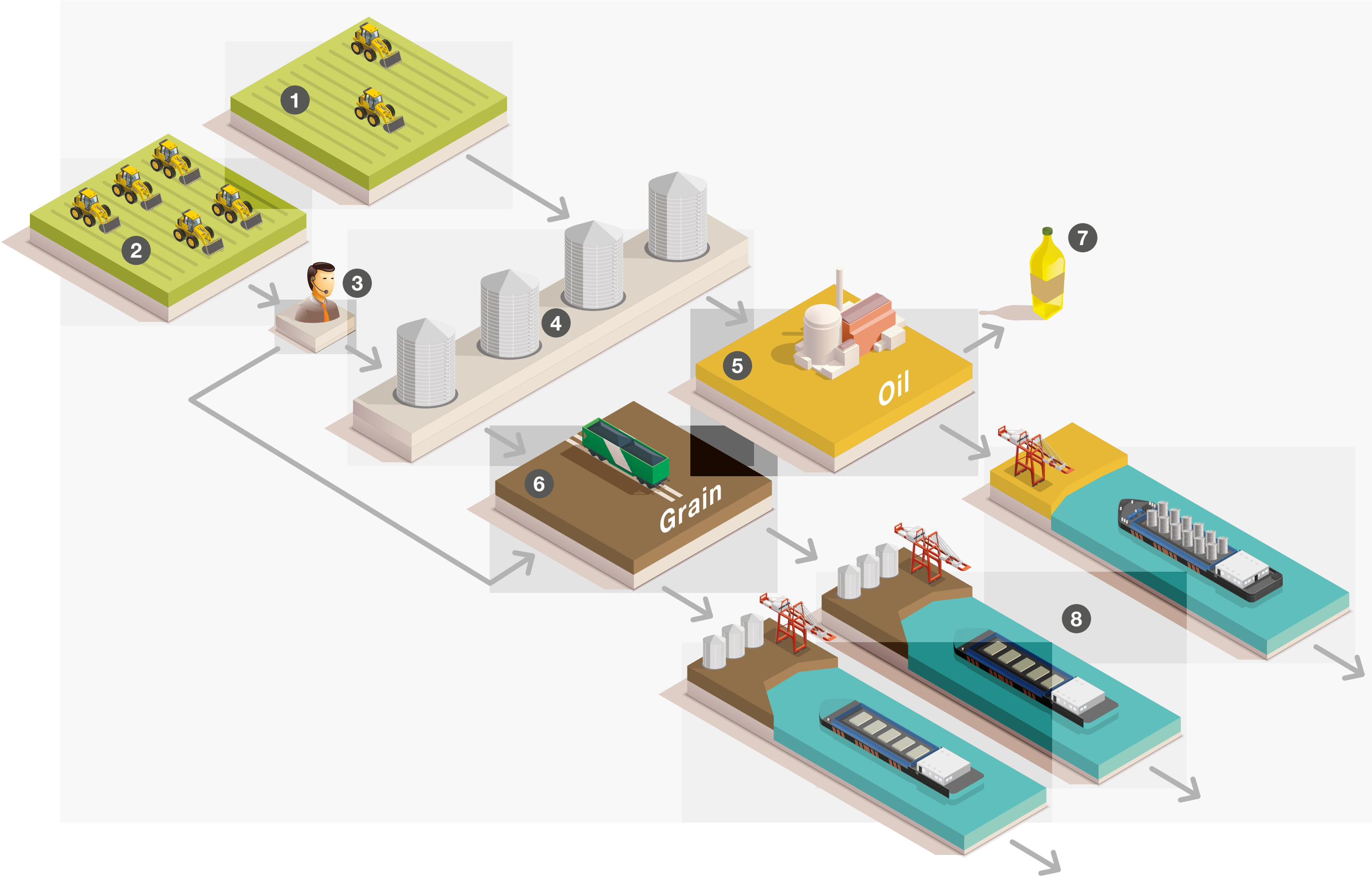
This business is reported under two operating segments:

→ farming;
→ sugar.



▶ For more info on our farming business, see pages **26-30.**

Our Business Model



1 Own farming 2 Third party farmers

We farm 389,000 hectares of farmland in Ukraine, producing a variety of crops including corn (40-50% of acreage), sunflower seed and soybean (40% of acreage combined), as well as wheat and forage crops. Annually, our farms produce 1.4-2.0 million tons of grains and oilseeds that are supplied to our supply chain: this secures 20-30% of our total grain export and 6-9% of sunflower seed crush volumes. Remaining volumes are supplied by third party farmers.

3 Origination

Our origination network is one of the largest and the most efficient in the region: it annually procures in excess of 2 million tons of sunflower seeds and approximately 3 million tons of grains from about 5,000 farmers. Our daily contact with farmers and reputation as a trustworthy counterparty ensures we are a buyer of a choice for small and large crop producers.

4 Silo storage

We operate 2.8 million tons of silo storage capacity located across different regions of Ukraine. Silos provide grain drying, cleaning and storage services to our own and third party farmers. We view silo services as a vital element of our captive origination platform.

5 Sunflower seed processing plants

Our nine oilseed crushing plants have a processing capacity of 2.9 million tons of sunflower seed per year. One ton of sunflower seed produces an average yield of 44% sunflower oil and 39% sunflower meal and husks. Approximately 90% of sunflower oil production is exported to a variety of global markets, with India, the Middle East and the EU being key destinations. Sunflower meal is exported to the EU, where it is used as a protein component in livestock fodder. Husks are burnt to produce green energy.

6 Grain export

Our export team sells over 4 million tons of grains and oilseed annually, entering into forward sales contracts within the same time frame as our origination team buys grains and oilseed from farmers, thus locking in the margin at the moment of procurement. Approximately 80% of grains are delivered to the Middle East, North Africa and the EU, while about 20% are exported to Eastern Asia and Sub-Saharan Africa.

7 Bottled sunflower oil

Approximately 10% of our production of sunflower oil is bottled and sold in Ukraine and abroad under three brands and private labels.

8 Export terminals

We operate two deep-water grain export terminals (one is 50/50 owned through a joint venture) and one small edible oil terminal with an aggregate capacity to transship up to 7 million tons per year.

Our Strategy

In pursuing leadership in the export-oriented agriculture business in the Black Sea region, we follow a strategy based on fixed imperatives, strategic pillars and the ultimate goal of maximizing our shareholders' value.

Group imperatives	Strategic pillars	Mid-term action plan	Ultimate goal
Focus on margin Excellence Integrity Market expertise Risk aversion	Geographic focus Strong asset base Operational discipline	Consolidate the oilseed crushing industry in Ukraine Increase annual grain export volumes to 6 million tons and grain export terminals' throughput to 5 million tons per year Decrease our crop production costs by 20% in constant prices	Maximize shareholders' value

Our strategic pillars in detail

Geographic focus
Our belief is that the Black Sea region, with Ukraine and Russia playing the principal roles, is one of the world's fastest-growing suppliers of soft commodities. We utilize our local footprint and experience to profit from this growth.

Strong asset base
We aim to control critical assets throughout the food export value chain that serve as the backbone for building export flows of different agricultural commodities and improve our earnings quality.

Operational discipline
Our 'balanced book' policy of locking in the margin as we sell agricultural commodities through forward contracts within the same time frame as we buy them from farmers ensures our risk exposure to commodity price volatility is minimized. We are also averse to counterparty risk.

FY2014 strategic deliverables

Our oilseed crushing arm's operational team successfully identified low CapEx capacity expansion opportunities at two of our crushing plants this year. With implementation to be completed in the middle of FY2015, these projects are expected to increase our crushing capacity by 5%.

Grain exports reached 4.2 million tons in FY2014, up 40% y-o-y. Most of this growth was the result of our investment into a 50/50 joint venture to acquire one of the largest deep-water grain export terminals in Russia, which we made in FY2013 in line with our strategy to control critical assets in the value chain.

The reorganization of our crop production operations to achieve better production costs by improving crop yields reached the peak stage in FY2014. Under new management, technology was altered to apply fertilizer in autumn, reduce the planting campaign window and improve seed and plant protection products' quality. With a goal of reaching our peers' best operational results within three years, a leap in progress should be visible already in autumn 2014 crop yields, which are currently expected to grow by more than 20% y-o-y.

Group Performance in FY2014

$2,393.3m

Revenues in FY2014

$223.0m

EBITDA in FY2014

2014 proved the benefits of our integrated business model: while commodity cycle reversal pushed our farming business into the red and local currency devaluation resulted in a one-off loss, our sunflower oil, grain and infrastructure improved profitability and volumes, supporting our EBITDA.

FY2014 was an uneven year for our business. We delivered 1.2-1.5x y-o-y growth in the volumes of our grain and infrastructure businesses and more than doubled our own crop production. Our sunflower oil production plants reached close to full utilization on a record high sunflower seed crop in Ukraine and their contribution to the Company's EBITDA reached a historical maximum during Q2-Q4 of the financial year. At the same time, the summer drought in 2012 in Ukraine meant no sunflower seed stocks were carried over on the market, which caused our sunflower oil segments to provide an unusually low contribution in the first quarter of the financial year 2014, dragging down the annual results.

Global soft commodity prices plunged, leading to an average 28% y-o-y decline in our farm gate prices, which pushed our farming segment into the red. Our crop yields were also below management expectations.

FY2015 looks promising: while the farming segment's contribution is expected to be positive albeit below cycle due to depressed global prices; the sunflower oil, grain and infrastructure businesses are anticipated to deliver stable earnings. Additionally, hryvnya devaluation should further benefit our profits. >

Key market highlights

- → The sunflower seed harvest in Ukraine increased to 11.1 million tons in 2013/14[1] from 8.4 million tons a year earlier, proving an ample raw materials base for our oilseed crushing business starting from Q2 FY2014.
- → Ukraine's grain production was strong on record corn acreage in 2013/14, resulting in all-time high grain and oilseed exports of 35 million tons, up 1.4x y-o-y and improved infrastructure asset utilization. Russia's grain export was up 1.6x y-o-y to 26 million tons in 2013/14.
- → Strong grain production globally pushed international grain prices down in 2013/14. As prices in Ukraine fully correlate with global ones, farm gate grain and oilseed prices decreased 8-34% y-o-y.

Segment performance

For sunflower oil, grain and infrastructure, and farming segment performance, see pages 15-20, 21-25 and 26-30 respectively.

1 2013/14 refers to the 12-month period linked to the beginning of harvesting: September for sunflower oil and seed, October for corn and July for wheat, barley and rapeseed.

Group Performance in FY2014 continued

Income statement highlights

Our EBITDA for the year ended 30 June 2014 was USD 223.0 million, a 22% y-o-y decline, which reflects a mix of record profits from our grain and infrastructure, solid income from sunflower oil business and negative earnings from the farming segment.

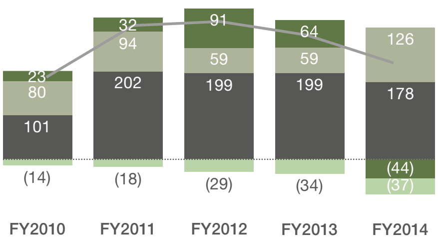
The sunflower oil business' contribution was USD 177.8 million in FY2014, down 11% y-o-y due to negligible earnings in the first quarter (which reflected the results of the previous year's low harvest) while in the second to fourth quarters there was excellent performance on the back of improved sunflower seed availability in Ukraine.

Our grain and infrastructure business contributed USD 125.8 million to the Company's EBITDA in FY2014 (up 2.1x y-o-y) on the back of strong 40% grain sales volumes growth and exceptional performance from silo services.

The farming segment's EBITDA was at negative USD 44.3 million in FY2014, a decline caused by a 28% y-o-y decrease in the average selling price and crop yields below management expectations.

For a detailed explanation of operating and financial performance for sunflower oil operations, please refer to pages 15-20 of the report, for grain and infrastructure – pages 21-25, and for farming – pages 26-30.

Kernel's EBITDA split (USD million)



Source: Kernel.

Revenues

The Company's revenues were USD 2,393.3 million in FY2014, down 14% y-o-y. While the Company's sales volumes increased across most segments, global prices for all soft commodities declined y-o-y, with the Company's key product prices down in excess of 20%.

Income statement highlights

USD million	FY2014	FY2013	y-o-y
Revenue	**2,393.3**	**2,796.8**	**(14.4%)**
Net IAS 41 gain	**(17.1)**	14.9	n/m
Cost of sales	**(1,968.0)**	(2,361.0)	(16.6%)
Gross profit	**408.2**	**450.6**	**(9.4%)**
Other operating income	**60.5**	66.5	(9.1%)
Distribution costs	**(262.9)**	(238.1)	10.4%
G&A expenses	**(77.0)**	(78.2)	(1.5%)
Operating profit	**128.7**	**200.9**	**(35.9%)**
Finance costs, net	**(72.5)**	(74.9)	(3.2%)
Foreign exchange (loss)/gain, net	**(98.8)**	2.9	n/m
Other expenses	**(51.8)**	(5.7)	9.1x
Share of gain/(loss) in joint venture	**3.9**	(2.2)	n/m
(Loss)/Profit before income tax	**(90.4)**	**121.0**	**n/m**
Income tax expenses	**(11.4)**	(6.2)	84.3%
Loss from discontinued operations	**(5.6)**	(9.6)	(41.7%)
Net (loss)/profit attributable to equity holders of Kernel Holding S.A.	**(98.3)**	**111.6**	**n/m**
Non-controling interest	**(9.1)**	(6.3)	43.6%
EBITDA	**223.0**	**287.5**	**(22.4%)**

Source: Kernel.

IAS 41

The net change in the fair value of biological assets and agricultural produce amounted to negative USD 17.1 million in FY2014 compared to positive USD 14.9 million in FY2013. The component includes a positive gain from revaluing crops in the fields to fair value less the cost to sell as of 30 June 2014 and expensing of the respective gain booked a year earlier, as well as a change in the fair value of live animals. The amount for FY2014 was negative due to the y-o-y decline in global grain and oilseed prices.

Gross profit

Gross profit came to USD 408.2 million in FY2014, compared to USD 450.6 million a year earlier, a decline of 9% y-o-y.

Other operating income

The Group's other operating income amounted to USD 60.5 million in FY2014, versus USD 66.5 million a year earlier. As last year, the biggest components were the gain on sale of US dollars caused by the discrepancy between the official exchange rate (used for accounting purposes to convert the payments executed in Ukrainian hryvnya to US dollars, the Group's functional currency) and the market exchange rate (at which the Group effectively exchanges US dollars to settle payments in local currency); as well as the VAT subsidy related to the farming segment. For the detailed breakdown, please refer to Note 26 to the financial statements.

Distribution costs

The Company's distribution costs increased 10% y-o-y to USD 262.9 million in FY2014, reflecting 23% growth in the Company's total volumes of grains and oilseed procured. As a percentage of revenues, distribution costs amounted to 11.0% in FY2014, compared to 8.5% a year earlier, reflecting significantly lower global agricultural commodities prices and a higher share of grains compared to more expensive sunflower oil in the Company's volumes structure. Distribution costs per ton were comparable in the first half of the financial year to the previous season and have declined since February 2014, reflecting the devaluation of the Ukrainian hryvnya.

General and administrative expenses

General and administrative expenses totaled USD 77.0 million in FY2014, compared to USD 78.2 million in FY2013, with the y-o-y decline reflecting a combination of devaluation of the hryvnya and continued growth of the business. As a percentage of revenues, G&A costs amounted to 3.2% in FY2014, compared to 2.8% a year earlier due to a significant decline in sales prices. >

Group Performance in FY2014 continued

Operating profit
Profit from operating activities amounted to USD 128.7 million in FY2014, compared to USD 200.9 million a year earlier. The 36% y-o-y decline reflected movements in the Group's EBITDA and a 9% y-o-y increase in depreciation and amortization charges due to the consolidation of companies acquired in late FY2013.

Finance costs
The Company's finance costs declined 3% y-o-y to USD 72.5 million in FY2014 as a result of a decrease in working capital requirements due to lower soft commodity prices and the Company's growing throughput and internal crop production operations. The average financing cost was comparable to the previous year.

Foreign exchange loss
Foreign exchange losses were USD 98.8 million in FY2014, versus a gain of USD 2.9 million a year earlier, reflecting 32% devaluation of the local Ukrainian currency during the reporting period, which led to the revaluation of outstanding VAT receivables as well as certain assets and liabilities of the Company's subsidiaries that use the Ukrainian hryvnya as their functional currency (grain silos and crop production entities).

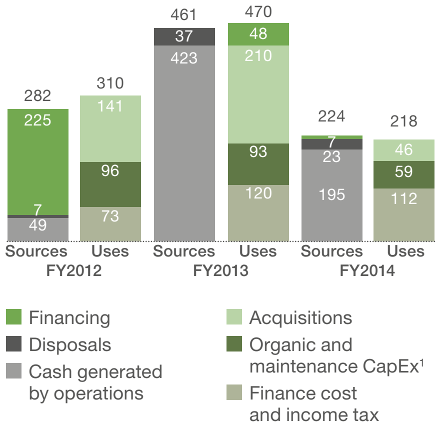
Other expenses
Other expenses came to USD 51.8 million in FY2014, compared to USD 5.7 million in FY2013, reflecting a loss related to the disposal of the Nevinnomyssk oilseed crushing plant and financial instruments.

Income tax
The Company's income tax expenses amounted to USD 11.4 million in FY2014, compared to USD 6.2 million a year earlier.

Net profit
As a result of the aforementioned developments, the net loss for the period attributable to the equity holders of Kernel Holding S.A. was USD 98.3 million in FY2014, compared to a profit of USD 111.6 million in FY2013.

Cash flow highlights

Sources and uses of cash (USD million)



Source: Kernel.

Net cash provided by operating activities
Operating profit before working capital changes was USD 195.5 million in FY2014, compared to USD 288.0 million a year earlier, with the difference primarily explained by the same factors affecting the decline in the Company's EBITDA.

Working capital increased by USD 0.9 million in FY2014 (compared to a decrease of USD 135.4 million in FY2013). Inventories as of 30 June 2014 increased y-o-y as the Company secured a sufficient stock of sunflower seed and sunflower oil to go through the seasonally low first quarter of the next financial year.

Accounting also for finance costs and income tax paid, which were generally in line with the previous year, net cash provided by operating activities totaled USD 82.5 million in FY2014, compared to USD 303.9 million a year earlier.

Net cash used in investing activities
Net cash used in investing activities came to USD 83.2 million in FY2014, versus USD 266.1 million a year ago. The high amounts in FY2013 and approximately 67% of the FY2014 figure reflected payments for acquisitions completed in FY2013.

During the financial year ended 30 June 2014, the Company did not make any significant acquisitions while repaid amounts due for previously completed acquisitions. Our organic capital investments amounted to USD 59.4 million and reflected the construction of silo storage facilities, seed plant for crop production and maintenance CapEx.

In line with our strategy to exit the sugar business, the Company also divested the fixed assets of the Orzhytsa sugar plant for USD 5.1 million during the reporting year. In addition, the Company sold its least efficient small oilseed crushing plant in the Russian Federation for an enterprise value of USD 10.0 million. >

1 Organic and maintenance capital expenditure excludes acquisitions and disposals.

Group Performance in FY2014 continued

Credit metric highlights

The table opposite indicates total outstanding short- and long-term interest-bearing debt as of 30 June 2014 and 30 June 2013.

The Company's net debt increased 4% y-o-y to USD 684.0 million as of 30 June 2014, as the Company's operating cash flow was only slightly above organic capital expenditures and the Company repaid due amounts for acquisitions completed in previous periods.

At the same time, 51% of the Company's short-term debt as of 30 June 2014 was covered by readily marketable inventories (vs. 38% a year earlier), such as corn, soybean, wheat and sunflower oil, which could be easily converted into cash due to their commodity characteristics, widely available markets and international pricing mechanism. Hence, the Company's adjusted net debt (excluding readily marketable inventories) stood at USD 440.6 million as of 30 June 2014 compared to USD 480.2 million a year earlier.

The adjusted net debt to EBITDA ratio increased to 2.0x as of 30 June 2014 compared to 1.7x a year earlier, as a result of the decline in earnings.

The chart below also shows that as last year essentially all adjusted debt at the end of the period was covered by working capital: the farming segment's work-in-progress (costs incurred to 30 June for the production of crops in the fields, which are expected to be harvested by November), VAT and income tax prepaid that is expected to be recoverable within one year and net other working capital (prepayments, receivables and other inventories minus payables and advances from customers plus net other current assets). The ratio of net debt adjusted for readily marketable inventories and farming work-in-progress to EBITDA amounted to 1.3x as of 30 June 2014 compared to 1.0x a year ago, reflecting a lower EBITDA base.

Liquidity position and credit metrics

USD million except ratios	FY2014	FY2013
Total financial debt	**749.4**	734.1
Cash	**65.4**	78.8
Net debt	**684.0**	655.3
Readily marketable inventories	**243.4**	175.1
Adjusted net debt	**440.6**	480.2
Shareholders' equity	**1,029.7**	1,335.5
Net debt/EBITDA	**3.1x**	2.3x
Adjusted net debt/EBITDA	**2.0x**	1.7x
EBITDA/Interest	**3.1x**	3.8x

Source: Kernel.

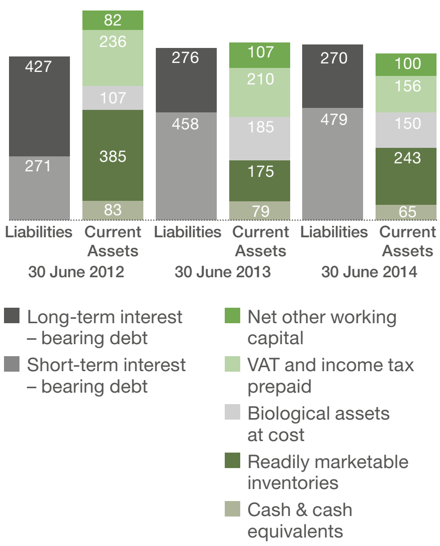
Dividends

With the approval of this report and in accordance with the Company's dividend policy approved in July 2013, the board of directors recommends to the general shareholders' meeting to approve a dividend of USD 0.25 per share, which would be declared and paid in US dollars.

FY2015 outlook

We expect to crush 2.4-2.5 million tons of sunflower seed in FY2015. Our grain export volumes are expected in range of 4.5-5.0 million tons in FY2015 versus 4.2 million tons in FY2014, with comparable growth in export terminals and silo services' segments. In farming segment we expect our crop yields to increase by 20-30% y-o-y for all crops while cost per hectare is anticipated to show double-digits decline.

Company's debt vs. working capital (USD million)



Notes:
Readily marketable inventories are agricultural inventories such as corn, wheat, barley, soybean, sunflower seed, meal and oil, among others, which are readily convertible into cash because of their commodity characteristics, widely available markets and international pricing mechanism, carried at cost.

Farming work-in-progress represents crop production expenses incurred prior to 30 June. All crops are expected to be harvested within one to four months.

Net other working capital is the sum of trade accounts receivable, prepayments to suppliers and other current assets, other inventories minus trade accounts payable minus advances from customers and other current liabilities.

Sunflower Oil

The ample sunflower seed harvest in Ukraine in 2013 allowed us to deliver record earnings in the second to fourth quarters of the financial reporting year, while the first quarter's negligible contribution dragged down our results for the full year.

920,289 tons

Sunflower oil sold in bulk in FY2014

$177.8m

Sunflower oil segments' EBITDA in FY2014

Our business model

We are the largest sunflower oil producer in the Black Sea region and one of the largest globally: based on USDA data we supplied 13% of the global trade in sunflower oil in FY2014[1]. Annually, we crush approximately 22-25% of sunflower seed produced in Ukraine and around 6-8% of volumes grown in southern Russia. As sunflower oil production is a mostly an export-oriented business, the sunflower seed price correlates with the international price for sunflower oil and meal, which makes our business' economics margin-driven and relatively resilient to commodity price volatility.

Approximately 90% of our sunflower oil production is exported with four out of five of our destinations classified as growth markets where the population is expected to grow by more than 10% over the next ten years[2]. Another 10% of production is sold bottled, primarily in Ukraine where our brands dominate the marketplace.

FY2014 performance summary

The sunflower oil business contributed USD 177.8 million to EBITDA in FY2014, down 11% y-o-y. This reflected negligible earnings in the first quarter when we were selling and crushing carry-over stock from the low 2012 harvest, and record-high earnings from the second to fourth quarter. The ample sunflower seed harvest in Ukraine in 2013 (harvested in September-October) ensured high utilization and improved the crushing margin starting from the second quarter of the financial year and allowed us to accumulate significant sunflower seed stock as of the end of the financial year to ensure solid utilization in Q1 FY2015.

In our retail sales of sunflower oil, we took the opportunity to benefit from the decline in the international sunflower oil price, which fell sharply in July-August 2013. While domestic selling prices followed the move, the natural stickiness of retail prices allowed us to benefit, improving the premium we charge for our brands compared to private label products.

FY2015 outlook

We expect higher crushing volumes in FY2015, a tribute to the previous year's strong harvest and sufficient supply coming from this year's harvest, which is currently underway (operating data indicates the current year's harvest at about 10 million tons compared to 11 million a year earlier). Our crush is expected at 2.4-2.5 million tons while sufficient raw materials supply combined with significantly deteriorated access to financing for farmers and small/medium-sized oilseed crushers increases the expectation of a strong crushing margin in FY2015.

1 Based on USDA's estimate of international trade of sunflower oil.
2 Population estimates and projections, World Bank Group.

Sunflower Oil continued

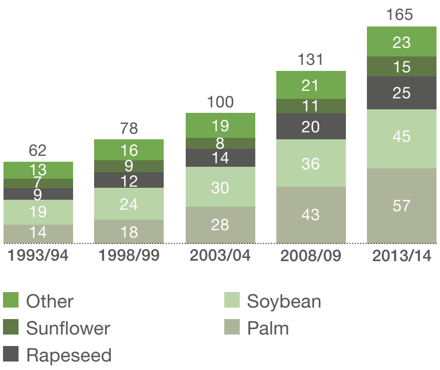
Our markets

Global edible oil market trends

The world's production of edible oils posted strong 6.0% y-o-y growth in 2013/14[1], ahead of the ten-year average growth rate of 5.1%[2]. Global consumption of vegetable oils grew by 5.5% y-o-y, slightly ahead of the ten-year average of 5.1% annual growth and ahead of growth in demand for most soft commodities, as improving diets in emerging economies lead to accelerated growth of vegetable oil consumption.

Sunflower oil remains the fourth largest edible oil globally, with its share in consumption increasing to 9% in 2013/14.

Global consumption of edible oils (million tons)



Source: USDA.

Strong production growth resulted in a sector-wide decline in edible oil prices in July-September 2013 in the range of 20-35% for soybean, rapeseed and sunflower oils, while palm oil dynamics decoupled from others and stayed relatively flat.

The sunflower oil price (Black Sea FOB) dropped from the USD 1,100-1,200 per ton range prevalent in 2012/13 to USD 850 per ton in August 2013 and stayed in the range of USD 800-900 per ton during 2013/14.

Ukraine remained the largest exporter of sunflower oil to global markets (55% of total), with Russia being the second largest international supplier (22% of total).

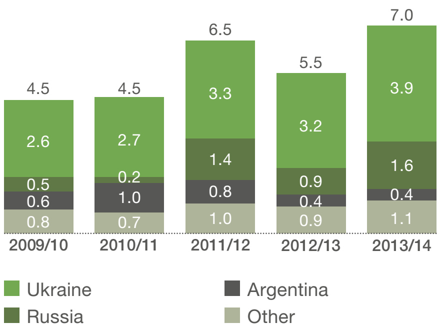
Key market trends:

- → Global edible oil prices, including for sunflower oil, declined by 20-35% y-o-y in 2013/14, resulting in a decrease in sunflower seed prices.
- → The sunflower seed harvest in Ukraine was 11.1 million tons in 2013/14, up from 8.4 million tons in 2012/13.
- → The strong harvest in Ukraine improved the sunflower seed crushing margin and the industry's capacity utilization in 2013/14.
- → Abundant stock of sunflower seed at year end ensures strong utilization in Q1 FY2015.

Sunflower seed crush in Ukraine

As sunflower oil production in Ukraine is export-oriented (only up to 15% of production is consumed internally), declines in international sunflower oil prices result in lower prices for sunflower seeds in Ukraine, which are traditionally set net back from export prices of sunflower oil and meal.

Global sunflower oil exports (million tons)

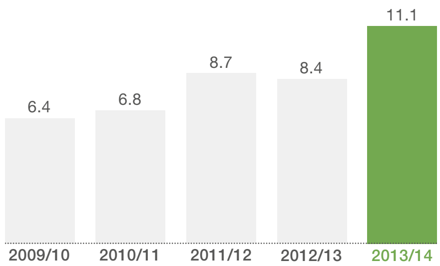


Source: USDA.

The sunflower seed harvest in Ukraine improved to 11.1 million tons[3] in 2013 from 8.4 million tons in 2012, with the growth driven by crop yield improvements while sown acreage was flat y-o-y. Major drivers behind the crop yield growth were weather normalization (2012 yields were harmed by a drought) and continued farmers' investments into better seeds and fertilizer.

Sunflower seed in Ukraine is harvested in September-October, thus strong y-o-y growth from the 2013 harvest resulted in improved utilization of oilseed crushing plants across the country starting from October 2013, while almost all producers were idle during July-September 2013, which reflects the low sunflower seed stock brought forward from the 2012 harvest.

Sunflower seed harvest in Ukraine (million tons)



Source: State Statistics Service of Ukraine.

98% of sunflower seed produced in Ukraine was processed domestically to produce sunflower oil and meal, with overall production in Ukraine reaching 4.7 million tons of sunflower oil in 2013/14, of which 4.2 million tons were exported, primarily through Black Sea ports[4]. >

1 2013/14 refers to marketing year (12 months starting with oilseed crop harvesting, exact timing depends on crop and location). Hereinafter, USDA data used.
2 Ten-year period from 2003/04 to 2013/14.
3 Hereinafter, data for Ukraine from State Statistics Service of Ukraine.
4 APK-Inform data.

Sunflower Oil continued

During the year, several oilseed crushing plants were commissioned, bringing the overall sunflower seed industrial crushing capacity in Ukraine to an estimated 11.5 million tons. At the same time, military action in eastern Ukraine forced several competitors' plants located in the region to finish their crushing campaigns earlier than expected and it remains unclear whether they will be operating in 2014/15 at full capacity.

The sunflower seed crushing margin was firm in 2013/14, improving from 2012/13, as sunflower seed harvest growth eased competition between crushers.

EU cuts import barriers for Ukrainian sunflower oil

The EU made several changes to its import policies during the last year, which made the import of sunflower oil from Ukraine relatively more attractive than from other locations. Since 1 January 2014, the EU increased import duties for sunflower oil originating from other key producing locations, keeping them three percentage points above those applying to goods of Ukrainian origin. Further to this, the EU fully cancelled the import duty for sunflower oil from Ukraine (2.9% for unrefined and 6.1% for refined oil prior to that) in April 2014 and abolished unnecessary certification that delayed deliveries (effective since August 2014). The duty's benefits are expected to be split between consumers and sunflower seed growers.

Outlook

As of mid-October, traded futures for key edible oils indicate price levels 5-15% below the levels seen in 2013/14.

Global edible oil production is expected to grow by only 3.9% y-o-y[1], below the ten-year average of 5.1% and below expected 4.4% y-o-y growth in consumption.

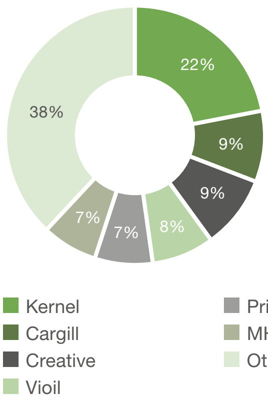
Sunflower seed harvesting in Ukraine is near completion as of date of this report's publication, with operating data indicates a harvest size of about 10 million tons.

Our business model

Market leader in oilseed crushing

Kernel operates nine sunflower seed crushing plants with a total annual crushing capacity of 2.9 million tons of sunflower seeds. Our seven plants in Ukraine (88% of our capacity) are located across the sunflower seed growing region (see asset location map on page 7), and another two are located in southern Russia, close to Black Sea ports. In Ukraine, we are the largest oilseed crusher with a market share of approximately 22%. Our leadership allows us to benefit from scale and constantly improve cost leadership through sharing internal knowledge and best practices.

Sunflower seed industrial crushing capacity in Ukraine



Source: Kernel.

Stable supply of raw material

We buy sunflower seed from approximately 5,000 farmers within a short distance of our plants.

For Ukrainian farmers, sunflower seed is a top earner, as the local climate favors sunflower seed over all other oilseed crops.

