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**SAINT GOBAIN CERAMIC MATERIALS
BHUTAN PRIVATE LIMITED**

PASAKHA BHUTAN

AUDITED FINANCIAL STATEMENTS

AS AT 31ST DECEMBER 2011

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RAY & RAY

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

TO THE MEMBERS OF SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED. PASAKHA, BHUTAN

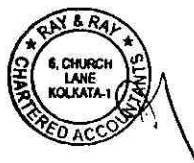
1. We have audited the attached Balance Sheet as at 31st December, 2011, the related Profit and Loss Account and also the Cash Flow Statement of Saint Gobain Ceramic Materials Bhutan Private Limited ('the Company') for the year ended on that date both annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Section 75 of the Companies Act of the Kingdom of Bhutan 2000 read with Section II of Schedule XIV thereto (The Minimum Audit Examination and Reporting Requirements) we enclose in the ANNEXURE a statement on the matters specified therein to the extent applicable.
4. Further to our comments in ANNEXURE referred to in paragraph 3 above, we report that:-
 - i) our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary under the circumstances;

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- ii) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- iii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iv) The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report have been prepared on the basis of generally accepted accounting principles and that the financial statements are in agreement with the books of account;
- v) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and Cash Flow statement together with Schedules, Significant Accounting Policies and Notes to Accounts dealt with by this report give the information required by the Companies Act of the Kingdom of Bhutan, 2000 in the manner so required and the said accounts give a true and fair view:-
 - a. in the case of Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
 - b. in the case of Profit & Loss Account, of the loss of the Company for the year ended on that date and;
 - c. in the case of Cash Flow statement, of the movement of the cash during the year ended on that date;

For RAY & RAY
Chartered Accountants
Firm Registration no. 301072E

Place: Kolkata
Date:



NABANITA RAY
Partner
Membership No. 58477

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED.

**MINIMUM AUDIT EXAMINATION AND REPORTING
REQUIREMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011**

**ANNEXURE REFERRED TO OUR REPORT OF EVEN DATE
(TO THE EXTENT APPLICABLE)**

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets have been physically verified as certified by the management during the period.
2. The fixed assets of the Company have not been revalued during the period.
3. Physical verification of finished goods, stores, spare parts and raw materials have been conducted at the end of the year and certified by the management.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. No material discrepancies were noticed in the physical verification of stock.
6. The valuation of stock is fair and proper in accordance with normally accepted accounting principles. The basis of valuation is the same as in the preceding year.
7. We are given to understand that the Company has not taken any loans secured or unsecured from or to other companies, firms or other parties, and/or from the companies under the same Management.
8. We are given to understand that the Company has not granted any loans secured or unsecured to other companies, firms or other parties, and/or to the companies under the same Management.
9. The parties to whom the interest-free advances have been given are for procuring of raw materials or spares, it is being ensured by the company that the materials are received against the said advance or advance subsequently adjusted while releasing the balance payment after receipt of materials and if not, reasonable steps have been taken by company for recovery of the advance amount.



10. Loans or advances granted to officers or staffs are generally in keeping with the provisions of service rules and no excessive or frequent advances are granted and accumulation of large advances against particular individual is generally avoided.
11. In our opinion and according to the information and explanations given to us during the course of the audit, the Company has established an adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/regulations and systems and procedures.
12. There is a system of competitive biddings commensurate with the size of the Company and the nature of its business, for the purchase of goods and services.
- 13(a). Regarding transactions of purchase of goods and services and sales of goods made in pursuance of contracts or arrangement entered into with the company in which the directors are directly or indirectly interested, such transactions have been made at prices which are reasonable having regard to the prevailing market prices for such goods and services. Details of the same transactions and amounts thereof are adequately disclosed in Note No 2 of Schedule 16.
- 13(b). In respect of the purchase/sale transactions with companies in which one or more of the directors are also interested as referred to in paragraph 13(a) as above, our examination has revealed that such transactions are not prejudicial to the interest of the other shareholders and the Company.
14. If any unserviceable or damaged stores and raw material are determined, adjustments are made in the accounts.
15. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packing materials and finished products i.e while in transit, so that responsibility could be fixed and compensation sought from those responsible.
16. The company is maintaining reasonable records for production of finished goods and adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company. No by products arise in the production system.
17. The company is maintaining reasonable records for sales and disposal of scraps where applicable.
18. The Company is regularly depositing rates and taxes, duties, provident funds and other statutory dues with the appropriate authority. Provision for Corporate Tax under the Rules on the Income tax Act of Kingdom of Bhutan 2001 is not required in view of loss incurred during the year.



