

**SAINT GOBAIN CERAMIC MATERIALS
BHUTAN PRIVATE LIMITED
PASAKHA BHUTAN**

**AUDITED FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2012**

RAY & RAY
Chartered Accountants

Kolkata Mumbai Delhi Bangalore Chennai Tirunelveli

6 CHURCH LANE, KOLKATA - 700 001, POST BOX NO. 706
Telephones : +91-33-22489861, 22438562, 22309584, Facsimile : (033) 22480547
Telegrams : ASSURE, KOLKATA, E-mail : raynray@vsnl.com


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, 2012, 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 statement 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 the 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;

- 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, 2012;
 - 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



K. K. Ghosh
Partner
Membership No. 59781

Place: Kolkata
Date: **15 MAR 2013**

SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED.

**MINIMUM AUDIT EXAMINATION AND REPORTING
REQUIREMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2012**

**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 received against the said advance or advance are 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 (ii)(g)(B) 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 scrap where applicable.
18. The Company is regularly depositing rates and taxes, duties, provident fund 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. 3,43,053
Rent	Nu. 5,100
Health Tax	Nu. 10,810
Salary Tax	Nu. 86,110
Provident Fund	Nu. 63,326

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. (ii) (h) 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 intravires 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 at 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 official 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 generally complied with the Companies Act of the Kingdom of Bhutan 2000. As explained by the management, all matters relating to the affairs of the company are handled by the Head Operation.

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	2012	2011
i) Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.88	0.92
ii) Quick Ratio	$\frac{(\text{Current Assets} - \text{Inventories})}{\text{Current Liabilities}}$	0.45	0.37
iii) Debt Equity Ratio	$\frac{\text{Long Term Debt}}{(\text{Shareholders Fund} + \text{Long Term Debt})}$	0.40	0.44
iv) Fixed Assets Turnover Ratio	$\frac{\text{Sale}}{\text{Fixed Assets}}$	1.66	1.37
v) Return on Capital Employed	$\frac{\text{EBIT}}{(\text{Shareholders Fund} + \text{Long Term Debt})}$	0.05	(0.03)
vi) Interest Coverage Ratio	$\frac{\text{EBIT}}{\text{Interest}}$	0.95	(0.49)
vii) Net Profit Ratio	$\frac{\text{Net Profit / (Loss)} \times 100}{\text{Sales}}$	(0.002)	(0.029)

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



K.K.GHOSH

Partner
Membership No. 59781

Place: Kolkata
Date: **15 MAR 2013**



Saint Gobain Ceramic Materials Bhutan Private Limited
Balance Sheet as at 31st December, 2012

v

	Schedules	(Nu)	As at 31st December, 2012 (Nu)	As at 31st December, 2011 (Nu)
I. Sources of funds :				
(1) Shareholders Funds Capital	1		289,942,400	240,000,000
(2) Loan Funds Secured loans	2		190,036,283	190,046,418
TOTAL :			479,978,683	430,046,418
II. Applications of funds :				
(1) Fixed Assets				
(a) Gross block	3	495,309,355		493,886,706
(b) Less : depreciation		<u>172,424,917</u>		<u>124,212,500</u>
(c) Net block		322,884,438		369,674,206
(d) Capital Work-in-progress		122,374,846	445,259,284	21,725,561
(2) Current Assets, Loans, and Advances :				
(a) Inventories	4	49,141,185		60,988,936
(b) Cash and bank balances	5	2,400,160		698,247
(c) Loans and advances	6	10,878,506		10,980,237
(d) Sundry debtors	7	<u>38,908,552</u>		<u>30,045,634</u>
		101,328,402		102,713,053
Less :				
Current Liabilities and Provisions :				
(a) Liabilities	8	112,405,927		108,926,137
(b) Provisions	9	<u>3,073,077</u>		<u>2,779,078</u>
		115,479,004		111,705,215
Net Current assets			(14,150,602)	(8,992,161)
(3) Profit & Loss Account			48,870,001	47,638,813
TOTAL :			479,978,683	430,046,418

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

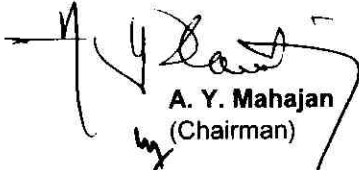
16


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

K K Ghosh
Partner
Membership No: 59781

For and on behalf of the Board


A. Y. Mahajan
(Chairman)


Ugen Tsechup Dorji
(Vice Chairman)

Place : Kolkata

Date : **15 MAR 2013**



Saint Gobain Ceramic Materials Bhutan Private Limited
Profit & Loss Account for the year ended 31st December, 2012

INCOME	Schedules	For the year	For the year
		ended 31st December, 2012 (Nu)	ended 31st December, 2011 (Nu)
Sales		531,233,240	504,884,380
Other Income	10	5,738,365	2,091,583
Increase/(Decrease) in Finished Goods	11	74,099	(911,341)
Total		537,045,704	506,064,622
EXPENDITURE			
Raw Material Consumed	12	197,373,245	197,713,928
Employees' Remuneration and benefits	13	18,620,034	16,679,764
Operating and Other Expenses	14	220,621,649	201,877,885
Interest Cost	15	24,653,025	29,096,690
Depreciation	3	48,090,428	48,016,053
Management Fees		12,981,515	12,240,000
Royalty		15,936,997	15,146,531
		538,276,892	520,770,851
Profit Before Tax		(1,231,188)	(14,706,229)
Provision for Taxation		-	-
Add: Balance brought forward from previous year		(47,638,813)	(32,932,584)
Balance carried to Balance Sheet		(48,870,001)	(47,638,813)