Our own farming segment also grows sunflower seed, supplying 6-9% of the total volumes crushed by the Company.

Prudent risk management

Our nation-wide origination team buys sunflower seed from farmers on a spot basis either at silos or at the farm gate.

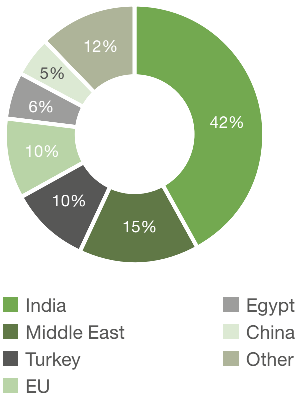
Within a similar time frame, our international sales team enters into forward sales contracts for sunflower oil and meal, fixing volumes and prices. This 'balanced book' policy serves as a natural hedge from the volatility of international edible oil price fluctuations.

Our policy is also to limit counterparty risk, transferring payment to farmers only after we obtain the title for purchased feedstock and selling internationally either against letters of credit or to established first class global traders.

90% sunflower oil is exported

Approximately 90% of sunflower oil we produce is exported in bulk to international off-takers, while the remaining 10% is bottled and sold primarily in Ukraine. Our major markets for sunflower oil include India, the Middle East and North Africa. Approximately four out of five of our destinations are growth markets, classified as such given World Bank projections of population growth of more than 10% during the next ten years.

Kernel's sunflower oil export by destination (FY2014)



Source: Kernel.

10% of sunflower oil is bottled and sold in Ukraine

While we export most of the sunflower oil that we produce, we also retain leadership on the Ukrainian market. Each year we bottle approximately 100,000 tons of sunflower oil and sell it primarily in Ukraine via three brands, which together hold approximately 30% of the domestic market. In addition, we produce bottled oil for major retail networks under private labels.

The bottled oil margins are counter-cyclical to international sunflower oil prices in the short-term, with higher absolute profits in years of falling global prices and vice-versa. Over the long term, we see the bottled oil segment's operating earnings two percentage points above the similar indicator for sunflower oil sold in bulk.

1 USDA.

Sunflower Oil continued

Crushing is a margin driven business
Prices for sunflower seed in Ukraine closely correlate with international prices for sunflower oil and meal, as approximately 85% of sunflower oil produced in the country is exported and export-oriented crushers dominate the competition.

The key determinant for the crushing margin is sunflower seed harvest size which, if good, lowers competition, improving both capacity utilization and margins.

Sunflower seed is harvested in September-October and usually all volumes are crushed by mid-August of the following year, with approximately three weeks required for plant maintenance between crushing seasons.

Sunflower seed's low density improves crushers' bargaining power
Sunflower seed has 1.8x lower density than other oilseed crops like soybean or rapeseed. This makes long-distance transportation of sunflower seed uneconomical, as this would double all logistics services compared to the delivery of processed products.

As a result, farmers normally deliver sunflower seed to crushing plants within a 150-200km range, a natural limit that increases the bargaining power of properly located crushers. This also leaves little reason to export sunflower seed and differentiates the sunflower seed crushing market from soybean crushing, where it makes no logistical difference whether to crush soybean in the country of production or in the consumer's market, effectively squeezing margins for soybean crushers across the globe. >

Value chain

Upstream > **Sunflower oil production and supply chain**

Crop production

- Approximately 5,000 farmers supply sunflower seed to our crushing plants.
- Sunflower seed is one of the most profitable crops, with high resistance to weather shocks.
- Our own farming segment supplies 6-9% of total sunflower seed crush.

Silo services

- We utilize third parties as well as our own 2.8 million tons of silo storage capacity to procure almost a quarter of sunflower seed grown in Ukraine and 6-8% of seed produced in the southern Russia.

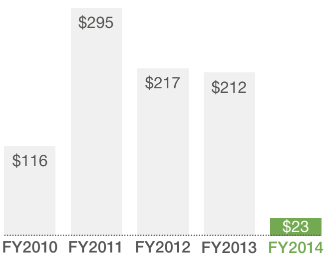
Sunflower oil

- 44% sunflower oil yield, 39% sunflower meal and husk residual.
- Seven oilseed crushing plants across the sunflower belt in Ukraine and two plants in southern Russia, with a total crushing capacity of 2.9 million tons per year.
- Strong bargaining power with farmers because the low density of sunflower seed makes long distance transportation uneconomical.
- 10% sunflower oil volumes are bottled and sold domestically.

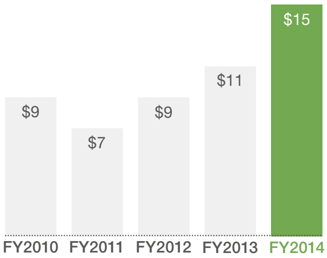
Export terminals

- Two export terminals in Ukraine tranship both sunflower oil and sunflower meal, which are primarily sold to export markets.
- Stable and high margins are ensured by the significant capital requirements for any greenfield project.

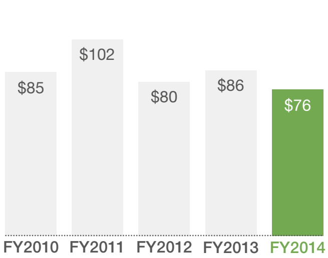
EBITDA, USD/ton[1]
of sunflower seed grown



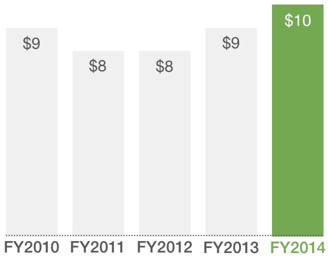
EBITDA, USD/ton
of silo throughput



EBITDA, USD/ton
of sunflower seed crush



EBITDA, USD/ton
of export terminal throughput



1 EBITDA per ton of sunflower seed grown represents management accounts for our own crop production. Other margin data represents the historical average EBITDA/ton earned by the Company's segments. Historical data might not be indicative of future performance.

Source: Kernel.

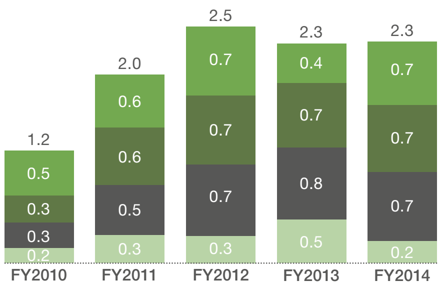
Sunflower Oil continued

Financial performance

Our sunflower oil operations are reported under two segments: sunflower oil sold in bulk and bottled sunflower oil.

Typically, the sunflower oil business' performance can be separated into two periods: the first quarter where we crush and sell inventory from the sunflower seed harvest of the previous season and the second to fourth quarters, which reflect output from sunflower seed harvested in the current season.

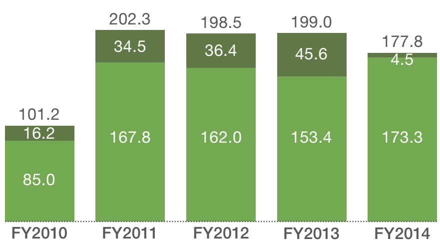
Sunflower seed crushing volumes (million tons)



Source: Kernel. Figures may not add up due to rounding.

The overall EBITDA of our two sunflower oil segments reached USD 177.8 million in FY2014, down 11% y-o-y mostly due to the negligible contribution of the first quarter, while EBITDA earned in the second to fourth quarters reached historical highs.

Sunflower oil business' EBITDA (USD million)



Source: Kernel. Figures may not add up due to rounding.

Sunflower oil segments' performance

Sunflower oil sold in bulk	FY2014	FY2013	y-o-y
Revenue, USD million	**1,079.0**	1,527.7	(29.4%)
EBITDA, USD million	**151.2**	173.2	(12.7%)
Volumes sold, thousand tons	**920.3**	1,040.3	(11.5%)
Revenue, USD/ton	**1,172.5**	1,468.5	(20.2%)
EBITDA, USD/ton	**164.3**	166.5	(1.3%)
EBITDA, %	**14.0%**	11.3%	2.7pp
Bottled sunflower oil	**FY2014**	**FY2013**	**y-o-y**
Revenue, USD million	**132.6**	182.6	(27.4%)
EBITDA, USD million	**26.6**	25.8	3.3%
Volumes sold, million liters	**94.4**	108.2	(12.8%)
Revenue, USD/thousand liters	**1,405.6**	1,687.5	(16.7%)
EBITDA, USD/thousand liters	**282.2**	238.2	18.5%
EBITDA, %	**20.1%**	14.1%	6.0pp
Sunflower oil total EBITDA, USD million	**177.8**	199.0	(10.6%)

Source: Kernel.

Sunflower oil sold in bulk

Revenues from the sale of sunflower oil in bulk were USD 1,079.0 million in FY2014, down 29% y-o-y stemming primarily from a decrease in the sunflower oil price from the level of USD 1,100-1,200 per ton observed in FY2013 to USD 800-900[1], which was prevalent in FY2014.

Volumes of sunflower oil sold in bulk declined by 12% y-o-y because of the first quarter's results. Sunflower seed is harvested in September-October, thus the first quarter of our financial year reflects the sunflower seed crush and sale of sunflower oil from the previous year's harvest. Ukraine's sunflower seed harvest was below the trend level in 2012, which increased competition for seed toward the end of the marketing year, harming our profits and utilization in Q4 FY2013 and Q1 FY2014.

The sunflower seed harvest in Ukraine increased to 11.1 million tons in 2013, providing ample supply for oilseed crushers and lowering competition in 2013/14.

As a result, sunflower oil in the bulk segment's EBITDA margin improved to 16% in the second to fourth quarters from 10% observed from the previous crop. Capacity utilization was close to maximum, which was particularly visible in the fourth quarter, the most sensitive to the current year's harvest size.

The segment's total EBITDA amounted to USD 151.2 million in FY2014, down 13% y-o-y due to the combination of record high profits in the second to fourth quarters and record low earnings in the first quarter of the reporting year.

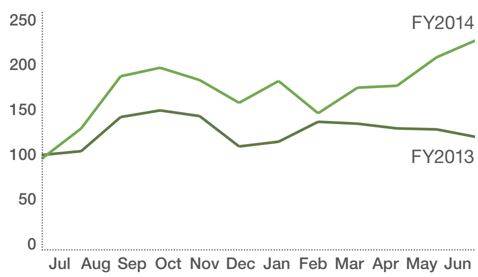
Bottled sunflower oil

Bottled sunflower oil revenues were USD 132.6 million in FY2014, down 27% y-o-y as a result of the combination of sunflower oil price declines and a 13% y-o-y decrease in sales volumes. Despite the decrease in volumes, the overall bottled segment's EBITDA grew as we aimed the increase the segment's margins rather than sales volumes.

As the reporting year started with a 25% drop in international sunflower oil prices, domestic prices for bottled oil headed the same direction but slower. Taking the opportunity, we lowered our prices gradually and increased the premiums we charge for our brands compared to private labels. As a result, we improved our EBITDA margin for the bottled oil segment to 20% in FY2014 from 14% a year earlier, and posted a material premium over the bulk oil segment's margin of 14% in FY2014.

While Ukrainian hryvnya devaluation in the second half of the financial year reversed the trend for bottled oil prices, passing on devaluation to consumers took only several months and our brands' premiums remained firm. >

Branded sunflower oil price premium to private label sales (USD/ton)



Source: Kernel.

1 Black Sea FOB prices as quoted by APK-Inform.

Sunflower Oil continued

Case study

Crushing capacity increase

Focus on improved efficiencies and de-bottlenecking to unlock incremental capacity.

During the financial year ended 30 June 2014, we conducted a thorough assessment of our oilseed crushing capacities, looking through the options available for reducing processing costs and increasing available capacity through leaner processes and tailored capital expenditures. Along with numerous small adjustments, we also identified projects to expand the crushing capacity at two of our plants with limited capital expenditures. With planning and equipment procurement completed by the date of this report's preparation, installation works are scheduled to be completed in the second half of the 2015 financial year so we should be able to benefit from an additional 130,000 tons per year of crushing capacity, which will contribute to 2H FY2015 and FY2016 results.

Our Bandurka oilseed crushing plant will increase crushing capacity by 200 tons of sunflower seed per day effective 2H FY2015, which is 13% of its current installed capacity.

As a result, the bottled sunflower oil segment's EBITDA increased 3% y-o-y to USD 26.6 million in FY2014.

Capital expenditures

During the reporting year, we divested the smallest and least efficient of our plants in the Russian Federation, the Nevinnomyssk oilseed crushing plant with an annual crushing capacity of 100,000 tons of sunflower seed for an enterprise value of USD 10 million. The plant remained idle in FY2014 as its high processing cost due to inefficient equipment prohibited profitable operations.

Otherwise, the sunflower oil segments' capital expenditures comprised USD 2.0 million in FY2014 (vs. USD 7.3 million in FY2013) and reflected maintenance CapEx.

FY2015 outlook

With sunflower seed harvesting underway at the moment of this report's preparation, early crop yields indicate that the sunflower seed harvest in Ukraine is expected to be about 10 million tons, which should provide sufficient supply to the market.

A combination of strong sunflower seed availability and lack of access to financing by farmers and small- and medium-sized oilseed crushers is expected to support a healthy crushing margin in FY2015. We expect to crush 2.4-2.5 million tons of sunflower seed in FY2015.

Grain and Infrastructure

We leveraged our strong asset base to benefit from Ukraine's record crop in 2013/14, achieving record grain exports and infrastructure throughput volumes in FY2014. The EBITDA contribution from the grain and infrastructure businesses more than doubled y-o-y to a record-high USD 125.8 million in FY2014.

4,243,549 tons

Grain sold in FY2014

$125.8m

Grain and infrastructure segments' EBITDA in FY2014

Our business model

Our grain and infrastructure business consists of three reporting segments: silo services, grain and export terminals.

In the silo services segment, we provide grain drying, cleaning and storage services at our nationwide network of 2.8 million tons of inland silo capacity in Ukraine. The grain segment handles our grain export operations, starting from buying grain from farmers at inland silos to the subsequent sale of this grain through forward contacts to consumers across the globe and to completion of the delivery of the grain to the customer's port of choice. The majority of our exports are transshipped at one of our export terminals located on the coast of the Black Sea, with earnings reflected in a corresponding segment.

FY2014 performance summary

The grain and infrastructure segments' combined EBITDA increased 2.1x y-o-y to a new historic record of USD 125.8 million in FY2014.

Grain sales volumes reached 4.2 million tons in FY2014, up 40% y-o-y as we increased exports from Russia where we had our first full season of operations at the Taman grain export transshipment facility. Growth in grain exports from Ukraine was relatively moderate compared to the increase in the country's overall harvest. Our focus on margin improvement proved correct as the grain's segment EBITDA improved to USD 14.0 per ton in FY2014 compared to USD 4.1 per ton a year earlier. Margins were especially good in the second half of the season as farmers left a material portion of their harvest to spring and became forced sellers during the spring planting campaign. The reinstatement of VAT refunds on grain exports during Q3 FY2014 also increased export margins.

Export terminals' performance in Ukraine was generally in line with the previous year, while utilization at our joint venture in Russia improved significantly, contributing to our earnings below the EBITDA line. Silo services proved to be in strong demand in FY2014 due to the combination of the strong harvest and rainy weather during the autumn harvesting campaign, which required extra drying services to bring grain up to a proper standard.

FY2015 outlook

Ukraine's total grain and oilseeds export is forecasted at 33 million tons in 2014/15, comparable to 35 million tons a year ago. Russia's grain export is expected to increase to 30-32 million tons in 2014/15 from 26 million tons a year earlier. Accounting also for expected growth in our own crop production, we aim to increase our grain exports to 4.5-5.0 million tons in FY2015. Export terminals and silo throughput are expected to follow this dynamic.

Grain and Infrastructure continued

Our markets

Ukraine's production in 2013/14

Ukrainian farmers harvested a record crop in summer-autumn 2013, producing 63 million tons of grains and 16 million tons of oilseed, growth of 36% and 26% y-o-y, respectively[1].

The increase in production was driven by several factors, including improved weather conditions (the 2012 crop suffered from an extreme drought in summer), farmers planting more acreage of corn, which has higher average yields, and improved productivity as a result of several years of the industry's investment into modern machinery and technology.

As domestic demand was essentially flat, production growth increased the export surplus, with total exports of grain and oilseeds reaching 35 million tons in 2013/14 (July-June), up 43% y-o-y and 23% above the previous record. Corn was the key export crop, with a total of 20 million tons exported in 2013/14, followed by wheat and barley.

As a result, inland silo storage facilities and grain transshipment facilities were busy across the country for the entire year, with strong utilization improving infrastructure margins.

As production growth in Ukraine coincided with a strong grain crop in the US, this resulted in global production outpacing consumption, and consequently global grain prices dropped significantly at the start of the 2013/14 marketing year. Corn's Black Sea FOB price was USD 185-210 per ton in the most active selling period of October-December, a material decline from USD 270-305 per ton in the previous year. A temporary shortfall of corn in Europe in February-April 2014 caused an increase in the crop's price to USD 230-250 per ton, but this jump proved to be short-lived as expectations of global corn overproduction pushed Black Sea FOB prices down to USD 180 per ton toward the end of the marketing year[2].

Ukrainian wheat traded at a premium to corn in 2013/14, as most of the wheat produced by the country was of milling quality because of dry weather during harvesting; and the milling wheat global balance was relatively stricter. Nonetheless, Ukraine's Black Sea FOB milling wheat prices shifted down to USD 250-290 per ton for most of FY2014 compared to USD 300-350 per ton a year earlier. >

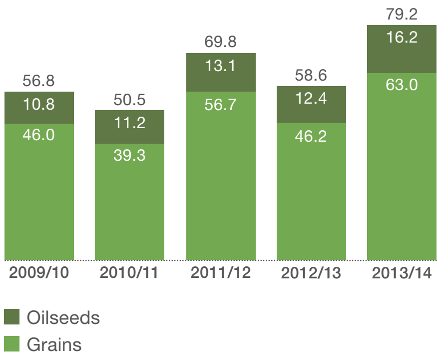
Key market trends:

→ Global grain overproduction caused international prices to slump 17-35%, which was fully reflected in domestic prices in Ukraine and Russia.

→ Ukraine's farmers produced a strong grain crop of 63 million tons, resulting in the country's grain exports reaching an all-time high of 32 million tons and improving infrastructure utilization.

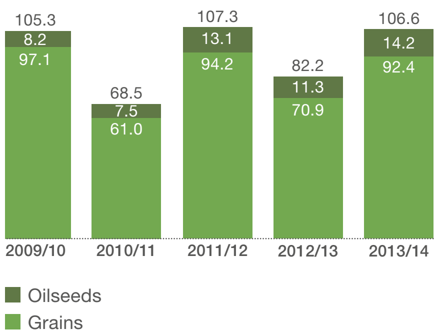
→ Russia's grain exports were up 1.6x y-o-y to 26 million tons in 2013/14, driving up infrastructure throughput.

Grain and oilseed production in Ukraine (million tons)



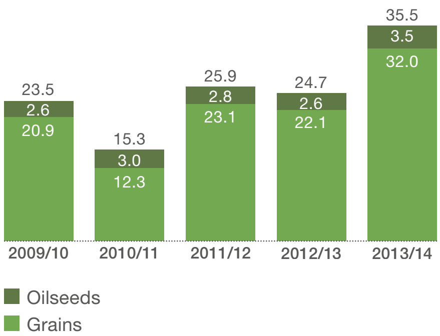
Source: State Statistics Service of Ukraine.

Grain and oilseed production in Russia (million tons)



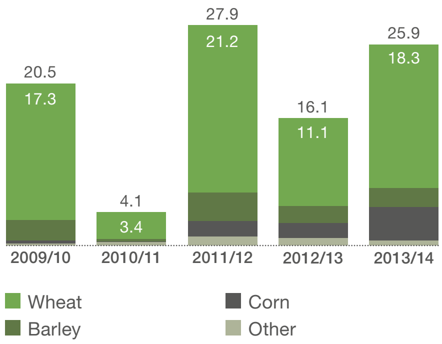
Source: Russian Federation Federal State Statistics Service.

Ukraine's grain and oilseed exports (million tons)



Source: APK-Inform.

Russia's grain exports, by crop (million tons)



Source: APK-Inform.

1 Source: State Statistics Service of Ukraine.
2 Hereinafter, Black Sea FOB prices as quoted by APK-Inform.

Grain and Infrastructure continued

Case study

Investing in grain storage

Over the last three years, we have commissioned 650,000 tons of capacity from greenfield storage facilities across different regions of Ukraine.

As farmers in the central and western regions of Ukraine discovered the benefits of corn production, they also faced a challenge: corn requires more storage and grain drying services compared to other grains because its yield per hectare is higher and weather conditions during harvesting are normally wetter. Our focused investment program aims to build silos in regions where there is a deficit for these services so our own and third party farms can benefit from modern facilities while we earn an extra margin and enjoy higher than average asset turnover.

Our 155,000 ton storage facility in Balin is the largest grain storage facility in Khmelnytskyi region in western Ukraine. Commissioned in December 2013, it has daily intake capacity of 5,000 tons of grains and is perfectly located to serve the growing corn harvest of the region.

Grain exports from Ukraine

Lower grain prices resulted in lower working capital requirements for trading businesses, while the sector's trading margins were healthy during the reporting year, with an increase toward the second half of the season.

The VAT-related regulatory environment for the grain export business from Ukraine changed a few times during the season. Throughout the first half of the marketing year (July-December), grain exports were indirectly taxed as VAT refunds were cancelled from mid-2011 to 31 December 2013 (effectively a 20% export tax rate). While VAT refunds on grain exports were reinstated as scheduled from 1 January 2014, a combination of the country's widening budget deficit, declining GDP and closed capital markets for Ukraine prompted parliament to approve austerity measures in March 2014, which increased the taxation of different industries, including a cancellation of VAT refunds on grain exports for the period between April-September 2014.

Russia's grain production and exports

Grain production in Russia amounted to 92 million tons in 2013/14, up 30% y-o-y, which resulted in an increase in the country's exports to 26 million tons in 2013/14 from 16 million in 2012/13[1]. Wheat and barley are the key grains produced in Russia, both dominating its export structure. Most of the production surplus was exported through ports on the Black Sea and Sea of Azov, with the increase in grain exports benefitting the throughput and profitability of port infrastructure.

Markets outlook

As of the date this report was being prepared, corn harvesting was underway in Ukraine (corn represents up to two-thirds of total exports) with progress indicating a national grain harvest of about 60 million tons, comparable with the 63 million ton harvest a year earlier.

In Russia, the total grain harvest is estimated at 100-105 million tons, up 9-14% y-o-y. The strong harvest in both countries is expected to ensure high grain infrastructure utilization, as grain and oilseed export is estimated to stand at a strong 33 million tons in Ukraine and to grow to 30-32 million tons in Russia.

1 APK-Inform.

Grain and Infrastructure continued

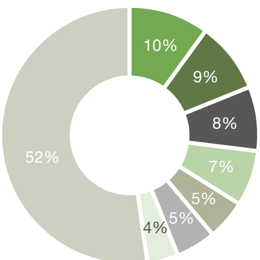
Our business model

Top grain exporter from the Black Sea region

We bridge farmers producing agricultural products in Ukraine and Russia with consumers across the globe. Whilst our supply chain from farm gate to consumers involves numerous players, our role is typically focused on three components: (i) grain drying, cleaning and storage services for farmers at our inland silos located in key production regions (silo services segment), (ii) grain transshipment into vessels at our own export terminals on the Black Sea coast (export terminals segment), and (iii) pure supply chain business, which includes buying grain at farm gate and selling it through forward contracts to international off-takers at their port of choice, as well as arranging logistics from inland silo to customers using the most efficient transport means (grain segment). Our grain and infrastructure segments handle volumes produced by our own farming division, and production grown by third party farmers.

We account for 9-12% of Ukraine's total grain exports and approximately 4% of Russia's total grain exports, which makes us a key player in both countries and one of the largest suppliers of grain from the Black Sea region on the global level.

Grain exporters from Ukraine (2013/14)



Nibulon · Kernel · State Food and Grain Corporation · Louis Dreyfus · Cargill · Ukrlandfarming · ADM · Other

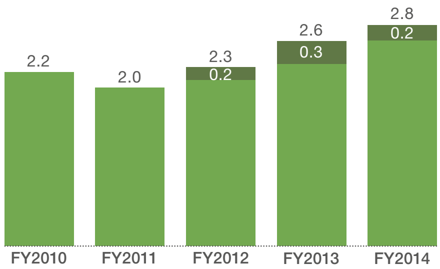
Source: Forbes Ukraine.

Silo services

Our inland grain silo network has 2.8 million tons of grain storage capacity, located across key grain producing regions in Ukraine. A typical list of services provided by silos to farmers includes grain drying and cleaning services during intake (as moisture content should be adjusted to levels specified in quality standards) and storage services. Our network serves both our own farms and third party farmers. Farmers typically deliver their harvest to one of the silos within a 100km range; storage capacity is limited in Ukraine given that farmers have increased their production by 1.5x within the last ten years, while the construction of new silos is lagging due to their high capital intensity. While farmers storing grain at our silos are not obliged to sell their produce to us, our inland infrastructure footprint enables us to have better visibility of the supply and keep close contact with farmers to become their buyer of choice.

Over the last year, we commissioned 200,000 tons of greenfield best-in-class silo capacity, improving storage availability close to our farms and increasing our grain origination capacity from third party farmers. New silos have higher throughput and better grain drying facilities than our average asset base, which improves the segment's profitability. Over the last three years, we have commissioned 650,000 tons of capacity in greenfield silos in total, which was one of the substantial contributors to the country's grain storage capacity growth. At the same time, we divested a few storage facilities that did not meet our profitability targets.

Kernel's silo storage capacity (million tons)



Greenfield capacity launch · Other silo capacity

Source: Kernel.

Earnings from silo services are booked in the silo services segment, with intra-group services sold at arm's-length prices.

Export terminals

We operate two export terminals in Ukraine: a grain transshipment terminal in Illichevsk with an annual transshipment capacity of 4 million tons and a small 0.5 million tons edible oils transshipment terminal in Mykolaiv. In Russia, we operate the Taman grain export terminal via a 50/50 joint venture, with our share of capacity at 1.5 million tons in FY2014.

In both countries, export terminals are vital infrastructure essential for large-scale grain export operations. The efficient usage of port facilities requires limiting the number of customers at any transshipment terminal (to avoid gridlock), thus the majority of grain exporters aim to operate their own port as this is a prerequisite for achieving substantial sales volumes – our history of materially increasing our grain sales in the year after the acquisition of our port in Ukraine and joint venture in Russia serves as the best proof of that.

The high capital expenditures required and natural area limitations for any new port facility ensures high margins in the segment, which have historically been in the range of USD 8-9 per tons of throughput or 47-55% in percentage terms.

Grain origination and selling

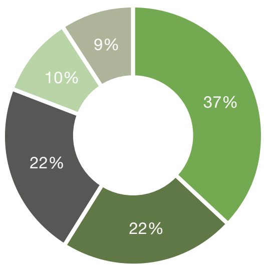
Our origination team located across Ukraine and southern Russia annually buys approximately 2 million tons of grains in Ukraine and approximately 1 million tons in Russia from thousands of farmers of different sizes.

We typically buy either at inland silos or farm gate and fix prices on a spot basis. Within a similar time frame, our sales team enters into forward contracts to deliver comparable amounts of grain within 1-3 months, fixing prices and, respectively, our margin at the moment of grain procurement from farmers.

This balanced book policy through physical forward contracts is aimed at reducing our exposure to commodity price volatility and is the key hedging tool in our grain business.

Additionally, our own farming business provides up to one-third of the overall volumes we export. Importantly, about 85-90% of the crop harvested at our farms is directed to export and 100% of this flow goes through our grain and infrastructure divisions, generating incremental earnings in the silo services, grain and export terminals segments.

Kernel's grain sales by destination (FY2014)



EU · Middle East · North Africa · Sub-Saharan Africa · Eastern Asia

Source: Kernel.

Our strategy

Our mid-term goal is to reach 6 million tons of grain exports within 3-4 years, simultaneously improving the throughput and profitability of our infrastructure assets through continued operational excellence programs, selective greenfield investments in inland silos and brownfield developments of our own grain export terminals.

While our leadership is based on access to critical infrastructure assets, we always focus on maximizing overall profits from the supply chain while rigorously keeping risks balanced. >

Grain and Infrastructure continued

Financial performance

Our grain and infrastructure business is reported under three segments: grain, silo services, and export terminals. While these operations are closely interconnected, internal transactions are reported on an arm's-length basis.

The overall EBITDA contribution of the three segments comprised USD 125.8 million, 2.1x growth y-o-y, achieved primarily due to improved market conditions for Ukraine's grain exports and an extraordinary weather-driven hike in demand for silo services.

Grain

Grain sales reached USD 1,053.6 million in FY2014, up 8% y-o-y on the combination of 40% y-o-y growth in volumes and a decline in prices.

Material growth in the volumes of grain exported was due to the combination of a significant increase in grain exports from Russia and organic growth in sales in Ukraine.

In Ukraine, where the country's total export reached a record 35 million tons in FY2014 (up from 25 million tons a year ago), as farmers shifted acreage toward higher-yielding corn and enjoyed mild weather, our grain exports grew to 3.1 million tons in FY2014 (vs. 2.9 million tons in FY2013).

The abundant supply, reinstatement of VAT refunds on grain exports in Q3 FY2014 and forced selling from farmers during the spring planting campaign drove up the segment's average EBITDA per ton, which increased to USD 14.0 in FY2014 compared to USD 4.1 per ton in FY2013.

The operating environment in FY2014 started with a global decline in grain prices, adjusting farm-level prices accordingly. Faced with a material decline in prices, farmers were reluctant to sell and tried to postpone sales as long as their cash flows allowed. As a result, competition was high between exporters for the volumes in the first half of the season, though with reasonable margins. As the season moved on, Ukraine reinstated VAT refunds on grain exports effective 1 January 2014, which significantly improved farm gate pricing. Consequently, farmers accelerated their sales and competition between exporters decreased. Toward the end of the season, when farmers started spending cash for the next season's planting campaign, overall competition between exporters eased further, as farmers faced the banking sector's unwillingness to finance their working capital needs and were thus in a hurry to sell leftovers from their previous crop.

In Russia, FY2014 was the first full season of our operations at the Taman export terminal, which we acquired through a 50/50 joint venture in FY2013. Russia's overall grain harvest was at average levels, 92 million tons, which created an export surplus of 26 million tons, most of which was exported through Black Sea and Sea of Azov ports.

Our grain sales from Russia reached 1.1 million tons, a 4% market share and significant growth from 0.1 million tons a year earlier.

Export terminals

Revenues from export terminal services were USD 45.5 million in FY2014, down 7% y-o-y, with throughput in Ukraine down 4% y-o-y in FY2014 (as the contribution from the Taman export terminal in Russia was reported under the equity method of accounting, i.e. below the operating profit line, the export terminals segment's earnings reflect only Ukrainian operations).

Flat y-o-y volumes compared to Ukraine's overall harvest growth reflected our approach to trading this year, which assumed lower volumes of growth in combination with higher margins.

The export terminals segment's EBITDA per ton was USD 9.8 in the reporting year vs. USD 9.3 a year earlier. The segment's EBITDA contribution increased 1% y-o-y to USD 27.3 million in FY2014.

Silo services

Revenues from silo services reached USD 74.5 million in FY2014, up 61% y-o-y. Volumes were up 49% y-o-y as Ukrainian farmers produced a record harvest, we launched 200,000 tons of new silo capacity in FY2014 and fully utilized 300,000 tons of capacity commissioned during FY2013.

Rainy weather during most of the autumn forced farmers across Ukraine to harvest corn, soybean and sunflower seed with excessive moisture, which had to be reduced to the required standard level during intake at silos. Combined with continuous operational improvements, this caused an increase in the non-storage earnings of the silo services segment and resulted in an overall EBITDA per ton increase to USD 15.2 per ton in the reporting year from USD 11.1 per ton a year earlier.

As a result, the silo services segment's EBITDA contribution amounted to USD 39.2 million in FY2014.

Capital expenditures

Over the course of FY2014, we invested USD 26.5 million in our grain and infrastructure business, with almost the full figure consisting of greenfield silo construction (200,000 tons commissioned in FY2014). In Russia, our joint venture moved into the final stage of the construction of additional port storage, which should result in an increase of throughput capacity already from FY2015.

FY2015 outlook

We expect our grain exports to reach 4.5-5.0 million tons in FY2015 compared to 4.2 million tons in FY2014. Export terminals' and silo throughput is expected to follow grain exports' dynamics.