19. The undisputed outstanding amount payable in respect of contractor taxes, health tax, salary tax and provident fund at the period end were as follows:

Tax Deducted at Source(Contractor/ Suppliers)	Nu. 375,606
Rent	Nu. 4,743
Health Tax	Nu. 7,688
Salary Tax	Nu. 54,357
Provident Fund	Nu. 50,590

20. According to the information and explanations given to us, and on the basis of our checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Profit & Loss account other than those payable under contractual obligations/service rules.
21. The Company has a reasonable system of recording receipts, issues and consumption of material and stores commensurate with the size and nature of business.
22. Quantitative reconciliation is carried out at the end of the accounting year in respect of finished goods and raw materials and disclosed in Note No 2 of Schedule 16.
23. We are given to understand that approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancy in physical/book balance of inventories including finished goods, raw materials, stores and spares.
24. The company is in process industry and hence the man-hour utilized is not allocated to the respective jobs, commensurate with the size and nature of its business, if applicable.
25. There is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores.
26. There is a reasonable system of price fixation taking into account the cost of production and market condition.
27. Since the entire products of the Company are sold to its co-venturers, credit rating is not applicable.
28. Since the entire products of the Company are sold to its co-venturers as stated in clause 27 above, question of appointing commission agents for sales does not arise.



29. There is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amount. Age-wise analysis of outstanding amounts is carried out for management information and follow up action.
30. The management of liquid resources is generally adequate and withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
31. In our opinion and on the basis of available records and information, the activities carried out by the Company during the period are prima facie lawful and intra vires to the Articles of Incorporation of the Company.
32. As confirmed by the management the activities/investments decisions are made subject to prior approval of the Board and investments in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
33. In our opinion the company has established an effective budgetary control system.
34. As confirmed by the management input-output relationship can be established and variance analysis is carried out on periodic intervals and corrective action taken.
35. As confirmed by the management there has been no payments in cash or in kind to the Board of Directors including the Chief Executive Officers or any of their relatives (including spouse(s) and child/children) by the company directly or indirectly.
36. According to the information and explanations given to us, the directives of the Board have been complied with.
37. We were given to understand that no officials of the company has transmitted any price sensitive information which are not made publicly available, unauthorisedly to their relatives / friends/associates or close persons which would directly or indirectly benefit themselves.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The organizational and system development controls and other internal controls are adequate relative to size and nature of Computer installations.
2. The Company has adequate safeguard measures and back up facilities.
3. As regards back up facilities and disaster recovery measures, we are given to understand that the back-up files are kept in different location.



4. The operational controls are found adequate to ensure correctness and validity of input data and output information.
5. The measures to prevent unauthorized access over the computer installation and files are adequate.

GENERAL:

1. Going Concern Problems:-

The company's present operational and financial data indicate that the company is healthy and the accounts are prepared on the assumption that the company is a going concern.

The company in our opinion is in a position to carry on its business and is not likely to become a sick entity in the foreseeable near future.

2. Ratio Analysis.

Details are given in **Exhibit** to this Annexure.

3. Compliance with the Companies Act of the Kingdom of Bhutan.

During the period the company has complied with the Companies Act of the Kingdom of Bhutan. As explained by the management the company is in the process of appointing Chief Executive Officer.

4. Adherence to Laws, Rules and Regulations.

As confirmed by the management the company has complied with the applicable laws, rules and regulations, system, procedures and practices.



