

KERNEL HOLDING S.A.

Société anonyme
65, boulevard Grande-Duchesse Charlotte
L-1331 Luxembourg
R.C.S. Luxembourg B 109.173

**ANNUAL
ACCOUNTS
FOR THE
YEAR ENDED**

JUNE 30, 2012

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REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE ANNUAL ACCOUNTS AS OF OCTOBER 24, 2012.

Dear Shareholders,

1. Kernel Holding S.A., a société anonyme, having its registered office in 65, boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, has been registered with the Luxembourg Trade and Companies' Register under number B 109 173 (the "Company").

The Company is quoted on the Warsaw stock exchange, since November 23, 2007. Up to the 30th of June, 2012 the Company's activity is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies. The company also contracts loans and grants all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

The subsidiaries of Kernel Holding S.A. (forming, together with Kernel Holding S.A., "the Group") own assets primarily in Ukraine and Russian Federation and operate across the agricultural value chain.

The Company operate in farming, grain origination, storage, transport and marketing, and in the production, refining, bottling and marketing of sunflower oil.

The Company provide silo services to farmers and grain handling and transshipment services to the Group and third parties.

The Company's goal is the continuous development of profitable and sustainable business that enhances our leadership position in low-cost production, sourcing, processing and handling of agricultural commodities, bridging the resource-rich Black Sea region with large international consumer markets.

Overview

For the year ending 30 June 2012, Kernel Holding S.A. Group had revenue of USD 2,157,441 thousand, profit from operating activities of USD 256,470 thousand and net profit attributable to shareholders of Kernel Holding S.A. of USD 206,700 thousand.

A 14.2% yoy increase driven primarily by a 2.5x rise in the farming segment sales volume. In addition, the acquisition of sugar plants drove the revenues in the sugar segment while a mix of larger sale volumes and higher prices fueled the revenues in the bottled oil arm.

The company has seven operating segments:

- Bulk sunflower oil – The bulk sunflower oil segment contributed USD 1,191.6 million in revenue (50.9% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 150.1 million to the operating profit to the Company
- Farming – The farming segment contributed USD 171.0 million in revenue (7.3% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 41.2 million to the operating profit to the Company
- Grain – The grain segment contributed USD 598.7 million in revenue (25.5% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 27.0 million to the operating profit to the Company
- Bottled sunflower oil – The bottled sunflower oil segment contributed USD 203.0 million in revenue (8.7% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 30.1 million to the operating profit to the Company
- Export terminals – The export terminals segment contributed USD 28.9 million in revenue (1.2% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 10.4 million to the operating profit to the Company
- Silo services – The bottled services segment contributed USD 51.0 million in revenue (2.2% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 12.1 million to the operating profit to the Company
- Sugar – The sugar segment contributed USD 99.1 million in revenue (4.2% of the Company's total revenue, being the sum of external revenue and intersegment sales) and USD 16.0 million to the operating profit to the Company

Kernel handled a total of 4.7 million tons of agricultural commodities across its supply chain. A total of 2.5 million tonnes of sunflower seeds were crushed by the Company during financial year 2012, with sunflower oil exported in bulk or bottled and sold in both domestic and export markets. Wheat, barley, corn, rapeseed and soybean, originated from thousands of farmers across Ukraine and from Company-owned farming enterprises, were exported through the Black Sea grain terminals. Export revenues accounted for 89% of the Company's sales in financial year 2012.

The remarkable results posted by the Group were also reflected on the stand alone accounts of the Company Kernel Holding S.A. which obtained revenue of USD 244,773,175.30 which is mainly composed of dividend to receive from one of its subsidiaries "Etrecom Investments Ltd".

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE ANNUAL ACCOUNTS AS OF OCTOBER 24, 2012.

Acquisitions

The following acquisitions were executed or finalized during the financial year ending 30 June 2012:

- In September 2011, the Company completed an acquisition of a 100% interest in Russian Oils, a company which owns three crushing plants in the Krasnodar and Stavropol regions of the Russian Federation with a total crushing capacity of about 410,000 tons of oilseeds per annum. Kernel paid USD 15 million in cash for the transaction and consolidated debt denominated in Russian rubles, equivalent to USD 53 million.
- In September 2011, the Company acquired a 100% interest in Black Sea Industries, a company whose primary asset is a 500,000 tons oilseed crushing plant in Illichevsk, Ukraine. The transaction was valued at USD 140 million on a debt-free and cash-free basis. Located adjacent to the Company's Transbulkterminal, the plant is able to ship bulk oil and meal directly onto vessels. Assets of Black Sea Industries have been consolidated since September 2011.
- In October 2011, the Company acquired a farming company which manages 29,300 ha of leasehold farmland, mostly in the Khmelnytsk region in western Ukraine. Kernel paid total cash consideration of USD 52.3 million for the farm, out of which USD 31.3 million is attributable for the lease rights, machinery and partial working capital, while USD 21 million was for marketable inventories.
- In April 2012, the Company purchased call options to acquire two farming companies with a total land bank under management of 119,200 ha in the Khmelnytsk and Poltava regions and 300,000 tons of owned storage facilities for a cash consideration of USD 98 million for the farmland lease rights, storage capacities, machinery and working capital. The company which manages a 40,000 ha in Poltava region has been consolidated into Company accounts from April 2012.

2. Allocation of results

Due to expenses related to the capital increase of the Company over the fiscal year ending 30 June 2012 the fiscal year as of 30 June 2012 ends with a profit USD 244,773,175.30 mostly due to the dividend to receive from it Cyprus participation "Etrecom Investments Ltd".