Grain and infrastructure segments' performance

Grain	FY2014	FY2013	y-o-y
Revenue, USD million	**1,053.6**	972.3	8.4%
EBITDA, USD million	**59.4**	12.5	4.7x
Volumes sold, thousand tons	**4,243.5**	3,021.7	40.4%
Revenue, USD/ton	**248.3**	321.8	(22.8%)
EBITDA, USD/ton	**14.0**	4.1	3.4x
EBITDA, %	**5.6%**	1.3%	4.3pp
Export terminals	**FY2014**	**FY2013**	**y-o-y**
Revenue, USD million	**45.5**	49.1	(7.3%)
EBITDA, USD million	**27.3**	27.1	0.8%
Throughput volumes, thousand tons	**2,781.6**[1]	2,910.4[1]	(4.4%)
Revenue, USD/ton	**16.3**	16.9	(3.1%)
EBITDA, USD/ton	**9.8**	9.3	5.5%
EBITDA, %	**60.1%**	55.2%	4.9pp
Silo services	**FY2014**	**FY2013**	**y-o-y**
Revenue, USD million	**74.5**	46.4	60.6%
EBITDA, USD million	**39.2**	19.4	2.0x
Throughput volumes, thousand tons	**2,584.3**	1,736.6	48.8%
Revenue, USD/ton	**28.8**	26.7	7.9%
EBITDA, USD/ton	**15.2**	11.1	35.9%
EBITDA, %	**52.6%**	41.8%	10.8pp
Grain and infrastructure total EBITDA, USD million	**125.8**	59.0	2.1x

1 Volumes exclude transshipment through the Taman facility, which is owned via a joint venture and accounted for under the equity method of accounting.

Source: Kernel.

Farming

Our farming operations were loss-making in FY2014, owing to a sharp global price plunge for all agricultural commodities, which coincided with a high cost base, while crop yields fell short of management expectations.

1,375,257 tons

Grain and oilseed production in FY2014

-$44.3m

Farming segment's EBITDA in FY2014

Our business model

We grow crops on 389,000 hectares of leasehold farmland in Ukraine. Located in the central and western regions of the country, our land boasts black soil quality and has good precipitation levels. Our crop mix contains 40-50% corn, approximately 40% split between sunflower seed and soybean, while the remaining acreage is dedicated to winter wheat and forage crops. Almost all production from our farming division is utilized by the Company's other segments and is either processed at our oilseed crushing plants or exported through our supply chain, earning incremental profits along the way.

FY2014 performance summary

Our farming segment's performance was poor in FY2014 with a negative EBITDA of USD 44.3 million compared to positive USD 67.7 million a year earlier, with a combination of factors behind this result. First, global crop prices declined sharply in summer 2013 causing the average farm gate corn price in Ukraine to slide by 34% y-o-y, for sunflower seed by 31% y-o-y, wheat by 19% y-o-y and soybean by 8% y-o-y. At the same time, the cost base was high as crops were sown in a high-price cost environment and heavy rains during autumn harvesting increased drying costs materially. Crop yields were also below management expectations.

Meanwhile, the farming segment's production volumes increased y-o-y, reflecting crop yield growth and larger acreage following last year's acquisitions, which benefitted our other segments. EBITDA earned on the farming output from other segments amounted to USD 54.8 million in FY2014, compared to USD 15.3 million in the previous year.

FY2015 outlook

With numerous material adjustments to technology made for FY2015 crop production (see page 29 for details), our net crop yields increased y-o-y: wheat is up to 5.4 tons per hectare (from 4.3 a year ago), sunflower seed to 2.5 vs. 2.1, soybean to 1.9 vs. 1.4, and corn in progress is at 7.2 vs. 5.5 a year ago.

Production costs per hectare are estimated to decline materially as prices for major inputs have decreased while Ukrainian hryvnya devaluation substantially reduced the dollar value of inputs costs.

Farming continued

Our markets

Strong grain production globally, in particular in the US, caused international grain prices to decline at the start of the 2013/14 marketing year. As Ukrainian farming prices fully correlate with international ones, they fell as well. Moreover, local prices dropped to a larger extent while logistics costs, essentially the difference between farm gate and international prices, remained the same y-o-y.

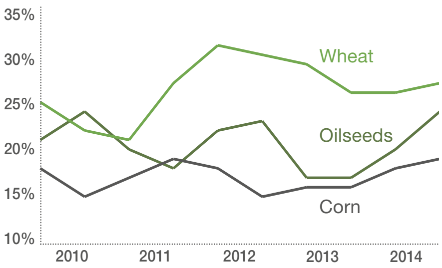
Corn prices slumped significantly, with the year's average farm gate price sliding 34% y-o-y. The wheat price decline was less pronounced, with the crop price down only 19% y-o-y. The average price of sunflower seed declined by 31% y-o-y, reflecting the international decline in sunflower oil prices, while the average soybean price was down only 8% y-o-y. >

Key market trends:

→ Strong production globally caused a decline in international grain prices in 2013/14. As prices in Ukraine are derived net-back from global prices, they declined as well, decreasing by 8-34% y-o-y.

→ US farmers are currently having their most favorable weather in the last 30 years, leading to expectations of a second consecutive year of global grain production exceeding consumption. As a result, global prices further declined at the start of 2014/15. However, as Ukraine reinstated VAT refunds on grain exports from 1 October 2014, the global price decline should be partially offset by lower taxation of farming businesses in Ukraine.

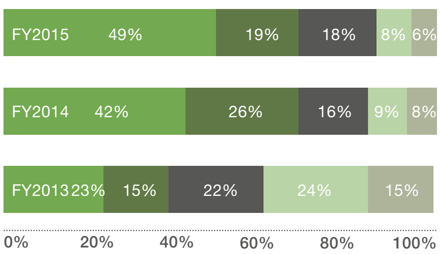
Global stock-to-use ratios



Wheat
Oilseeds
Corn

Source: USDA.

Kernel's farmed acreage crop mix



Corn
Sunflower
Soybean
Wheat
Other

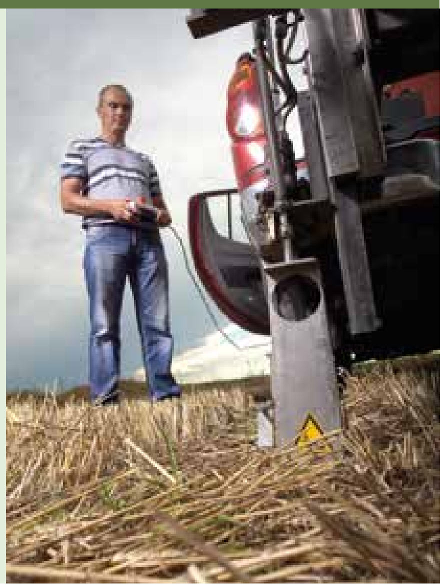
Source: Kernel.

Case Study

Precision farming

Over the last financial year, we conducted our first detailed soil analysis across our 389,000 hectare acreage. Through the gradual implementation of precision farming technologies, we aim to achieve good crop yields with less input requirements.

Precision farming is a set of management practices aimed at achieving intensive crop yields with a lower quantity of fertilizer and seeds. Geolocation technology and soil sampling allows our agronomists to create maps with spatial variability of available nutrient content and determine exact needs for nitrogen, phosphorus and potassium to be applied to different parts of fields. This information is inputted into specialized software that manages differentiated fertilizer application by GPS-controlled agriculture machinery. Other mapping is done for crop yield distribution across the field: this information allows for varying seed application to achieve uniformly high crop yields for the next season.



A Kernel worker conducts soil sampling at our fields in Chernihiv region of Ukraine. Up to 700 samples are collected from one field and are subsequently analyzed at our laboratory to determine available nutrients in the field.

Farming continued

Our business model

We farm 389,000 hectares of leasehold farmland in central and western Ukraine. While both regions are rich in black soil and receive sufficient quantities of precipitation, they differ in weather patterns, which diversifies our risk exposure to the weather shocks that are natural for farming businesses.

Our crop mix is based on four crops

While our crop mix varies year-to-year due to rotation in order to maximize long-term soil productivity, it fluctuates between four key crops, with shares reflecting the relative advantage for growing a particular crop in our weather patterns, bounded by crop rotation requirements.

Approximately 40-50% of our acreage is dedicated to corn, a natural crop in the regions of our operations. Another 40% is devoted to oilseed crops, with soybean and sunflower seed splitting most of this acreage. The remaining 10-20% is given to wheat and forage crops.

Land ownership

Current Ukrainian legislation prohibits the sale of agricultural land. Approximately 80% of agricultural land is owned by private individuals, who obtained ownership through the privatization process in the 1990s. Another 20% is owned by the state.

As all other farmers in Ukraine, we lease our farmland from individual owners and the state, with average contract tenure of about 5 years. As land lease contracts mature, we have the right of first refusal to prolong leases at market rates.

Cluster approach to management

Our operations are organizationally structured in nine clusters based on geographical location so that a manager can reach any field within a two-hour drive. While strategic decision management and key input procurement (such as fertilizer, seed, chemicals, and machinery) is centralized at the head office to ensure strong bargaining power with suppliers, daily management, with broad operational powers and financial independence within budgetary limits, is fully delegated to the cluster level. The larger portion of compensation of cluster teams is determined exclusively from operational results: high yield and low cost are the key elements of performance appraisals. In addition to the benefit of strong bargaining power with suppliers, large-scale farming provides other advantages, as we can utilize the largest size machinery models, which lowers our capital expenditures per hectare. Additionally, knowledge and technology spillover boosts sharing of the most efficient farming practices across our farms.

Mitigating price risk

Unlike our other business segments, the farming division is naturally exposed to global price volatility. 85-90% of our output is exported through our grain export division; with remaining volumes consisting of milk sold domestically and grain used to settle in-kind land lease payments.

We utilize a variety of tools, including selling crops through physical forward contracts or fixing a physical Black Sea FOB premium to CME prices, with an aim to mitigate the price risk for up to a third of our expected production ahead of harvesting.

Vertical integration

Our farming is fully integrated with our grain and infrastructure segments as well as our sunflower seed crushing business. After harvesting, crops are delivered to our silos located at nearby farms and dried and cleaned to standard conditions. Sunflower seed is then crushed by one of our oilseed crushing plants. Grains and soybean, with the exception of volumes required for in-kind land lease payments, are exported to international consumers by our grain division.

As a result, 1.3 million tons of crops produced by our farms in FY2014 went through our other business divisions.

Sustainable approach to farming

In growing our own crops, we follow the rule of doing business for the long term. Our agronomists apply balanced fertilization to ensure nutrient availability and avoid soil erosion, while our prudent crop rotation ensures long-term soil productivity. We also are pioneering rolling out precision farming practices, which are aimed at reducing fertilizer and fuel use to produce the same crop size (see box on page 27 for details).

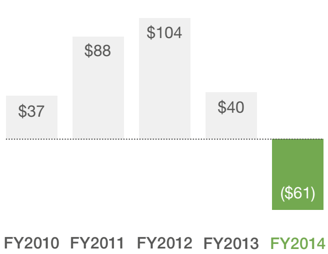
Value chain

Upstream > **Supply chain**

Farming

- 1.4-2.0 million tons of grains and oilseed produced annually by our farming division in Ukraine.
- Volatile business with high dependency on global soft commodity prices and local weather.
- High average margins compensate volatility.
- Our own farms supply 20-30% of the total commodity flow through our supply chain.

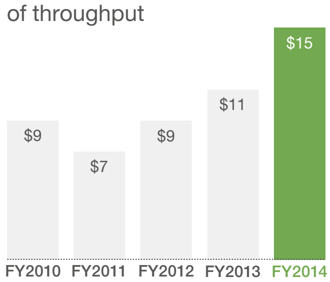
EBITDA, USD/ton of corn grown



Silo services

- 2.5 million tons of grain stored at our own silos, predominantly our own farming produce.
- Stable high-margin business, with higher rates in years of good harvests in Ukraine.
- High entry CapEx presents barriers for competition and ensures stable margins.

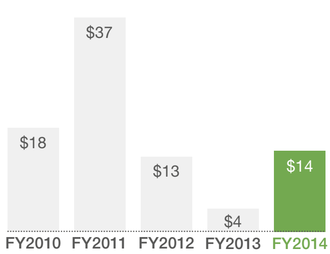
EBITDA, USD/ton of throughput



Grain

- Unrivaled grain origination and marketing team, together with the logistics department, cumulatively manages 6-7 million tons of commodity flow annually.
- Access to some of the cheapest financing for working capital.
- Low-margin, high-volume business with an accompanying high-quality logistics asset base.

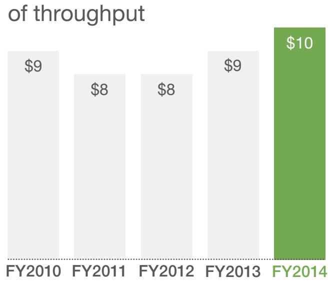
EBITDA, USD/ton of grain exported



Export terminals

- 4-5 million tons transshipped through our export terminals in Ukraine and Russia annually.
- Stable and high margins.
- High CapEx and limited area at the coastline increases entry costs and protects high margins.

EBITDA, USD/ton of throughput



Note: All margin data represents the historical EBITDA/ton earned by the Company for the average crop mix during the last five years and might not be indicative of future performance.
Source: Kernel.

Farming continued

Financial performance

Farming

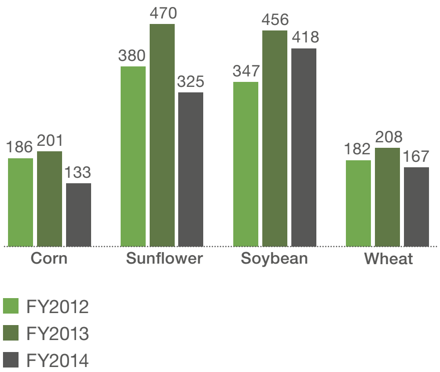
Our farming segment's revenues were USD 290.1 million in FY2014, up 50% y-o-y. Our acreage harvested increased by 58% y-o-y to 388.7 thousand hectares in FY2014 following the acquisition of the Druzhba Nova and Stiomi farms in the year before.

The farming segment's negative EBITDA was USD 44.3 million in FY2014 compared to positive USD 67.7 million a year prior, owing to:

1) the sharp decline in global agricultural commodities prices;
2) crop yields, which fell short of management expectations; and
3) heavy rain during autumn harvesting, which increased drying costs.

The average farm gate price for corn, our major crop, declined by 34% y-o-y following the plunge in global prices. The average price for sunflower seed decreased by 31% y-o-y, for wheat by 9% y-o-y and for soybean by 8% y-o-y[1].

Average farm gate prices in Ukraine[1]
(USD per ton, ex VAT)



Source: Kernel.

While our crop yields increased for all key crops in FY2014, they were below management expectations and the growth was not sufficient to keep the farming segment profitable in an environment of significantly lower soft commodity prices. Production costs were high as most costs were incurred in spring when global agricultural commodities prices were still high, boosting demand for seeds and fertilizers, driving the prices for the inputs up. Additionally, heavy rain in September-October increased the moisture levels of autumn crops (87% of our tonnage) substantially above average.

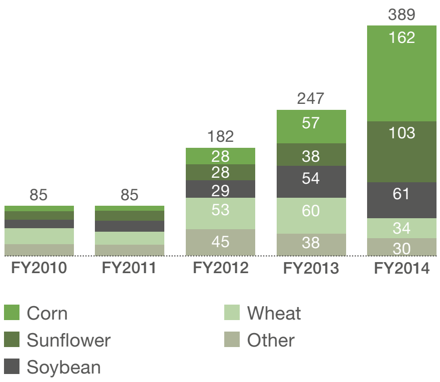
1 Average prices paid by the Company to third party farmers. These prices are used for accounting intersegment sales of crops from the farming segment to the grain and sunflower oil segments.

Farming segment's performance

	FY2014	FY2013	y-o-y
Revenue, USD million	**290.1**	193.1	50.2%
EBITDA, USD million	**(44.3)**	67.7	n/m
Net IAS 41 gain, USD million	**(17.1)**	14.9	n/m
Volumes sold, thousand tons	**1,375.3**	613.6	2.2x
Acreage harvested, thousand hectares	**388.7**	246.8	57.5%
Revenue, USD/hectare	**746.3**	782.6	(4.6%)
Adjusted EBITDA, USD/hectare	**(69.9)**	213.9	n/m
Adjusted EBITDA, %	**(9.4%)**	27.3%	(36.7pp)

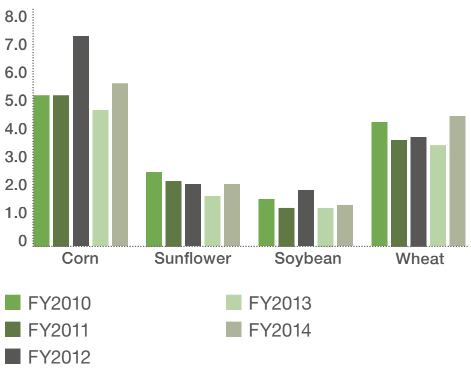
Source: Kernel.
Adjusted EBITDA per hectare is calculated as the farming segment's EBITDA excluding net IAS 41 gain divided by acreage harvested.

Acreage harvested by crop
(thousand hectares)



Source: Kernel.

Net crop yields
(tons per hectare)



Source: Kernel.

This translated into an elevated drying cost to bring moisture in line with standard quality, which in the case of corn increased our production costs by 15% above budgeted levels.

Changes to crop production technology

Following the change of leadership in our farming division in May 2013, we made a detailed review of technology and operations. As a result, our production technology changed materially for the harvest of FY2015 with the following key modifications:

1) a major share of fertilizer application and land preparation was moved to autumn from spring previously. This increases the timeframe for fertilizer absorption and allows for completing the spring planting campaign within a shorter period, as there is less demand for machinery time in spring;
2) overall fertilizer application like-for-like increased by 11-25% y-o-y, and we doubled the share of liquid nitrogen fertilizer, which has better absorption rates;
3) we moved to applying original plant protection products. The use of generics in FY2014 proved unsuccessful with crop yield losses far in excess of cost savings;
4) for corn production, we shifted to proper tillage from mini-tillage previously, as mini-tillage prevented water access to deep corn roots;
5) we delegated cluster-level management with more flexibility and power to act within budget limits; and
6) our seed structure improved for FY2015 crops as we shifted to high quality soybean seeds and procured corn seeds with appropriate days-to-maturity ratios.

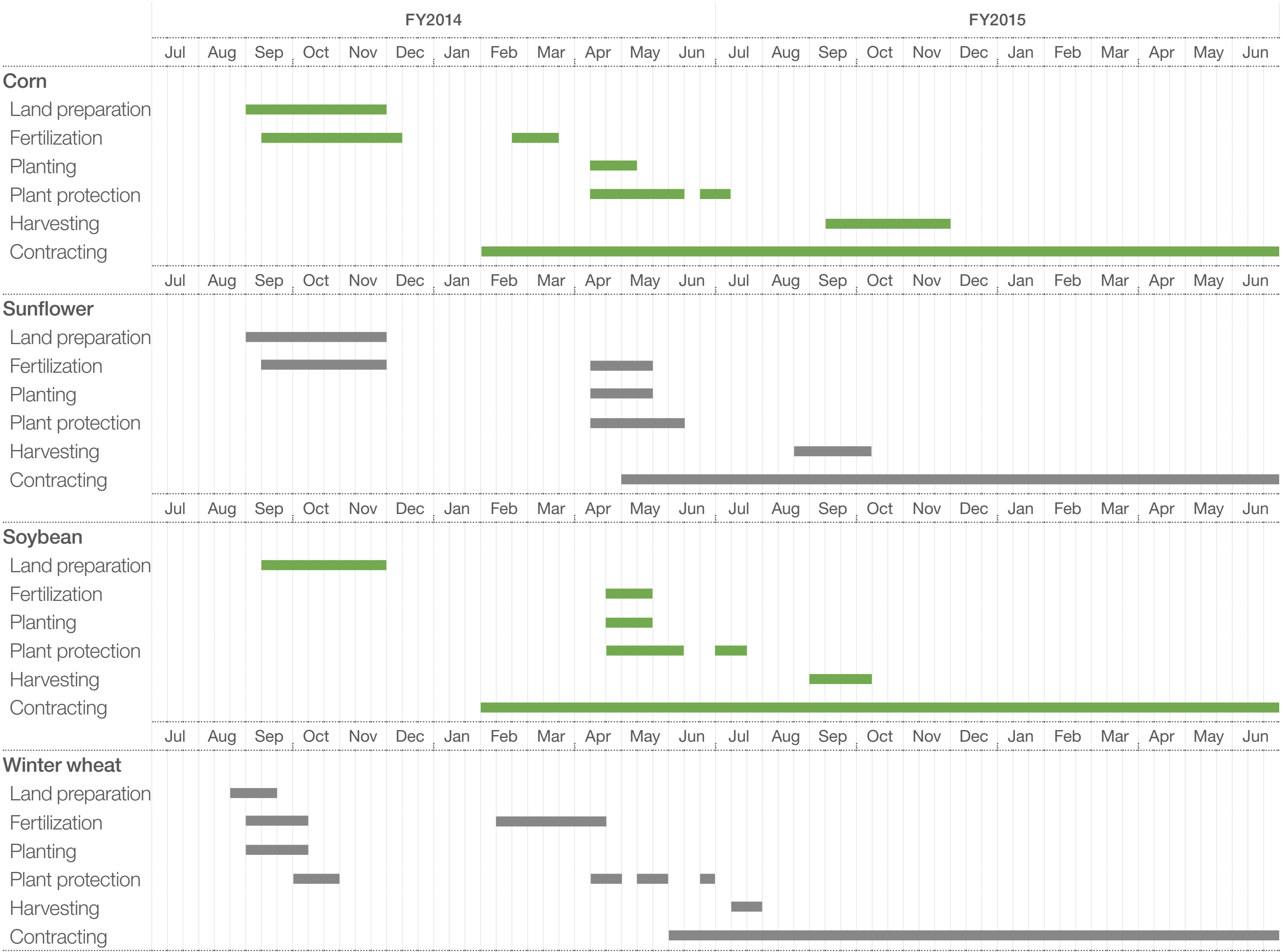
Sugar

During the reporting period, we continued a gradual exit from the sugar business, a strategic decision the company made in FY2012. Up to the date of this report, we unlocked USD 90.1 million of fixed and working capital tied to sugar, while another USD 33.5 million of sugar-related assets remain to be gradually divested.

Revenues from sugar sales amounted to USD 34.9 million in FY2014, up 19% y-o-y and constituted sales of carry-over stock of sugar produced in FY2013, while no production was carried out in FY2014. The EBITDA contribution from this sale amounted to USD 0.3 million in FY2014 compared to a loss of USD 4.0 million in FY2013. >

Farming continued

Crop production cycle in Ukraine



Source: Kernel.

IAS 41 gain

The net change in the fair value of biological assets and agricultural produce amounted to negative USD 17.1 million in FY2014, compared to positive USD 14.9 million a year earlier, because of grain and oilseed prices that were lower y-o-y. The amount in FY2014 reflects a positive gain from revaluing crops in fields as of 30 June 2014 to a fair value less the cost to sell and expensing of the respective gain booked in the previous financial year.

Capital expenditures

During the reporting year, we invested USD 28.3 million in our farming segment.

This year, we completed the construction of our seed plant, which should save costs by providing in-house corn and sunflower seed treatment and provide quality control for wheat and soybean seeds. Additionally, we invested in irrigation equipment for 1,000 hectares of our farmland that is devoted to the production of soybean and high-quality corn seeds. The segment's capital expenditure also includes ordinary farming machinery replacement purchases.

FY2015 outlook

Our winter wheat harvest was completed with a net yield of 5.4 tons per hectare, up 25% y-o-y.

The harvesting of our autumn crops is currently underway, with sunflower seed and soybean completed as of this report's publication. While exact net yields will be available after drying and cleaning, current estimates show our sunflower seed yield improved to 2.5 tons per hectare from 2.1 a year earlier, and soybean yield increased to 1.9 tons per hectare compared to 1.4 a year earlier. Early estimates for corn yield show 7.2 tons per hectare compared to 5.5 a year prior.

Production costs per hectare are expected to decline materially as prices for major inputs have decreased, following a lowering cycle in soft commodities while Ukrainian hryvnya devaluation substantially reduced the US dollar value of input costs.

Risks and Uncertainties

Risk	Importance/ Dynamics	Possible impact	Management approach
Size of Ukraine's sunflower seed and grain harvest		The Company's crushing plants, utilization depends on the availability of sunflower seed produced locally, particularly in Ukraine where 88% of our crushing capacity is located. A low sunflower seed harvest in Ukraine could have a negative impact on both capacity utilization and crushing margins, adversely affecting the Company's earnings and financial standing. In other segments, our grain and infrastructure segment volumes are to a significant extent dependent on Ukraine's overall grain harvest.	Our strategy is to have diversified assets based across the sunflower seed growing region. With our crushing plants located from the south to the northeast of Ukraine and sunflower seed primarily being originated within close proximity to the plants, production in different regions is exposed to distinctive weather patterns. In the grain and infrastructure segment, we aim to be regionally diversified with approximately 25% of volumes exported from Russia and up to 40% of Ukraine's volumes being produced by the Company's own farming division.
Prolonged period of low global soft commodity prices		While our sunflower oil, grain export and infrastructure businesses have limited exposure to soft commodity price levels, our crop production division (26% of total assets) is directly exposed to global soft commodity prices, with corn being the main crop. Hence, low crop prices have a negative effect on our earnings, but primarily through the farming segment. Moreover, a prolonged period of low global soft commodity prices could cause a structural shift in crop production in Ukraine, which would decrease the country's overall harvest size.	Our grain export platform allows us to utilize various sets of hedging tools to sell a portion of our own farming division's harvest in advance: physical forward contracts (for up to six months), CME corn futures and options, including contracts to lock in a premium for Black Sea origin compared to CME.
Sunflower oil price volatility		Significant movements in sunflower oil price within a short period of time during certain periods of the year could cause a decrease or increase in the Company's earnings.	Our approach to mitigating commodity price risk is based on a 'balanced book' policy. As we buy sunflower seed on a spot basis we, within a similar time-frame, enter into forward contracts to sell sunflower oil, fixing the selling price and volumes in advance. While this policy allows us to mitigate most of the price risk, a certain seasonality mismatch between sunflower seed procurement and demand for edible oils could cause our price exposure to rise in some periods of time.
Export restrictions and barriers		The unexpected introduction or expectations of the introduction of regulatory measures to restrict grain exports could impact the Company's ability to fulfil its contracts or sell its own farming produce at global price levels, which could negatively affect the Company's profits.	We maintain a continuous dialog with the Ukrainian government to ensure that the grain balance is properly calculated and there is a sufficient supply of grains left in the country. Overall, our belief is that the risk is subsiding as Ukraine's grain production-to-consumption ratio increased to 2.1x in 2013/14 from 1.5x in last season when Ukraine introduced grain export restrictions. Corn, the main product of our farming division, is also less subject to possible export restrictions than wheat.
Change in export duties or local taxation (such as VAT)		Ukraine or the Russian Federation might change or introduce indirect or explicit export duties, which would lower our farming segment's earnings. In addition, uncertainties over the timing of taxation changes could alter the grain and farming segments' earnings in either direction. Furthermore, agriculture businesses in both Ukraine and the Russian Federation are eligible for certain subsidies and tax exemptions, which could also be changed.	Any expected change in export taxation is immediately accounted for in pricing by our grain and oilseed procurement team. Besides, as the largest agriculture exporter from Ukraine, we carry on a constructive dialog with the government to ensure the government has a balanced view of the impact of any proposed taxation initiative.
Refunds of VAT		As an exporter, the Company is eligible to get refunds on VAT paid when procuring inputs used for exported goods. In Ukraine, VAT refunds are delayed, which might cause an increase in the Company's working capital.	We have developed strict procedures for acquiring raw materials, which are aimed at ensuring the highest quality of documents for input VAT, which are required to limit delays in VAT refunds.
Fluctuations in the exchange rate of the Ukrainian hryvnya to the US dollar		Devaluation of the Ukrainian hryvnya causes foreign exchange losses at the Company's assets, which are held or accounted for in Ukrainian hryvnya. Appreciation of the Ukrainian hryvnya is likely to lead to growth in costs, the prices of which are linked to the local currency, such as land lease, salaries and certain G&A and transportation costs.	As we export 90% of our sales and approximately 90% of our cost's prices linked to US dollars, our business model exposure to local currency volatility is naturally limited.

Impact level of risk

High Medium Low Increasing Decreasing Flat

Risks and Uncertainties continued

Risk	Importance/ Dynamics	Possible impact	Management approach
Access to short-term financing		Political or macroeconomic risks entailed in Ukraine might reduce the availability of short-term pre-export financing required for the Group's operations in Ukraine.	The Company aims to have a healthy financial position with short-term financing utilized only to fund a portion of working capital requirements. Most of the Company's short-term facilities are pre-export credit lines with commodities serving as collateral and are one of the least-risky types of loans provided by banks. We maintain long-term relationships with our creditors and aim to limit exposure to any particular bank to below 15% of our credit portfolio, while also seeking a geographic diversification in funding sources between the EU, US and the Middle East.
Safety of production assets		Should the military action in Ukraine be extended to the Company's regions of operations, its assets could be subject to the risk of damage, stoppage or seizure among other things, which could negatively affect the Company's standing.	We follow a prudent insurance policy for our goods and fixed assets, and develop contingency plans for various situations.
Increased competition		The Company's earnings could suffer from increased competition in the Company's operating business lines.	We constantly monitor and analyze the competitive landscape, with a prudent eye on competitors' planned actions, making respective adjustments to our short-term actions and development strategy.
Counterparty risk		Failure by one of the Company's counterparties to pay under contract or deliver acquired goods could negatively affect the Company's standing.	We follow a conservative counterparty risk policy both in the domestic market and globally. When buying grain or sunflower seed from farmers, we rarely provide any pre-payment unless in immaterial cases with established credit limits, where we can ensure future delivery. When selling our goods to off-takers around the world, we execute delivery either against letters of credit or limit counterparty risk to only established global players.
Inventory safety		The safety of the Company's inventories stored at third party silos is subject to the risk of fraud or bankruptcy of silo owners, which if materialized could result in a write-off of the Company's current assets.	The Company performs prudent due diligence of each of silo counterparty prior to purchasing grain or oilseed stored at those silos. In addition, we follow a prudent insurance policy for our goods and periodical inventory checks are executed to reduce possible risks.
Disruption or limitation of natural gas or electricity supply		The disruption of our natural gas supply could cause idle time at some of the Company's assets, such as grain silos, or increase production costs due to the usage of more expensive fuel. Electricity supply shortages could cause down time at our oilseed crushing plants, which would result in unearned profits.	Many of the Company's assets can use alternatives to natural gas fuels, while for other assets the Company has been working to develop supply contracts with independent gas producers and suppliers. Additionally, we lease diesel generators to provide an uninterrupted supply of electricity to our production assets in case of emergency.

Other risks identified by the Company's management include:
- A prolonged period of weak economic growth, either globally or in the Company's key markets;
- Economic policy, political, social, and legal risks and uncertainties in certain countries in which Kernel Holding S.A. operates;
- The risk of legal actions and tax authorities' orders related to VAT refunds and corporate income tax payments; the introduction of VAT promissory notes; the risk of the detrimental impact or treatment by tax authorities of the law 'On transfer pricing';
- The risk of key personnel resigning;
- Failure to manage the integration of newly acquired farming operations;
- Any loss or diminution in the services of Mr. Andriy Verevskyy, Kernel Holding S.A.'s chairman of the board of directors;
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in an impairment of tangible and intangible assets, including goodwill;
- The risk of fraud by the Company's farming operations' employees;
- The risk that significant capital expenditure and other commitments Kernel Holding S.A. has made in connection with acquisitions may limit its operational flexibility and add to its financing requirements;
- The risk of disruptions to Kernel Holding S.A.'s manufacturing operations;
- The risk of product liability claims;
- The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters;
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage.

Sustainability

We aim to be a good partner to local communities in the regions where we operate, to farm sustainably and to reduce our carbon footprint through the use of non-fossil fuels. To our employees, we guarantee competitive compensation and an emphasis on their health and safety.

71,507,000

Cubic meters of natural gas saved by burning biomass waste by-products in FY2014

$2.6m

Social spendings in FY2014, up 80% y-o-y

Our approach

Our vision of the long-term sustainability of our business is based on several pillars. We grow crops to maximize the long-term productivity of our soils and ensure efficient resource usage. Our production plants strictly comply with environment regulations and minimize energy resources, substituting most fossil fuel by burning sunflower seed husks, a waste by-product of the sunflower oil production process. We also understand that human capital is a key asset and we develop our employees through a variety of means, and ensure that their health and safety is always a top priority. In addition, we invest in the social development of regions where we operate, directing most of the effort to rural regions, where approximately two-thirds of our employees work.