EXHIBIT

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED

RATIO ANALYSIS AS REFERRED IN ANNEXURE

RATIOS	BASIS	2011	2010
i) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.92	1.07
ii) Quick Ratio	$\frac{(\text{Current Assets} - \text{Inventories})}{\text{Current Liabilities}}$	0.37	0.18
iii) Debt Equity Ratio	$\frac{\text{Long Term Debt}}{(\text{Shareholders Fund} + \text{Long Term Debt})}$	0.44	0.47
iv) Fixed Assets Turnover Ratio	$\frac{\text{Sale}}{\text{Fixed Assets}}$	1.37	1.09
v) Return on Capital Employed	$\frac{\text{EBIT}}{(\text{Shareholders Fund} + \text{Long Term Debt})}$	(0.03)	-(0.04)
vi) Interest Coverage Ratio	$\frac{\text{EBIT}}{\text{Interest}}$	(0.51)	-(0.54)
vii) Net Profit Ratio	$\frac{\text{Net Profit / (Loss)} \times 100}{\text{Sales}}$	(2.91%)	(3.11%)



Saint Gobain Ceramic Materials Bhutan Private Limited
Balance Sheet as at 31st December, 2011

	Schedules	(Nu)	As at 31st December, 2011 (Nu)	As at 31st December, 2010 (Nu)
I. Sources of funds :				
(1) Shareholders Funds				
Capital	1		240,000,000	240,000,000
(2) Loan Funds				
Secured loans	2		190,046,418	211,644,854
TOTAL :			430,046,418	451,644,854
II. Applications of funds :				
(1) Fixed Assets				
(a) Gross block	3	493,886,706		491,627,831
(b) Less : depreciation		<u>124,212,500</u>		<u>76,226,067</u>
(c) Net block		369,674,206		415,401,764
(d) Capital Work-in-progress		21,725,561	391,399,767	708,300
(2) Current Assets, Loans, and Advances :				
(a) Inventories	4	60,988,936		58,008,844
(b) Cash and bank balances	5	698,247		646,779
(c) Loans and advances	6	10,980,237		4,800,139
(d) Sundry debtors	7	<u>30,045,634</u>		<u>26,116,208</u>
		102,713,053		89,571,970
Less :				
Current Liabilities and Provisions :				
(a) Liabilities	8	108,926,137		85,131,451
(b) Provisions	9	<u>2,779,078</u>		<u>1,838,313</u>
		111,705,215		86,969,764
Net Current assets			(8,992,161)	2,602,207
(3) Profit & Loss Account			47,638,813	32,932,584
TOTAL :			430,046,418	451,644,854

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

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The Schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date.

For RAY & RAY
Chartered Accountants
Firm Registration no. 301072E

Nabanita Ray
Partner
Membership No: 58477

For and on behalf of the Board


A. Y. Mahajan
(Chairman)

Ugyen Tsechup Dorji
(Vice Chairman)

Place : Pasakha
Date :



Saint Gobain Ceramic Materials Bhutan Private Limited
Profit & Loss Account for the year ended 31st December, 2011

	Schedules	For the year ended 31st December, 2011 (Nu)	For the year ended 31st December, 2010 (Nu)
INCOME			
Sales		504,884,380	453,062,367
Other Income	10	2,091,583	1,505,123
Increase/(Decrease) in Finished Goods	11	(911,341)	363,873
Total		506,064,622	454,931,362
EXPENDITURE			
Raw Material Consumed	12	197,713,928	176,672,848
Employees' Remuneration and benefits	13	16,679,764	14,251,736
Operating and Other Expenses	14	201,877,885	174,004,382
Interest Cost	15	29,096,690	30,770,235
Depreciation	3	48,016,053	47,698,459
Management Fees		12,240,000	12,033,205
Royalty		15,146,531	13,591,871
		520,770,851	469,022,736
Profit Before Tax		(14,706,229)	(14,091,374)
Provision for Taxation		-	-
Add: Balance brought forward from previous year		(32,932,584)	(18,841,210)
Balance carried to Balance Sheet		(47,638,813)	(32,932,584)

**SIGNIFICANT ACCOUNTING POLICIES &
NOTES TO ACCOUNTS**

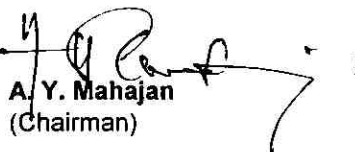
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The Schedules referred to above form an integral part of the Profit & Loss Account
This is the Profit & Loss Account referred to in our report of even date.