The board of directors of the Company intends to propose to the Annual General Meeting of Shareholders of the Company the following allocation of this result:

Profit as of 30 June 2012	USD	244,773,175.30
Retained earnings	USD	27,700,635.65
Available result	USD	272,473,810.95
To the legal reserve	USD	15,867.36
To carry forward	USD	272,457,943.59

3. Notwithstanding the above-mentioned charges, the Company's business has developed normally during the fiscal year under review.

4. Details on corporate governance is available on the Company website <http://www.kernel.ua>

5. Principal risks and uncertainties

Kernel management considers that the following factors, among others, could materially influence the financial results of the Company:

- Low harvest of grain or sunflower seed in Ukraine
- Product quality
- The risk of unfavorable changes to, or interpretations of, the tax laws and regulations in the countries in which Kernel Holding S.A. operates Price controls
- Increased competition
- Commodity price volatility

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE ANNUAL ACCOUNTS AS OF OCTOBER 24, 2012.

6. Board of Directors

The board of Directors is composed of seven directors, of whom two are independent directors. All seven Directors were elected to the Board by the shareholders at general meetings of the shareholders:

(1) Mr. Andrey Verevskiy was re-elected Chairman of the Board of Directors for a five-year term by the shareholders at the general meeting of shareholders held on 15 November 2010. Mr. Verevskiy founded the Group's business in 1995, holding various executive positions within the Group; presently, he oversees the strategic development and overall management of the Group.

(2) Mr. Andrzej Danilczuk, independent Director, was re-elected to the Board for a one-year term by the shareholders at the general meeting of shareholders held on 7 December 2011. Mr. Danilczuk is a senior executive with over 20 years' experience in business development, trading and marketing of agri-commodities.

(3) Mr. Ton Schurink, independent Director, was re-elected to the Board for a one-year term by the shareholders at the general meeting of shareholders held on 7 December 2011. Mr. Schurink is a senior executive with extensive experience in trading commodities, risk management, barter, shipping, financial trading and trade and structured finance acquired during a 32-year career with Cargill.

(4) Mrs. Anastasiia Usachova was re-elected to the Board for a three-year term by the shareholders at the general meeting of shareholders held on 15 November 2010. Ms. Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment.

(5) Mrs. Viktoriia Lukianenko was re-elected to the Board for a three-year term by the shareholders at the general meeting of shareholders held on 15 November 2010. Ms. Lukianenko has served as a lawyer for the Group since 2002, and today oversees the Group's corporate and legal issues

(6) Mr. Konstantyn Lytvynskiy was elected to the Board for a three-year term by the shareholders at the general meeting of shareholders held on 7 December 2011. Mr. Litvynskiy joined Kernel in 2005 and serves as Chief Operations Officer.

(7) Mr. Yuriy Kovalchuk was elected to the Board for a three-year term by the shareholders at the general meeting of shareholders held on 7 December 2011. Mr. Kovalchuk oversees investor relations and new investment opportunities for the Group

7. Looking ahead, no material change to the present state of business is anticipated.

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' ORDINARY GENERAL MEETING DELIBERATING ON THE APPROVAL OF THE ANNUAL ACCOUNTS AS OF OCTOBER 24, 2012.

THE BOARD OF DIRECTORS

By: _____ 2012
Mr. Andrey Verevskiy

By: _____ 2012
Mrs. Anastasiia Usachova

By: _____ 2012
Mrs. Viktoriia Lukianenko

By: _____ 2012
Mr. Yuriy Kovalchuk

By: _____ 2012
Mr. Konstantin Litvinskyi

By: _____ 2012
Mr. Ton Schurink

By: _____ 2012
Mr. Andrzej Danilczuk

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated December 7, 2011, we have audited the accompanying annual accounts of Kernel Holding S.A., which comprise the balance sheet as of June 30, 2012 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts.

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 annual accounts give a true and fair view of, the financial position of Kernel Holding S.A. as of June 30, 2012 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The Board of Directors report, which is the responsibility of the Board of Directors, is consistent with the annual accounts. Corporate Governance Statement, as published on the Company's website <http://www.kernel.ua>, on June 30, 2012, which is the responsibility of the Board of Directors, includes the information required by the law of 19 December, 2002 on the commercial 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 annual accounts.

Luxembourg, October 24, 2012

For Deloitte Audit, Cabinet de révision agréé

Sophie Mitchell,
Réviseur d'entreprises agréé
Partner

BALANCE SHEET AS OF JUNE 30, 2012

	Notes	30.06.2012 USD	30.06.2011 USD
ASSETS			
B. Formation expenses	(3)	3,279,199.51	4,166,032.00
C. Fixed assets			
<u>III. Financial Assets</u>	(4)		
<u>1. Shares in affiliated undertakings</u>		692,254,990.45	488,048,692.42
<u>5. Securities held as fixed assets</u>		49.00	49.00
<u>2. Loans and claims held as fixed assets</u>		-	38,800,000.00
D. Current Assets			
<u>II. Debtors</u>	(5)		
<u>2. Amounts owed by affiliated undertakings</u>			
a) <i>Becoming due and payable after less than one year</i>		85,695,137.85	50,237,272.65
b) <i>Becoming due and payable after more than one year</i>		-	41,118,234.93
<u>4. Other debtors</u>			
a) <i>Becoming due and payable after less than one year</i>		6,088,669.53	63,418,797.76
b) <i>Becoming due and payable after more than one year</i>		-	-
<u>IV. Cash at bank and in hand</u>		138,868.39	42,081,978.91
E. Prepayments and accrued income	(6)	-	23,126.24
TOTAL ASSETS		787,456,914.73	727,894,183.91

