ORGACHIM AD

CONSOLIDATED FINANCIAL STATEMENTS

30 September 2010

Non-audited

ORGACHIM AD
CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2010

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ORGACHIM AD
CONSOLIDATED FINANCIAL STATEMENT
30 SEPTEMBER 2010

Principle activities

Orgachim JSC (the "Company") is a joint stock company domiciled in Bulgaria. The principal activities of the Company are that of manufacture and retail distribution of paints, varnishes, lacquers, coating, plasticizers, anhydrides and other chemicals used in machine building, electronics, transport, construction and plastics processing. The Company's registered office is located in Rousse, Bulgaria. The address of its registered office is as follows: 21, Treti Mart Blvd, 7000 Rousse, Bulgaria.

The shares of the Company are publicly listed on the Sofia Stock Exchange.

Liquidity	**30.09.2010**	**2009**	**Regular**
General	1.13	1.20	1.50 - 2.00
Quick	0.58	0.58	1.00
Immediate	0.05	0.11	0.50
Absolute	0.05	0.11	0.25

Efficiency	**30.09.2010**	**30.09.2009**
Efficiency of costs	1.04	1.03
Efficiency of profits	0.96	0.97

Independence	**30.09.2010**	**2009**
Financial	2.81	3.04
Gearing	0.69	0.50

Shareholders as of 30 September 2010

	Numbers of shares	**Percentage**
Whitebeam Holdings Ltd.	323,213	64.28%
Universal Pension Fund "Doverie"	30,018	5.97%
TIDAL WAVE TRADING LTD	23,146	4.60%
S.C. POLICOLOR S.A.	19,425	3.86%
RC2 (Cyprus) Ltd.	11,919	2.37%
Professional Pension Fund "Doverie"	6,560	1.30%
Elana Balanced Dollar Fund	6,091	1.21%
Other companies – below 1% - 105	46,014	9.15%
Individuals – 2060	36,429	7.26%
Total:	**502,815**	**100%**

Management

The Company operates a two-tier system of corporate management in accordance with the Commercial Act of the Republic of Bulgaria.

Management Board as of 30 September 2010:

1. Achille Angelo Bardelli - chairman
2. Zhivko Ljubenov Minkov
3. Marin Kolev Marinov
4. Cristina Spatariu

Supervisory Board as of 30 September 2010:

1. "Whitebeam Holdings Limited", represented by Ion Alexander Florescu
2. Carmen Seghete
3. Irena Mateeva Komitova.

ORGACHIM AD
CONSOLIDATED FINANCIAL STATEMENT
30 SEPTEMBER 2010

(all amounts in BGN thousands)	**Note**	**30 September**	
		2010	**2009**
Sales		76,542	80,670
Other operating income		628	525
	1	**77,170**	**81,195**
Changes in inventories of finished goods and work in progress		1,031	(5,356)
Raw materials and hired services expenses		(60,932)	(54,325)
Staff costs	3	(5,473)	(6,726)
Depreciation and amortisation	5,6	(2,536)	(4,746)
Impairment of receivables			(638)
Other operating expenses		(6,013)	(7,323)
		(73,923)	**(79,114)**
Profit from operations		**3,247**	**2,081**
Finance costs – net	2	(912)	(1,133)
Profit before income tax		2,335	948
Income tax expense		(68)	(8)
Net Profit		**2,267**	**940**
Earnings per share (BGN per share)			
- basic	4	4.51	1.87
- diluted	4	4.51	1.87
Other comprehensive income			
Profit/loss from revaluation of fixed assets, net of taxes	17	(741)	(7,011)
Total other comprehensive income		**(741)**	**(7,011)**
Total comprehensive income for the period		**1,526**	**(6,071)**
Earnings per share (BGN per share)		3.03	(12.07)

Achille Bardelli
General Executive Director
27 November 2010

Orlin Atanasov
CA

ORGACHIM AD
CONSOLIDATED FINANCIAL STATEMENT
30 SEPTEMBER 2010

ORGACHIM AD
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
30 September 2010

(all amounts in BGN thousands)	**Note**	**30.09.2010**	**31.12.2009**
ASSETS			
Non-current assets			
Property, plant and equipment	5	60,114	61,166
Intangible assets	6	262	16
Finance lease receivables and others	7	193	254
		60,569	**61,436**
Current assets			
Inventories	8	17,396	10,669
Trade and other receivables	9	16,576	8,228
Cash and cash equivalents	10	1,553	1,824
		35,525	**20,721**
Total assets		**96,094**	**82,157**
Shareholders' equity			
Ordinary shares	15	503	503
Legal and other reserves		16,522	17,685
Reserves on subsequent evaluation of assets		36,457	37,198
Retained earnings/(Accumulated loss)		3,474	(653)
Total shareholders' equity		**56,956**	**54,733**
LIABILITIES			
Non-current liabilities			
Borrowings	12	3,683	6,132
Financial leasing		342	242
Provisions for obligations under plans for pension incomes	14	147	140
Deferred income tax liabilities	13	3,636	3,596
		7,808	**10,110**
Current liabilities			
Borrowings	12	16,609	11,865
Financial leasing	12	7	26
Trade and other payables	11	14,714	5,177
Provisions	14	-	246
		31,330	**17,314**
Total liabilities		**39,138**	**27,424**
Total equity and liabilities		**96,094**	**82,157**