FY2014 performance summary

Our biomass power plants produced energy equivalent to 72 million cubic meters of natural gas in FY2014, an increase of 3% y-o-y. In our farming division, we continued to improve control over fuel usage, finished the installation of GPS trackers and fuel level sensors on all of our fuel-intensive equipment in FY2014, and conducted our first detailed soil analysis of all of our 389,000 hectares acreage – which will allow us to use fertilizer more efficiently going forward.

Over the financial year ended 30 June 2014, we increased our social spending by 80% y-o-y to USD 2.6 million. Additionally, we continue signing social partnership agreements with local communities – the share of our activities conducted under these agreements reached approximately 70% during the reporting period.

Our investment into the training of our personnel was USD 243,000 in FY2014, flat y-o-y due to Ukrainian hryvnya devaluation and an increase of 14% y-o-y in the quantity of sessions. We launched an Agro MBA to develop our talent pool, further increased the scope of our professional development training provided through our Smart Farm, increased the frequency of internal conferences aimed at sharing accumulated knowledge, and continued our graduate recruitment activities. We continued to improve our health and safety measures and launched a comprehensive review of existing anti-hazard practices at our sunflower oilseed crushing plants.

Outlook

Our work plan includes the further optimization of resource use at our crop production division, with the gradual roll-out of precise farming practices, while maintaining long-term soil productivity. In training and developing our human capital, we have a strong pipeline – from expanding the coverage of existing initiatives to launching new projects. We also aim to continue being a strong and reliable partner to local communities by working through social partnership agreements.

Sustainability continued

Environment

Our environmental policy is based on zero tolerance of any actions or technology that could result in material harm to the environment, continuous work toward reducing our energy intensity and the implementation of best practices at acquired enterprises.

Producing green energy from biomass

Eight of our nine oilseed crushing plants are equipped with modern biomass boilers, which are designed to produce heat energy required for oilseed crushing by burning sunflower seed husks, a by-product of the crushing process. Using biomass substitutes natural gas, which was historically used by the industry, and also saves the environmental and economic costs that would have been associated with disposal of the husks, as husks are biomass waste that could be of no other use. Annually, this allows us to save approximately 72 million cubic meters of natural gas, which is the equivalent of conserving roughly 140,000 tons of fossil-based CO_2 emissions per year. Additionally, one of our largest crushing plants is also equipped with a turbine that produces electricity, utilizing husks as an energy source, and supplies it to third party off-takers and for internal needs.

As we use only about half of all husks obtained from our production process, another half is sold to electricity plants in Poland who mix them with other fuels to produce greener energy for local communities. Together with our own consumption, the utilization of waste from our production processes saves 339,000 tons of fossil-based greenhouse gas, net of incremental logistics emissions.

Large-scale farming allows for economizing on fuel usage per hectare

One of the benefits of the large-scale farming model we use for our own crop production is that we can operate the largest available models of farming machinery – farmers with a couple thousand hectares do not have sufficient acreage to justify investments in such large equipment. Larger tractors and harvesters allow for spending less fuel per hectare, with savings in the range of 10-40%.

To be precise, the fuel usage by our farming machinery is the largest single point of greenhouse emissions in our business model, thus we pay foremost attention to minimizing the fuel consumption of our available machinery fleet. During the reporting period, we finished installing GPS trackers in our fuel-intensive farming fleet, which allows us to control the movements of any tractor or combine harvesters from clusters' offices and from the centralized dispatch center.

Another benefit from our modern fleet comes with the minimization of food losses during harvesting: a comparison of a modern harvester with outdated equipment shows that up to 5-7% of crops can be saved if modern equipment is used.

Precise farming is in the early implementation stage

One of our farming clusters is pioneering the implementation of precise farming technology, which is a set of management practices aimed at using fewer inputs such as fertilizer and seeds to achieve the same high level of land productivity. Essentially, precise farming – which is a contemporary topic at any global agriculture conference – is based on measuring the interregional distribution of crop yields and nutrient availability across different points in the fields. Knowing and analyzing this data allows us to apply differentiated quantities of inputs so that no excess fertilizer is put on the rich portions of fields or that higher quantities of seeds are used in areas where plant growth intensity is low for whatever reason. As there is no ready toolbox for precise farming globally, our approach is to develop knowledge and rollout this technology gradually. See the case study on page 27 for more details.

Giving back to communities

We see the communities where we operate as a key stakeholder group and aim to build our presence in the form of long-term partnerships with them. With the majority of our operations, in terms of labor intensity, located in rural regions in Ukraine, we take it as a great responsibility to develop the villages that we operate in. Our social activities are mostly structured through social partnership agreements, with more than 70% of villages where we operate already having signed agreements with us. Normally, on an annual basis our dedicated team discusses with local communities what their needs are and, subject to our budget constraints, develops a short-term action plan to address the most important issues. During the period under review, the most significant spending financed local schools and kindergartens and made critical investments in local infrastructure and healthcare. We also conducted numerous activities to engage rural citizens through the facilitation of local sports tournaments, art competitions for children and visits to our production facilities and farm operations for older schoolchildren.

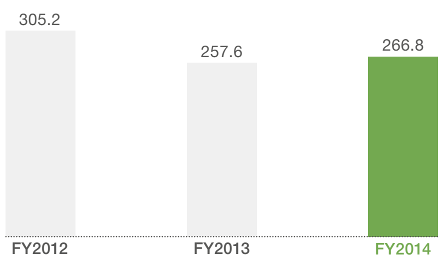
We make a significant effort to maintain a continuous dialog with our communities. We publish corporate newspapers in four regions where we operate, with a total monthly circulation of approximately 70,000 copies, giving updates on our social responsibility activities and providing legal and other advice on important questions in rural regions.

327,000

Households in Poland are supplied with green electricity produced from our sunflower seed husks, a waste by-product from our production process.

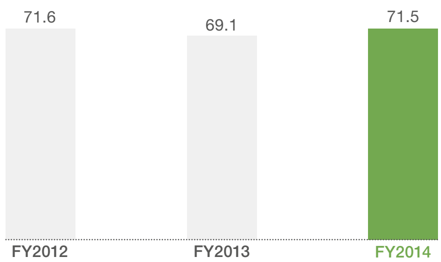
Source: Company calculations based on Enerdata, IRENA and IEA statistics.

Total emissions, CO_2 equivalent (thousand tons, scope 1)



Source: Kernel.
Note: Excludes divested enterprises and includes companies as of 30 June. Excludes joint ventures, emissions generated by fertilizers and pesticides and carbon captured by crop production.

Natural gas savings (million cubic meters)



Source: Kernel.

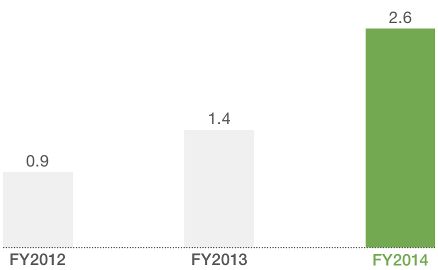
Sustainability continued

We operate a telephone hotline for local communities and receive mailed feedback that often helps us to improve the efficiency of our social investments and enhance our understanding of community needs. Periodically, we also arrange opinion polls to identify critical questions of concern in the regions where we operate.

In the year ended 30 June 2014, we established a dedicated charitable foundation, through which we structured most of our social activities – this improved the transparency and comparability of our activities. Going forward, our plan is to implement a periodical independent assessment of our engagement programs with local communities.

Our charitable giving is strictly focused on the communities where we operate.

Social spending
(USD million)



Source: Kernel.

Health and safety

Acknowledging that we operate in regions and an industry with a traditionally poor work-related safety culture, we aim to improve the health and safety of our workers through a variety of means. All workers with medium and high exposure to hazards are required to go through compulsory health and safety trainings, with periodicity depending on the risk likelihood – some jobs require refreshment safety trainings at the beginning of each shift. Our workplaces and production processes fully comply with health and safety norms and requirements. Most of our production units employ dedicated health and safety specialists and have customary, enterprise and process-specific health and safety policies in place. All workers are equipped with overalls and medical examinations are required. Periodically, we hire third party providers to assure the safety of our workplaces.

At the same time, we understand that improving our health and safety culture is a continuous process that will never end and we aim to improve our procedures and processes, paying specific attention to recently acquired enterprises.

	FY2012	FY2013	FY2014
Fatality cases	4	–	**2**
Injury cases	29	25	**16**

Source: Kernel.

Developing our human capital

Competitive reward strategy

As we understand that people are our key competitive advantage, our remuneration policy is based on providing competitive compensation that matches or exceeds the levels in our industry. We also strictly comply with labor legislation and pay all salary-related taxes and social contributions.

Investing in training

Our activities to develop our human capital are structured in several directions. The majority of trainings we provide to our employees covers various groups of personnel and aim to develop their specific professional qualifications.

We also pay special attention to improving the health and safety culture across our enterprises through continuous training.

With our operations spread across many locations, we focus on disseminating accumulated professional knowledge: each year we organize numerous meetings and internal specialized conferences that gather together specialists that work in different locations in one place to discuss and share their experience and knowledge. In our farming and grain procurement divisions, we also periodically gather key personnel from our farms at the cluster level to discuss broad strategy and short-term goals.

Smart Farm and Agro MBA

Our Smart Farm training center is another approach we use to develop our agronomists, machinery engineers and accounting specialists from our farming division. Launched three years ago at one of our farming clusters, it is fully equipped to provide module-based education to our farming employees.

Courses are short-term and taught by Ukrainian and European visiting specialists, with the key goal of filling the gap between the knowledge that employees receive in Ukrainian universities and that required for the contemporary farming business. Adjacent to our Smart Farm is a 500 hectare experimental land plot where we test new seed grades and agronomy practices.

One group of our employees receives a designated amount of training: our talent pool. While our personnel reserve program is in the early development stage and so far focuses only on managerial staff, we are planning to enhance coverage in the medium term. >

Human rights policy and statement

As an international organization with an aim to be a standards-setter in the agriculture business, we strictly respect human rights. Fully supporting the United Nations Global Compact's guiding principles on human rights and labor, we respect the protection of international human rights within our sphere of influence and make sure that we are not complicit in human rights abuses. We are against all forms of the exploitation of children and do not use any child labor. We expect each of our companies to follow laws and regulations concerning human rights practices and where our own principles and regulations are stricter than local legislation, the higher standards apply. We provide safe and healthy working conditions, ensure wages and salaries meet or exceed the levels stipulated in legislation and those set by industry standards, and abide with standards and legislation applicable to working hours. We respect privacy as a human right.

The right of our workers to form associations and join organizations of their own choosing is fully respected by our Company. We do not tolerate any form of forced and compulsory labor. We also aim to be an equal opportunity employer and we are committed to not discriminating against individuals on the basis of gender identity, religion, race, color, sex, sexual orientation, disability, age, or national or ethnic origin.

We adhere to the International Labor Organization Declaration on Fundamental Principles and Rights at Work as well as the Universal Declaration of Human Rights.

Sustainability continued

During the reporting period, jointly with the University of Hohenheim, we launched a corporate Agro MBA program, which consists of several educational modules to develop the managerial skills of our mid-level managers.

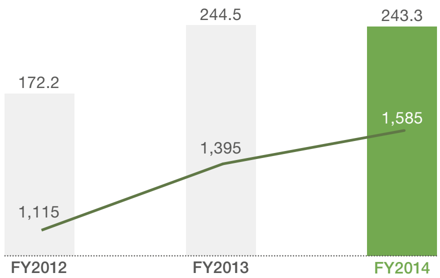
Acknowledging the continuing migration of the young labor force from villages to cities and the gradual aging of our labor force, we launched a graduate recruitment program in Ukraine three years ago. The program consists of various activities aimed at promoting careers in the agriculture business to a broad group of graduate students at selected universities, and attracting the most motivated and qualified of them to work in various divisions at our farms and processing plants. Selected graduates start with internships and 85% of them continue to work with us as full-time employees.

Last year we also launched a pilot version of an internal educational website. This long-term project will facilitate our office personnel's development through webinars, educational courses and testing, and ease the adaptation of our new employees.

Engaging with employees

Our engagement with employees takes on several forms. For example, we operate an internal corporate website and publish a bi-monthly corporate newspaper with a circulation of about 10,000 copies to employees with limited access to the Internet. Reverse communication is received as through formal grievance mechanisms in place, and through our hot line and mailings to our internal communications team.

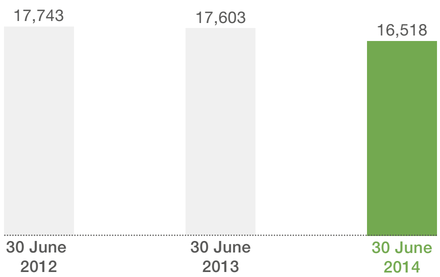
Training and education of employees



Investment in training and education, USD thousand
Total number of training sessions

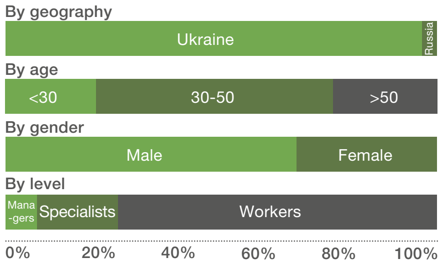
Source: Kernel.

Total employees



Source: Kernel.

Employee structure, 30 June 2014



Source: Kernel.

Case study

Proper farming technology optimizes water use and ensures soil productivity

We understand that we are in the farming business for the long term, thus we approach technology selection with the aim of maximizing long-term soil productivity even at the cost of short-term profits.

We follow a prudent crop rotation scheme for planting crops in order to keep the natural nutrients balance and avoid soil diseases, and also use balanced fertilization to compensate for nutrients that crops have taken away while growing. We also select proper tillage technology to ensure the efficient use of rain water (only approximately one thousand hectares of our land is irrigated while most of it relies on rainfall).

For instance, we use mini-tillage for wheat growing: with lower soil disturbance, less water is evaporated, thus reducing soil erosion. At the same time, our corn production is based on deep tillage: corn roots are deeper than those of wheat, making this essential to ensure rain water reaches the roots and the crop develops normally.

A Kernel worker conducts an analysis of the inputs used in crop production in the Company's laboratory.

Board of Directors

The board of directors is composed of eight directors, three of whom are independent non-executive directors. The directors presently serving on the board are the following:

Andriy Verevskyy
Chairman, age 40
Appointed in September 2007

Committee membership:
Member of the Nomination and Remuneration Committee.

Skills and experience:
Mr. Verevskyy founded Kernel in 1995 and has served as CEO since then. Since 2007, Mr. Verevskiy has served as chairman of the Board of Directors and oversees the strategic development and overall management of the Group. As of 30 June 2014, he owned 39.1% of Kernel Holding S.A.'s shares through investment vehicle Namsen Ltd.

Mr. Verevskyy graduated with an agronomy degree from the Ukrainian Agrarian University in 2004. He speaks Ukrainian, Russian and English.

Ton Schurink
Non-executive independent director, age 68
Appointed in October 2007

Committee membership:
Chairman of the Nomination and Remuneration Committee, member of the Audit Committee.

Skills and experience:
An experienced executive, Mr. Schurink has an extensive background in commodity trading, risk management, trade and structured finance, barter and shipping over a 32-year career at Cargill. In 2001, he founded the consulting company CFT Advisory Services, which focuses on providing management advisory services to trading and logistics companies, and in 2008 he established the partnership CFT Services & Partners.

Mr. Schurink also serves as a director on the boards of cocoa and coffee trader Amtrada Holding, shipping business Navemar S.A. and Banque Cantonale de Geneve. His past directorships include supply chain management company Cefetra, petroleum trading company SJB Suisse S.A. and air cargo business Farnair S.A.

Mr. Schurink is a graduate of the Nijenrode Business School in the Netherlands and Insead Advance Management Programme in Fontainebleau, France. He speaks English, German, Dutch and French.

Andrzej Danilczuk
Non-executive independent director, age 51
Appointed in October 2007

Committee membership:
Member of the Audit Committee and Nomination and Remuneration Committee.

Skills and experience:
A senior executive with over 20 years of experience in soft commodity trading and business development, Mr. Danilczuk currently works with Koepta Borkers SARL in Geneva, which specializes in the brokerage of grain, oilseeds and processed products trade. After starting his career with Louis Dreyfus in 1991, he later became responsible for establishing operations in Ukraine, Kazakhstan and Uzbekistan, rolling out an origination network, trading and risk management functions. In 2005-2007, he served as general director for Nastyusha Paris S.A.S., a local trading company that specialized in trading Russian and Kazakh wheat; thereafter he moved into a similar position in Geneva at Risoil S.A., which worked in the trade of grains and oilseed of Ukrainian, Bulgarian and Russian origin.

Mr. Danilczuk is a graduate of the Moscow State Institute of International Relations. He speaks Polish, English, Russian and French.

Sergei Shibaev
Non-executive independent director, age 55
Appointed in November 2012

Committee membership:
Chairman of the Audit Committee.

Skills and experience:
An accomplished professional, Mr. Shibaev has extensive audit and risk committee experience. His international executive career spanned 30 years in corporate finance, corporate development, investment banking and accounting, including a managing partner role with Coopers & Lybrand, head of corporate finance position with ING Barings and partner with Roland Berger Strategy Consultants.

Mr. Shibaev is a Fellow Chartered Certified Accountant (FCCA) in the UK, has a master's degree and PhD from the Moscow State Institute of International Relations, and an MBA from the Henley Management College in the UK. He speaks English, Russian and Ukrainian.

Board of Directors continued

Anastasiia Usachova
Chief financial officer, age 43
Appointed in September 2007

Committee membership:
None.

Skills and experience:
Ms. Usachova joined Kernel in 2003, and now serves as chief financial officer of the Group, overseeing budgeting, financial planning and reporting, treasury, and auditing and risk management. Before Kernel, Ms. Usachova worked as chief financial officer of United Grain Group, a Ukraine-based grain exporter.

Ms. Usachova holds a bachelor's degree in physics and mathematics from Poltava University, a master's degree in international relations from Kyiv National Economic University, and is a Certified Management Accountant (CMA) through the Institute of Management Accountants (IMA) in the US. She speaks Russian, Ukrainian and English.

Kostiantyn Lytvynskyi
Chief operating officer, age 41
Appointed in December 2011

Committee membership:
None.

Skills and experience:
Mr. Lytvynskyi came to Kernel in 2005, and currently works as chief operational officer of the Group, managing grain and sunflower oil exports, raw materials origination and logistics. Prior to joining the Company, Mr. Lytvynskyi worked for United Grain Group in a similar position.

Mr. Lytvynskyi holds a maritime management degree from the Odessa National Maritime University and completed a maritime management course at the College of Central London in the UK. He speaks Russian, Ukrainian and English.

Viktoriia Lukianenko
Chief legal officer, age 39
Appointed in September 2007

Committee membership:
None.

Skills and experience:
Ms. Lukianenko started working at the Group in 2002, and is now its chief legal officer. In her role, she oversees the Group's corporate and legal issues. Before joining the Company, Ms. Lukianenko held senior legal positions with various corporations in Ukraine and worked as a leading specialist at the legal department for licensing and registration of the License Chamber of Ukraine.

Ms. Lukianenko graduated from Taras Shevchenko National University of Kyiv with a diploma in law in 1998 and became a member of the Ukrainian bar in 2003. She speaks Ukrainian, Russian and English.

Yuriy Kovalchuk
Corporate investment director, age 33
Appointed in December 2011

Committee membership:
None.

Skills and experience:
Since joining Kernel in 2011, Mr. Kovalchuk has worked as corporate investment director. In this role, he oversees investor relations and execution of the Company's acquisitions and divestments. Prior to Kernel, Mr. Kovalchuk worked in corporate finance for ING Bank N.V. in its London and Kyiv offices.

Mr. Kovalchuk graduated with a major in business management from the Kyiv National University of Trade and Economics and is a Fellow Chartered Certified Accountant (FCCA) in the UK. He speaks Ukrainian, Russian and English.

Corporate Governance

Group structure

The Kernel group of companies (hereinafter – the 'Group' or the 'Company') consists of Kernel Holding S.A. and its subsidiaries.

Kernel Holding S.A. (RCS Luxembourg: B109173) was incorporated on 15 June 2005 as a public limited liability company (societe anonyme) under the laws of the Grand Duchy of Luxembourg and has been the holding company of the Group since incorporation. Kernel Holding S.A.'s shares have been listed on the main market of the Warsaw Stock Exchange (Bloomberg ticker: KER PW) since November 2007. Its registered address is 19 rue de Bitbourg, L-1273 Luxembourg.

The Company's corporate governance framework is defined in a special chapter of its Articles of Association, which is available on the Company's website.

While fully adhering to the corporate law of the Grand Duchy of Luxembourg, the Company also voluntarily aims to comply with the Code of Best Practice for companies listed on the Warsaw Stock Exchange and the Ten Principles of Corporate Governance issued by the Luxembourg Stock Exchange.

Please refer to the page 50 for a list of the Company's principal subsidiaries, with an indication of subsidiaries names, key activities and the Company's participation.

Significant shareholdings and share capital

As of 30 June 2014, there were 79,683,410 ordinary shares issued and fully paid. The Company has a single class of shares, all ranking pari passu. No other securities were issued by the Company.

According to the Company's Articles of Association, all issued and outstanding shares in the Company have equal voting rights and there are no special control rights attached to the shares.

As of 30 June 2014, the Company had two significant shareholders, with shares exceeding 5% of share capital:

- → Namsen Limited owns 31,182,711 shares, which represents 39.13% of the share capital; and
- → ING Otwarty Fundusz Emerytalny notified that as of 9 June 2014 it owned 4,786,230 shares, which represents 6.01% of the share capital.

The Company is not aware of any other holdings in excess of 5% of the share capital.

The Company's shares are included in the Top 30 Index of the Warsaw Stock Exchange and several other free-float indices.

As of 30 June 2014, the Company did not own any of its own shares.

General shareholders' meeting

Under Luxembourg company law, the Company's annual or extraordinary general meetings of shareholders represent the entire body of shareholders of the Company. They have the broadest powers and resolutions passed by such meetings are binding for all shareholders.

Any shareholder who is recorded in the Company's shareholder register at least eight days before a meeting is authorized to attend and to vote at the meeting. Each share is entitled to one vote at all general shareholders' meetings.

As per the Company's Articles of Association, the date of the annual general meeting is fixed at 10 December or the next business day should such a date be a legal holiday.

The proposed meeting's agenda is published along with a convening notice at least 30 days before the meeting on, among other places, the Company's website. A notice period of 17 days applies in case of a second or subsequent convocation of the general meeting convened for a lack of quorum required for the first meeting to be convened.

One or more shareholders holding at least 5% of shares can put topics on the agenda of the annual meeting of shareholders and propose draft resolutions, with such proposals to be made no later than 14 days prior to the meeting of shareholders.

As per Luxembourg corporate law, shareholders may opt to participate in the general meeting via proxy or by sending a filled in voting form via email, with both forms being published by the Company along with the convening notice on the Company's website (kernel.ua). The proxy does not have to be a shareholder of the Company. As shareholders historically participate in the general meeting through voting and proxy forms, there is no major representation of the board and executive managers at the meeting, while they are available to shareholders for dialog in the ordinary course of the business.

Unless otherwise provided by law, resolutions of the meeting of shareholders are passed by a simple majority vote of shareholders present or represented. During the annual general meeting held on 10 December 2013, the Company approved the management report and annual accounts for the financial year ended 30 June 2013, approved the board's proposal to carry forward the Company's profits and declared dividends at nil for the year ended 30 June 2013. The meeting also granted discharge to the directors of the Company and its independent auditor, while also renewing the mandates of five of the Company's directors, approving directors' remuneration, which was unchanged compared to the previous year, and reappointing Deloitte Audit S.a.r.l. as independent auditor.

There were no extraordinary meetings held during the reporting year. >

Board of directors' composition

Director	Role	Independency	Audit Committee	Nomination and Remuneration Committee
Andriy Verevskyy	Chairman of the board			Member
Ton Schurink	Non-executive director	Independent	Member	Chairman
Sergei Shibaev	Non-executive director	Independent	Chairman	
Andrzej Danilczuk	Non-executive director	Independent	Member	Member
Anastasiia Usachova	Chief financial officer			
Kostiantyn Lytvynskyi	Chief operations officer			
Viktoriia Lukianenko	Chief legal officer			
Yuriy Kovalchuk	Corporate investment director			

Corporate Governance continued

Board of directors

Kernel Group is governed by a board of directors (hereinafter the 'Board') and managed by an executive management team.

The Board is vested with the broadest powers to perform all acts of administration and disposition in compliance with the Company's corporate objective. All powers not expressly reserved by law or by the Articles of Association to the general meeting of shareholders fall within the competence of the Board.

All the directors are appointed at the general meeting of shareholders with a term of office limited to six years. Directors may be reelected for consecutive terms of office. The directors are elected by simple majority vote of the shares present or represented at the general meeting of shareholders. The formal criteria and procedure for the directors' appointment are developed by the Nomination and Remuneration Committee.

As of the date of the publication of this report, the board of directors was composed of eight directors, three of whom were non-executive independent directors (see composition in the table on page 39).

Following Annex II of the European Commission Recommendation of 15 February 2005 on establishing the independence of a director of the company, independent directors of the Company should fulfil the following criteria:

→ not be an executive director (or manager) of the Company or an associated company, and have not been in such a position over the past five years;
→ not be employees of the Company or associated companies, and have not been in such a position during the past three years;
→ not receive and have not received significant additional remuneration from the Company or associated companies apart from a fee received as an independent director;
→ not represent and have not represented in any way a strategic shareholder with a 10% or greater holding;
→ not have and not have had within the last financial year a significant business relationship with the Company or associated companies, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship;
→ not be and have not been during the last three years a partner or employee of the current or a former external auditor of the Company or associated companies;
→ not be executive directors (or managers) at another company at which an executive director (or manager) of the Company is an independent director and not have other significant links with the executive directors (or managers) of the Company due to positions held at other companies or bodies;
→ have not served on the Board as independent directors for more than 12 years; and
→ not be close family members of an executive director or managers.

There were no changes to the composition of the board of directors during the reporting period.

Board meetings

The board of directors meets in person and by conference call, holding a minimum of seven meetings per year, as well as having unscheduled meetings and executing decisions through circular letters. Decisions are taken by a majority vote of the directors present or represented.

Audit Committee

The audit committee of the board of directors consists of three non-executive independent directors, headed by the chairman of the committee (see the table on page 39 for the committee's composition).

The committee assists the board of directors in monitoring the reliability and integrity of financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards applied by the Company, including consolidation criteria. The committee also assists in formulating a description of the risks specific to the Company, while a respective system of risk control to monitor the latter is subsequently implemented by the executive managers of the Company with appropriate identification and disclosure to the board of directors.

The internal and external auditors have free access to the audit committee in the ordinary course of business. Following each meeting of the committee, the chairman of the audit committee makes a report to the board of directors identifying the issues in respect to which he/she considers action or improvement is called for or makes recommendations on necessary adjustments in internal regulations if required.

Nomination and Remuneration Committee

The purpose of the Nomination and Remuneration Committee is: identification and recommendation of candidates to fill Board positions; nomination of a Chairman of the Board; assessment of the skills, knowledge and experience of individuals appointed; and review of the remuneration policy of the Company.

The Nomination and Remuneration Committee consists of three members including the chairman of the committee, who are appointed by the Board from among the Board members. The chairman of the committee is elected by the committee members. Given that the committee combines nomination and remuneration functions, it is composed of two non-executive directors and chairman of the Board of directors (see composition in the table on page 39).

The committee assists the Board in fulfilling its responsibilities by reviewing, advising and making recommendations to the Board on the appropriate size and composition of the Board, necessary and desirable competencies of directors, appointment and removal of directors, succession plan for the Board and senior management, induction program for new directors, the Company's recruitment and health and safety strategic objectives and policies, and oversight of the development and implementation of a process for the evaluation of the performance of the Board and its committees. The committee also develops appointment criteria and procedures for directors and reviews executive managers' remuneration but does not submit remuneration proposals. Its functions also include assisting the Board on remuneration policies, the remuneration and incentive policies for directors and senior executives, key terms of appointment for directors and senior executives, management incentive schemes and professional indemnity and liability insurance for directors and senior management. The committee's meetings are not recorded due to confidentiality reasons.

Executive management

The Company's daily operations are managed by a group of senior executive officers employed by the Group's subsidiaries, who are responsible for the operating segments and support functions of the Company. The full list of executive managers and short biographies are available on the Company's website (kernel.ua).

Board of directors and committees' meetings attendance in FY2014

	Scheduled meetings	Unscheduled meetings	Average attendance
Board of directors	7	1	95%
Audit Committee	6	–	100%
Nomination & Remuneration Committee	2	–	100%

Corporate Governance continued

Remuneration of the Board and directors

Details of the directors' and executive management's compensation for the reporting period are available in Note 33 to the financial statements.

The remuneration of non-executive directors consists of a fixed annual fee. In addition to this, the directors are reimbursed for certain travel, hotel and other expenses related to the exercise of their directorship duties.

The remuneration of executive directors consists of a fixed annual fee for their service as a director of the Company. Further to this, the executive directors are entitled to remuneration for their executive positions as members of the management team, which consists of an annual fixed fee, variable bonus with a bonus pool linked to achieving EBITDA minus a financial expenses threshold, and long-term awards granted in non-vested stock options.

The members of the Board of directors and executive management are not granted with any pension, retirement or similar benefits by the Company.

Evaluation of the Board of directors and its committees

In accordance with the principles of corporate governance of the Luxembourg Stock Exchange, the board of directors assesses its operating methods and relationship with the executive management. The evaluation is conducted through an online questionnaire with each director anonymously assessing the Board's effective fulfillment of its remit, composition, organizational structure and its effectiveness as a collective body, among other things. With the conclusions of the results of the latest Board self-evaluation due this autumn, the Board is expected thereafter to decide on a self-evaluation procedure for its committees.

Conflicts of interest

Each director is required to report to the chairman of the Board or the audit committee conflicts of interest when they arise and shall refrain from deliberating or voting on issues concerned in accordance with relevant legal provisions, except for everyday transactions entered into under normal conditions. Any abstention due to a conflict of interest shall be indicated in the minutes of the meeting and disclosed at the next general meeting, in accordance with applicable legal provisions.

Notwithstanding any contrary provision, any material agreement between the Company and related parties must be approved in advance by the board of directors, with at least one independent director voting in favor of such a resolution.

Insider dealing

As a company with stock listed on the Warsaw Stock Exchange, the Group follows insider dealing and market abuse regulations applicable to issuers listed on the Warsaw Stock Exchange as well as the respective regulation under Luxembourg law.

In particular, all members of the Board and executive managers are required to disclose to the Company, to the Commission de Surveillance due Secteur Financier and to the Polish Financial Supervision Authority all their transactions with the Company's shares or share options, within a five-day period after such transactions reach a cumulative value equivalent of 5,000 euros. Further to this notice, the Company notifies the stock exchange and posts respective information on its website. The Company also adopted an insider trading manual, which broadens the group of persons to which insider dealing regulations apply, defines restricted periods for transactions with the Company's shares, and specifies dealings with insider information. The Company keeps and regularly updates the list of people that have access to inside information.

External audit

The Company's annual consolidated and standalone accounts are audited by an external auditor appointed by the annual general meeting of shareholders.

On 10 December 2013, the general meeting of shareholders appointed Deloitte Audit, having its registered office at 560 rue du Neudorf, L-2220 Luxembourg, registered with the Luxembourg Trade and Companies' Register under number B67895 as independent auditor of the consolidated and unconsolidated annual accounts of Kernel Holding S.A. for the year ended 30 June 2014.

The Audit Committee regularly meets with the auditors, including meetings without the presence of executive management, to discuss the audit process and management letter among other things and makes recommendations on the external auditor's work program. The amount of non-audit services provided by external auditors is specifically disclosed in Note 28 to the annual accounts and, whilst services are authorized ex officio, the Audit Committee periodically examines the nature and scope of the non-audit services provided with a view to avoid any conflicts of interest.

Internal audit

The Company has an internal audit function that reports to the board of directors.

Internal audit provides independent and objective evaluations of the effectiveness and efficiency of risk mitigation and internal control systems within the operational and financial framework of the Company, and assists the personnel and management of the Company in improving the aforementioned systems.

During the reporting period, internal audit provided reasonable assurance on key controls in such operational processes as grain and sunflower oil inland transportation, other purchases, safeguards of commodity inventory, bottled oil sales and the investment process, while also maintained oversight on the implementation of the recommendations under previously completed audits.

Internal audit cooperates with the external auditor and works closely with the audit committee of the board of directors.