For **RAY & RAY**
Chartered Accountants
Firm Registration no. 301072E

For and on behalf of the Board

Nabanita Ray
Partner
Membership No: 58477


A. Y. Mahajan
(Chairman)

Ugyen Tsechup Dorji
(Vice Chairman)

Place : Pasakha
Date :



Saint Gobain Ceramic Materials Bhutan Private Limited
Cash Flow Statement for the year ended 31st December, 2011

	For the Year Ended 31st December, 2011	For the Year Ended 31st December, 2010
	(In Nu)	(In Nu)
Net loss before Tax / Operating loss	(14,706,229)	(14,091,374) ✓
ADD: Depreciation charged to Profit and Loss	48,016,053	47,698,459 ✓
Loss on Asset Written off	41,974	-
(Increase)/Decrease in Loans & Advances	(6,180,098)	5,423,190 ✓
(Increase)/Decrease in stock	(2,980,092)	(4,539,722) ✓
(Increase)/Decrease in Debtors	(3,929,425)	(6,357,490) ✓
Increase/(Decrease) in Payables	24,735,451	(16,964,943)
Net cash flow from operating activities	44,997,634	11,168,120
Returns on investments and servicing of finance.	-	-
Taxation	-	-
Capital expenditure (Note 1)	(23,347,731)	(7,922,120)
Net cash inflow/ (outflow) from investing activities	(23,347,731)	(7,922,120)
Net cash inflow/ (outflow) before financing	21,649,904	3,246,000
Financing (Note 2)	(21,598,436)	(3,259,189)
Management of liquid resources	-	-
Net cash inflow/ (outflow) from financing	(21,598,436)	(3,259,189)
Net Increase/ (Decrease) in Cash & Cash Equivalents	51,468	(13,189)
ADD: Opening Balance	646,779	659,968
Cash & Cash Equivalents as on 31.12.2011	698,247	646,779

Notes :

1. Capital expenditure

Payments to acquire tangible fixed assets	(2,330,470)	(7,922,120) ✓
Payment for Capital Work-in-Progress	(21,017,261)	-
ADD: Depreciation allocated to CWIP	-	-
	<u>(23,347,731)</u>	<u>(7,922,120) ✓</u>

2. Financing

Equity contribution		11,516,957 ✓
Term Loan	(21,598,436)	(14,776,146) ✓
	<u>(21,598,436)</u>	<u>(3,259,189) ✓</u>

3. Cash & Cash Equivalents Comprise :

Cash and Bank Balances	698,247	646,779 ✓
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This is the Cash Flow Statement referred to our report of even date.

For RAY & RAY

Chartered Accountants

Firm Registration no. 301072E

For and on behalf of the Board

Nabanita Ray
Partner
Membership No: 58477


A. Y. Mahajan
(Chairman)

Ugen Tsechup Dorji
(Vice Chairman)

Place : Pasakha

Date :



Saint Gobain Ceramic Materials Bhutan Private Limited
Schedules Forming Part of the Balance Sheet:

	<u>As at 31st December, 2011 (Nu)</u>	<u>As at 31st December, 2010 (Nu)</u>
SCHEDULE 1 : CAPITAL		
AUTHORISED		
30,00,000 Equity Shares of Nu 100/- each (Previous Year 30,00,000 Equity Shares of Nu 100/- each)	<u>300,000,000</u>	<u>300,000,000</u> ✓
ISSUED, SUBSCRIBED AND PAID-UP		
24,00,000 Equity Shares of Nu 100/- each, fully paid-up (Previous Year 24,00,000 Equity Shares of Nu 100/- each, fully paid-up)		
Grindwell Norton Limited	<u>168,000,000</u>	<u>168,000,000</u> ✓
Singye Group of Companies Private Limited	<u>72,000,000</u>	<u>72,000,000</u> ✓
	<u>240,000,000</u>	<u>240,000,000</u> ✓
SCHEDULE 2 : SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd Bhutan National Bank Ltd	<u>115,391,507</u> <u>74,654,911</u>	<u>128,724,807</u> ✓ <u>82,920,047</u> ✓
(Secured by way of Hypothecation charge created on all the fixed assets of the company and Corporate Guarantee given by Grindwell Norton Ltd upto 35% of the Sanctioned Amount)		
	<u>190,046,418</u>	<u>211,644,854</u> ✓