BALANCE SHEET AS OF JUNE 30, 2012

	Notes	30.06.2012 USD	30.06.2011 USD
LIABILITIES			
A. Capital and reserves			
<i>I. Subscribed capital</i>	(7)	2,104,120.11	1,945,446.46
<i>II. Share premium and similar premiums</i>	(8)	478,580,199.03	333,454,470.68
<i>III. Revaluation reserves</i>		-	-
IV. Reserves	(9)		
<i>1. Legal reserve</i>		194,544.65	123,236.80
<i>V. Profit or loss brought forward</i>	(10)	27,700,635.65	(10,394,003.64)
<i>VI. Profit or loss the financial year</i>		244,773,175.30	38,165,947.14
C. Provisions	(11)		
<i>2. Provisions for taxation</i>		24,135.05	783,003.31
<i>3. Other provisions</i>		75,443.66	123,181.94
D. Non subordinated debts	(12)		
<i>2. Amounts owed to credit institutions</i>			
a) <i>Becoming due and payable after less than one year</i>		0.46	47,898,629.97
b) <i>Becoming due and payable after more than one year</i>		-	5,328,000.00
<i>4. Trade creditors</i>			
a) <i>Becoming due and payable after less than one year</i>		754,069.24	198,459.85
<i>6. Amounts owed to affiliated undertakings</i>			
a) <i>Becoming due and payable after less than one year</i>		10,004,493.50	28,184.03
b) <i>Becoming due and payable after more than one year</i>		22,772,133.88	172,017,225.61
<i>8. Tax and social security</i>			
a) <i>Tax debts</i>		70,733.54	67,715.07
<i>9. Other creditors</i>			
a) <i>Becoming due and payable after less than one year</i>		403,230.66	138,154,686.68
E. Accruals and deferred income		-	-
TOTAL LIABILITIES		787,456,914.73	727,894,183.91

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS OF JUNE 30, 2012

	Notes	from 1.07.2011 to 30.06.2012 USD	from 1.07.2010 to 30.06.2011 USD
CHARGES			
3. Staff costs			
<i>a) Wages and salaries</i>	(13)	127,750.00	60,000.00
4. Value Adjustments			
<i>a) on formation expenses and on tangible and on intangible fixed assets</i>	(3)	3,275,546.18	2,790,515.66
<i>b) on elements of current assets</i>		-	-
5. Other operating charges			
		2,264,048.86	2,645,735.58
8. Interest payable and other financial charges			
<i>a) concerning affiliated undertakings</i>	(12)	-	-
<i>b) other interest payable and similar charges</i>		1,997,004.13	5,345,838.20
9. Extraordinary charges			
		108,070.89	1,253,167.42
10. Tax on profit or loss			
		1,996.47	2,287.14
11. Other taxes not included in the previous caption			
		(2,163.32)	83.96
12. Profit for the financial year			
		244,773,175.30	38,165,947.14
TOTAL CHARGES		252,545,428.51	50,263,575.10

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS OF JUNE 30, 2012

	Notes	from 1.07.2011 to 30.06.2012 USD	from 1.07.2010 to 30.06.2011 USD
INCOME			
5. Other operating income		21,600.00	-
6. Income from financial fixed assets	(4)		
<i>a) derived from affiliated undertakings</i>		250,000,000.00	49,900,000.00
<i>b) other income from participating interests</i>		-	-
7. Income from financial current assets			
<i>a) derived from affiliated undertakings</i>		-	-
<i>b) other income</i>		-	-
8. Other interests and other financial income			
<i>a) derived from affiliated undertakings</i>		-	137,886.25
<i>b) other interest receivable and financial income</i>		2,159,933.56	225,688.85
9. Extraordinary income		363,894.95	-
10. Loss for the financial year		-	-
TOTAL INCOME		252,545,428.51	50,263,575.10

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 1 - General Information

KERNEL HOLDING "the Company" was incorporated on June 15, 2005 and organised under the laws of Luxembourg in the form of a Société anonyme for an unlimited period.

Its registered office is established at 65, boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg.

The Company's financial year starts on July 1 and ends on June 30 of each year.

The Company object is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies.

The Company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

It may open branches in Luxembourg and abroad. Furthermore, the company may acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise.

It may also acquire, enhance and dispose of patents and licenses, as well as rights deriving therefrom or supplementing them.

In addition, the company may acquire, manage, enhance and dispose of real estate located in Luxembourg or abroad.

The Company is the holding company for a group of entities which, together form the Kernel Group.

On the basis of the offering prospectus (the "Prospectus") approved on October 25, 2007 by the Commission de Surveillance du Secteur Financier, shares in the Company were offered to investors in the offering consisting of a public offering in Poland and an international offering by way of private placements to selected institutional investors in certain jurisdictions outside of Poland.

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

On 27 June 2008, an additional 5,400,000 ordinary bearer shares of the Company were admitted to trading on the main market of the WSE. On 3 June 2010, the Company issued 4,450,000 new shares, thereby increasing the Company's share capital by USD 117,506.70, to a total amount of USD 1,932,681.54. Following the issuance of new shares, Kernel's share capital was divided into 73,191,000 shares without indication of a nominal value, giving right to 73,191,000 voting rights at the General Meeting of the Company.