Takeover disclosure

The Company's shares are in electronic form and freely transferable, subject only to the provisions of law and the Company's Articles of Association.

There are no agreements between the Company and its employees or directors providing for compensation of the loss of office or employment (whether through resignation, purported redundancy, or otherwise) that would occur because of a takeover bid.

The Company in the ordinary course of business has entered into various agreements with customers and suppliers around the world.

Some of the Company's borrowing agreements, which either by their nature or value may represent significant agreements, do provide for the right of termination upon a change of control of the Company. The commercial sensitivity of these agreements prevents their details from being disclosed.

Save the preceding disclosure, there are no other significant agreements to which the Company is a party that take effect, alter, or terminate upon a change of control following a takeover of the Company.

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Statement of Management Responsibilities
for the year ended 30 June 2014

We confirm that to the best of our knowledge and belief:

→ The consolidated financial statements of Kernel Holding S.A. (the ‘Company’) presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position, cash flows and profit of the Company and the undertakings included within the consolidation taken as a whole; and

→ The Management Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

20 October 2014

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

To the Shareholders of
Kernel Holding S.A.
19, rue de Bitbourg
L-1331 Luxembourg

Report of the Réviseur d'Entreprises agréé

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 10 December 2013, we have audited the accompanying consolidated financial statements of Kernel Holding S.A., which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Kernel Holding S.A. as of 30 June 2014, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw your attention to Note 34 'Commitments and Contingencies' to the consolidated financial statements, which describes the current political crisis in Ukraine. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The accompanying corporate governance statement on pages 39 to 41, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December 2002 on the commercial companies and companies register and on the accounting records and annual accounts of undertakings, as amended and the description included with respect to Article 68bis paragraphs c and d of the aforementioned law is consistent with the consolidated financial statements.

For Deloitte Audit, Cabinet de révision agréé

Sophie Mitchell,
Réviseur d'entreprises agréé
Partner

20 October 2014

Selected Financial Data

for the year ended 30 June

		USD thousand		PLN thousand		EUR thousand	
		30 June 2014	30 June 2013	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
I.	Revenue	**2,393,251**	2,796,752	**7,403,283**	8,980,930	**1,764,305**	2,163,288
II.	Profit from operating activities	**128,717**	200,891	**398,173**	645,101	**94,890**	155,389
III.	(Loss)/Profit before income tax	**(90,423)**	121,049	**(279,715)**	388,713	**(66,660)**	93,631
IV.	(Loss)/Profit for the period from continuing operations	**(101,795)**	114,878	**(314,893)**	368,896	**(75,043)**	88,858
V.	Net cash generated by operating activities	**82,472**	303,871	**255,119**	975,791	**60,798**	235,044
VI.	Net cash used in investing activities	**(83,210)**	(266,053)	**(257,402)**	(854,349)	**(61,342)**	(205,792)
VII.	Net cash generated by/(used in) financing activities	**(6,558)**	(47,650)	**(20,286)**	(153,015)	**(4,835)**	(36,857)
VIII.	Total net cash flow	**(7,296)**	(9,832)	**(22,569)**	(31,573)	**(5,379)**	(7,605)
IX.	Total assets	**1,919,022**	2,361,632	**5,847,836**	7,834,713	**1,405,492**	1,809,720
X.	Current liabilities	**597,363**	700,080	**1,820,344**	2,322,515	**437,509**	536,471
XI.	Non-current liabilities	**290,973**	309,283	**886,683**	1,026,046	**213,109**	237,005
XII.	Issued capital	**2,104**	2,104	**6,412**	6,980	**1,541**	1,612
XIII.	Total equity	**1,030,686**	1,352,269	**3,140,809**	4,486,152	**754,874**	1,036,244
XIV.	Number of shares	**79,683,410**	79,683,410	**79,683,410**	79,683,410	**79,683,410**	79,683,410
XV.	(Loss)/Profit per ordinary share (in USD/PLN/EUR)	**(1.23)**	1.40	**(3.80)**	4.50	**(0.91)**	1.08
XVI.	Diluted number of shares	**79,856,603**	80,035,037	**79,856,603**	80,035,037	**79,856,603**	80,035,037
XVII.	Diluted (loss)/profit per ordinary share (in USD/PLN/EUR)	**(1.23)**	1.39	**(3.81)**	4.48	**(0.91)**	1.08
XVIII.	Book value per share (in USD/PLN/EUR)	**12.92**	16.76	**39.38**	55.60	**9.46**	12.84
XIX.	Diluted book value per share (in USD/PLN/EUR)	**12.89**	16.69	**39.29**	55.36	**9.44**	12.79

Consolidated Statement of Financial Position
for the year ended 30 June

(in USD thousands unless otherwise stated)	Notes	As of 30 June 2014	As of 30 June 2013
Assets			
Current assets			
Cash and cash equivalents	8	65,400	78,819
Trade accounts receivable, net	9	99,796	150,758
Prepayments to suppliers and other current assets, net	10, 33	56,924	110,091
Corporate income tax prepaid		11,689	19,323
Taxes recoverable and prepaid, net	11	144,539	190,689
Inventory	12	299,527	270,232
Biological assets	13	182,836	246,997
Assets classified as held for sale	14	11,818	23,176
Total current assets		872,529	1,090,085
Non-current assets			
Property, plant and equipment, net	15	643,462	763,311
Intangible assets, net	16	94,739	159,497
Goodwill	17	138,575	161,739
Investments in joint ventures	32	98,075	94,026
Deferred tax assets	23	11,648	22,850
Corporate income tax prepaid		33,533	15,003
Other non-current assets	18, 33	26,461	55,121
Total non-current assets		1,046,493	1,271,547
Total assets		1,919,022	2,361,632
Liabilities and equity			
Current liabilities			
Trade accounts payable		33,369	47,066
Advances from customers and other current liabilities	19, 33	79,570	201,584
Short-term borrowings	20	405,821	398,628
Current portion of long-term borrowings	21	77,335	50,893
Liabilities directly associated with assets classified as held for sale	14	1,268	1,909
Total current liabilities		597,363	700,080
Non-current liabilities			
Long-term borrowings	21	247,525	256,630
Obligations under finance lease	22	12,486	19,093
Deferred tax liabilities	23	17,236	27,721
Other non-current liabilities	33	13,726	5,839
Total non-current liabilities		290,973	309,283
Equity attributable to Kernel Holding S.A. equity holders			
Issued capital		2,104	2,104
Share premium reserve		463,879	463,879
Additional paid-in capital		39,944	39,944
Equity-settled employee benefits reserve		3,176	3,028
Revaluation reserve		39,456	40,053
Translation reserve		(367,691)	(160,622)
Retained earnings		848,793	947,099
Total equity attributable to Kernel Holding S.A. equity holders		1,029,661	1,335,485
Non-controlling interest		1,025	16,784
Total equity		1,030,686	1,352,269
Total liabilities and equity		1,919,022	2,361,632
Book value		1,029,661	1,335,485
Number of shares	37	79,683,410	79,683,410
Book value per share (in USD)		12.92	16.76
Diluted number of shares	37	79,856,603	80,035,037
Diluted book value per share (in USD)		12.89	16.69

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Profit or Loss
for the year ended 30 June 2014

(in USD thousands unless otherwise stated)	Notes	30 June 2014	30 June 2013
Revenue	24	**2,393,251**	**2,796,752**
Net change in fair value of biological assets and agricultural produce		(17,110)	14,866
Cost of sales	25	(1,967,974)	(2,360,997)
Gross profit		**408,167**	**450,621**
Other operating income, net	26	60,474	66,528
Operating expenses			
Distribution costs	27	(262,920)	(238,061)
General and administrative expenses	28	(77,004)	(78,197)
Profit from operating activities		**128,717**	**200,891**
Finance costs, net	29	(72,459)	(74,878)
Foreign exchange (loss)/gain, net	30	(98,805)	2,908
Other expenses, net	31	(51,777)	(5,671)
Share of gain/(loss) of joint ventures	32	3,901	(2,201)
(Loss)/Profit before income tax		**(90,423)**	**121,049**
Income tax expenses	23	(11,372)	(6,171)
(Loss)/Profit for the year from continuing operations		**(101,795)**	**114,878**
Discontinued operations			
Loss for the year from discontinued operations	14	(5,611)	(9,625)
(Loss)/Profit for the year		**(107,406)**	**105,253**
(Loss)/Profit for the period attributable to:			
Equity holders of Kernel Holding S.A.		**(98,306)**	**111,591**
Non-controlling interest		(9,100)	(6,338)
Earnings per share			
From continuing and discontinued operations			
Weighted average number of shares	37	79,683,410	79,683,410
(Loss)/Profit per ordinary share (in USD)		(1.23)	1.40
Diluted number of shares	37	79,856,603	80,035,037
Diluted (loss)/profit per ordinary share (in USD)		(1.23)	1.39
From continuing operations			
Weighted average number of shares	37	79,683,410	79,683,410
(Loss)/Profit per ordinary share (in USD)		(1.17)	1.52
Diluted number of shares	37	79,856,603	80,035,037
Diluted (loss)/profit per ordinary share (in USD)		(1.17)	1.51

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2014

(in USD thousands)	Note	30 June 2014	30 June 2013
(Loss)/Profit for the period		**(107,406)**	**105,253**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(213,728)**	6,449
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment		**–**	29,766
Income tax relating to components of other comprehensive income	23	**(597)**	(4,762)
Other comprehensive (loss)/income, net		**(214,325)**	**31,453**
Total comprehensive (loss)/income for the year		**(321,731)**	**136,706**
Total comprehensive (loss)/income attributable to:			
Equity holders of Kernel Holding S.A.		**(305,972)**	143,055
Non-controlling interest		**(15,759)**	(6,349)

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Changes in Equity
for the year ended 30 June 2014

(in USD thousands)	Issued capital	Share premium reserve	Additional paid-in capital	Equity-settled employee benefits reserve	Revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to Kernel Holding S.A. shareholders									
Balance as of 30 June 2012	**2,104**	**463,879**	**39,944**	**1,211**	**15,049**	**(167,082)**	**824,578**	**1,179,683**	**31,018**	**1,210,701**
Profit/(Loss) for the period	–	–	–	–	–	–	111,591	**111,591**	(6,338)	**105,253**
Other comprehensive income/(loss)	–	–	–	–	25,004	6,460	–	**31,464**	(11)	**31,453**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**25,004**	**6,460**	**111,591**	**143,055**	**(6,349)**	**136,706**
Additional non-controlling interests arising on the acquisition of Subsidiaries	–	–	–	–	–	–	–	**–**	10,383	**10,383**
Disposal of Subsidiaries	–	–	–	–	–	–	–	**–**	(4,967)	**(4,967)**
Effect of changes in non-controlling interests	–	–	–	–	–	–	10,930	**10,930**	(13,301)	**(2,371)**
Recognition of share-based payments	–	–	–	1,817	–	–	–	**1,817**	–	**1,817**
Balance as of 30 June 2013	**2,104**	**463,879**	**39,944**	**3,028**	**40,053**	**(160,622)**	**947,099**	**1,335,485**	**16,784**	**1,352,269**
Loss for the period	–	–	–	–	–	–	(98,306)	**(98,306)**	(9,100)	**(107,406)**
Other comprehensive loss	–	–	–	–	(597)	(207,069)	–	**(207,666)**	(6,659)	**(214,325)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(597)**	**(207,069)**	**(98,306)**	**(305,972)**	**(15,759)**	**(321,731)**
Recognition of share-based payments	–	–	–	148	–	–	–	**148**	–	**148**
Balance as of 30 June 2014	**2,104**	**463,879**	**39,944**	**3,176**	**39,456**	**(367,691)**	**848,793**	**1,029,661**	**1,025**	**1,030,686**

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Cash Flows

for the year ended 30 June

(in USD thousands)	Notes	30 June 2014	30 June 2013
Operating activities:			
(Loss)/Profit before income tax		**(97,429)**	**110,480**
Adjustments for:			
Amortization and depreciation		94,308	89,776
Finance costs, net	14, 29	72,522	74,670
Movement in allowance for doubtful receivables		6,133	5,783
Other accruals		1,024	3,474
Loss on disposal of property, plant and equipment	14, 31	2,487	433
Net foreign exchange loss/(gain)		79,133	(1,497)
Write-offs and impairment loss	11, 14, 31	15,286	20,780
Net change in fair value of biological assets and agricultural produce	13	17,110	(14,866)
Share of (profit)/loss of joint ventures	32	(3,901)	2,201
Loss/(Profit) on sales of Subsidiaries	31	8,871	(2,473)
Gain from bargain purchase		–	(728)
Operating profit before working capital changes		**195,544**	**288,033**
Changes in working capital:			
Change in trade accounts receivable		26,419	(4,416)
Change in prepayments and other current assets		33,594	(22,332)
Change in restricted cash balance		6,193	(6,193)
Change in taxes recoverable and prepaid		(10,598)	44,074
Change in biological assets		44,895	(81,120)
Change in inventories		(29,657)	161,608
Change in trade accounts payable		(13,590)	20,913
Change in advances from customers and other current liabilities		(58,130)	22,900
Cash generated from operations		**194,670**	**423,467**
Finance costs paid		(72,002)	(76,246)
Income tax paid		(40,196)	(43,350)
Net cash generated by operating activities		**82,472**	**303,871**
Investing activities:			
Purchase of property, plant and equipment		(49,906)	(93,390)
Proceeds from disposal of property, plant and equipment		8,182	2,538
Purchase of intangible and other non-current assets		(519)	(23,076)
Acquisition of Subsidiaries		(55,402)	(90,734)
Disposal of Subsidiaries		14,435	34,516
Purchase of investments in joint ventures		–	(95,907)
Net cash used in investing activities		**(83,210)**	**(266,053)**
Financing activities:			
Proceeds from borrowings		654,255	1,129,994
Repayment of borrowings		(647,387)	(1,175,355)
Acquisition of non-controlling interests		–	(2,371)
Net cash generated by/(used in) financing activities		**6,868**	**(47,732)**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(13,426)	82
Net decrease in cash and cash equivalents		(7,296)	(9,832)
Cash and cash equivalents, at the beginning of the year		72,697	82,529
Cash and cash equivalents, at the end of the year	8	65,401	72,697

On behalf of the Board

Andriy Verevskyy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Notes to the Consolidated Financial Statements
for the year ended 30 June

1. Corporate Information
Kernel Holding S.A. (hereinafter referred to as the 'Holding') incorporated under the legislation of Luxembourg on 15 June 2005 (number B 109,173 in the Luxembourg Register of Companies) is the holding company for a group of entities (hereinafter referred to as the 'Subsidiaries'), which together form Kernel Group (hereinafter referred to as the 'Group').

The Group's principal business activity is the production and subsequent export of sunflower oil and meal in bulk, the production and sale of bottled sunflower oil, the wholesale trade of grain (mainly corn, soybean, wheat and barley), farming, and the provision of logistics and transshipment services. The majority of the Group's manufacturing facilities is primarily based in Ukraine and the Russian Federation. As of 30 June 2014, the Group employed 16,518 people (17,603 people as of 30 June 2013).

The Group's financial year runs from 1 July to 30 June.

The principal operating office of the Group is located at 3 Tarasa Shevchenka Lane, 01001 Kyiv, Ukraine.

As of 30 June 2014 and 2013, the primary Subsidiaries of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 June2014	Group's effective ownership interest as of 30 June 2013
Jerste BV	Holding companies.	Netherlands	100.0%	100.0%
Tweelingen Ukraine LLC		Ukraine	100.0%	100.0%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100.0%	100.0%
Restomon Ltd		British Virgin Islands	100.0%	100.0%
Kernel-Trade, LLC		Ukraine	100.0%	100.0%
Poltava OEP PJSC	Oilseed crushing plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%
Bandurka OEP LLC		Ukraine	100.0%	100.0%
Vovchansk OEP PJSC		Ukraine	99.4%	99.4%
Prykolotnoe OEP LLC		Ukraine	100.0%	100.0%
Kirovogradoliya PJSC		Ukraine	99.2%	99.2%
Ekotrans LLC		Ukraine	100.0%	100.0%
BSI LLC		Ukraine	100.0%	100.0%
Stavropol oil CJSC		Russian Federation	100.0%	100.0%
Nevinnomyssk OEP CJSC		Russian Federation	0.0%[1]	100.0%
Ust-Labinsk Florentina OEP LLC		Russian Federation	100.0%	100.0%
Estron Corporation Ltd	Provision of grain, oil and meal handling and transshipment services.	Cyprus	100.0%	100.0%
Poltava HPP PJSC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	94.0%	94.0%
Kononivsky Elevator LLC		Ukraine	100.0%	100.0%
Unigrain-Agro (Globyno) LLC	Agricultural farms. Cultivation of agricultural products: corn, sunflower seed, soybean, wheat, barley and fodder crops.	Ukraine	0.0%[2]	100.0%
Unigrain-Agro (Semenivka) LLC		Ukraine	100.0%	100.0%
Agrofirma Arshytsya LLC		Ukraine	100.0%	100.0%
Hliborob LLC		Ukraine	100.0%	100.0%
Agrofirma Kuybyshevo LLC		Ukraine	65.6%	65.6%
Palmira LLC		Ukraine	93.0%	93.0%
Enselco Agro LLC		Ukraine	100.0%	100.0%
Druzhba-Nova ALLC		Ukraine	83.3%	83.3%

These consolidated financial statements were authorized for release by the Board of Directors of Kernel Holding S.A. on 20 October 2014.

[1] Disposed in February 2014 (Note 7).
[2] Merged with Unigrain-Agro (Semenivka) LLC on 14 January 2014.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

2. Change in Issued Capital
Since 15 June 2005, the parent company of the Group is Kernel Holding S.A. (Luxembourg) (the 'Holding' or the 'Company'). The issued capital of the Company as of 30 June 2014 and 2013 consisted of 79,683,410 ordinary electronic shares without indication of a nominal value, providing 79,683,410 voting rights.

The shares were distributed as follows:

	As of 30 June 2014		As of 30 June 2013	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen Limited Liability Company registered under the legislation of Cyprus (hereinafter the 'Major Equity Holder')	31,182,711	39.13%	30,610,657	38.42%
Free float	48,500,699	60.87%	49,072,753	61.58%
Total	79,683,410	100.00%	79,683,410	100.00%

As of 30 June 2014 and 2013, 100% of the beneficial interest in the Major Equity Holder was held by Andriy Mykhailovych Verevskyy (hereinafter the 'Beneficial Owner').

On 23 November 2007, Kernel Holding S.A. was listed on the Warsaw Stock Exchange. The total size of the initial public offering was PLN 546,402 thousand, comprising 22,766,750 shares, of which 16,671,000 were newly issued shares. Prior to the IPO, the capital of Kernel Holding S.A. consisted of 46,670,000 shares without indication of a nominal value. On 27 June 2008, an additional 5,400,000 ordinary shares of the Group were admitted to trading on the main market of the WSE. On 3 June 2010, Kernel issued 4,450,000 new shares. In 2011, Kernel issued 6,492,410 new shares, 1,092,410 of which were subscribed by stock option beneficiaries under the Management Incentive Plan at an issue price of PLN 24.

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve, in the amount of USD 125 thousand as of 30 June 2014, unchanged from 30 June 2013, may not be distributed as dividends.

As part of the management incentive scheme, the Company's executives and senior employees are granted options to acquire shares of the Company. As of 30 June 2014, a total of 3,207,820 options were issued, of which 766,667 became exercisable on 4 November 2012 and another 766,667 on 4 November 2013 resulting in 2,191,153 options being vested as of 30 June 2014 (out of which 1,266,820 have strike price of PLN 24 per share, and the remaining have a strike price of PLN 75 per share). 316,705 options with a strike price of PLN 24 per share were not allocated. Such options granted under the Company's management incentive scheme carry no rights to dividends and no voting rights.

The fair value of the share-based options was USD 3,176 thousand as of 30 June 2014 and USD 148 thousand was recognized as an expense (part of payroll and payroll related expenses) during the year ended 30 June 2014 with a corresponding increase in equity over the vesting period (30 June 2013: USD 3,028 thousand and USD 1,817 thousand, respectively).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies

Basis of Preparation and Accounting

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accompanying consolidated financial statements have been prepared in accordance with the requirements of IAS, IFRS 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 property, plant and equipment for bulk and bottled oil segments, available-for-sale financial assets, biological assets, agricultural produce, financial assets and financial liabilities at fair value through profit or loss.

The Group`s Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their 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 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 following standards have been adopted by the Group for the first time for the financial year beginning on 1 July 2013:

→ IFRS 13 'Fair value measurement'. Fair value measurement and disclosure. Effective 1 January 2013;
→ IAS 19 'Employee Benefits' (2011). The revised version of IAS 19 was effective 1 January 2013; and
→ 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (Amendments to IFRS 7). The amendments to IFRS 7 were effective 1 January 2013.

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The additional disclosures required following the adoption of this standard are provided in the individual notes relating to the assets and liabilities whose fair values were determined using the requirements of IFRS 13.

The adoption of IFRS 13 affects presentation only and has no impact on the Group's financial position or performance.

The Group has also applied IAS 19 Employee Benefits (as revised in 2011), and 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (IFRS 7 amendments).

The adoption of these standards and amendments did not have a material impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued
Standards and Interpretations Issued but not Effective

At the date of authorization of these consolidated financial statements, the following standards and interpretations, as well as amendments to the standards had been issued but were not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
IFRS 10 'Consolidated Financial Statements'	1 January 2014
IFRS 11 'Joint Arrangements'	1 January 2014
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2014
IAS 28 'Investments in Associates and Joint Ventures'	1 January 2014
Amendments to IAS 32 'Financial instruments: Presentation' – Application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities	1 January 2014
Amendments to IAS 36 'Recoverable amount disclosures for non–financial assets'	1 January 2014
Amendments to IAS 39 'Novation of derivatives and continuation of hedge accounting'	1 January 2014
IFRIC 21 'Levies'	1 January 2014
IFRS 9 'Financial Instruments: Recognition and Measurement'	Not yet adopted in the EU
IFRS 14 'Regulatory Deferral Accounts'	Not yet adopted in the EU
IFRS 15 'Revenue from Contracts with Customers'	Not yet adopted in the EU
Amendments to IAS 19 'Employee Benefits' – Defined Benefit Plans: Employee Contributions	Not yet adopted in the EU
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Not yet adopted in the EU
Amendments to IFRS 9 'Financial Instruments: Recognition and Measurement' – Classification, Measurement and Accounting for Financial Assets and Liabilities and Derecognition Requirements	Not yet adopted in the EU
Amendments to IFRS 9, IFRS 7 and IAS 39: Hedge Accounting	Not yet adopted in the EU
Amendments to IFRS 11 'Joint Arrangements' – Accounting for Acquisitions of Interests in Joint Operations	Not yet adopted in the EU
Amendments to IAS 16 and IAS 41: Bearer Plants	Not yet adopted in the EU
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet adopted in the EU
Amendments to IAS 27 'Separate Financial Statements' (revised 2011) – Equity Method in Separate Financial Statements	Not yet adopted in the EU
Amendments to IFRSs – 'Annual Improvements to IFRSs 2010–2012 Cycle'	Not yet adopted in the EU
Amendments to IFRSs – 'Annual Improvements to IFRSs 2011–2013 Cycle'	Not yet adopted in the EU
Amendments to IFRSs – 'Annual Improvements to IFRSs 2012–2014 Cycle'	Not yet adopted in the EU

Management is currently evaluating the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. For other Standards and Interpretations, management anticipates that their adoption in future periods will not have a material effect on the financial statements of the Group.

The Group plans to adopt the standards starting from the annual period beginning on or after the effective date presented in the table above.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Functional and Presentation Currency
The Group's presentation currency is the United States dollar (USD). The functional currency of the majority of the Group's foreign Subsidiaries is their local currency, except for businesses engaged in the production and sale of sunflower oil, for which USD was selected as the functional currency.

Foreign Currencies
Transactions in currencies other than the functional currencies of the Group`s 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 reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in 'Translation reserve'.

The exchange rates during the period of the financial statements were as follows:

Currency	Closing rate as of 30 June 2014	Average rate for the year ended 30 June 2014	Closing rate as of 30 June 2013	Average rate for the year ended 30 June 2013
USD/UAH	11.8233	9.1307	7.9930	7.9930
USD/EUR	0.7324	0.7372	0.7663	0.7735
USD/RUB	33.6306	33.8131	32.7090	31.2816
USD/PLN	3.0473	3.0934	3.3175	3.2112

The average exchange rates for each period are calculated as the arithmetic mean of the exchange rates for all trading days during this period. The sources of exchange rates are the official rates set by the National Bank of Poland for USD/PLN and USD/EUR, by the National Bank of Ukraine for USD/UAH and by the Central Bank of the Russian Federation for USD/RUB.

All foreign exchange gain or loss which occurs on revaluation of monetary balances, presented in foreign currencies, is allocated as separate line in the Consolidated Statement of Profit or Loss.

Basis of Consolidation
The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Holding (the Subsidiaries) as of 30 June 2014. 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 the Subsidiaries to bring the accounting policies used in line with those used by the Holding.

The results of Subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal.

All intercompany transactions and balances between the Group's enterprises are eliminated on consolidation. Unrealized gains and losses resulting from intercompany transactions are also eliminated, except for unrealized losses that cannot be recovered.

Non-controlling interests as of the reporting date represent the non-controlling equity holders' portion of the 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 acquisition. The total comprehensive income of Subsidiaries is attributed to the equity holders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs are expensed when incurred and included in general and administrative expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal by the Group) that are classified as held for sale in accordance with IFRS 5. Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

In case identifiable net assets attributable to the Group, after reassessment, exceed the cost of acquisition, the difference is recognized in the Consolidated Statement of Profit or Loss as a gain on bargain purchase.

For each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at a 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 the 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 non-controlling interests are adjusted to reflect 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 recognized directly in equity and attributed to the equity holders of the Holding.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the profit or loss in the Consolidated Statement of Profit or Loss.
An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when strategic financial and operating policy decisions relating to the activities of a joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other joint venturers are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly with respect to interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each joint venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in joint ventures using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in joint ventures is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment in a joint venture. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the Consolidated Statement of Profit or Loss.

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. Non-current assets are measured at the lower of the previous carrying amount or the fair value less costs to sell.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset. In such circumstances, the asset is measured at its fair value less costs to sell at each reporting date. Any impairment loss arising subsequent to reclassification as held for sale is recognised in the Consolidated Statement of Profit or Loss.

If criteria for classification of the asset as held for sale are no longer met at the reporting date, the Group ceases to classify the asset as held for sale.
A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

→ Represents a separate major line of business or geographical area of operations;
→ Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
→ Is a Subsidiary acquired exclusively with a view to resale.

The result from discontinued operations is presented in the Consolidated Statement of Profit or Loss as a separate item after the profit from continuing operations. If the criteria for classification of the disposal group held for sale are met after the reporting 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 reporting date but before the authorization of the financial statements for issue, the Group discloses the relevant information in notes to the financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Inventories

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

Biological Assets and Agricultural Produce

The Group classifies crops in fields and cattle as biological assets. The Group recognizes a biological asset or agricultural produce when the Group controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the Group, and the fair value or cost of the asset can be measured reliably.

Biological assets are stated at fair value less estimated costs to sell at both initial recognition and as of the reporting date, with any resulting gain or loss recognized in the Consolidated Statement of Profit or Loss. Costs to sell include all costs that would be necessary to sell the assets, including costs necessary to get the assets to market.

Agricultural produce harvested from biological assets is measured at its fair value less costs to sell at the point of harvest. A gain or loss arising from the initial recognition of agricultural produce at fair value less costs to sell is included in the Consolidated Statement of Profit or Loss.

Biological assets for which quoted market prices 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 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 recognized as biological assets held at fair value less costs to sell.

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

Property, Plant and Equipment

Buildings and constructions and production machinery and equipment (both in bulk and bottled oil segments) are accounted for at revalued amounts, being the 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 less accumulated impairment losses and is not depreciated.

The fair value is defined as the amount for which an asset could have been exchanged between knowledgeable willing parties in an arm's length transaction. The fair value of marketable assets is determined at their market value. If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an income or a depreciated replacement cost approach is used to estimate the fair value. 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 recognized at their fair value, which is based on valuations performed by independent professionally qualified appraisers.

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

If the asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated in revaluation surplus in equity. However, such an increase is recognized in the Consolidated Statement of Profit or Loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Consolidated Statement of Profit or Loss. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the Consolidated Statement of Profit or Loss. However, such a decrease is debited directly to the Other Comprehensive Income or Loss to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

Depreciation on revalued assets is charged to the Consolidated Statement of 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 derecognized. Property, plant and equipment are depreciated over the estimated useful economic lives of assets under the straight-line method.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued
Property, Plant and Equipment continued
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	5-20 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 construction. Depreciation of these assets commences when the assets are put into operation.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statement of Profit or Loss.

Intangible Assets
Trademarks
Intangible assets acquired separately from a business are capitalized at initial cost. The 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks have indefinite useful lives and are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Land Lease Rights
Land lease rights acquired in a business combination are recognized separately from goodwill at their fair value at the acquisition date (which is subsequently regarded as their cost).

Amortization of land lease rights is calculated on a straight-line basis during the term of a lease contract. For land lease rights, the amortization period varies from 1 to 22 years.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the Consolidated Statement of Profit or Loss when the asset is derecognized.

Impairment of Non-current Assets, Except Goodwill
At each reporting 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.

The recoverable amount is the higher 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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. An impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, 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 a cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Financial Instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of financial instruments. Financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through the profit or loss (FVTPL); held-to-maturity investments; available-for-sale financial assets; loans and receivables and other financial liabilities. The classification depends on the nature and purpose of financial assets or financial liabilities and is determined at the time of initial recognition.

Financial assets of the Group are presented by loans and receivables and financial assets at fair value through profit or loss.

The effective interest method calculates the amortized cost of a debt instrument and allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

The effect of initial recognition of financial assets and liabilities obtained/incurred at terms below the market is recognized net of tax effect as an income or expense, except for financial assets and liabilities with shareholders or entities under common control, whereby the effect is recognized through equity.

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 recognized at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Classified by the Group as an instrument at the moment of initial recognition, they are measured at fair value with any resultant gain or loss recognized in the Consolidated Statement of Profit or Loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash with banks, and deposits with original maturity of three months or less.

Loans Receivable

Loans provided by the Group are non-derivative financial assets, created by means of granting money directly to a borrower or participating in the provision of credit services, not including those assets that were created for 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 that 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 statement of profit or loss for the period when the amount was lent, as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the Consolidated Statement of Financial Position, less allowance for estimated non-recoverable amounts.

Trade Accounts Receivable

Trade accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade accounts receivable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Group's trade accounts receivable and loans receivable are included in complete 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 recognized 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 the intent to realize them within 12 months from the reporting date. All acquisitions and sales of financial instruments are registered at the settlement date. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost less impairment losses.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued
Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- Probability of the borrower filing for bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade accounts receivable, assets that are assessed as not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on accounts receivable.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Derecognition of Financial Assets
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and all the risks and rewards to another entity. If the Group neither transfers nor substantially retains all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group substantially retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the Consolidated Statement of Profit or Loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in the Consolidated Statement of Profit or Loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities
The financial liabilities of the Group are represented by other financial liabilities and financial liabilities at fair value through profit or loss.

Other financial liabilities (including borrowings, trade and other payables) are subsequently measured at amortized cost using the effective interest method.

Borrowings are recorded as 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.

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.

Financial liabilities at fair value through profit or loss were represented by non-deliverable currency forwards, which were used by the Group in order to protect against unfavorable USD/UAH exchange rates movements. Such liabilities, including derivatives that are liabilities, shall be measured at fair value. Gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognized in the Consolidated Statement of Profit or Loss.

Derecognition of Financial Liabilities
The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the Consolidated Statement of Profit or Loss.

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

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as an obligation under finance lease. 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 are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity.

Provisions
A provision is recognized in the Consolidated 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 and a reliable estimate of the obligation amount can be made.

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.

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

Employee Benefits
Certain entities within the Group participate in a mandatory government defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognized in the Consolidated Statement of Financial Position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date, less adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Repurchase of Issued Capital

When issued capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are presented as a deduction from total equity.

Equity-settled Transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date the relevant employees become fully entitled to the award.

Fair value is calculated using the Black-Scholes model. No expense is recognized for awards that do not ultimately vest.

At each reporting 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 reporting date is recognized in the Consolidated Statement of Profit or Loss, with a corresponding entry in equity.

Earnings per Share

Earnings per share are calculated by dividing net profit attributable to equity holders of the Holding by the weighted average number of shares outstanding during the period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognized:

→ Sale of Goods and Finished Products
Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer, the amount of revenue can be measured reliably and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

→ Rendering of Services
Revenue is recognized in the accounting period in which services are rendered.