ADVANCE
ASSETS



Saint Gobain Ceramic Materials Bhutan Private Limited
Schedule Forming Part of the Accounts:

SCHEDULE 3 : FIXED ASSET

(Nu)

Particulars	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01.01.2011	Addition	Deduction	As at 31.12.2011	Up To 01.01.2011	On Sales	For the year	Up To 31.12.2011	As at 31.12.2011	As at 31.12.2010
Building	214,979,250	321,830	-	215,301,080	9,951,217	-	6,451,838	16,403,055	198,898,026	205,028,032
Computer	1,093,900	19,000	63,500	1,049,400	351,216	26,686	181,615	506,136	543,264	742,684
Furniture & Fixtures	1,031,982	79,531	-	1,111,513	293,370	-	155,124	448,494	663,019	738,612
Vehicles	2,173,524	-	-	2,173,524	892,601	-	326,029	1,218,630	954,894	1,280,923
Equipment	7,186,637	1,220,499	8,094	8,401,042	1,706,899	2,924	1,116,188	2,820,163	5,580,879	5,481,737
Plant and Machinery										
Plant Equipment	11,796,016	689,610	-	12,485,626	2,958,852	-	1,780,581	4,739,433	7,746,193	8,837,164
Plant and Machinery	253,364,521	-	-	253,364,521	60,071,921	-	38,004,678	96,076,599	155,287,922	193,292,600
Total	491,627,831	2,330,470	71,594	493,886,706	76,226,067	29,620	48,016,053	124,212,500	369,674,206	415,401,764
Previous Year	479,535,311	13,781,242	1,688,722	491,627,831	28,527,607	-	47,698,459	76,226,067	415,401,764	451,007,704
CWIP	708,300	21,017,261	-	21,725,561	-	-	-	-	21,725,561	708,300



Saint Gobaln Ceramic Materials Bhutan Private Limited
Schedules Forming Part of the Balance Sheet:

	As at 31st December, 2011 (Nu)	As at 31st December, 2010 (Nu)
SCHEDULE 4 : INVENTORIES		
Raw Material	27,163,230	22,053,249 ✓
Work In Progress	16,745,911	24,761,850 ✓
Finished Goods	3,291,592	4,202,933 ✓
Stores & Spares, Fuel & Loose Tools	13,788,203	6,990,812 ✓
	<u>60,988,936</u>	<u>58,008,844</u>
SCHEDULE 5 : CASH & BANK		
Cash in Hand	75,510	52,795 ✓
With Scheduled Banks - Bank of Bhutan:		
FC Account	171,630	143,984 ✓
Margin Money	22,000	450,000 ✓
Gratuity Account	429,107	-
	<u>698,247</u>	<u>646,779</u>
SCHEDULE 6 : LOANS AND ADVANCES		
Security Deposit	1,277,503	1,259,503 ✓
Other Advances	9,702,734	3,540,636 ✓
	<u>10,980,237</u>	<u>4,800,139</u>
SCHEDULE 7 : SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months	-	-
Other Debts	30,045,634	26,116,208 ✓
	<u>30,045,634</u>	<u>26,116,208</u>
SCHEDULE 8 : LIABILITIES		
Sundry Creditors	8,214,128	11,549,824 ✓
Overdraft with Bank of Bhutan 8605 (Secured by hypothecation of Stocks, Book Debts and all the Fixed Assets of the company)	41,483,008	22,864,116 ✓
Interest Accrued but Not Due	1,929,577	2,133,349 ✓
Others	57,299,423	48,584,162 ✓
	<u>108,926,137</u>	<u>85,131,451</u>
SCHEDULE 9 : PROVISIONS		
Provision for Gratuity	726,156	328,244 ✓
Provision for Performance Incentive	2,052,922	1,510,069 ✓
	<u>2,779,078</u>	<u>1,838,313</u>