Achille Bardelli
General Executive Director
27.11.2010

Orlin Atanasov
CA

ORGACHIM AD
CASH FLOW STATEMENT
30 September 2010

(all amounts in BGN thousands)	**Share capital**	**Legal reserves**	**Other reserves**	**Reserves on subsequent evaluation**	**Retained earnings/ (Loss)**	**Total**
1 January 2009	**503**	**681**	**20,406**	**48,245**	**(4,235)**	**65,600**
Total comprehensive income	-	-	-	(11,047)	-	**(11,047)**
Adjustment of income tax of prior periods					28	**28**
Loss, covered with reserves	-	-	(3,402)	-	3,402	-
Net loss for the year	-	-	-	-	(888)	**(888)**
Withdrawn revaluation reserve at the expense of retained earnings					1,040	**1,040**
31.12.2009	**503**	**681**	**17,004**	**37,198**	**(653)**	**54,733**
1 January 2010	**503**	**681**	**17,004**	**37,198**	**(653)**	**54,733**
Total comprehensive income	-	-	-	(741)	-	**(741)**
Net profit	-	-	-	-	2,267	**2,267**
Loss, covered by reserves	-	-	(1,163)		1,163	
Withdrawn revaluation reserve at the expense of retained earnings					697	**697**
30 September 2010	**503**	**681**	**15,841**	**36,457**	**3,474**	**56,956**

Achille Bardelli
General Executive Director
27 November 2010

Orlin Atanasov
CA

ORGACHIM AD
CONSOLIDATED CASH FLOW STATEMENT
30 September 2010

(all amounts in BGN thousands)	**Note**	**30 September**	
		2010	**2009**
Cash flows from operating activities			
Cash generated from / (used in) operations		(1,678)	3,951
Interest paid		(910)	(1,031)
Tax refunded / (paid)		563	590
Net cash from / (used in) operating activities		**(2,025)**	**3,510**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,152)	(2,687)
Proceeds from sale of property, plant and equipment		506	341
Payments for investments in subsidiaries		100	2
Net cash used in investing activities		**(546)**	**(2,344)**
Cash flows from financing activities			
Proceeds from borrowings		72,637	68,770
Paid principal under loans		(70,897)	(75,929)
Net cash from/ (used in) financing activities		**1,740**	**(7,159)**
Net (decrease)/increase in cash and cash equivalents		**(831)**	**(5,993)**
Cash and cash equivalents at the beginning of the year		**(5,406)**	1,544
Cash and cash equivalents at end of year	10	**(6,237)**	**(4,449)**
Cash in banks and in hand		1,553	2,081
Bank overdrafts		(7,790)	(6,530)
Total		**(6,237)**	**(4,449)**

Achille Bardelli
General Executive Director
27 September 2010

Orlin Atanasov
CA

1 Segment information (continued)

At 30 September 2010, the Company is organised into three main business segments:

- Anhydrides– a component for resin production;
- Paints and resins with subcomponents:
  - Resins - a component for paints production;
  - Paints – manufacture of different types of paints;
  - Industrial coatings – road marking and other products aimed at industry.
  - Auto products – mainly distribution of vehicle refinishing paints and others from Policolor.
- Others – sales of goods, materials and others

Secondary reporting format – geographical segments

30 September	2010	2009
Export market – sales of production	48,406	43,870
Domestic market – sales of production	20,857	28,219
Domestic market – sales of goods for resale	5,430	6,787
Domestic market – sales of services	1,849	1,794
Domestic market – others	628	525
	77,170	**81,195**

Two main geographical segments: Local market and Export market -Turkey, Greece, Romania, Egypt, Central Europe, the Middle East and others.

2 Finance costs – net

	30.09.2010	30.09.2009
Interest expense:		
- bank borrowings	(764)	(840)
- finance leases	(3)	(6)
Bank fees	(166)	(199)
Interest income	24	11
Net foreign exchange gains/(losses)	(3)	(99)
	(912)	**(1,133)**

3 Staff costs

	30.09.2010	30.09.2009
Wages and salaries	(4,546)	(5,550)
Social security costs	(927)	(1,176)
	(5,473)	**(6,726)**

The average number of employees in 2010 was 564 (2009: 863).