The main type of services provided by the Group are transshipment services by terminals and crops cleaning, drying and storage services by the Group's silos. Revenue from transshipment services is recognized based on factually performed work. Revenue from grain cleaning, drying and storage services is recognized on accrual basis, based on the fees for certain service, volumes of crops under service and days of storage.

VAT Refunds and Other Government Grants

Some of the Group's companies are subject to special tax treatment for value added tax (VAT). The Group's enterprises, that qualify as agricultural producers are entitled to retain net VAT payable. VAT amounts payable are not transferred to the government, but credited to the entity's separate special account to support the agriculture activities of the Group. The net result of VAT operations, calculated as excess of VAT liability over VAT credit is accounted for in the Consolidated Statement of the Profit or Loss as other operating income. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities in the next period.

Borrowing Costs

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

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

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

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Income Taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation currently enacted in the legal jurisdictions where the operating entities are located.

Current and deferred tax are recognized in the Consolidated Statement of Profit or Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The current income tax charge is the amount expected to be paid to, or recovered from, the taxation authorities with respect to taxable profit or losses for the current or previous periods. It is calculated using tax rates that have been enacted or substantially enacted by the reporting date in the countries where the Holding and its Subsidiaries operate and generate taxable income. Taxable profit differs from 'profit before tax' because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible taxes other than income tax are recorded within operating expenses. Some of the Group's companies that are involved in agricultural production are exempt from income taxes and pay the Fixed Agricultural Tax instead.

Deferred income tax is recognized on temporary differences arising between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period that are expected to apply to the period when the temporary differences will reverse or the tax loss carried forward will be utilized. Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities for taxable temporary differences associated with investments in Subsidiaries and joint ventures are recognized, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when:

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

Reclassifications

Certain reclassifications have been made to the consolidated financial statements as of 30 June 2014 and 30 June 2013 and for the years then ended to conform to the current year's presentation.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

3. Summary of Significant Accounting Policies continued

Change in Accounting Policy

The Group changed its accounting policy regarding the presentation of changes in the fair value of biological assets and agricultural produce in the Consolidated Statement of Profit or Loss. This effect was previously presented in two parts as:

- 'other operating income' (effect of revaluation of biological assets as of the reporting date and agricultural produce as of the date of harvest to fair value); and
- 'cost of sales' (reversal of the fair value effect related to agricultural produce sold in the reporting period).

In the current reporting period, these effects were presented as a single line item in the Consolidated Statement of Profit or Loss –'Net change in fair value of biological assets and agricultural produce'. Following this change, the Group also changed the presentation of the Consolidated Statement of Cash Flows in order to reflect the full effect of the net change in the fair value of biological assets and agricultural produce as an adjustment to the '(Loss)/Profit before income tax' in the cash flows from operating activities.

This approach is most commonly used in the industry and the Group's management believes that this change in the accounting policy will result in the financial statements providing more relevant and reliable information about the effect of transactions on the Group's financial performance.

The effect of the retrospective application of this policy on the Consolidated Statement of Profit or Loss was as follows:

(in USD thousands)	Year ended 30 June 2014 New Policy	Year ended 30 June 2014 Old Policy	Year ended 30 June 2014 Effect	Year ended 30 June 2013 New Policy	Year ended 30 June 2013 Old Policy	Year ended 30 June 2013 Effect
Revenue	2,393,251	2,393,251	–	2,796,752	2,796,752	–
Net change in fair value of biological assets and agricultural produce	(17,110)	–	(17,110)	14,866	–	14,866
Cost of sales	(1,967,974)	(2,017,287)	49,313	(2,360,997)	(2,385,889)	24,892
Gross profit	408,167	375,964	32,203	450,621	410,863	39,758
Other operating income	60,474	92,677	(32,203)	66,528	106,286	(39,758)
Profit from operating activities	128,717	128,717	–	200,891	200,891	–

The effect of the retrospective application of this policy on the Consolidated Statement of Cash Flows was as follows:

(in USD thousands)	Year ended 30 June 2014 New Policy	Year ended 30 June 2014 Old Policy	Year ended 30 June 2014 Effect	Year ended 30 June 2013 New Policy	Year ended 30 June 2013 Old Policy	Year ended 30 June 2013 Effect
Operating activities:						
(Loss)/Profit before income tax	(97,429)	(97,429)	–	110,480	110,480	–
Adjustment for:						
Net change in fair value of biological assets and agricultural produce	17,110	(32,203)	49,313	(14,866)	(42,156)	27,290
Operating profit before working capital changes	195,544	146,231	49,313	288,033	260,743	27,290
Changes in working capital:						
Change in biological assets	44,895	94,208	(49,313)	(81,120)	(53,830)	(27,290)
Net cash generated by operating activities	194,670	194,670	–	423,467	423,467	–

The change in accounting policies had no effect on earnings per share either in the current or previous periods.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty
The application of IFRS requires the use of reasonable judgments, 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. The estimates are based on the information available as of the reporting date. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Polices
The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Revenue Recognition
In the normal course of business, the Group engages in sale and purchase transactions with the purpose of exchanging grain in various locations to fulfill the Group's production and trading requirements. In accordance with the Group's accounting policy, revenue is not recognized with respect to the exchange transactions involving goods of similar nature and value. The Group's management applies judgment to determine whether each particular transaction represents an exchange or a transaction that generates revenue. In making this judgment, management considers whether the underlying grain are of similar type and quality, as well as whether the time passed between the transfer and receipt of the underlying grain indicates that the substance of the transaction is an exchange of similar goods. The amount of exchange transaction involving goods of similar nature amounted to USD 93,079 thousand and USD 143,533 thousand for the years ended 30 June 2014 and 2013, respectively.

Revaluation of Property, Plant and Equipment
As described in Notes 3 and 15, the Group applies the revaluation model to the measurement of buildings and constructions and production machinery and equipment (bulk and bottled oil segments). At each reporting date, the Group carries out a review of the carrying amount of these assets to determine whether the carrying amount differs materially from fair value. The Group carries out such review by preparing a discounted cash flow analysis involving assumptions on projected revenues and costs, and a discount rate. Additionally, the Group considers economic stability and the availability of transactions with similar assets in the market when determining whether to perform a fair value assessment in a given period. Based on the results of this review, the Group concluded that the carrying amount of buildings, constructions, production machinery and equipment (bulk and bottled oil segments) does not materially differ from fair value as of 30 June 2014.

Sources of Estimation Uncertainty
The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Lives
Determining whether goodwill is impaired requires an estimation of the value in use or fair value less costs to sell of the cash-generating units to which goodwill has been allocated. The calculation of value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate their present value.

The carrying amount of goodwill as of 30 June 2014 and intangible assets with indefinite useful lives amounted to USD 155,884 thousand (30 June 2013: USD 181,075 thousand). As of 30 June 2014, the impairment loss for intangible assets with indefinite useful lives was recognised in the amount of USD 2,027 thousand (Note 16). No impairment loss was recognized for the financial year ended 30 June 2013. Details of management assumptions used to assess the recoverable amount of cash-generating units for which goodwill and intangible assets with indefinite useful lives have been allocated to are provided in Notes 16 and 17.

Impairment of Property, Plant and Equipment
Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

The assessment of whether there are indicators of a potential impairment are based on various assumptions including market conditions, asset utilization and the ability to utilize the asset for alternative purposes. If an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater than the recoverable amount.

The value in use is based on estimated future cash flows that are discounted to their present value. The estimated future cash flows require management to make a number of assumptions including customer demand and industry capacity, future growth rates and the appropriate discount rate. Any change in these estimates may result in impairment in future periods.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty continued

Useful Lives of Property, Plant and Equipment

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, which are based on management's business plans and operational estimates.

The factors that could affect the estimation of the life of a non-current asset and its residual value include the following:

- → Changes in technology;
- → Changes in maintenance technology;
- → Changes in regulations and legislation; and
- → Unforeseen operational issues.

Any of the above could affect the prospective depreciation of property, plant and equipment and their carrying and residual values. The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group. Any change in estimated useful life or residual value is recorded on a prospective basis from the date of the change.

Fair Value of Biological Assets and Agricultural Produce

Biological assets are recorded at fair value less costs to sell. The Group estimates the fair values of biological assets and agricultural produce based on the following key assumptions:

- → Expected crop output (for crops in fields);
- → Expected future inflows from livestock;
- → Average number of heads of milk cows and its weight;
- → Productive life of one milk cow;
- → Estimated changes in future sales prices;
- → Projected production costs and costs to sell; and
- → Discount rate.

Although some of these assumptions are obtained from published market data, a majority of these assumptions are estimated based on the Group's historical and projected results (Note 13).

Deferred Tax Recognition

Deferred tax assets, including those arising from unused tax losses are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

VAT Recoverability

As of 30 June 2014, total VAT receivable amounted to USD 138,722 thousand (as of 30 June 2013: USD 170,004 thousand) (Note 11).

The balance of VAT recoverable may be realised by the Group either through a cash refund from the state budget or by setting it off against VAT liabilities in future periods. Management classifies the VAT recoverable balance as current or non-current based on expectations as to whether it will be realised within 12 months from the reporting date. In addition, management assessed whether an allowance for irrecoverable VAT needed to be created.

In making this assessment, management considered past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess VAT output over VAT input in the normal course of the business.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

5.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 sold in bulk	Production and sales of sunflower oil sold in bulk (crude and refined) and meal.
Export terminals	Grain handling and transshipment services in the ports of Ilyichevsk and Mykolaiv.
Farming	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.
Grain	Sourcing and merchandising of wholesale grain.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Marketing and distribution of sugar.
Other	Income and expenses unallocated to other segments, which are related to the administration of the Holding.

The measure of profit and loss, and assets and liabilities is based on the Group accounting policies which are in compliance with IFRS, as adopted by the European Union.

Reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. The segment data is calculated as follows:

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

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

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

6. Key Data by Operating Segment

Key data by operating segment for the year ended 30 June 2014:

(in USD thousands)	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	132,637	1,079,037	3,180	62,322	1,053,613	27,538	35,953	–	–	(1,029)	2,393,251
Intersegment sales	–	–	42,284	227,764	–	46,923	–	–	(316,971)	–	–
Total revenue	**132,637**	**1,079,037**	**45,464**	**290,086**	**1,053,613**	**74,461**	**35,953**	**–**	**(316,971)**	**(1,029)**	**2,393,251**
Net change in fair value of biological assets and agricultural produce	–	–	–	(17,110)	–	–	–	–	–	–	(17,110)
Other operating income/ (expenses)	2,083	22,331	577	26,718	12,317	508	2,181	(4,060)	–	(2,181)	60,474
Profit/(Loss) from operating activities	**24,707**	**130,990**	**24,019**	**(102,868)**	**59,357**	**30,748**	**(2,779)**	**(38,583)**	**–**	**3,126**	**128,717**
Finance costs, net											(72,459)
Foreign exchange loss, net											(98,805)
Other expenses, net											(51,777)
Share of gain of joint ventures											3,901
Income tax expense											(11,372)
Loss for the year from continuing operations											(101,795)
Total assets	**64,858**	**904,021**	**183,000**	**483,248**	**108,719**	**134,130**	**27,532**	**1,696**	–	–	**1,907,204**
Capital expenditures	174	1,828	277	28,279	–	26,223	–	2,607	–	–	59,388
Amortization and depreciation	1,926	20,212	3,288	58,571	12	8,407	–	1,892	–	–	94,308
Liabilities	998	31,705	816	43,223	14,945	15,136	635	779,610	–	–	887,068

During year ended 30 June 2014, none of the Group's external customers accounted for more than 10% of total external revenue. Also during that period, export sales amounted to 91% of total external sales.

For the purpose of segment reporting, revenue from the sale of sunflower meal and cake is allocated to the bottled sunflower oil segment in proportion to the share of total sunflower oil production used for bottled sunflower oil sales, while remaining amounts are allocated to the sunflower oil sold in bulk segment.

The Group operates in two principal geographical areas – Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

(in USD thousands)	Revenue from external customers Year ended 30 June 2014	Non-current assets As of 30 June 2014
Ukraine	2,005,505	921,781
Russian Federation	387,746	124,712
Total	**2,393,251**	**1,046,493**

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

6. Key Data by Operating Segment continued

Key data by operating segment for the year ended 30 June 2013:

(in USD thousands)	Bottled sunflower oil	Sunflower oil sold in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Discontinued operations	Continuing operations
Revenue (external)	182,633	1,527,713	11,496	54,449	972,259	18,912	37,457	–	–	(8,167)	2,796,752
Intersegment sales	–	–	37,574	138,674	–	27,442	–	–	(203,690)	–	–
Total revenue	**182,633**	**1,527,713**	**49,070**	**193,123**	**972,259**	**46,354**	**37,457**	**–**	**(203,690)**	**(8,167)**	**2,796,752**
Net change in fair value of biological assets and agricultural produce	–	–	–	14,866	–	–	–	–	–	–	14,866
Other operating income/ (expenses)	2,522	19,483	33	20,295	23,857	338	(380)	–	–	380	66,528
Profit/(Loss) from operating activities	**22,735**	**154,092**	**23,871**	**17,216**	**12,463**	**12,345**	**(8,097)**	**(37,852)**	**–**	**4,118**	**200,891**
Finance costs, net											(74,878)
Foreign exchange loss, net											2,908
Other expenses, net											(5,671)
Share of losses of joint ventures											(2,201)
Income tax expense											(6,171)
Profit for the year from continuing operations											114,878
Total assets	**50,855**	**915,651**	**290,654**	**589,838**	**255,856**	**175,992**	**56,919**	**2,691**	**–**	**–**	**2,338,456**
Capital expenditures	782	6,525	2,457	37,693	–	31,499	–	1,226	–	–	80,182
Amortization and depreciation	3,048	19,432	3,218	50,099	46	7,018	3,138	3,777	–	(3,138)	86,638
Liabilities	1,869	33,826	1,331	154,415	16,426	22,376	8,770	768,441	–	–	1,007,454

For the purpose of segment disclosure, revenue from the sugar segment includes revenue from tolling services rendered by sugar plants to other entities of the Group in the amount of USD 8,167 thousand (represents discontinued operations, Note 14) and sales of sugar processed by sugar plants from sugar beets grown by the farming segment in the amount of USD 29,290 thousand.

During the year ended 30 June 2013, one of the Group's external customers accounted for more than 10% of total external revenue.
During the year ended 30 June 2013, export sales amounted to 91% of total external sales revenue.

The Group operates in two principal geographical areas: Ukraine and the Russian Federation. Information about its non-current assets by location of the assets and about revenue from continuing operations generated by the assets located in these areas is detailed below:

	Revenue from external customers	Non-current assets
(in USD thousands)	Year ended 30 June 2013	As of 30 June 2013
Ukraine	2,653,618	1,121,288
Russian Federation	143,134	150,259
Total	**2,796,752**	**1,271,547**

Non-current assets that relate to the Russian Federation by location include investments in a joint venture (grain export terminal in Taman port).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

7. Acquisition and Disposal of Subsidiaries

During the year ended 30 June 2014, the Group acquired a farming entity that possesses 1,010 hectares of leasehold farmland located in Khmelnytskyi region. A consideration paid comprised USD 394 thousand. The result of acquisition was not significant for the consolidated financial statements of the Group for the year ended 30 June 2014.

During the year ended 30 June 2014, the Group finalized accounting for the business combination of Druzhba-Nova Group. The adjustments to provisional values presented in prior periods' financial statements of the Group have been made retrospectively with corresponding changes in goodwill. These adjustments have resulted mostly from the finalization of valuation of property, plant and equipment. The most significant adjustments have been made to provisional values related to the following accounts: decrease of property, plant and equipment in the amount of USD 4,071 thousand, and recognition of goodwill in the amount of USD 4,308 thousand.

The following entities were acquired during the year ended 30 June 2013:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Kalenitske ALLC	Agricultural farms. Cultivation of agricultural products: corn, sunflower seeds, soybean, wheat, barley and fodder crops.	Ukraine	100.0%	April 2013
Druzhba-Nova Group:				
Tweelingen Ukraine LLC	Holding company.	Ukraine	100.0%	April 2013
Druzhba-Nova ALLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley and soybean.	Ukraine	83.3%	April 2013
Ukraine ALLC		Ukraine	83.3%	April 2013
Kalynovytske ALLC		Ukraine	83.3%	April 2013
Niva LLC (Khoroshe Ozero)		Ukraine	77.4%	April 2013
Nyva ALLC (Ozeryany)		Ukraine	83.3%	April 2013
UHL-Varva LLC		Ukraine	83.3%	April 2013
Vaskivsi LLC		Ukraine	83.3%	April 2013
Sokyrynske LLC		Ukraine	62.8%	April 2013
Druzhba LLC		Ukraine	83.3%	April 2013
Khorobor Agro ALLC		Ukraine	83.3%	April 2013
Galaibinskoe LLC		Ukraine	83.3%	April 2013
Trostanske LLC		Ukraine	83.3%	April 2013
Malozagorivske PE		Ukraine	83.3%	April 2013
Agro-Ombish PE		Ukraine	58.3%	April 2013
Desna LLC		Ukraine	83.3%	April 2013
Obrii LLC		Ukraine	83.3%	April 2013
Berezhivka PLAE		Ukraine	83.3%	April 2013
Nizhynska Silgosptechnika LLC		Ukraine	83.3%	April 2013
Agrofirma Nigenska PAC		Ukraine	83.3%	April 2013
Feniks-K PE		Ukraine	83.3%	April 2013
Kaplyntsivske PJSC		Ukraine	52.6%	April 2013
Grygorivske PLAE		Ukraine	83.3%	April 2013
Invest Agro Holding Ukraine LLC		Ukraine	83.3%	April 2013

Assets acquired include:

- Druzhba-Nova Group: 100,273 hectares of leasehold farmland located in the southern districts of Chernihiv and Sumy regions and northern districts of Poltava region. On the date of acquisition of Druzhba-Nova Group, the fair value of its land lease rights amounted to USD 56,354 thousand.
- Kalenitske ALLC: 1,500 hectares of leasehold farmland located in Khmelnytskyi region. On the date of acquisition of the Subsidiary, the fair value of land lease rights amounted to USD 827 thousand.

In April 2012, the Group entered into a call option agreement with the purpose of acquiring 100% of Stiomi Holding ('Stiomi') – a farming business located in Khmelnytskyi region of Ukraine. This acquisition was accounted for as a business combination in March 2013 when the Group obtained control over the right to use its land. As of 30 June 2014, the consideration paid for Stiomi Holding by the Group and its related parties comprised USD 33,472 thousand. There are no amounts payable to the Group's related parties for this acquisition as of 30 June 2014 (30 June 2013: USD 18,025 thousand). In the meantime, the final settlement on the purchase deal is subject to the ultimate resolution of the legal case between the Group and the sellers of Stiomi (Note 34). The management of the Group does not expect any additional consideration to be paid to the sellers.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

7. Acquisition and Disposal of Subsidiaries continued

At the date of acquisition, the fair values of assets, liabilities and contingent liabilities acquired were as follows:

Acquired net assets: (in USD thousands)	Kalenitske ALLC	Druzhba-Nova Group	Stiomi Holding	Total
Cash and cash equivalents	20	2,437	–	**2,457**
Trade accounts receivable, net	104	3,683	–	**3,787**
Prepayments to suppliers and other current assets, net	10	8,316	–	**8,326**
Taxes recoverable and prepaid, net	41	5,703	–	**5,744**
Inventory	136	27,661	–	**27,797**
Biological assets	463	9,873	–	**10,336**
Property, plant and equipment, net	249	56,273	–	**56,522**
Intangible assets, net	827	58,066	33,302	**92,195**
Other non-current assets	139	1,270	–	**1,409**
Trade accounts payable	(160)	(6,552)	–	**(6,712)**
Advances from customers and other current liabilities	(246)	(27,322)	–	**(27,568)**
Short-term borrowings	–	(41,749)	–	**(41,749)**
Current portion of long-term borrowings	–	(27,003)	–	**(27,003)**
Long-term borrowings	–	(3,688)	–	**(3,688)**
Obligations under finance lease	–	(4,959)	–	**(4,959)**
Other non-current liabilities	–	(6,971)	–	**(6,971)**
Fair value of net assets of acquired Subsidiaries	1,583	55,038	33,302	**89,923**
Non-controlling interest	–	(10,383)	–	**(10,383)**
Fair value of acquired net assets	**1,583**	**44,655**	**33,302**	**79,540**
(Gain on bargain purchase)/Goodwill	(728)	24,342	170	**23,784**
Total cash considerations due and payable	**855**	**68,997**	**33,472**	**103,324**
Less: acquired cash	(20)	(2,437)	–	**(2,457)**
Less: cash paid	–	(66,560)	(15,447)	**(82,007)**
Net cash due and payable	**835**	**–**	**18,025**	**18,860**

Revenue and net profit/(loss) attributable to the additional business acquired as from the date of business combination to 30 June 2013 were as follows:

Acquired net assets: (in USD thousands)	Kalenitske ALLC	Druzhba-Nova Group	Stiomi Holding	Total
Revenue	77	10,097	–	**10,174**
Net profit/(loss)	664	(10,316)	–	**(9,652)**

The Group does not disclose the revenue and net profit of acquired Subsidiaries as if they have been acquired at the beginning of the reporting period as it is impracticable due to the fact that these companies did not produce IFRS financial information as from the beginning of the reporting period and up to the date of acquisition.

Synergy from acquisition of Druzhba-Nova Group can be explained by innovative technologies in agriculture, used by this acquired business:

- Elements of precise agriculture (examination of soil on the fields with creating its electronic agrichemical maps of fields, differential fertilizing, yield mapping etc.);
- Energy-efficient soil cultivation (strip-till, mini-till, no-till);
- Agrichemical service (owns one of the best laboratories in Ukraine which examines soils, controls product quality etc.).

Group expects that usage of these technologies around the whole farming segment of the Group will increase quality and quantity of the produced crops and provide additional cost savings.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

7. Acquisition and Disposal of Subsidiaries continued

In November 2013, as a result of the optimization process of its legal structure, the Group sold its effective ownership interest in a number of immaterial companies in the farming and silo services segments. All material assets were transferred to other companies of the Group prior to disposal. The net assets of disposed entities as of the date of disposal were equal to USD 2,490 thousand and the cash consideration received was USD 643 thousand. Cash balances disposed of comprised USD 51 thousand and were deducted from the cash consideration received in the Consolidated Statement of Cash Flows.

In February 2014, Kernel Holding S.A. sold 100% of an effective ownership interest in one of its oilseed crushing plants located in the Russian Federation – the Nevinnomyssk oilseed crushing plant CJSC. The net assets of the disposed entity as of the date of disposal were equal to USD 15,566 thousand and the cash consideration received was USD 8,542 thousand. Cash balances disposed of comprised USD 4 thousand and were deducted from the cash consideration received in the Consolidated Statement of Cash Flows.

The following entities were disposed of during the year ended 30 June 2013:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of disposal
Agrarny dim PJSC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seeds, barley, soybean and sugar beets.	Ukraine	100.0%	April 2013
Druzhba LLC		Ukraine	89.1%	June 2013
Nyva Berezneguvate LLC		Ukraine	100.0%	June 2013
Nyva Vesnyane LLC		Ukraine	100.0%	June 2013
Agro Skhid LLC		Ukraine	100.0%	April 2013
Zolota Nyva LLC		Ukraine	100.0%	April 2013
Agrarnyk PLAE		Ukraine	100.0%	April 2013
Grain Trading Company LLC	Trading in sunflower oil, meal and grain.	Ukraine	100.0%	December 2012
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	83.1%	October 2012
Gulyaypolsky Elevator LLC		Ukraine	83.1%	October 2012
Chortkivskyi Sugar Plant LLC (Note 14)	Production plant. Production of sugar.	Ukraine	90.1%	May 2013

The net assets of disposed entities as of the date of disposal were equal to USD 37,448 thousand. The total cash consideration receivable for disposed entities was USD 39,921 thousand (outstanding balance as of 30 June 2014 for disposed entities was zero; 30 June 2013 – USD 5,305 thousand). Cash balances disposed of comprised USD 100 thousand and were deducted from cash consideration received in the Consolidated Statement of Cash Flows. The loss on the disposal of entities, which did not represent discontinued operations, in the amount of USD 4,955 thousand was included in the other expenses line in the Consolidated Statement of Profit or Loss (Note 31). A gain on the disposal of the Chortkivskyi Sugar Plant LLC in the amount of USD 7,428 thousand was included into the loss from discontinued operations (Note 14).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

8. Cash and Cash Equivalents
The balances of cash and cash equivalents were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Cash in banks in USD	35,721	63,118
Cash in banks in UAH	28,377	8,740
Cash in banks in other currencies	1,273	6,917
Cash on hand	29	44
Total	65,400	**78,819**
Less restricted cash on security bank account and blocked	–	(6,193)
Cash and bank balances included in the group of assets held for sale	1	71
Cash for the purposes of cash flow statement	65,401	**72,697**

9. Trade Accounts Receivable, net
The balances of trade accounts receivable were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Trade accounts receivable	105,057	158,108
Allowance for estimated irrecoverable amounts	(5,261)	(7,350)
Total	99,796	**150,758**

As of 30 June 2014, accounts receivable from one European customer accounted for approximately 12.0%, and one Ukrainian customer for 3.0% of the total carrying amount of trade accounts receivable (as of 30 June 2013, one European customer for approximately 29% and one Ukrainian customer for 4.0%).

As of 30 June 2014, the amount of not impaired trade receivables and receivables past due less than one month accounted for USD 97,320 thousand (as of 30 June 2013: USD 148,160 thousand).

The average credit period on sales of goods was 15 days (for the period ended 30 June 2013: 20 days). No interest is charged on the outstanding balances of trade accounts receivable. Most of trade accounts receivable past due for more than one month are considered to be impaired. Allowances for doubtful debts are recognized against trade accounts receivable that are overdue between 30 and 365 days and are calculated on the basis of the delay in payment by applying a fixed percentage.

There were no significant past due trade accounts receivable as of 30 June 2014 and 30 June 2013.

As of 30 June 2014, trade accounts receivable past due for more than one year in the amount of USD 4,020 thousand were impaired and represented the largest portion of impaired accounts receivable (2013: USD 6,846 thousand).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

10. Prepayments to Suppliers and Other Current Assets, net
The balances of prepayments to suppliers and other current assets were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Prepayments to suppliers	40,082	95,351
Other current assets	28,517	29,098
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(11,675)	(14,358)
Total	56,924	110,091

11. Taxes Recoverable and Prepaid, net
The balances of taxes recoverable and prepaid were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
VAT ('value added tax') recoverable and prepaid	142,780	170,004
Allowance for irrecoverable amount	(4,058)	–
Other taxes recoverable and prepaid	5,817	20,685
Total	144,539	190,689

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on the domestic market in Ukraine. Management expects that these balances, except for amounts, for which the allowance for estimated irrecoverable amounts was created, will be recovered in full within 12 months after the reporting date. For the year ended 30 June 2014, the amount of VAT refunded by the government in cash was USD 219,233 thousand (for the year ended 30 June 2013, the amount of VAT refunded by the government in cash was USD 241,874 thousand).

12. Inventory
The balances of inventories were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Raw materials	135,802	41,094
Finished products	109,115	151,879
Goods for resale	29,990	36,888
Agricultural products	10,721	22,854
Fuel	3,333	4,015
Packaging materials	879	1,172
Other inventories	9,687	12,330
Total	299,527	270,232

As of 30 June 2014 and 2013, raw materials were represented mainly by sunflower seed stock.

As of 30 June 2014, finished goods mostly consisted of sunflower oil sold in bulk in the amount of USD 79,183 thousand and sugar in the amount of USD 23,757 thousand. As of 30 June 2013, these amounts were USD 71,920 thousand and USD 60,078 thousand, respectively.

As of 30 June 2014, inventories with a carrying amount of USD 182,018 thousand (as of 30 June 2013: USD 73,554 thousand) were pledged by the Group as collateral against short-term loans obtained from banks (Note 20).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

13. Biological Assets
The balances of crops in fields were as follows:

	As of 30 June 2014		As of 30 June 2013	
(in USD thousands unless otherwise stated)	Hectares	Value	Hectares	Value
Corn	185,016	82,012	160,482	118,772
Sunflower seed	69,744	34,994	103,534	56,658
Soybean	66,566	31,456	61,346	33,876
Wheat	30,792	25,384	33,472	18,092
Forage crops	12,027	1,946	13,343	4,675
Barley	3,115	952	1,564	341
Pea	2,121	116	–	–
Rapeseed	–	–	5,133	3,057
Sugar beet	–	–	3,584	3,328
Other	3,471	1,633	4,284	1,024
Total	372,852	178,493	386,742	239,823

The following table represents the changes in the carrying amounts of crops in fields during the years ended 30 June 2014 and 30 June 2013:

(in USD thousands)	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2012	**107,260**	**39,370**	**146,630**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2012)	79,763	–	79,763
Decrease due to harvest (harvest 2012)	(187,023)	(39,370)	(226,393)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2013)	184,733	–	184,733
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2013)	–	55,090	55,090
As of 30 June 2013	**184,733**	**55,090**	**239,823**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2013)	153,100	–	153,100
Decrease due to harvest (harvest 2013)	(337,833)	(55,090)	(392,923)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2014)	148,800	–	148,800
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2014)	–	34,126	34,126
Exchange difference	–	(4,433)	(4,433)
As of 30 June 2014	**148,800**	**29,693**	**178,493**

The balances of current cattle were as follows:

	As of 30 June 2014		As of 30 June 2013	
(in USD thousands)	Number of heads	Value	Number of heads	Value
Cattle	12,928	4,343	15,969	7,174
Total	12,928	4,343	15,969	7,174

As of 30 June 2014, non-current cattle in the amount of USD 12,995 thousand (2013: USD 14,949 thousand) were represented mainly by 9,785 heads of milk cows (2013: 10,124 heads) (Note 18). The change in the balances was mainly represented by a change in the mix of cattle and variation in prices and exchange rates between reporting dates. For the period ended 30 June 2014, the net loss arising from changes in the fair value of biological assets in the amount of USD 17,110 thousand (2013: gain of USD 14,866 thousand) includes a USD 1,923 thousand loss on changes in current and non-current cattle fair value (2013: gain of USD 1,522 thousand).

As a result of business acquisitions, the Group purchased biological assets in the amount of USD 323 thousand over the 12-month period to 30 June 2014 (as of 30 June 2013: USD 10,336 thousand) (Note 7). Crops in fields, acquired in business combinations were included into the 'Increase due to purchases and subsequent expenditures capitalized in biological assets' in the table above. The fair value of agricultural produce was estimated based on market prices as of the date of harvest and is within level 2 of the fair value hierarchy.

Crops in fields and non-current cattle of the Group are measured using the discounted cash flow technique and are within the level 3 of the fair value hierarchy.

Current cattle is measured based on market prices of livestock of similar age, breed and genetic merit, which is within level 2 of the fair value hierarchy. There were no changes in the valuation technique since previous year. There were no material transfers between any levels during the year.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

13. Biological Assets continued

Description	Fair value as of 30 June 2014, USD thousands	Valuation techniques	Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Crops in fields	178,493	Discounted cash flows	Crop yields	1.92 – 7.20 (5.10) tons per hectare	The higher the crop yield, the higher the fair value
			Crop prices	USD 140 – 392 (225) per ton	The higher the crop price, the higher the fair value
			Discount rate	23.9% (in UAH, short-term)	The higher the discount rate, the lower the fair value
Milk cows	12,995	Discounted cash flows	Milk yield	8.24 – 19.89 (14.06) liters per cow per day	The higher the milk yield, the higher the fair value
			Milk price	USD 0.31 – 0.33 (0.32) per liters	The higher the market milk price, the higher the fair value
			Meat price	USD 0.95 – 1.22 (1.09) per kg	The higher the market meat price, the higher the fair value
			Weight of 1 calf	30 – 33 (31.5) kg	The higher the weight, the higher the fair value
			Yield of calves from 100 cows per year	82 – 96 (89) calves	The higher the yield, the higher the fair value
			Discount rate	16.0% (in UAH, long-term)	The higher the discount rate, the lower the fair value

If the above unobservable inputs to the valuation model were 5% higher/lower while all other variables were held constant, the carrying amount of the current and non-current biological assets would increase/decrease by USD 34,490 thousand and USD 31,354 thousand, respectively.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

14. Assets Classified as Held for Sale and Discontinued Operations

Following the directors' approval on 27 June 2013 of a plan to dispose all the sugar plants of the Group, they were reclassified as held for sale. In May 2013, the Group disposed the business of Chortkivskyi Sugar Plant LLC, through the sale of property, plant and equipment and transfer of employees (Note 7). In October 2013, the Group disposed the business of Orzhytskiy Sugar Plant LLC, throught the sale of property, plant and equipment and transfer of employees, for a total cash consideration including VAT in the amount of USD 4,246 thousand with a net loss on the disposal in the amount of USD 3,369 thousand, which was included into the result from discontinued operations.