On 5 January 2011, the Company issues 483,410 new shares without indication of a nominal value. All of the newly issued shares were subscribed to by a stock option beneficiary under the Management and Incentive Plan. The issued price of the 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by an amount of USD 12,764 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value.

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

On 3 August 2011, the Company issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by Namsen Limited. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan.

As a result of the increase, the Company's share capital was set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

As at 30th June, 2012, the company shares were distributed as follows: 38.23% held by NAMSEN Limited, a company registered in Cyprus, 13, Agiou Prokopiou Street and 61.77% free-float.

The company draws up consolidated financial statements which are published according to the provisions of the Luxembourg law and available at its registered office.

Note 2 – Significant accounting policies

2.1 General principles

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost model. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002 and 10 December 2010, determined and applied by the Board of Directors.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 2 – Significant accounting policies (continued)

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following, in accordance with the principles described above:

2.2.1 Formation expenses

Formation expenses and capital increase expenses are amortised on a straight-line method over a period of 5 years.

2.2.2 Financial assets

Historical cost model

Valuation at the «lower of cost or market value»

Shares in affiliated undertakings are valued at the lower of purchase price including the expenses incidental thereto or the market value. Loans shown under “Financial assets” are recorded at their nominal value. A value adjustment is recorded where respectively for securities and loans, the market value (securities) or recovery value (loan) is lower than the purchase price or nominal value. The probable market or recovery value estimated with due care and in good faith by the Board of Directors, without set off of individual gains and losses in value, for unlisted securities that are not traded on another regulated market.

Market value/recovery value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in on another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, for unlisted securities or securities that are not dealt in on another regulated market, for securities listed on a stock exchange or dealt in on another regulated market where the latest quote is not representative as well as for the loans shown under “Assets”.

2.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Cash at bank and in hand

Cash is valued at its nominal value.

2.2.5 Foreign currency translation

The accounts are expressed in United-States Dollars (USD)

Transactions expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historic exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realized exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised loss is recorded in the profit and loss account and the net unrealised gains are not recognised.

Assets and liabilities items which are fair valued are converted at the exchange rates effective at the balance sheet date. Foreign exchange differences on those items which are accounted at fair value are recognised in the profit and loss account or revaluation reserves with the change in fair value.

2.2.6 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Provision for taxation

Current tax provision

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption «Tax debts». The advance payments are shown in the assets of the balance sheet under the «Other receivables» item.

2.2.7 Debts

Debts are valued at their reimbursement value.

Where the amount repayable on account is greater than the amount received, the difference is shown in the profit and loss account when the debt is issued.

Subordinated creditors

Debts are recorded under subordinated creditors when their status is subordinated to unsecured debts.

Note 3- Formation expenses

Formation expenses comprise expenses incurred for the capital increase and debenture loans fees.

The Company records its formation, capital increase expenses and debenture loans fees under this caption:

	2012 USD	2011 USD
Gross book value - opening balance	13,986,621.36	13,866,376.53
Additions for the year	2,803,158.11	120,244.83
Disposals for the year	(414,444.42)	-
Transfers for the year	-	-
Gross book value - closing balance	16,375,335.05	13,986,621.36
Accumulated value adjustment - opening balance	(9,820,589.36)	(7,030,073.70)
Allocations for the year	(3,275,546.18)	(2,790,515.66)
Reversals for the year	-	-
Accumulated value adjustment - closing balance	(13,096,135.54)	(9,820,589.36)
Net book value - opening balance	4,166,032.00	6,836,302.83
Net book value - closing balance	3,279,199.51	4,166,032.00

Note 4 - Financial Assets

For assets following the historical cost model

The movements of the year are as follows:

	Shares in affiliated undertakings USD	Loans to affiliated undertakings USD	Participating interests USD	Loans to undertakings with which the company is linked by virtue of participating interests USD	Securities held as fixed assets USD	Loans and receivables USD	Own shares or own corporate units USD	Total USD
Gross book value - opening balance	488,048,692.42	38,800,000.00	-	-	49.00	-	-	526,848,741.42
Additions for the year	204,206,298.03	-	-	-	-	-	-	204,206,298.03
Disposals for the year	-	(38,800,000.00)	-	-	-	-	-	(38,800,000.00)
Transfers for the year	-	-	-	-	-	-	-	-
Gross book value - closing balance	692,254,990.45	-	-	-	49.00	-	-	692,255,039.45
Accumulated value adjustment - opening balance	-	-	-	-	-	-	-	-
Allocations for the year	-	-	-	-	-	-	-	-
Reversals for the year	-	-	-	-	-	-	-	-
Transfers for the year	-	-	-	-	-	-	-	-
Accumulated value adjustment - closing balance	-	-	-	-	-	-	-	-
Net book value - opening balance	488,048,692.42	38,800,000.00	-	-	49.00	-	-	526,848,741.42
Net book value - closing balance	692,254,990.45	-	-	-	49.00	-	-	692,255,039.45

The Board of Directors has assessed that the decrease in market value is not permanent and therefore no value adjustment is recorded on those financial assets in the accounts of the Company.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 4 - Financial Assets (continued)

Undertakings in which the Company holds at least 20% in their share capital or in which it is a general partner are as follows:

Name of undertakings (legal form)	Registered office	Ownership %	Last balance sheet date	Net equity at the balance sheet date of the company concerned. Unaudited.	Profit or loss of the last financial year. Unaudited.	«Shares in affiliated Companies»
JERSTE B.V	200, Prins Bernhardplein, 1097 JB Amsterdam, Netherlands	100.00%	30.06.2012	32,383,639.00 USD	(40,057.00) USD	31,612,729.85 USD
INERCO TRADE S.A.	Genève, Switzerland	100.00%	30.06.2012	53,851,030.97 USD	20,285,571.46 USD	3,532,673.50 USD
KERNEL CAPITAL LLC	16, Nemirovicha-Danchenka street, 01133 Kiev, Ukraine	100.00%	30.06.2012	480,339,000.00 UAH	16,299,000.00 UAH	59,651,635.48 USD
KERNEL TRADE LLC	5, Dimitrova street, 03680 Kiev, Ukraine	99.08%	30.06.2012	582,570,000.00 UAH	(55,863,000.00) UAH	231,948,526.98 USD
UKRAGROBIZNES LLC	35, Olesya Gonchara street, 01034 Kiev, Ukraine	91.30%	30.06.2012	525,100.00 UAH	(2,000.00) UAH	67,290.37 USD
ESTRON CORPORATION LTD	29A, Annis Komninis, P.C. 1061 Nicosia, Cyprus	100.00%	30.06.2012	7,747,490.41 USD	(11,731.89) USD	97,526,715.48 USD
CHOREX DEVELOPMENTS LTD	29A, Annis Komninis, P.C. 1061 Nicosia, Cyprus	100.00%	30.06.2012	47,134.44 USD	(1,296.64) USD	2,296.26 USD
HAMALEX DEVELOPMENTS LTD	10, Salaminas, Nicosia, Cyprus	100.00%	30.06.2012	3,535.73 USD	(713.03) USD	2,296.26 USD
ETRECOM INVESTMENTS	13, Agiou Prokopiou, 2406 Egkomi- Lefkosia, Cyprus	100.00%	30.06.2012	69,118.00 USD	249,983,718.00 USD	1.38 USD
COROLEX PUBLIC CO LTD	Nicosia, Cyprus	100.00%	30.06.2012	88,627.71 USD	204,773.00 USD	76,627,240.58 USD
RUSSIAN OILS LLC	Russia	100.00%	30.06.2012	(295,094,000.00) RUB	(77,608,000.00) RUB	301,014.16 USD
UST-LABINSK	Russia	100.00%	30.06.2012	79,034,000.00 RUB	18,903,000.00 RUB	9,825,189.33 USD
NEVINNOMYSSK OIL- EXTRACTION PLANT	Nevinnomyssk, 4 Thunderous street, 357030, Russia	100.00%	30.06.2012	209,694,000.00 RUB	120,785,000.00 RUB	14,256,297.32 USD
STAVROPOL OILS OJSC	Russia	100.00%	30.06.2012	31,495,815.82 RUB	31,207,241.47 RUB	16,388,162.63 USD
EASTERN AGRO INVESTMENTS LTD	Nicosia, Cyprus	100.00%	30.06.2012	20,219,002.72 USD	1,097,291.54 USD	109,304,803.49 USD
SAKHARNY HOLDING LTD	Cyprus	100.00%	30.06.2012	(21,810.00) USD	(45,000.00) USD	41,206,857.78 USD
TAMAN GRAIN TERMINAL LTD	Russia	50.00%	30.06.2012	Not available	Not available	1,267.60 USD
TRANSBULKTERMINAL LLC JV	Ukraine	1.00%	30.06.2012	4,858,000.00 UAH	2,330,000.00 UAH	49.00 USD

As of June 30, 2012 the Board of Directors of the company is of the opinion that there is no permanent diminution in value of its investments.

On July 1, 2011, the Company Inerco Commodities S.A. merged with the Company Inerco Trade S.A..

The following entities were acquired during the year ended June 30, 2012:

- SAKHARNY Holding Ltd (Cyprus) 100% - 26/08/2011
- EASTERN AGRO INVESTMENTS LTD (CYPRUS) 100% - 30/09/2011
- RUSSIAN OILS LLC (RUSSIA) 100% - 30/09/2011
- STAVROPOL OILS OJSC (RUSSIA) 100% - 30/09/2011
- NEVINNOMYSSK OIL-CRUSHING PLANT CJSC (RUSSIA) 100% - 30/09/2011
- UST-LABINSK ESSENTIAL OIL EXTRACTION PLANT «FLORENTINA» CJSC (RUSSIA) 100% - 30/09/2011
- TAMAN GRAIN TERMINAL LTD (RUSSIA) 50% - 29/06/2012. The acquisition of the company started the 29/06/2012 and ended end of September 2012.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 5 - Debtors

Debtors are mainly composed by:

	After less than one year USD	After one year and within five years USD	After more than five years USD	Total 2012 USD	Total 2011 USD
Loan 1 I.T.	-	-	-	-	234.93
Interest receivable on Loan 1 I.T.	-	-	-	-	3,630.42
Loan 2 I.T.	-	-	-	-	11,560,000.00
Interest receivable on Loan 2 I.T.	-	-	-	-	4,549.03
Interest receivable on Loan 3 I.T.	-	-	-	-	170,138.89
Loan Lanen	-	-	-	-	29,558,000.00
Interest receivable on loan Lanen	-	-	-	-	21,068.06
Loan N.E.	-	-	-	-	9,001,500.00
Interest receivable on loan N.E.	-	-	-	-	101,016.84
Loan J.E.C.	-	-	-	-	18,025,500.00
Interest receivable on loan J.E.C.	-	-	-	-	30,042.50
Loan B.S.I.	-	-	-	-	18,025,500.00
Interest receivable on loan B.S.I.	-	-	-	-	30,042.50
Loan S.A.I.	-	-	-	-	18,025,500.00
Interest receivable on loan S.A.I.	-	-	-	-	30,042.50
Interest receivable on loan Restomond	-	-	-	-	137,886.25
Prepayments BDL	-	-	-	-	411.39
Prepayments A&M	-	-	-	-	38,639.68
Prepayments Uni.	30.00	-	-	30.00	-
Insurance Co. Z.P.	100,000.00	-	-	100,000.00	100,000.00
Overpayment IL	9,313.05	-	-	9,313.05	9,313.05
Receivable Notary S.	1,289.30	-	-	1,289.30	1,289.30
Receivable S.H.	2,851,205.63	-	-	2,851,205.63	-
Receivable K.	3,124,794.37	-	-	3,124,794.37	-
Receivable B.	3,150,137.85	-	-	3,150,137.85	-
Advance CIT 2011	2,037.18	-	-	2,037.18	-
Dividends receivable 1 - ETRECOM INV.	3,355,000.00	-	-	3,355,000.00	49,900,000.00
Dividends receivable 2 - ETRECOM INV.	79,190,000.00	-	-	79,190,000.00	-
Total	91,783,807.38	-	-	91,783,807.38	154,774,305.34

Note 6 - Prepayments and accrued income

Prepayments and deferred income are mainly composed of:

	2012 USD	2011 USD
Charges paid in advance-Intertrust (Luxembourg) S.A.	-	626.24
Charges noticed beforehand	-	22,500.00
Total	-	23,126.24

Note 7 – Subscribed capital

On 4 August, 2011 the Company issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by Namsen Limited. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan. As a result, on 30th of June 2012, the subscribed and fully paid-up capital of the company was of USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

The authorized share capital excluding the current issued share capital is fixed at USD 67,335.30 represented by 2,550,000 shares without indication of the nominal value with a share premium of USD 478,580,199.03.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 8 - Share premium and similar premiums

The movements on the "Share premium and similar premiums" item during the year are as follows:

	Share premium USD	Other premiums USD	2012 USD
Share premium and similar premiums - opening balance	333,454,470.68	-	333,454,470.68
Movements of the year	145,125,728.35	-	145,125,728.35
Share premium and similar premiums - closing balance	478,580,199.03	-	478,580,199.03

The activity for the year on the Share premium and similar premiums item corresponds to USD 145,125,728.35 following decisions taken by the Board of Directors through a circular resolution of the board dated July 21, 2011 in the context of authorised capital.

Note 9 - Legal reserve

Under Luxembourg law, the company is obliged to allocate to a legal reserve a minimum of 5% of the annual its net profit until this reserve reaches 10% of the subscribed share capital. This reserve is not available for distribution.

Note 10 - Movements for the year on the reserves and profit/loss items

The movements for the year are as follows:

	Legal reserve USD	Reserves for own shares and own corporate units USD	Reserves provided for by the Articles of Association USD	Other reserves USD	Profit or loss brought forward USD	Result for the financial year USD	Dividend payment USD	Total USD
As at June 30, 2011	123,236.80	-	-	-	(10,394,003.64)	38,165,947.14	-	27,895,180.30
Movements for the year								
- Allocation of prior year's profit or loss	71,307.85	-	-	-	38,094,639.29	(38,165,947.14)	-	-
- Profit or loss of the year	-	-	-	-	-	244,773,175.30	-	244,773,175.30
- Other movements	-	-	-	-	-	-	-	-
As at June 30, 2012	194,544.65	-	-	-	27,700,635.65	244,773,175.30	-	272,668,355.60

The allocation of retained earnings was approved by the General Shareholders' Meeting of December 7, 2011.

Note 11 - Provisions for taxation

Provisions for taxation are made up as follows:

	Current tax for the financial year USD	Deferred tax for the financial year USD	Total for the financial year USD
Current and deferred taxes provisions-Opening balance	783,003.31	-	783,003.31
Current and deferred taxes provisions-Closing balance	24,135.05	-	24,135.05
Other provisions			
Other provisions are composed of advisory fees and others	75,443.66	-	75,443.66
Total	99,578.71	-	99,578.71

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 12 - Non subordinated debts

Amounts due and payable for the accounts shown under "Non-subordinated debts" are as follows:

	After less than one year USD	After one year and within five years USD	After more than five years USD	Total 2012 USD	Total 2011 USD
Amounts owed to credit institutions	0.46	-	-	0.46	53,226,629.97
Trade creditors	754,069.24	-	-	754,069.24	198,459.85
Amounts owed to affiliated undertakings	10,004,493.50	-	22,772,133.88	32,776,627.38	172,045,409.64
Tax debts	70,733.54	-	-	70,733.54	67,715.07
Other creditors	403,230.66	-	-	403,230.66	138,154,686.68
Total	11,232,527.40	-	22,772,133.88	34,004,661.28	363,692,901.21

Amounts owed to affiliated undertakings is mainly composed of USD 9,660,000 payable to Namsen regarding the acquisition of Sakharny Holding. And other creditors mainly consists of interests on call option for the acquisition of Inter-Agro Capital and Kolos.