4 Earnings per share

The net value of the assets per share is calculated by dividing the net assets, included in the balance sheet, by the number of the shares in circulation at the end of the year.

	30.09.2010	**31.12.2009**
Net assets attributable to shareholders (BGN thousands)	56,956	54,733
Weighted average number of ordinary shares in issue (thousands)	503	503
Net value of the assets per share (BGN per share)	113.23	108.81

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	30.09.2010	**30.09.2009**
Net profit/(loss) attributable to shareholders (000'BGN)	2,267	940
Weighted average number of ordinary shares in issue (000'BGN)	503	503
Basic earnings per share (BGN per share)	4.51	1.87

The diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Company does not have dilutive potential ordinary shares the diluted earnings per share is the same as the basic earnings per share.

5 Property, plant and equipment

	Land & buildings	Plant & machinery	Vehicles & equipment	Costs for acquiring PPE	Total
Movement during 2010					
Opening net book amount	**32,077**	**22,314**	**3,566**	**3,209**	**61,166**
Additions	-	148	50	1,794	**1,992**
Revaluation	-	-			-
Disposals	(272)	(67)	(111)	-	**(450)**
Depreciation charge	(333)	(1,650)	(540)	-	**(2,523)**
Depreciation revaluation		(71)			**(71)**
Net book amount	**31,472**	**20,674**	**2,965**	**5,003**	**60,114**
At 30 September 2010					
Book value	34,303	76,289	5,660	5,003	**121,255**
Accumulated depreciation	(2,831)	(55,544)	(2,695)	-	**(61,070)**
Depreciation revaluation		(71)			**(71)**
Net book amount	**31,472**	**20,674**	**2,965**	**5,003**	**60,114**

6 Intangible non-current assets

	Total
Movement during 2010	
Opening net book amount	16
Additions	259
Depreciation	(13)
Net book amount	**262**
At 30 September 2010	
Cost	784
Accumulated amortisation	(522)
Net book amount	**262**

7 Finance lease receivables

	09.2010	12.2009
Finance lease –gross investment	127	182
Finance income for future periods	(6)	(9)
	121	**173**

	09.2010	12.2009
Effective interest under long term receivables:		
Receivables under lease contracts	5%	5%

Gross receivables from finance leases:	09.2010	12.2009
Not later than 1 year	70	79
Later than 1 year and not later than 5 years	127	182
	197	**261**
Future finance income on finance leases	(9)	(12)
Net investment in finance leases	**188**	**249**

Net investment in finance leases may be analysed as follows:	09.2010	12.2009
Not later than 1 year	67	76
Later than 1 year and not later than 5 years	121	173
	188	**249**

8 Inventories

	09.2010	12.2009
Raw materials /balance-sheet value/	10,602	4,879
Other materials /balance-sheet value/	3	3
Finished goods /balance-sheet value/	3,849	2,959
Work in progress /balance-sheet value/	621	415
Assets held for resale	507	507
Goods /balance-sheet value/	1,814	1,906
	17,396	**10,669**

Inventories of total value BGN 7 627 thousand (2009: BGN 7,627 thousand) are pledged as collateral for bank borrowings received by the Company.

9 Trade and other receivables

	09.2010	12.2009
Current receivables:		
Financial lease – gross investment (Note 7)	70	79
Financial income for future periods	(3)	(3)
	67	**76**
Trade receivables	11,501	5,111
Receivables from related parties (Note 16)	4,277	2,277
Provision for impairment of receivables	(669)	(718)
Trade receivables – net	15,109	6,670
VAT Receivable	527	-
Prepayments to suppliers	436	590
Other receivables	504	968
	16,576	**8,228**

10 Cash and cash equivalents

	30.09.2010	31.12.2009
Cash at bank and in hand	1,553	1,824
Bank overdrafts	(7,790)	(7,230)
Total	**(6,237)**	**(5,406)**

11 Trade and other payables

	09.2010	12.2009
Trade payables	11,856	3,115
Payables to related parties (Note 16)	1,542	1,008
Payables under advances received	95	56
Tax payables	102	424
Salaries and wages	503	431
Social security and other taxes	170	51
Other payables	446	92
	14,714	**5,177**

12 Borrowings

	09.2010	12.2009
Current		
Bank borrowings	16,609	**11,865**
Current part of the lease liability	7	26
	16,616	**11,891**
The amount of the bank overdrafts shown in the Cash Flow Statement is a part of the Current bank borrowings.		
Non-current		
Non-current part of bank loan	3,671	6,114
Finance lease liabilities	12	18
	3,683	**6,132**
Total borrowings	**20,299**	**18,023**

	09.2010	12.2009
The effective interest rates at the balance sheet date were as follows:		
Bank overdrafts	5,4%	5,45%
Bank borrowings	5,92%	5,6%
Finance lease liabilities	7,4%	7,4%

13 Deferred income tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial statement purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred income taxes are calculated using a principal tax rate of 10 % (2009: 10 %).