As of 30 June 2014, the assets of Tsukrove LLC and Palmira Sugar LLC were classified as assets held for sale and their operations were classified as discontinued.

The balances of assets classified as held for sale were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Cash and cash equivalents	1	71
Trade accounts receivable, net	693	3,291
Prepayments to suppliers and other current assets, net	58	–
Taxes recoverable and prepaid, net	1,193	277
Inventory	1,793	606
Property, plant and equipment, net	6,407	17,749
Deferred tax assets	1,620	1,143
Other non-current assets	53	39
Assets of sugar plants classified as held for sale	**11,818**	**23,176**
Trade accounts payable	–	(19)
Advances from customers and other current liabilities	(1,232)	(1,859)
Other non-current liabilities	(36)	(31)
Liabilities of sugar plants associated with assets held for sale	**(1,268)**	**(1,909)**
Net assets of sugar plants classified as held for sale	**10,550**	**21,267**

The combined results of the discontinued operations included in the profit for the year are set out below.

Result for the year from discontinued operations:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Revenue	1,029	8,167
Cost of sales	(1,202)	(6,580)
Other operating income/(expenses), net	2,181	(380)
Distribution costs	(178)	(870)
General and administrative expenses	(4,956)	(4,455)
Finance costs, net	(63)	208
Foreign exchange gain, net	33	377
(Loss)/Gain on disposal of property, plant and equipment	(3,369)	7,428
Other (expenses)/income, net	(159)	208
Income tax benefit	1,395	944
(Loss)/Profit for the year from discontinued operations	(5,289)	5,047
Loss on remeasurement to fair value less costs to sell	(322)	(14,672)
Net loss for the year from discontinued operations	(5,611)	(9,625)

Cash flows from discontinued operations:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Net cash outflow from operating activities	(4,330)	(19,615)
Net cash inflow from investing activities	4,260	19,592
Net cash outflow from financing activities	–	–
Net cash flows	(70)	**(23)**

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

15. Property, Plant and Equipment, net
The following table represents movements in property, plant and equipment for the year ended 30 June 2014:

(in USD thousands)	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Other	Total
Net book value as of 30 June 2013	**363,026**	**67,109**	**192,156**	**125,670**	**15,350**	**763,311**
Land	3,932	3,911	6	1,138	46	**9,033**
Buildings and constructions	237,156	28,873	45,457	90,463	4,758	**406,707**
Production machinery and equipment	103,704	31,958	19,423	19,606	1,630	**176,321**
Agricultural vehicles and equipment	281	–	112,013	21	1,810	**114,125**
Other fixed assets	2,293	35	7,456	480	7,085	**17,349**
CIP and uninstalled equipment	15,660	2,332	7,801	13,962	21	**39,776**
Additions	**2,002**	**277**	**28,279**	**26,223**	**2,607**	**59,388**
CIP and uninstalled equipment	2,002	277	28,279	26,223	2,607	**59,388**
Reclassification	**5,249**	**486**	**(621)**	**2,066**	**(7,180)**	**–**
Buildings and constructions	2,428	93	(313)	596	(2,024)	**780**
Production machinery and equipment	(123)	–	3,794	358	(1,140)	**2,889**
Agricultural vehicles and equipment	760	–	(3,955)	407	165	**(2,623)**
Other fixed assets	2,184	393	(147)	705	(4,181)	**(1,046)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Buildings and constructions	1,607	8	6,291	22,478	1,021	**31,405**
Production machinery and equipment	3,419	132	591	4,186	329	**8,657**
Agricultural vehicles and equipment	201	66	24,936	148	360	**25,711**
Other fixed assets	294	50	1,679	198	813	**3,034**
CIP and uninstalled equipment	(5,521)	(256)	(33,497)	(27,010)	(2,523)	**(68,807)**
Disposals (at net book value)	**(12,638)**	**(11)**	**(2,820)**	**(71)**	**(65)**	**(15,605)**
Buildings and constructions	(3,029)	–	(711)	(44)	–	**(3,784)**
Production machinery and equipment	(3,695)	(9)	(493)	(17)	(1)	**(4,215)**
Agricultural vehicles and equipment	(40)	–	(1,394)	–	(35)	**(1,469)**
Other fixed assets	(440)	(2)	(222)	(10)	(29)	**(703)**
CIP and uninstalled equipment	(5,434)	–	–	–	–	**(5,434)**
Depreciation expense and impairment loss recognized in the Statement of Profit or Loss	**(30,483)**	**(3,281)**	**(33,074)**	**(8,380)**	**(1,712)**	**(76,930)**
Buildings and constructions	(13,516)	(997)	(6,888)	(6,154)	(212)	**(27,767)**
Production machinery and equipment	(15,822)	(2,179)	(3,716)	(1,784)	(92)	**(23,593)**
Agricultural vehicles and equipment	(300)	(8)	(20,738)	(153)	(487)	**(21,686)**
Other fixed assets	(845)	(97)	(1,732)	(289)	(921)	**(3,884)**
Exchange difference	**(265)**	**(5,545)**	**(35,095)**	**(44,470)**	**(1,327)**	**(86,702)**
Land	–	(1,267)	–	(368)	–	**(1,635)**
Buildings and constructions	(108)	(2,910)	(14,164)	(33,025)	(471)	**(50,678)**
Production machinery and equipment	(49)	(471)	(8,977)	(6,976)	(144)	**(16,617)**
Agricultural vehicles and equipment	(5)	(9)	(8,958)	(134)	(435)	**(9,541)**
Other fixed assets	(101)	(128)	(2,221)	(357)	(185)	**(2,992)**
CIP and uninstalled equipment	(2)	(760)	(775)	(3,610)	(92)	**(5,239)**
Net book value as of 30 June 2014	**326,891**	**59,035**	**148,825**	**101,038**	**7,673**	**643,462**
Land	3,932	2,644	6	770	46	**7,398**
Buildings and constructions	224,538	25,067	29,672	74,314	3,072	**356,663**
Production machinery and equipment	87,434	29,431	10,622	15,373	582	**143,442**
Agricultural vehicles and equipment	897	49	101,904	289	1,378	**104,517**
Other fixed assets	3,385	251	4,813	727	2,582	**11,758**
CIP and uninstalled equipment	6,705	1,593	1,808	9,565	13	**19,684**

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15. Property, Plant and Equipment, net continued
The following table represents movements in property, plant and equipment for the year ended 30 June 2013:

(in USD thousands)	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Sugar	Other	Total
Net book value as of 30 June 2012	**351,858**	**67,952**	**118,410**	**110,581**	**55,932**	**23,638**	**728,371**
Land	3,927	3,912	3	1,126	–	46	**9,014**
Buildings and constructions	215,362	29,787	34,082	51,884	23,902	3,477	**358,494**
Production machinery and equipment	109,404	34,162	18,442	17,740	31,067	1,197	**212,012**
Agricultural vehicles and equipment	368	–	54,977	4,148	367	2,170	**62,030**
Other fixed assets	2,448	37	2,285	766	33	14,263	**19,832**
CIP and uninstalled equipment	20,349	54	8,621	34,917	563	2,485	**66,989**
Additions	**7,307**	**2,457**	**37,693**	**31,499**	**–**	**1,226**	**80,182**
CIP and uninstalled equipment	7,307	2,457	37,693	31,499	–	1,226	**80,182**
Reclassification	**(1,650)**	**–**	**14,459**	**(8,527)**	**1,679**	**(5,961)**	**–**
Buildings and constructions	(1,113)	–	439	-	–	707	**33**
Production machinery and equipment	(537)	–	598	(4,325)	–	(99)	**(4,363)**
Agricultural vehicles and equipment	–	–	9,362	(4,142)	–	(816)	**4,404**
Other fixed assets	–	–	4,060	(60)	1,679	(5,753)	**(74)**
Total additions from acquisition of Subsidiaries	**–**	**–**	**56,522**	**–**	**–**	**–**	**56,522**
Buildings and constructions	–	–	16,057	–	–	–	**16,057**
Production machinery and equipment	–	–	6,346	–	–	–	**6,346**
Agricultural vehicles and equipment	–	–	29,511	–	–	–	**29,511**
Other fixed assets	–	–	3,615	–	–	–	**3,615**
CIP and uninstalled equipment	–	–	993	–	–	–	**993**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Land	–	–	4	12	–	–	**16**
Buildings and constructions	9,282	119	1,620	43,353	26	1,209	**55,609**
Production machinery and equipment	2,325	57	1,252	8,880	528	974	**14,016**
Agricultural vehicles and equipment	29	–	36,629	26	9	730	**37,423**
Other fixed assets	360	3	1	183	–	777	**1,324**
CIP and uninstalled equipment	(11,996)	(179)	(39,506)	(52,454)	(563)	(3,690)	**(108,388)**
Revaluation	**24,519**	**–**	**–**	**–**	**–**	**–**	**24,519**
Buildings and constructions	21,371	–	–	–	–	–	**21,371**
Production machinery and equipment	3,148	–	–	–	–	–	**3,148**
Disposals (at net book value)	**(936)**	**(87)**	**(5,091)**	**(456)**	**(20,817)**	**(656)**	**(28,043)**
Buildings and constructions	(290)	–	(2,480)	(407)	(6,876)	(455)	**(10,508)**
Production machinery and equipment	(586)	(87)	(1,129)	(43)	(13,424)	(138)	**(15,407)**
Agricultural vehicles and equipment	(15)	–	(1,242)	–	(2)	–	**(1,259)**
Other fixed assets	(45)	–	(240)	(6)	(515)	(63)	**(869)**
Assets held for sale	**–**	**–**	**–**	**–**	**(17,749)**	**–**	**(17,749)**
Buildings and constructions	–	–	–	–	(8,513)	–	**(8,513)**
Production machinery and equipment	–	–	–	–	(7,661)	–	**(7,661)**
Agricultural vehicles and equipment	–	–	–	–	(432)	–	**(432)**
Other fixed assets	–	–	–	–	(1,143)	–	**(1,143)**
Depreciation expense and impairment loss recognized in the Statement of Profit or Loss	**(18,698)**	**(3,214)**	**(29,870)**	**(6,991)**	**(17,805)**	**(3,600)**	**(80,178)**
Buildings and constructions	(7,636)	(1,034)	(4,298)	(5,019)	(8,421)	(279)	**(26,687)**
Production machinery and equipment	(10,289)	(2,174)	(6,085)	(1,813)	(8,821)	(348)	**(29,530)**
Agricultural vehicles and equipment	(112)	–	(17,223)	(4)	(40)	(273)	**(17,652)**
Other fixed assets	(661)	(6)	(2,264)	(155)	(523)	(2,700)	**(6,309)**

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15. Property, Plant and Equipment, net continued

(in USD thousands)	Sunflower oil sold in bulk and bottled	Export terminals	Farming	Silo services	Sugar	Other	Total
Exchange difference	**626**	**1**	**33**	**(436)**	**(1,240)**	**703**	**(313)**
Land	5	(1)	(1)	–	–	–	3
Buildings and constructions	180	1	37	652	(118)	99	851
Production machinery and equipment	239	–	(1)	(833)	(1,689)	44	(2,240)
Agricultural vehicles and equipment	11	–	(1)	(7)	98	(1)	100
Other fixed assets	191	1	(1)	(248)	469	561	973
Net book value as of 30 June 2013	**363,026**	**67,109**	**192,156**	**125,670**	**–**	**15,350**	**763,311**
Land	3,932	3,911	6	1,138	–	46	9,033
Buildings and constructions	237,156	28,873	45,457	90,463	–	4,758	406,707
Production machinery and equipment	103,704	31,958	19,423	19,606	–	1,630	176,321
Agricultural vehicles and equipment	281	–	112,013	21	–	1,810	114,125
Other fixed assets	2,293	35	7,456	480	–	7,085	17,349
CIP and uninstalled equipment	15,660	2,332	7,801	13,962	–	21	39,776

Total cost of property, plant and equipment and total accumulated depreciation as of 30 June 2014 and 30 June 2013 were as follows:

Group of PPE (in USD thousands)	Cost as of 30 June 2014	Accumulated depreciation as of 30 June 2014	Cost as of 30 June 2013	Accumulated depreciation as of 30 June 2013
Land	7,645	–	9,033	–
Buildings and constructions	412,204	(55,617)	451,068	(44,946)
Production machinery and equipment	206,330	(62,889)	230,551	(53,601)
Agricultural vehicles and equipment	159,639	(55,122)	130,253	(38,486)
Other fixed assets	23,576	(11,988)	55,235	(15,566)
CIP and uninstalled equipment	19,684	–	39,770	–
Total	829,078	(185,616)	**915,910**	**(152,599)**

During the year ended 30 June 2014 the Group finalized accounting for business combination of Druzhba-Nova Group (Note 7) and reclassified certain property, plant and equipment from ‘Other fixed assets’ to ‘Agricultural vehicles and equipment’.

As of 30 June 2014, property, plant and equipment with a carrying amount of USD 193,962 thousand (as of 30 June 2013: USD 364,593 thousand) were pledged by the Group as collateral against short-term and long-term bank loans (Note 20 and 21).

As of 30 June 2014, the impairment loss on remeasurement to fair value less costs to sell of disposed Nevinnomyssk oilseed crushing plant CJSC is recognised in other expenses in the amount of USD 8,879 thousand (Note 31).

On 1 April 2013, the buildings and constructions and production machinery and equipment (both in the bulk and bottled oil segments) were revalued by an external independent appraiser. Revaluation surplus amounted to USD 24,519 thousand. The fair value was determined by using cost-based, comparative and income approaches.

As of 30 June 2013, revaluation of property, plant and equipment of oil plants was comprised of an impairment loss recognized in other expenses in the amount of USD 5,247 thousand (Note 31) and revaluation surplus recognized in other comprehensive income in the amount of USD 29,766 thousand.

As of 30 June 2014 and 30 June 2013, the net carrying amount of property, plant and equipment, represented by agricultural vehicles and equipment, production machinery, held under finance lease agreements was USD 28,319 thousand and USD 32,885 thousand, respectively.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

16. Intangible Assets, net
The following table represents movements in intangible assets for the year ended 30 June 2014:

(in USD thousands)	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2013	**19,336**	**174,712**	**6,095**	**200,143**
Additions from acquisition of Subsidiaries	–	205	–	**205**
Additions	–	–	899	**899**
Disposals	–	(9)	(405)	**(414)**
Exchange difference	–	(54,482)	(1,244)	**(55,726)**
Cost as of 30 June 2014	**19,336**	**120,426**	**5,345**	**145,107**

(in USD thousands)	Trademarks	Land lease rights	Other intangible assets	Total
Accumulated amortization as of 30 June 2013	–	**(38,315)**	**(2,331)**	**(40,646)**
Amortization charge	–	(25,469)	(788)	**(26,257)**
Disposals	–	1	45	**46**
Impairment loss recognized in the Statement of Profit or Loss	(2,027)	–	–	**(2,027)**
Exchange difference	–	17,869	647	**18,516**
Accumulated amortization and impairment loss as of 30 June 2014	**(2,027)**	**(45,914)**	**(2,427)**	**(50,368)**
Net book value as of 30 June 2014	**17,309**	**74,512**	**2,918**	**94,739**

The following table represents movements in intangible assets for the year ended 30 June 2013:

(in USD thousands)	Trademarks	Land lease rights	Other intangible assets	Total
Cost as of 30 June 2012	**19,336**	**90,993**	**4,395**	**114,724**
Additions from acquisition of Subsidiaries	–	90,483	1,712	**92,195**
Additions	–	–	333	**333**
Disposals	–	(6,829)	(140)	**(6,969)**
Exchange difference	–	65	(205)	**(140)**
Cost as of 30 June 2013	**19,336**	**174,712**	**6,095**	**200,143**

(in USD thousands)	Trademarks	Land lease rights	Other intangible assets	Total
Accumulated amortization as of 30 June 2012	–	**(21,909)**	**(1,728)**	**(23,637)**
Amortization charge	–	(18,204)	(710)	**(18,914)**
Disposals	–	1,941	84	**2,025**
Exchange difference	–	(143)	23	**(120)**
Accumulated amortization as of 30 June 2013	**–**	**(38,315)**	**(2,331)**	**(40,646)**
Net book value as of 30 June 2013	**19,336**	**136,397**	**3,764**	**159,497**

Included in the intangible assets of Subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with values of USD 4,567 thousand, USD 5,929 thousand, USD 6,634 thousand and USD 179 thousand, respectively, in 2014 (USD 4,567 thousand, USD 5,929 thousand, USD 8,661 thousand and USD 179 thousand, respectively, in 2013). These trademarks are used by the Group for the sale of bottled sunflower oil mostly in the Ukrainian market.

As 30 June 2013, the trademark 'Stozhar' was pledged as security for short-term loans (Note 20).

In Management's view there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group.

The Group believes that, as a result of further promotion of the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks, the market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them for an indefinite period of time.

Accordingly, the trademarks that belong to the Group are considered to have an indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually on 30 June and whenever there is an indication that the trademarks may be impaired.

Notes to the Consolidated Financial Statements continued
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16. Intangible Assets, net continued
The impairment testing of the value of trademarks as of 30 June 2014 was performed by an independent appraiser. The recoverable amount of trademarks was based on the fair value less costs to sell method using royalty approach of valuation and is classified within level 3 of the fair value hierarchy. This calculation uses cash flow projections based on financial budgets approved by the management and covering a five-year period. The total amount of the trademarks was allocated to the bottled oil segment (as one cash-generating unit).

Key assumptions used for the calculation were as follows:

- The royalty rate used was determined at the weighted average market level of 5.47%;
- Growth rates are based on the expected market growth rate for sunflower oil consumption. As of 30 June 2014, the management believed that the market for bottled oil was saturated and for a period of five years no growth is expected; and
- As bottled oil is predominantly sold within Ukraine, the discount rate used was based on the weighted average cost of capital rate of 22.5% for UAH denominated cash flow projections.

As a result of testing performed, impairment of the trademark 'Zolota' in the amount of USD 2,027 thousand was recognized as of 30 June 2014 and was recognized as a loss on impairment of property, plant and equipment and intangible assets within 'Other expenses, net' (Note 31). Impairment was caused by saturation of the market and the current economic crisis in Ukraine, which led to a decrease in the consumption of premium segment bottled oil.

As a result of testing performed, no impairment was identified as of 30 June 2013.

17. Goodwill
The following table represents movements in goodwill for the year:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Cost as of beginning of the year	**161,739**	**137,227**
Goodwill arising from the acquisition of Subsidiaries	–	24,512
Exchange differences	(23,164)	–
Cost as of end of the year	**138,575**	**161,739**

The Group allocates goodwill to individual entities as to separate cash-generating units (CGU). A summary of goodwill allocation to separate CGUs is presented below:

		As of 30 June 2014	As of 30 June 2013
(in USD thousands)		Goodwill carrying value	Goodwill carrying value
Sunflower oil sold in bulk	Ukrainian Black Sea Industry LLC	44,396	44,396
	Kirovogradoilya PJSC	31,334	31,334
	Ecotrans LLC	9,868	9,868
	Other	7,088	7,088
Export terminals	Transbulkterminal LLC	23,739	36,300
Farming	Druzhba-Nova Group and other agricultural farms	20,003	30,606
Bottled sunflower oil	Prykolotnjansky OEP LLC	2,147	2,147
Total		**138,575**	**161,739**

The recoverable amounts of CGUs as of 30 June 2014 were as follows:

Segment	CGU	Recoverable amount of cash generating unit, (in USD thousands)
Sunflower oil sold in bulk	Ukrainian Black Sea Industry LLC	291,514
	Kirovogradoilya PJSC	186,938
	Ecotrans LLC	50,743
	Other	125,237
Export terminals	Transbulkterminal LLC	151,904
Farming	Druzhba-Nova Group and other agricultural farms	243,025
Bottled sunflower oil	Prykolotnjansky OEP LLC	36,385
Total		**1,085,746**

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17. Goodwill continued
The recoverable amounts of sunflower oil sold in bulk, export terminals and bottled sunflower oil were determined based on a value in use calculation, which uses cash flow projections accordingly to level 3 of the hierarchy based on the most recent financial budgets approved by the management and covering a five-year period. The values assigned to key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources. The projected cash flows are based on volumes of sales (tons of oil for oilseed crushing plants and transshipment volumes for export terminals) and respective prices and costs throughout the budget period. As of 30 June 2014, the assumptions for expected sunflower oil prices were USD 820 per one metric ton in 2015-2019 with a corresponding cost of USD 348 per one metric ton of sunflower seeds, which corresponds to a margin of USD 167 for one metric ton of oil. For the year ended 30 June 2013, the price and cost were USD 1,135 - 1,156 per one metric ton of oil and USD 371 - 381 per one metric ton of sunflower seeds in 2014-2018, respectively, with a margin of USD 156 - 184 per one metric ton of oil. The management believes that the margin per one metric ton of sunflower oil depends on the supply-demand balance for raw material in Ukraine and the Russian Federation rather than on the level of prices. The discount rate used as of 30 June 2014 was 12.5% (30 June 2013: 12.8%). The discount rate reflects the current market assessment of the risks specific to the cash-generating units. The discount rate was determined as the weighted average cost of capital based on observable inputs from external sources of information. The growth rate used is available from market sources of information for the projected period. The rate was 2% and is the same as the long-term average growth rate for the industry.

As of 30 June 2014, the recoverable amount exceeded the carrying amount of cash-generating unit, including goodwill, by USD 151,401 thousand for Kirovogradoliya PJSC, USD 43,892 thousand for Ecotrans LLC and USD 189,933 thousand for Ukrainian Black Sea Industry LLC.

The table below summarizes by which the value assigned to the key assumption must change with all other variables held constant in order for the CGUs recoverable amount to be equal to its carrying amount, related to sunflower oil sold in bulk companies with a material amount of goodwill:

	Kirovogradoilya PJSC	Ecotrans LLC	Ukrainian Black Sea Industry LLC
Selling prices of sunflower oil			
Decrease during the budget period by	11%	9%	11%
Discount rate			
Increase during the budget period by	not sensitive	not sensitive	9%

For 'Other' cash-generated units, the recoverable amount is equal to its carrying amount if discount rates rise by 0.2%. The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based will not cause the export terminals' carrying amount to exceed their recoverable amount.

The recoverable amount of Druzhba-Nova Group and other agricultural farms have been determined based on fair value less cost to sell estimates. The valuation method is based on the market approach and observable market prices, adjusted for the age and liquidity of the assets, which is within level 2 of the fair value hierarchy.

The management believes that any reasonably possible change in the key assumptions on which the recoverable amount of Druzhba-Nova Group and other agricultural farms is based will not cause the carrying amount to exceed their recoverable amount.

As of 30 June 2014 and 30 June 2013, no impairment of goodwill allocated to the sunflower oil, export terminals and farming segments was identified.

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18. Other Non-current Assets
The balances of other non-current assets were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Non-current biological assets	12,995	14,949
Prepayments for property, plant and equipment	6,720	15,934
Prepayments for Subsidiaries	3,105	5,060
Other non-current assets	3,641	19,178
Total	**26,461**	**55,121**

19. Advances from Customers and Other Current Liabilities
The balances of advances from customers and other current liabilities were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Reimbursement of debt (Note 33)	13,499	20,043
Settlements with land lessors	13,309	20,441
Advances from customers	10,124	21,549
Provision for unused vacations and other provisions	9,828	11,116
Taxes payable and provision for tax liabilities	6,900	7,852
Obligation under finance lease payable within one year (Note 22)	6,250	8,681
Accrued payroll, payroll related taxes and bonuses	3,875	4,475
Accounts payable for property, plant and equipment	1,440	1,260
Settlements for acquired Subsidiaries	1,197	58,160
Short-term promissory notes issued	–	8,802
Other current liabilities	13,148	39,205
Total	**79,570**	**201,584**

As of 30 June 2014, reimbursement of debt includes USD 13,499 thousand loan provided by Namsen Limited to Group and which will be repaid to Namsen Limited by the Group (Note 33). As of 30 June 2014, advances from customers and other current liabilities compound USD 16,430 thousand (as of 30 June 2013, USD 82,805 thousand) owed by related parties (including reimbursement of debt in amount USD 13,499 thousand as of 30 June 2014 and USD 20,043 thousand as of 30 June 2013, respectively) (Note 33).

20. Short-term Borrowings
The balances of short-term borrowings were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Bank credit lines	402,169	395,496
Interest accrued on short-term borrowings	1,054	1,288
Interest accrued on long-term borrowings	2,598	1,844
Total	**405,821**	**398,628**

The balances of short-term borrowings as of 30 June 2014 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2014	165,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2014	65,000
European bank	Libor + 7.5%	USD	October 2014	64,000
European bank	Libor + 6.25%	USD	April 2015	60,000
Ukrainian subsidiary of European bank	11.0%	USD	February 2015	21,500
Ukrainian subsidiary of European bank	Libor + 8.0%	USD	July 2014	15,000
European bank	Libor + 2.65%	USD	April 2015	11,669
Total bank credit lines				**402,169**
Interest accrued on short-term borrowings				1,054
Interest accrued on long-term borrowings				2,598
Total				**405,821**

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

20. Short-term Borrowings continued
The balances of short-term borrowings as of 30 June 2013 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 4.75%	USD	August 2013	107,000
European bank	Libor + 8.95%	USD	September 2013	76,000
European bank	Libor + 7.5%	USD	November 2013	56,000
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	September 2013	55,000
Ukrainian subsidiary of European bank	Libor + 7.0%	USD	September 2013	50,000
Ukrainian subsidiary of European bank	6.0%	USD	July 2013	20,746
Ukrainian subsidiary of American bank	Libor + 1.0%	USD	June 2014	13,275
Ukrainian subsidiary of European bank	Libor + 5.0%	USD	November 2013	5,120
Ukrainian subsidiary of European bank	10.0%	USD	April 2014	4,844
Ukrainian subsidiary of European bank	6.0%	USD	September 2013	3,723
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	2,217
Ukrainian subsidiary of European bank	10.0%	USD	September 2013	1,571
Total bank credit lines				**395,496**
Interest accrued on short-term borrowings				1,288
Interest accrued on long-term borrowings				1,844
Total				**398,628**

As of 30 June 2014, the overall maximum credit limit for short-term bank credit lines amounted to USD 797,268 thousand (as of 30 June 2013: USD 1,174,400 thousand).

Short-term borrowings from banks were secured as follows:

(Assets pledged in USD thousands unless otherwise stated)	As of 30 June 2014	As of 30 June 2013
Property, plant and equipment, net (Note 15)	**54,718**	157,717
Inventory (Note 12)	**182,018**	73,554
Intangible assets, net (Note 16)	**–**	5,929
Controlling stakes in Subsidiaries	**Not quantifiable**	Not quantifiable
Total	**236,736**	**237,200**

As of 30 June 2014, the following controlling stakes of Subsidiaries were pledged: 20 agricultural companies and one sunflower oil plant (as of June 2013: three sunflower oil plants, two grain elevators and 30 agricultural companies).

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for the year ended 30 June

21. Long-term Borrowings
The balances of long-term borrowings were as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Long-term bank borrowings	324,860	307,523
Current portion of long-term borrowings	(77,335)	(50,893)
Total	**247,525**	**256,630**

The balances of long-term borrowings as of 30 June 2014 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 8.0%	USD	August 2018	140,000
European bank	Libor + 5.5%	USD	February 2016	66,600
Russian bank	Libor + 8.35%	USD	February 2016	48,000
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	December 2015	37,689
European bank	Libor + 1.65%	USD	March 2020	18,508
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	July 2016	14,063
Total				**324,860**

The balances of long-term borrowings as of 30 June 2013 were as follows:

(in USD thousands)	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5.5%	USD	February 2016	84,600
European bank	Libor + 6.25%	USD	January 2015	80,000
Russian bank	Libor + 8.35%	USD	March 2019	52,860
Ukrainian subsidiary of European bank	Libor + 7.5%	USD	November 2017	48,909
Ukrainian subsidiary of American bank	Libor + 4.5%	USD	January 2017	23,440
European bank	Libor + 3.52%	USD	April 2015	17,714
Total				**307,523**

Long-term borrowings as of 30 June 2014 included credit lines from banks with an overall maximum credit limit of USD 324,860 thousand (as of 30 June 2013: USD 327,936 thousand).

Long-term borrowings from banks were secured as follows:

(Assets pledged in USD thousands unless otherwise stated)	As of 30 June 2014	As of 30 June 2013
Property, plant and equipment, net (Note 15)	139,244	206,876
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**139,244**	**206,876**

As of 30 June 2014, stakes in Subsidiaries were pledged including controlling stakes in two export terminals, three sunflower oil plants, one agricultural company and a 50% stake in a joint venture (as of 30 June 2013: controlling stakes in two export terminals, two sunflower oil plants, one Holding company and a 50% stake in a joint venture).

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for the year ended 30 June

22. Obligations under Finance Lease

The Group entered into finance lease arrangements for part of its agricultural vehicles and production machinery. Leases are denominated in USD and UAH. The average term of finance leases is 5 years.

The major components of finance lease liabilities were as follows:

	As of 30 June 2014		As of 30 June 2013	
(in USD thousands)	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Amounts payable due to the finance lease:				
Within one year (Note 19)	8,569	6,250	11,729	8,681
Later than one year and not later than five years	15,241	12,486	24,242	19,093
Total	23,810	18,736	**35,971**	**27,774**
Less future finance charges	(5,074)	–	(8,197)	–
Present value of lease obligations	18,736	18,736	**27,774**	**27,774**

The average effective interest rate contracted for year ended 30 June 2014 was at the level 7.19% (7.49% for the year ended 30 June 2013).

23. Income Tax

The Parent is subject to corporate income tax in Luxembourg. The tax rate in Luxembourg was 22.47% as of 30 June 2014 and 22.47% as of 30 June 2013. The corporate income tax rate in Ukraine, where the main operations of the Group are located, was 18% as of 30 June 2014 and 19% as of 30 June 2013. The majority of the Group's operating entities are located in Ukraine, therefore effective tax rate reconciliation is completed based on Ukrainian statutory tax rates.

The majority of the Group's companies that are involved in agricultural production pay the Fixed Agricultural Tax (FAT) in accordance with the Tax Code of Ukraine. The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of profit and loss in other operating income.

The Tax Code of Ukraine introduced an 18% income tax rate effective from 1 January 2014 (21% effective 1 January 2012, 19% effective 1 January 2013). Consequently, the deferred income tax assets and liabilities as of 30 June 2014 were measured based on the revised income tax rate.