Note 13 – Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

The emoluments granted to the members of the management and supervisory bodies in that capacity and the obligations arising or entered into in respect of retirement pensions for former members of those bodies for the financial period, are broken down as follows:

	2012 USD	2011 USD
Emoluments		
Directors fees	127,750.00	60,000.00
Total	127,750.00	60,000.00

On 20 February 2008, in accordance with management and Corporate Governance information provided in the prospectus dated 25 October 2007, Kernel Holding S.A. signed a Management Incentive Plan providing to the management an option to purchase in aggregate up to 2,216,935 shares of Kernel Holding S.A., such number being equal to 3.5% of the issued and outstanding stock of the company as of the adoption date of such plan, at the IPO price (PLN 24). The management considers the IPO date (23 November 2007) as the date of grant of the Management Incentive Plan. The option shall vest and become exercisable as to one third of the shares under option on 23 November 2008, the next one-third of the shares under option on 23 November 2009, and the remaining shares under option on 23 November 2010, and is in force till 23 November 2018. There are no cash settlement alternatives. As of June 30 2012 and 2011, only 316,705 options out of 2,216,935 were not granted.

On 4 November 2011 the Company Board of Directors approved the terms and conditions of a new management incentive plan («The Management Incentive Plan») providing to Eligible Employees (as defined in the Management Incentive Plan) an option to purchase in aggregate up to 2,550,000 new shares of the company, such number being equal to 3.2% of the issued and outstanding stock of the Company as at the adoption date of such plan, at the exercise price of 75 PLN per share.

Note 14 – Audit fees

Audit fees are made up as follows:

	2012 USD	2011 USD
Emoluments		
Audit fees	125,771.28	174,893.15
Total	125,771.28	174,893.15

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 15 – Off balance sheet commitments

The financial commitments of the Company are as follows:

The Company is engaged as guarantor in the facility agreement of April 4, 2008 existing between the limited liability Company “Bandurskyi Elevator” (Borrower) a company incorporated and existing under the laws of Ukraine with its registered office at 40 Tsentral’na Street, village of Bandurka, 55 247 Mykolayiv Oblast, Ukraine and the credit institution “Investkredit Bank AG” (Lender) organized and existing under the laws of the Republic of Austria with its registered office in Vienna.

The facility agreement of USD 52 million is set up to finance part of the project which consist on the construction of a Greenfield multi-seed crushing plant for processing of up to 900 metric tons of rapeseed, up to 1,500 metric tons of sunflower seed and up to 1,180 metric tons of soybeans per day; the crushing plant shall produce crude vegetable oil and meal, destined mostly for export with a total annual capacity of 230,000 metric tons of oil, 195,000 metric tons of meal and 86,700 metric tons of hulls.

Therefore, the credit institution has provided to the borrower a loan facility for a principal amount of up to USD 52 million (USD fifty two million) granted for 7 years (April 1, 2015). The reference interest rate shall be LIBOR with a margin of 3.52% p.a. until project physical completion, 3.316% p.a. after project physical completion and 2.653% p.a. from the earlier of financial completion and fulfilment of the Guarantor Target Ratios.

Kernel Holding S.A. as guarantor guarantees all the obligations (including principal, interest, costs, fees and charges) at any time owned by the borrower “Bandurskyi Elevator” to the lender. During the 2012 Financial Year, Kernel Holding S.A. has paid for more than USD 3 million to the lender on behalf of the borrower.

On 12 May 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 15 million five years financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 23 June 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 4.9 million five years financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 18 July 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 3.06 million five years financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 11 August 2008, LLC Grain Trading Company, one of the subsidiary of Kernel Group company entered into a USD 30.7 million five years loan agreement with an Ukrainian bank for general purpose and secured against corporate guarantees of Kernel Holding S.A.

On 3rd September 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 500 million six years loan agreement with European banks for trading financing and secured against corporate guarantees of Kernel Holding S.A.

On 26 September 2008, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 55 million five years loan agreement with European bank for general purposes and secured against corporate guarantees of Kernel Holding S.A.

On 26 September 2008, CJSC Poltava Oil Crushing Plant, one of the subsidiary of Kernel Group company entered into a USD 18 million five years facility agreement with European bank for the financing of reconstruction of Poltava Oil Crushing Plant and secured against corporate guarantees of Kernel Holding S.A.

On 21 April 2009, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 2.7 million five years financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 7 September 2009, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 35 million four years financial lease agreement with European bank for the financing of general corporate purpose and secured against corporate guarantees of Kernel Holding S.A.

On 02 December 2009, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 1.2 million six years financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 16 August 2010, CJSC Poltavske HPP one of the subsidiary of Kernel Group company entered into a USD 7 million five years loan agreement with European bank for the financing of internal silo construction. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 24 September 2010, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 95 million three years facility agreement with European bank for the financing of general corporate purpose. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 3rd May 2011, Nevinnonmyssk Oil-extraction Plant a subsidiary of Kernel Holding entered into a USD 9.7 million one year credit line agreement with European bank for trading financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 7 July 2011, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 35 million three years loan agreement with European bank for general purpose financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 15 – Off balance sheet commitments (Continued)

On 22 July 2011, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 20 million two years facility agreement with Ukrainian bank for pre-crop financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 8 August 2011, Nevinnomyssk Oil-extraction Plant a subsidiary of Kernel Holding S.A. entered into a USD 9.6 million one year loan agreement with European bank for trading financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 22 September 2011, Inerco Trade, a subsidiary of Kernel Holding S.A. entered into a USD 150 million two years secured revolving agreement with European bank for trading financing (finance purchases, storage, transportation and transshipment of Commodities) and amended on 22 June 2012 through an Amendment and Restatement Agreement increasing the amount to USD 210 million. The loan is secured against corporate guarantees of Kernel Holding S.A. and another group company.