Saint Gobain Ceramic Materials Bhutan Private Limited
For the year ended 31st December, 2011
Schedules forming part of the Profit & Loss Account:

	For the year ended 31st December, 2011 (Nu)	For the year ended 31st December, 2010 (Nu)
SCHEDULE 10 : OTHER INCOME		
Exchange Gain	27,646	-
Miscellaneous Income	-	1,179,543 ✓
Scrap Sales	<u>2,063,938</u>	<u>325,580 ✓</u>
	<u>2,091,583</u>	<u>1,505,123</u>
SCHEDULE 11 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	4,202,933	3,839,060
Closing Inventory	<u>3,291,592</u>	<u>4,202,933 ✓</u>
	<u>(911,341)</u>	<u>363,873 ✓</u>
SCHEDULE 12 : RAW MATERIAL CONSUMED		
Raw Material	22,053,249	6,812,216
Opening Inventory	194,807,970	197,209,453
Add: Purchase	<u>216,861,219</u>	<u>204,021,669</u>
Total	<u>27,163,230</u>	<u>22,053,249</u>
Less: Closing Inventory	<u>189,697,989</u>	<u>181,968,420</u>
Raw Material Consumed	<u>24,761,850</u>	<u>19,466,278</u>
Add: Opening WIP	<u>214,459,839</u>	<u>201,434,698</u>
Total	<u>16,745,911</u>	<u>24,761,850</u>
Less: Closing WIP	<u>197,713,928</u>	<u>176,672,848</u>
SCHEDULE 13 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	13,760,185	11,776,204*
Employers Contribution to P.F	297,393	264,281 ✓
Gratuity	397,912	120,098 ✓
Staff Welfare Expenses	<u>2,224,274</u>	<u>2,091,153 *</u>
	<u>16,679,764</u>	<u>14,251,736</u>



Saint Gobaln Ceramic Materials Bhutan Private Limited
For the year ended 31st December, 2011

	<u>For the year ended 31st December, 2011 (In Nu)</u>	<u>For the year ended 31st December, 2010 (In Nu)</u>
SCHEDULE 14 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	3,011,457	4,529,512 ✓
Power & Fuel	149,910,239	135,193,044 ✓
Rent	3,071,943	2,490,724 ✓
Repairs & Maintenance - Building	274,501	1,149,792 ✗
Repairs & Maintenance - Plant & Machinery	22,417,490	12,820,694 ✗
Exchange Loss	-	7,346 ✓
Security Expenses	1,562,480	1,541,470 ✓
Travelling & Conveyance Expenses	1,704,673	1,070,737 ✓
Audit Fees	275,750	275,750 ✓
Audit Expenses	135,246	82,098 ✓
Guest House Expenses	233,295	233,190 ✓
Hire Charges	13,012,026	9,069,374 ✓
Insurance	3,021,150	3,177,470 ✓
License Fees	36,980	19,455 ✗
Bank Charges	1,444,952	910,159 ✓
Communication Expenses	1,027,916	916,929 ✓
Books & Periodicals	4,665	6,020 ✓
Misc Expenses	604,985	355,418 ✗
Printing & Stationary	128,138	155,201 ✓
	<u>201,877,885</u>	<u>174,004,382</u>
SCHEDULE 15 : INTEREST COST		
Interest on :		
Term Loan	24,881,278	26,835,372 ✓
Working Capital	4,215,412	3,934,863 ✓
	<u>29,096,690</u>	<u>30,770,235</u>



Schedules Forming Part of the Accounts:

Schedule -16: Significant Accounting Policy and Notes to Accounts

(i) Significant Accounting Policies

(a) Basis of preparation of accounts

The accounts have been prepared in accordance with the historical cost convention and are based on assumptions of going concern, consistency and accrual.