The change in the deferred income tax is as follows:

	09.2010	12.2009
At the beginning of the year	**(3,596)**	(3,037)
Charge/(credit) to income statement, net of effect of changed rates	(40)	**(559)**
At the end of the year	**(3,636)**	**(3,596)**

13 Deferred income tax (continued)

The movement in deferred tax assets and liabilities during the period is as follows:

	1 January 2009	**(Income)/Cost in Income Statement**	**31 December 2009**
Property, plant and equipment	**(3,504)**	821	**(2,683)**
Revaluation reserve on land	**-**	(1,408)	**(1,408)**
Provisions for retirement obligations	19	(5)	14
Provisions and devaluations	382	71	453
Non-used holidays	**66**	(38)	28
	(3,037)	**(559)**	**(3,596)**

	1 January 2010	**(Income)/Cost in Income Statement**	**30 September 2010**
Property, plant and equipment	**(2,683)**	12	(2,671)
Revaluation reserve on land	**(1,408)**	27	(1,381)
Provisions for retirement obligations	14	-	14
Provisions and devaluations	453	(61)	392
Non-used holidays	28	(18)	10
	(3,596)	**(40)**	**(3,636)**

The amounts shown in the balance sheet include the following:

	09.2010	**12.2009**
Deferred income tax assets	415	495
Deferred income tax liabilities	(4,051)	(4,089)
	(3,636)	**(3,596)**

14 Provisions

	09.2010	12.2009
Opening balance – 1st of January	**386**	**826**
Addition	-	30
Charged to income statement:	246	(470)
At the end of the period	**140**	**386**

	09.2010	12.2009
Analysis of provisions:		
Long term provision	140	140
Current provision	-	**246**
	140	**386**

15 Ordinary shares

	Number of shares (thousands)	Value in BGN'000
At 31 December 2009	503	503
At 30 September 2010	**503**	**503**

The Company's shares are publicly traded on the Sofia Stock Exchange. The total authorised number of ordinary shares is 502,815 (2009: 502,815) with a par value of BGN 1 (2009 BGN 1) each. All issued shares are fully paid.

16 Related party transactions

The Company is controlled by Whitebeam Holdings Ltd (incorporated in Malta), which owns 64% of the Company's shares. The remaining 36% of the shares are widely held. The ultimate parent of the Company is Policolor SA (incorporated in Romania).

The following transactions were carried out with related parties:

Related party transactions /continuation/
i) Sales of goods and services

	09.2010	09.2009
Sales of services	473	532
Sales of finished goods	17,046	20,649
Sales of goods	403	92
Sales of other goods	-	13
	17,922	**21,286**

The sales have been made to Policolor SA, Deko Professional Services S.R.L. Romania and they have been carried out under contractual prices and conditions, set by the General meeting.

ii) Purchases of goods and services

	09.2010	09.2009
Purchases of goods	2,438	4,122
Purchases of services	1	9
	2,439	**4,131**

The purchases are from Policolor SA and Deko Professional Services S.R.L, Romania and they have been carried out under contractual prices and conditions, set by the General meeting.

iii) Period-end balances arising from sales/purchases of goods/services

	09.2010	12.2009
Receivables from related parties:		
Policolor SA	3,400	2,033
Deko Professional Services S.R.L	877	244
	4,277	**2,277**
Payables to related parties:		
Policolor SA	675	989
Deko Professional Services S.R.L	867	19
	1,542	**1,008**

17. Other comprehensive income

	30.09.2010	30.09.2009
Revaluation of property, plant and equipment in decrease of revaluation reserve	(71)	(7,011)
Deferred tax liability on the formed revaluation reserve on land	27	-
Written off revaluation reserve at the expense of undistributed profit	(697)	-
Total:	**(741)**	**(7,011)**

18. Contingent liabilities

No changes compared to last audited report

19.	**Accounting policy.** 1. On 25 January 2010 the management Board of the company took a decision starting from 01.01.2010 to change the accounting policy of the company, especially in the part regarding the formation of prime cost of finished goods, from the average-weighted price for the period to standard cost, calculated on the basis of the value of standard production costs (described in "a") and the actual costs for materials (raw materials, packages, etc. described in "b") for each production batch as follows: a/ at formation of prime cost of finished goods the total distributable costs (depreciation, salaries, utilities, auxiliary materials, etc.) are calculated as the average for all months of the previous year and entered into the prime cost as standard cost; b/ Discharging of inventories is done under the method of defined price (prime cost) under delivered batches. In case of significant deviations from the actual, the standard costs will be periodically updated to the current ones.