The components of income tax (expense)/benefit for the years ended 30 June 2014 and 2013 were as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Current income tax charge	(15,663)	(10,818)
Deferred tax income relating to changes in tax rates or the imposition of new taxes	2,222	3,297
Deferred tax relating to origination and reversal of temporary differences	2,069	1,350
Income tax expense reported in the income statement	(11,372)	**(6,171)**

The income tax expense is reconciled to the profit before income tax per Consolidated Statement of Profit or Loss as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
(Loss)/Profit before income tax from continuing operations	(90,423)	121,049
Benefit/(Tax) at statutory tax rate of 18% (from 1 January 2014), 19% (from 1 January 2013 to 31 December 2013) and 21% (from 1 January 2012 to 31 December 2012)	16,697	(24,455)
Deferred tax income relating to changes in tax rates or the imposition of new taxes	2,222	3,297
Effect of previously unrecognized and unused tax losses and deductible temporary differences now recognised as deferred tax assets	–	1,843
Effect of (loss)/income that is exempt from taxation (farming)	(14,321)	1,713
Effect of different tax rates of Subsidiaries operating in other jurisdictions	(12,450)	2,531
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	(2,747)	–
Other expenditures not allowable for income tax purposes and non-taxable income, net	(773)	8,900
Income tax expense	(11,372)	**(6,171)**

Income tax recognized in other comprehensive income:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Income tax related to components of other comprehensive income	(597)	(4,762)
Total income tax recognized in other comprehensive income	(597)	**(4,762)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

23. Income Tax continued

Movements in temporary differences during the year ended 30 June 2014 were as follows:

(in USD thousands)	30 June 2013	Income tax benefit/ (expense) during the period recognized in profit or loss from continuing operations	Income tax benefit/ (expense) during the period recognized in profit or loss from discontinued operations	Income tax benefit/ (expense) during the period recognized in other comprehensive income	Deferred taxes of disposed companies	Currency exchange difference	Deferred taxes reclassified to assets classified as held for sale	30 June 2014
Tax losses carried forward	**7,709**	9,181	28	–	(3,258)	(483)	26	**13,149**
Valuation of accounts receivable	**14,251**	(10,263)	(306)	–	–	(442)	540	**3,546**
Valuation of property, plant and equipment	**2,781**	1,074	1,238	–	(187)	(317)	2,003	**3,351**
Valuation of inventory	**144**	13	–	–	–	(3)	–	**154**
Valuation of advances and other temporary differences	**2,568**	(586)	4	–	–	(53)	3	**1,929**
Deferred tax asset	**27,453**	**(581)**	**964**	–	**(3,445)**	**(1,298)**	**2,572**	22,129
Valuation of property, plant and equipment	**(29,834)**	4,259	421	(597)	–	382	(781)	**(25,790)**
Valuation of intangible assets	**(1,051)**	28	–	–	–	(37)	–	**(1,060)**
Valuation of prepayments to suppliers and other temporary differences	**(1,439)**	585	10	–	–	(13)	(171)	**(867)**
Deferred tax liability	**(32,324)**	**4,872**	**431**	**(597)**	–	**332**	**(952)**	(27,717)
Net deferred tax liabilities	**(4,871)**	**4,291**	**1,395**	**(597)**	**(3,445)**	**(966)**	**1,620**	**(5,588)**

Movements in temporary differences during the year ended 30 June 2013 were as follows:

(in USD thousands)	30 June 2012	Income tax benefit/ (expense) during the period recognized in profit or loss from continuing operations	Income tax benefit/ (expense) during the period recognized in profit or loss from discontinued operations	Income tax benefit/ (expense) during the period recognized in other comprehensive income	Currency exchange difference	Deferred taxes reclassified to assets classified as held for sale	30 June 2013
Valuation of accounts receivable	**10,693**	3,573	67	–	(15)	1,272	**14,251**
Tax losses carried forward	**9,119**	(1,398)	48	–	(12)	48	**7,709**
Valuation of property, plant and equipment	**588**	2,231	1,162	–	(38)	1,228	**2,781**
Valuation of inventory	**1,294**	(1,150)	–	–	–	–	**144**
Valuation of advances and other temporary differences	**6,076**	(3,496)	(17)	–	(12)	13	**2,568**
Deferred tax asset	**27,770**	**(240)**	**1,260**	**–**	**(77)**	**2,561**	**27,453**
Valuation of property, plant and equipment	**(25,433)**	249	(599)	(4,762)	112	(1,151)	**(29,834)**
Valuation of intangible assets	**(1,080)**	29	–	–	–	–	**(1,051)**
Valuation of prepayments to suppliers and other temporary differences	**(6,111)**	4,609	(178)	–	63	(267)	**(1,439)**
Deferred tax liability	**(32,624)**	**4,887**	**(777)**	**(4,762)**	**175**	**(1,418)**	**(32,324)**
Net deferred tax liabilities	**(4,854)**	**4,647**	**483**	**(4,762)**	**98**	**1,143**	**(4,871)**

As of 30 June 2014, 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 realize the benefits of the deferred tax assets of USD 13,149 thousand (2013: USD 7,709 thousand) recognized with respect to tax losses carried forward by the Subsidiaries. The amount of future taxable income required to be generated by the Subsidiaries to utilize the tax benefits associated with the tax loss carry forward is approximately USD 72,401 thousand (2013: USD 40,574 thousand). However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

Tax losses can be brought forward for unlimited period of time.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

23. Income Tax continued
Unrecognized deferred tax assets arising from tax losses carried forward by the Group's Subsidiaries as of 30 June 2014 were USD 2,747 thousand (as of 30 June 2013: no unrecognized deferred tax assets).

The Group does not recognize a deferred tax liability for all taxable temporary differences associated with investments in Subsidiaries as it is able to control the timing of the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances (after offset) as they are presented in the consolidated statement of financial position:

(in USD thousands)	30 June 2014	30 June 2013
Deferred tax assets	11,648	22,850
Deferred tax liabilities	(17,236)	(27,721)
Net deferred tax liabilities	**(5,588)**	**(4,871)**

24. Revenue
The Group's revenue was as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Revenue from sunflower oil sold in bulk, sunflower meal and cake	1,101,720	1,561,614
Revenue from grain sales	1,053,613	972,259
Revenue from bottled sunflower oil	109,954	148,732
Revenue from farming	62,322	54,449
Revenue from sugar	34,924	29,290
Revenue from grain silo services	27,538	18,912
Revenue from transshipment services	3,180	11,496
Total	**2,393,251**	**2,796,752**

For the year ended 30 June 2014, revenue from top five European customers accounted for approximately 33.8% of total revenue (for the year ended 30 June 2013, revenue from top five European customers accounted for 41.0% of total revenue).

25. Cost of Sales
Cost of sales was as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Cost of goods for resale and raw materials used	1,736,940	2,177,690
Amortization and depreciation	91,648	82,863
Payroll and payroll related costs	67,236	58,217
Rental payments	42,617	28,928
Other operating costs	29,533	13,299
Total	**1,967,974**	**2,360,997**

26. Other Operating Income, net
Other operating income was as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Gain on sale of hard currency	35,293	32,162
VAT refunds and other government grants	24,234	21,261
Contracts wash-out (price difference settlement)	586	14,726
Other operating income/(expenses)	361	(1,621)
Total	**60,474**	**66,528**

According to the Tax Code of Ukraine, companies that generated not less than 75.0% of gross revenues for the previous tax period from sales of its own agricultural products are entitled to retain the difference between input VAT paid on items purchased by such companies for their operations and VAT charged on products sold. Such a gain is recognized as VAT refunds and other government grants, which by substance constitutes receipt of a government grant.

The special VAT regime for agricultural producers will be effective through 1 January 2018 under current legislation.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

27. Distribution Costs
Distribution costs were as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Carriage and freight	231,865	207,858
Storage and dispatch	12,181	13,428
Certification	7,632	5,060
Customs expenses	5,271	3,612
Sanitation services	1,343	1,189
Payroll and payroll related costs	408	646
Depreciation	151	13
Other expenses	4,069	6,255
Total	262,920	238,061

28. General and Administrative Expenses
General and administrative expenses were as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Payroll and payroll related costs	40,956	38,635
Bad debts expenses	6,133	2,247
Audit, legal and other professional fees	6,109	7,296
Repairs and material costs	5,758	5,703
Business trip expenses	5,190	2,785
Amortization and depreciation	2,509	3,762
Bank services	2,399	3,968
Rental payments	2,250	2,290
Insurance	1,866	4,005
Communication expenses	1,639	1,611
Taxes other than income tax	1,514	2,982
Other expenses	681	2,913
Total	77,004	78,197

The fair value of share-based payments in the amount of USD 148 thousand (30 June 2013: USD 1,817 thousand) was recognized as payroll-related expenses for the year ended 30 June 2014 (Note 2).

Audit, legal and other professional fees for the year ended 30 June 2014 include the auditor's remuneration in the amount of USD 527 thousand and consultancy fees in the amount of USD 47 thousand (30 June 2013: USD 479 thousand and USD 45 thousand respectively).

29. Finance Costs, net
Finance costs, net were as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Interest expense on bank loans	68,970	71,244
Other finance costs, net	3,489	3,634
Total	72,459	74,878

30. Foreign Exchange (Loss)/Gain, net
Foreign exchange (loss)/gain, net was related to the following balances:

	For the year ended 30 June 2014	For the year ended 30 June 2013
VAT recoverable and prepaid	(54,011)	–
Corporate income tax prepaid	(17,039)	–
Borrowings nominated in foreign currencies	(13,929)	–
Cash and cash equivalents nominated in foreign currencies	(4,119)	–
Obligations under finance leases	(2,123)	–
Other	(7,584)	2,908
Total	(98,805)	2,908

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

31. Other Expenses, net
Other expenses, net, were as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Loss on financial derivatives, net	17,733	–
Loss on valuation of assets held for sale (Note 15)	8,879	–
Loss on disposal of Subsidiaries (Note 7)	8,871	4,955
Loss on impairment of property, plant, equipment and intangible assets	2,027	5,247
(Gain)/Loss on disposal of property, plant and equipment	(882)	433
Other expenses/(income), net	15,149	(4,964)
Total	51,777	5,671

During the year ended 30 June 2014, the Group used non-deliverable currency forwards for protection against unfavorable USD/UAH exchange rate movements. Agreements were mostly signed in the first half of the year. Due to the increasing severity of the economic crisis in the second half of the year, the UAH was devaluated to a greater extent, than expected by management. This led to total net losses on non-deliverable currency forwards in the amount of USD 17,733 thousand.

32. Investments in Joint Ventures
On 27 September 2012, a 50/50 joint venture was formed with Renaisco BV, a Subsidiary of Glencore International PLC. The joint venture acquired a 100% interest in a deep water grain export terminal in Taman port (the Russian Federation) for an enterprise value of USD 265,000 thousand, including transaction costs, financed with a combination of equity and debt.

An investment in a joint venture is accounted for using the equity method from the date of acquisition. The total consideration paid for the investment in the joint venture was USD 95,907 thousand. There was no payable for this acquisition as of 30 June 2014 and 30 June 2013. Goodwill arising from the acquisition of the joint venture was included in the carrying amount of the investment. The Group has the following significant interests in joint ventures (all related to the export terminal in Taman port):

			Proportion of ownership interest and voting rights held by the Group	Proportion of ownership interest and voting rights held by the Group
Name of joint venture	Principal activity	Place of incorporation and principal place of business	As of 30 June 2014	As of 30 June 2013
Taman Grain Terminal Holdings Limited	Holding Company	Cyprus	50.0%	50.0%
Taman Invest Limited CJSC	Holding Company	Russian Federation	50.0%	50.0%
Zernovoy Terminalny Complex Taman LLC	Grain export terminal	Russian Federation	50.0%	50.0%

Share of ownership of joint ventures was as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Current assets	8,432	24,719
Non-current assets	71,351	64,679
Current liabilities	(12,300)	(8,959)
Non-current liabilities	(42,936)	(37,471)
The above amounts of Non-current assets and Non-current liabilities include:		
Property, plant and equipment, net	66,157	63,572
Long-term borrowings	(40,613)	(35,684)

Share of profits/(losses) of joint ventures was as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Revenue	18,644	6,898
Cost of sales	(10,071)	(6,730)
Other operating income	–	2
General and administrative expenses	(2,359)	(2,262)
Profit/(Loss) from operating activities	6,214	(2,092)
Other expenses, net	(1,414)	(109)
Profit/(Loss) before income tax	4,800	(2,201)
Income tax expenses	(899)	–
Profit/(Loss) for the period	3,901	(2,201)
Other comprehensive gain for the period	148	320
Total comprehensive gain/(loss) for the period	4,049	(1,881)

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

32. Investments in Joint Ventures continued

The above information for the period includes the following:

(in USD thousands)	Year ended 30 June 2014	Year ended 30 June 2013
Depreciation and amortization	**4,498**	2,642
Interest expenses	**4,166**	2,849

33. Transactions with Related Parties

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

The Group had the following balances outstanding with related parties:

(in USD thousands)	Related party balances as of 30 June 2014	Total category as per consolidated statement of financial position as of 30 June 2014	Related party balances as of 30 June 2013	Total category as per consolidated statement of financial position as of 30 June 2013
Prepayments to suppliers and other current assets, net (Note 10)	**14,450**	**56,924**	3,652	110,091
Other non-current assets (Note 18)	**4,998**	**26,461**	20,695	55,121
Trade accounts payable	**6,642**	**33,369**	168	47,066
Advances from customers and other current liabilities (Note 19)	**16,430**	**79,570**	82,805	201,584
Other non-current liabilities	**8,863**	**13,726**	–	5,839

As of 30 June 2014 and 30 June 2013, the Group did not create an allowance for trade accounts receivable, prepayments made and other current assets from related parties.

No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed from related parties.

Advances from customers and other current liabilities and trade accounts payable as of 30 June 2014 include amounts due to Namsen Limited. These amounts include a USD 13,499 thousand loan provided by Namsen Limited to Inter-Agro Group and USD 6,544 thousand trade payables to Namsen Limited for sunflower oil purchases.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Advances from customers and other current liabilities as of 30 June 2013 include amounts due to Namsen Limited. These amounts include:

- → USD 18,025 thousand for the purchase of Stiomi Holding;
- → USD 39,300 thousand for the purchase of Inter-Agro, which is interest bearing at 4% per annum; and
- → USD 20,043 thousand loan provided by Namsen Limited to Inter-Agro Group.

All remaining outstanding balances with related parties, which are presented in the table above, were represented by amounts due to the companies under common control.

Transactions with related parties were as follows:

(in USD thousands)	Amount of operations with related parties, for year ended 30 June 2014	Total category per consolidated statement of profit or loss for year ended 30 June 2014	Amount of operations with related parties, for year ended 30 June 2013	Total category per consolidated statement of profit or loss for year ended 30 June 2013
Cost of sales (Note 25)	**(282)**	**(1,967,974)**	(1,107)	(2,360,997)
General, administrative and distribution costs (Note 27, 28)	**(24,651)**	**(339,924)**	(7,615)	(316,258)
Finance costs, net (Note 29)	**322**	**(72,459)**	(140)	(74,878)
Other income/(expenses), net (Note 31)	**30**	**(51,777)**	21	(5,671)

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties. For the year ended 30 June 2014, distribution expenses included USD 19,074 thousand of services for the transportation of goods paid to Zernovoy Terminalny Complex Taman LLC (for the year ended 30 June 2013, distribution costs included USD 4,303 thousand). All other transactions occurred with related parties under common control.

As of 30 June 2014, the Board consists of the following eight directors: the Chairman of the Board, three non-executive independent directors and four directors employed by Subsidiaries. Remuneration of the Board (8 Directors) for the year ended 30 June 2014 amounted to USD 250 thousand (for the year ended 30 June 2013: 8 Directors, USD 265 thousand), including remuneration received by the executive directors as members of the Management Team. The non-executive directors also are refunded, to a reasonable extent, any expenses incurred by them in performing their duties, including reasonable travel expenses.

Five 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, totaling 14 people, amounted to USD 2,242 thousand for the year ended 30 June 2014 (for the year ended 30 June 2013: 14 people, USD 1,817 thousand).

Notes to the Consolidated Financial Statements continued
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33. Transactions with Related Parties continued
The Members of the Board of Directors and Management Team members are not granted any pensions, retirement or similar benefits by the Group. The management of the Group has been provided with options to purchase the shares of the Holding (Note 2).

34. Commitments and Contingencies
Operating Environment
Since November 2013, Ukraine has been in political and economic turmoil. The Ukrainian hryvnya devalued against major world currencies and significant external financing is required to maintain the stability of the economy. The Government of Ukraine has been negotiating with the International Monetary Fund (IMF) and other financial institutions on financial aid and in April 2014 the Board of Governors of the IMF endorsed a two-year loan program for Ukraine in the total amount of USD 17.01 billion, out of which an installment of USD 3.19 billion was already obtained in May 2014. Ukraine's sovereign rating is at the level of CCC with a stable outlook.

In February 2014, the Parliament of Ukraine voted to reinstate the 2004 Constitution, dismiss the incumbent President and form a transitional government. In March 2014, Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. On 25 May 2014, presidential elections took place and a new President of Ukraine was elected.

In 2014, the operating activities of the National Bank of Ukraine, the banking system, and enterprises in general were adversely affected by the separatist movements and the collapse of law and order in Luhansk and Donetsk regions.

The Group does not have assets in Crimea, Donetsk and Luhansk regions.

Stabilization of the economy and the political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently unpredictable and an adverse effect on the Ukrainian economy may continue.

Retirement and Other Benefit Obligations
The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund for the year ended 30 June 2014 was USD 29,836 thousand (2013: USD 23,412 thousand).

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. For the year ended 30 June 2014, retirement and other pension obligation expenses of the Group amounted to USD 728 thousand (2013: USD 596 thousand). As of 30 June 2014 and 30 June 2013, the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Capital Commitments
As of 30 June 2014, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 3,743 thousand (30 June 2013: USD 6,185 thousand) for the supply of equipment and services required for the construction of a new silo.

Contractual Commitments on Sales
As of 30 June 2014, the Group had entered into commercial contracts for the export of 241,850 tons of grain and 442,763 tons of sunflower oil and meal, corresponding to amounts of USD 68,827 thousand and USD 245,868 thousand, respectively, at prices as of 30 June 2014.

As of 30 June 2013, the Group had entered into commercial contracts for the export of 267,960 tons of grain and 162,268 tons of sunflower oil and meal, corresponding to amounts of USD 77,890 thousand and USD 65,795 thousand, respectively, at prices as of 30 June 2013.

As of 30 June 2014, the Group entered into a transshipment agreement with Zernovoy Terminalny Complex Taman LLC. According to the agreement, the Group has committed to transship 1,500,000 tons of grain through the facility in FY2015.

Operating Leases
As of 30 June 2014 and 2013, the Group had outstanding commitments under non-cancellable operating lease agreements with the following maturities:

Lease term (in USD thousands)	Future minimum leasepayment as of 30 June 2014	Future minimum leasepayment as of 30 June 2013
Less than 1 year	33,350	46,759
From 1 to 5 years	93,858	134,862
More than 5 years	29,461	55,604
Total	**156,669**	**237,225**

Operating lease payments represent mainly rentals payable by the Group for office premises and land in Ukraine. Rentals for land are determined in accordance with Ukrainian legislation.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June

34. Commitments and Contingencies continued

Legal Issues

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.

The Group is involved in litigation in connection with a case of contaminated Ukrainian oil that occurred in April 2008. The Group estimates that it could be required to pay USD 3,700 thousand if the ruling is in favor of the counter party. Management believes than no significant settlement will arise out of the lawsuit and no respective provision is required in the Group's financial statements as of the reporting date.

In April 2012, the Group entered into a call option agreement to acquire Stiomi Holding, a farming company located in the Khmelnytskyi region of Ukraine with 79,200 hectares of land under management. Upon signing, the sellers received approximately 40% of the estimated net asset value partly from the Group and its related parties. As of 30 June 2014, the consideration paid for Stiomi Holding by the Group comprised USD 33,472 thousand. In the meantime, the final payment shall be due and payable only after fulfillment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers in respect to the non-fulfillment of the seller's obligations. In December 2012, the Group received a Request for Arbitration from the sellers in which the sellers claimed amounts due to them. The arbitral tribunal has been formed, the parties have exchanged written statements of case and directions for the next steps are awaited from the tribunal. Management believes that it is unlikely that any significant settlement will arise out of this lawsuit.

Taxation

As of 30 June 2014, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 127,640 thousand (30 June 2013: USD 147,015 thousand), from which USD 65,347 related to VAT recoverability (30 June 2013: USD 129,029 thousand) and USD 62,293 thousand related to corporate income tax (30 June 2013: 17,986 thousand).

As of 30 June 2014, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 41,825 thousand (30 June 2013: USD 129,029 thousand), included in the abovementioned amount. Out of this amount, USD 19,470 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2013: USD 111,782 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment is characterized by complexity in tax and arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, can increase fiscal pressure on tax payers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigation which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts could be material. Facing the current economic and political issues, the Government is considering implementing certain reforms in the tax system of Ukraine. Currently, it is not clear what specific measures will be undertaken within these reforms, nor what overall impact they will have on the tax environment in general and on the tax standing of the Group in particular. Management believes that the Group has been in compliance with all requirements of the effective tax legislation.

Starting from 1 September 2013, Ukrainian legislation implemented new transfer pricing rules. These rules introduce additional reporting and documentation requirements to transactions with related parties. In accordance with the new rules, the tax authorities obtain additional tools with the help of which they may claim that prices or profitability in transactions with related parties differ from arm's length transactions. The management assesses controllable operations in accordance with legislation and prepares required documentation on transfer pricing.

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35. Financial Instruments
Capital Risk Management
During the years ended 30 June 2014 and 30 June 2013, there were no material changes to the objectives, policies and processes for capital risk, credit risk, liquidity risk, currency risk, interest rate risk and other market risk management. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing return to shareholders through a combination of debt and equity capital. The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations from the management, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 20 and 21 and obligations under finance leases (Note 22), and cash and equity attributable to Kernel Holding S.A. shareholders, comprising issued capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

Gearing Ratio
The management reviews quarterly the capital structure of the Group, taking into consideration seasonality in the activity of the Group. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Following its listing on the WSE, the Group's management considers that the gearing ratio should not exceed 150%.

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Debt liabilities[1] (Note 20, 21, 22)	**749,417**	733,925
Cash (Note 8)	**(65,400)**	(78,819)
Net debts	**684,017**	655,106
Equity[2]	**1,029,661**	1,335,485
Net debt liabilities to capital	66%	**49%**

[1]Debt includes short-term and long-term borrowings and obligations under finance leases.
[2] Equity includes the issued capital, share-premium reserve, additional paid-in capital, revaluation reserve, equity-settled employee benefits reserve, retained earnings and translation reserve.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

35. Financial Instruments continued

Gearing Ratio continued

Due to its activity, the Group is exposed to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

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

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Maximum exposure to credit risk was as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Cash (Note 8)	65,400	78,819
Trade accounts receivable, net (Note 9)	99,796	150,758
Other non-current assets	3,641	19,178
Total	**168,837**	**248,755**

Maximum exposure to credit risk for trade receivables by geographic region was as follows:

(in USD thousands)	As of 30 June 2014	As of 30 June 2013
Domestic customers (accounts receivable, net)	8,743	20,386
International customers (account receivable, net)	91,053	130,372
Total	**99,796**	**150,758**

The Group's most significant customers are an international customer, which accounted for USD 11,645 thousand, and a local customer, which accounted for USD 2,861 thousand out of the total trade accounts receivable as of 30 June 2014 (as of 30 June 2013 one international customer accounted for USD 43,214 thousand and one local customer for USD 5,963 thousand).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which the major customers operate, has less of an influence on credit risk. Approximately 33.8% of the Group's revenue is attributable to sales transactions with five major customers (as of 30 June 2013: 41.0%)

The management of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references, and also counterparty recommendations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from the management of the Group. These limits are reviewed quarterly. Customers that fail to meet the Group's benchmark for creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk in international markets, the Group presents title documents via banking channels and uses payment instruments such as letters of credit and bank guarantees.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned (controlled) Subsidiaries. As of 30 June 2014 as well as at 30 June 2013, no guarantees were outstanding in favor of third parties.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The average credit period on purchases of goods is six days.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

35. Financial Instruments continued
Liquidity Risk continued

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2014. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Non-derivative financial liabilities (in USD thousands)	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	33,369	(33,369)	(33,369)	–	–	–
Short-term borrowings (Note 20)	405,821	(410,678)	(410,678)	–	–	–
Long-term borrowings (Note 21)	324,860	(369,423)	(101,316)	(171,585)	(93,414)	(3,108)
Obligations under finance leases (Note 22)	18,736	(23,810)	(8,569)	(7,735)	(7,498)	(8)
Settlements for acquired Subsidiaries (Note 19)	1,197	(1,197)	(1,197)	–	–	–
Settlements with land lessors (Note 19)	13,309	(13,309)	(13,309)	–	–	–
Reimbursement of debt (Note 19)	13,499	(13,499)	(13,499)	–	–	–
Accounts payable for property, plant and equipment	1,440	(1,440)	(1,440)	–	–	–
Other current liabilities	13,148	(13,148)	(13,148)	–	–	–
Other non-current liabilities	8,609	(8,609)	–	(8,609)	–	–
Total	**833,988**	**(888,482)**	**(596,525)**	**(187,929)**	**(100,912)**	**(3,116)**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods as of 30 June 2013. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Non-derivative financial liabilities (in USD thousands)	Carrying amount	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade accounts payable	47,066	(47,066)	(47,066)	–	–	–
Short-term borrowings (Note 20)	398,628	(427,387)	(427,387)	-	-	-
Long-term borrowings (Note 21)	307,523	(350,829)	(50,893)	(111,858)	(130,461)	(57,617)
Obligations under finance leases (Note 22)	27,774	(35,971)	(11,729)	(8,781)	(14,838)	(623)
Settlements for acquired Subsidiaries (Note 19)	58,160	(58,160)	(58,160)	–	–	–
Settlements with land lessors (Note 19)	20,441	(20,441)	(20,441)	–	–	–
Reimbursement of debt (Note 19)	20,043	(20,043)	(20,043)	–	–	–
Accounts payable for property, plant and equipment	1,260	(1,260)	(1,260)	–	–	–
Short-term promissory notes issued	8,802	(8,802)	(8,802)	–	–	–
Other current liabilities	39,205	(39,205)	(39,305)	–	–	–
Total	**928,902**	**(1,009,164)**	**(685,086)**	**(120,639)**	**(145,299)**	**(58,240)**

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group's policy is to synchronize future cash flow from sales and payments under financial liabilities and to limit open inventory positions.

Currency Risk

The major sources of finance of the Group, prices of sales contracts with customers, and prices of significant contracts for the purchase of goods and services from suppliers are denominated in USD.

Interest and principal on borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in USD. This provides the Group with a natural hedge against currency risk and no derivatives are required to cover such risk.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

35. Financial Instruments continued

Currency Risk continued

The table below covers UAH, USD and EUR denominated assets and liabilities carried by Subsidiaries having distinct functional currencies.

The Group's exposure to foreign currency risk as of 30 June 2014 was as follows:

(in USD thousands)	UAH	USD	EUR	Other currencies
Cash	27,740	6	1,069	207
Trade accounts receivable, net	7,030	–	7,576	35
Other non-current assets	–	1,056	–	–
Trade accounts payable	(6,736)	(276)	(136)	(6,638)
Reimbursement of debt (Note 19)	–	(13,499)	–	–
Short-term borrowings (Note 20)				
Ukrainian subsidiary of American bank	–	(172)	–	–
Long-term borrowings (Note 21)				
Ukrainian subsidiary of American bank	–	(14,063)	–	–
Obligations under finance leases	–	(6,261)	–	–
Net exposure	**28,034**	**(33,209)**	**8,509**	**(6,396)**

A 10% strengthening of the UAH against the USD, EUR and other currencies as of 30 June 2014 would have increased the equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in USD thousands)	UAH	USD	EUR	Other currencies
USD	(2,803)	3,321	(851)	640

Conversely, a 10% fall of the UAH against the USD as of 30 June 2014 would have had the opposite effect, on the assumption that all other variables remain constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of reasonably possible changes in foreign exchange rates.

The Group's exposure to foreign currency risk as of 30 June 2013 was as follows:

(in USD thousands)	UAH	USD	EUR	Other currencies
Cash	6,029	26	2,655	4,267
Trade accounts receivable, net	13,701	36	10,162	171
Trade accounts payable	(16,712)	–	–	(281)
Reimbursement of debt (Note 19)	–	(20,043)	–	–
Short-term borrowings (Note 20)				
Ukrainian subsidiary of European bank	–	(10,484)	–	–
Ukrainian subsidiary of American bank	–	(13,586)	–	–
Long-term borrowings (Note 21)				
Ukrainian subsidiary of American bank	–	(23,438)	–	–
Obligations under finance leases	–	(12,357)	–	–
Net exposure	**3,018**	**(79,846)**	**12,817**	**4,157**

A 10.0% strengthening of the UAH against the USD, EUR and other currencies as of 30 June 2013 would have increased the equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

(in USD thousands)	UAH	USD	EUR	Other currencies
USD	(302)	7,985	(1,282)	(416)

Interest Rate Risk

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

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

35. Financial Instruments continued
Interest Rate Risk continued
The interest rate profile of the Group's interest-bearing financial instruments was as follows:

(in USD thousands)	Carrying amount as of 30 June 2014	Carrying amount as of 30 June 2013
Fixed rate instruments (financial liabilities)	40,261	58,754
Variable rate instruments (financial liabilities)	709,156	675,171
Total	749,417	733,925

The Group does not use any derivatives to manage interest rate risk exposure.

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of reasonably possible changes in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2014 would decrease/increase by USD 7,092 thousand (2013: decrease/increase by USD 6,752 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Other Market Price Risk
The Group enters into commodity contracts only for the delivery of physical goods and does not use any material hedging tools in respect of price hedging.

36. Fair Value of Financial Instruments
Fair value disclosures in respect of financial instruments are made in accordance with the requirements of International Financial Reporting Standards 7 'Financial Instruments: Disclosure' and 13 'Fair value 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, rather than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value is estimated to be the same as the carrying value of cash and cash equivalents, trade accounts receivable, and trade accounts payable due to the short-term nature of the financial instruments.

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values:

	30 June 2014		30 June 2013	
Financial liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Short and Long term borrowings	727,029	733,093	703,019	713,609
Total	727,029	733,093	703,019	713,609

The fair value of bank borrowings was estimated by discounting the expected future cash outflows by a market rate of interest for bank borrowings of 6.43% (2013: 6.69%), and is within level 2 of the fair value hierarchy.

There were no changes in the valuation technique since the previous year.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June

37. Earnings per Share
Basic earnings per share from continuing and discontinued operations/from continuing operations are computed by dividing net income from continuing and discontinued operations from continuing operations available to ordinary shareholders by the weighted-average number of ordinary shares outstanding (79,683,410 for the period ended 30 June 2014 and 30 June 2013), excluding any dilutive effects of stock options. Diluted earnings per share is computed in the same way as basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such exercise were used to acquire ordinary shares at the average market price during the reporting period. For calculating diluted earnings per share, an average number of 79,856,603 ordinary shares is taken into account (30 June 2013: 80,035,037).

38. Non-cash Movements
Non-cash movements for the years ended 30 June 2014 and 30 June 2013 were as follows:

(in USD thousands)	For the year ended 30 June 2014	For the year ended 30 June 2013
Property, plant and equipment acquired under finance lease agreements	–	6,032
Non-cash settlement of trade accounts receivable and other current liabilities	6,544	–

39. Subsequent Events
In May 2014, the government approved a resolution setting the parameters of a new special government bond issues intended to compensate for VAT refunds due to businesses, outstanding as of 31 December 2013 and not paid until the bonds issuance. In July and August 2014 the Group received the VAT bonds in the amount of USD 22,545 thousand. The bonds have five years to maturity, are amortized at 10% semi-annually and pay a semi-annual coupon of 9.5%. Management is currently evaluating the available options and intends to use the bonds as collateral, if and when required, to secure additional bank financing.

In July 2014, the Ukrainian Parliament adopted changes to the Tax Code effective from 1 October 2014 reinstating VAT refunds on grain exports for agricultural producers that directly export their produce. VAT on grain exports was not refunded from 1 July 2011 to 1 January 2014 and between 1 April 2014 to 1 October 2014.

In August 2014, Fitch Ratings reviewed the ratings of seven Ukrainian corporates, including Kernel Holding S.A., following the agency's recent review of Ukraine's sovereign rating. While the Long-term foreign currency IDRs of the corporates, including Kernel Holding S.A., were affirmed at 'CCC', the agency downgraded the companies' Long-term local currency ratings to 'CCC' from 'B-'. Both ratings are in line with the Ukraine's sovereign ratings.

In August 2014, Kernel renewed three pre-export credit facilities for a total limit of USD 600 million and committed to an option to expand the limit to USD 680 million. One year secured revolving facilities with syndicates of European banks are used to finance the company's working capital for sunflower oil and grain export from Ukraine and the Russian Federation.

In September 2014, the European Union and Ukraine ratified the Deep and Comprehensive Free Trade Agreement under which the EU applies a zero-duty regime for the import of sunflower oil from Ukraine (2.9% and 6.1% duties for unrefined and refined sunflower oil were applied previously) along with the EU's special zero-duty import quotas for grain originating from Ukraine in the amount of 1.2 million tons (EUR 12-16 per ton duty was applied previously).

Corporate Information

Stock Information

Exchange	Warsaw Stock Exchange
Stock quote currency	PLN
Shares issued as of 30 June 2014	79,683,410
Bloomberg	KER PW
Reuters ticker	KERN.WA
ISIN code	LU0327357389

Investor Calendar

Q1 FY2015 operations update	21 October 2014
Q1 FY2015 financial report	26 November 2014
Annual general meeting of shareholders	10 December 2014
Q2 FY2015 operations update	20 January 2015
H1 FY2015 financial report	27 February 2015
Q3 FY2015 operations update	20 April 2015
Q3 FY2015 financial report	28 May 2015
Q4 FY2015 operations update	20 July 2015
FY2015 financial report	30 October 2015

Cautionary Statement

Certain statements in this document are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement. Except as required by law, the Company is under no obligation to update or keep current the forward-looking statements contained in this document or to correct any inaccuracies which may become apparent in such forward-looking statements.

This document does not constitute or form part of any offer or invitation to sell or purchase, or any solicitation of any offer to sell or purchase any shares or securities. It is not intended to form the basis upon which any investment decision or any decision to purchase any interest in Kernel Holding S.A. is made. Information in this document relating to the price at which investments have been bought or sold in the past or the yield on investments cannot be relied upon as a guide to future performance.

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