(b) Fixed Assets

Fixed Assets are valued at cost of acquisition / construction including inward freight, duties and taxes and incidental expenses relating to acquisition / construction.

(c) Depreciation

Depreciation on cost of assets is provided on straight line method in accordance with the rates prescribed under Rules on the Income Tax Act of the Kingdom of Bhutan 2001.

(d) Foreign Currency Transactions

Bank Balance in Foreign Currency Account has been converted at the close of the year into Ngultrum at the rates of exchange prevailing on the closing date as per balance confirmation from Company's Bankers and the foreign exchange difference is dealt with in the accounts accordingly.

(e) Contingent Liabilities

Contingent liabilities, if any, are fully disclosed and not provided for.

(f) Inventories:

Inventories are valued at lower of cost and market value. Cost is determined under weighted average method.

(g) Revenue Recognition:

Sales are recognized when goods are supplied. Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.



(ii) **Notes on Accounts**

(a) Saint Gobain Ceramic Materials Bhutan Private Limited is foreign direct investment by Grindwell Norton Limited for manufacture of Silicon Carbide Crude and Grain in Pasakha Industrial Estate jointly with Singye Group of Companies Private Limited. It is a joint venture agreement between Grindwell Norton Limited and Singye Group of Companies Private Limited, who hold equity shares in the ratio of 7:3 respectively.

(b) Contingent Liability:

Bank Guarantees - Nu. 2,684,000 (P.Y. Nu 1,800,000)

(c) Estimated Capital commitments (net of advance) not provided for Nu 48,741,485 (P.Y. Nil)

(d) Auditors' Remuneration:	Current Year	Previous Year
	<u>Nu.</u>	<u>Nu.</u>
(a)As Auditors		
Audit Fee	250,000	250,000
Service Tax on above services	25,750	25,750
Out of pocket expenses	<u>84,730</u>	<u>82,098</u>
	360,480	357,848
(b)As Advisor		
Company law Matter	<u>22,060</u>	<u>-</u>
	382,540	357,848

(e) Related Party Disclosure:

A) List of Related Parties:

Key Management Personnel:*

- Anand Yashvant Mahajan, Chairman
- Ugen Tsechup Dorji, Vice Chairman
- Krishna Prasad Karunakaran Nair, Director
- Mahadeo Achyut Puranik, Director

Associates:

- Saint-Gobain Abrasives Inc., U.S.A. *
- Saint-Gobain Promotion et Participations Internationales, France. *
- Singye Agencies
- Zimdra Industries Private Limited

Co-venturers:

- Grindwell Norton Limited
- Singye Group of Companies Private Limited

Enterprises controlling through subsidiaries:*

- Compagnie de Saint – Gobain, France



B) Transaction with Related Parties during the year ended 31st December 2011:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	4,180,248	4,180,248
			(P.Y. 3,345,611)	(P.Y. 3,345,611)
Vehicle Expenses	90,406	-	-	90,406
	(P.Y. 30,766)	-	-	(P.Y. 30,766)
Advance received against Equity	-	-	-	-
	-	-	(P.Y. 11,516,957)	(P.Y. 11,516,957)
Project Management Expenses	-	-	3,309,000	3,309,000
	-	-	(P.Y Nil)	(P.Y Nil)
Purchase of Raw Material				
	-	-		
Sales	-	-	504,884,380	504,884,380
	-	-	(P.Y. 453,062,367)	(P.Y. 453,062,367)
Royalty	-	-	15,146,531	15,146,531
	-	-	(P.Y. 13,591,871)	(P.Y. 13,591,871)
Management Fees	-	-	12,240,000	12,240,000
	-	-	(P.Y. 12,033,205)	(P.Y. 12,033,205)
Debtors as at 31 st December 2011	-	-	30,045,634	30,045,634
			(P.Y 26,116,208)	(P.Y 26,116,208)
Creditors as at 31 st December 2010	292,799	-	40,002,221	40,295,020
	(P.Y. 292,799)	-	(P.Y. 25,815,298)	(P.Y. 26,108,097)

(Transactions with related parties are awaiting confirmation)