On 23 September 2011, Kernel Trade LLC a subsidiary of Kernel Holding S.A. entered into a USD 10 million five years loan agreement with European bank for general purpose financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

On 30 September 2011, Inerco Trade a subsidiary of Kernel Holding S.A. entered into a USD 100 million two years loan agreement with European bank for general purpose financing. The loan is secured against corporate guarantees of Kernel Holding S.A.

The Company is also engaged as guarantor in the loan agreement of 30 September 2011 between the Company Kernel Trade LLC, a subsidiary of Kernel Holding S.A. The loan is an USD 100 million five-year loan extended by an Ukrainian bank (multicurrency UAH/USD facility) and will be drawn to refinance Ukrros debt and finance sugar production. The facility is secured by pledge of sugar and corporate guarantee of Kernel Holding S.A.

On 14 October 2011, kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 7.6 million eight years financial lease agreement with an Ukrainian bank for leasing of agricultural equipment and secured against corporate guarantees of Kernel Holding S.A.

On 7 December 2011, CJSC Poltavske HPP/Kononovska Silo LLC, two of the subsidiaries of Kernel Group company entered into a USD 25 million six years loan agreement with an Ukrainian bank for the financing of internal silo construction and secured against corporate guarantees of Kernel Holding S.A.

On 29 December 2011, Nevinnomyssk Oil-extraction Plant, a subsidiary of Kernel Holding S.A. entered into a USD 9.7 million one year loan agreement with an Ukrainian bank for trade financing and secured against corporate guarantees of Kernel Holding S.A.

Among this, Kernel Holding S.A. is also guarantor under those facilities mentioned on Note 17 “Subsequent event”.

On 26 January 2012, Kernel Trade LLC, a subsidiary of Kernel Holding S.A. entered into a USD 100 million three years loan agreement with an European banks for the financing of iBlack Sea Industries acquisition and secured against corporate guarantees of Kernel Holding S.A.

On 31 January 2012, CJSC Poltavske HPP/Kononovska Silo LLC, two of the subsidiaries of Kernel Group company entered into a USD 15 million six years loan agreement with an Ukrainian bank for the financing of internal silo construction and secured against corporate guarantees of Kernel Holding S.A.

On 8 February 2012, Estron Corporation a subsidiary of Kernel Holding S.A. and Kernel Holding S.A. entered into a USD 125 million up to six years facility agreement with European Banks for the financing of general corporate purpose of the Group and capital expenditures relating to the Ports. Kernel Holding S.A. acts as co-borrower of this loan.

The Company entered into a call option agreement with the Company Namsen for an amount of USD 39 million to acquire 100% and 99.99% of Kolos and Inter-Agro Capital. The option exercise price beared interest of 4% per annum from the 30th of March 2012. The option can be exercised at any time prior to the 30th of March 2013.

Note 16 – Tax Status

“The Company was incorporated as a Holding company and, according to the Luxembourg tax law, was exempt from income and wealth tax. On July 31, 2007, the company adopted the corporate objects of a fully taxable company. Since that date, the Company is fully taxable under Luxembourg tax regulations.”

Note 17 – Subsequent events

On 27 September 2012, Kernel Group, through 50-50 joint venture with Renaisco BV (Glencore International PLC subsidiary), have acquired an export grain terminal at Taman, Russia for USD 265 million. The grain export terminal is one of the largest deep sea grain export terminals on Russia's Black Sea coast has an installed throughput capacity of 3 million tonnes per annum and will serve as a platform for the large scale deployment of Kernel's grain export business from Russia.

NOTES TO THE ANNUAL ACCOUNTS AS OF JUNE 30, 2012

Note 17 – Subsequent events (Continued)

On 7 July 2012, Inerco Trade, a subsidiary of Kernel Holding S.A. entered into a USD 105 million one year loan agreement with European bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 7 September 2012, CJSC Florentina, a subsidiary of Kernel Holding S.A. entered into a USD 16 million one year loan agreement with European bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 7 September 2012, CJSC Maslo Stavropolia, a subsidiary of Kernel Holding S.A. entered into a USD 16 million one year loan agreement with European bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 7 September 2012, CJSC Nevinimyskiy OEP, a subsidiary of Kernel Holding S.A. entered into a USD 25.8 million one year loan agreement with European bank for trade financing and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 12 October 2012, CJSC Florentina, a subsidiary of Kernel Holding S.A. entered into a USD 30 million seven-year loan agreement with European bank for the financing of Russian oil acquisition and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 12 October 2012, the company Russian Oil entered into a one year credit facility agreement of up to RUB 1.7 billion with European bank for general corporate purposes and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 12 October 2012, CJSC Maslo Stavropolia, a subsidiary of Kernel Holding S.A. entered into a USD 18 million seven-year loan agreement with European bank for the financing of Russian oil acquisition and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.

On 12 October 2012, CJSC Nevinimyskiy OEP, a subsidiary of Kernel Holding S.A. entered into a USD 12 million seven-year loan agreement with European bank for the financing of Russian oil acquisition and secured against corporate guarantees of Kernel Holding S.A. and operational subsidiaries of the Group.