**SIGNIFICANT ACCOUNTING POLICIES &
NOTES TO ACCOUNTS**

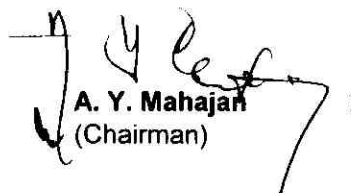
16

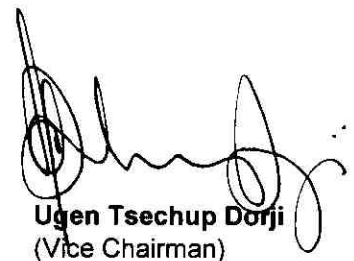
The Schedules referred to above form an integral part of the Profit & Loss Account
This is the Profit & Loss Account referred to in our report of even date.

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

K K Ghosh
Partner
Membership No: 59781

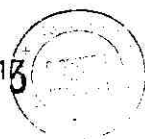
For and on behalf of the Board


A. Y. Mahajan
(Chairman)


Ugen Tsechup Dorji
(Vice Chairman)

Place : Kolkata

Date : 15 MAR 2013



Saint Gobain Ceramic Materials Bhutan Private Limited
Cash Flow Statement for the year ended 31st December, 2012

	For the Year Ended 31st December, 2012		For the Year Ended 31st December, 2011	
	(In Nu)	(In Nu)	(In Nu)	(In Nu)
Net loss before Tax / Operating loss	(1,231,188)		(14,706,229)	
ADD: Depreciation charged to Profit and Loss	48,090,428		48,016,053	
Loss on Asset Written off	132,412		41,974	
(Increase)/Decrease in Loans & Advances	101,731		(6,180,098)	
(Increase)/Decrease in stock	11,847,751		(2,980,092)	
(Increase)/Decrease in Debtors	(8,862,918)		(3,929,425)	
Increase/(Decrease) in Payables	3,773,790		24,735,451	
Depreciation Cost trnsfd to CWIP	222,642		-	
Net cash flow from operating activities		54,074,647		44,997,634
Returns on investments and servicing of finance.	-		-	
Taxation	-		-	
Capital expenditure (Note 1)	(102,305,000)		(23,347,731)	
Net cash inflow/ (outflow) from investing activities		(102,305,000)		(23,347,731)
Net cash inflow/ (outflow) before financing		(48,230,352)		21,649,904
Financing (Note 2)	49,932,265		(21,598,436)	
Management of liquid resources	-		-	
Net cash inflow/ (outflow) from financing		49,932,265		(21,598,436)
Net Increase/ (Decrease) in Cash & Cash Equivalents		1,701,913		51,468
ADD: Opening Balance		698,247		646,779
Cash & Cash Equivalents as on 31.12.2012		2,400,160		698,247

Notes :

1. Capital expenditure

Payments to acquire tangible fixed assets	(1,655,714)	(2,330,470)
Payment for Capital Work-in-Progress	(100,649,285)	(21,017,261)
	(102,305,000)	(23,347,731)

2. Financing

Equity contribution	49,942,400	
Term Loan	(10,135)	(21,598,436)
	49,932,265	(21,598,436)

3. Cash & Cash Equivalents Comprise :

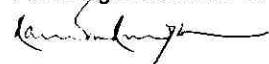
Cash and Bank Balances	2,400,160	698,247
------------------------	-----------	---------

This is the Cash Flow Statement referred to our report of even date.

For RAY & RAY

Chartered Accountants

Firm Registration no. 301072E

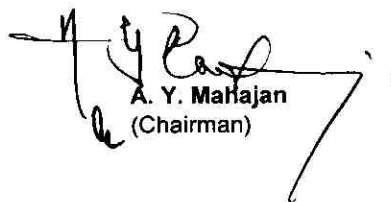


K K Ghosh

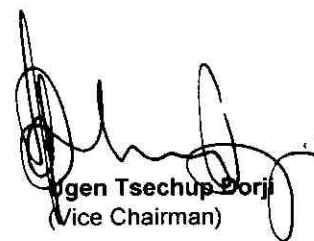
Partner

Membership No: 59781

For and on behalf of the Board



A. Y. Mahajan
(Chairman)



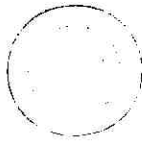
Tegen Tsechup Dorji
(Vice Chairman)

Place : Kolkata

Date : 15 MAR 2013

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

	As at 31st December, 2012 (Nu)	As at 31st December, 2011 (Nu)
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		
28,99,424 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, India	202,959,700	168,000,000
Singye Group of Companies Private Limited, Bhutan	<u>86,982,700</u>	<u>72,000,000</u>
	<u>289,942,400</u>	<u>240,000,000</u>
 SCHEDULE 2 : SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd Bhutan National Bank Ltd	127,232,179	115,391,507
	<u>62,804,104</u>	<u>74,654,911</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>190,036,283</u>	<u>190,046,418</u>



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 01.01.2012	Addition	On Transfer	Deduction	As at 31.12.2012	Up To 01.01.2012	On Transfer	On Sales	For the year	Up To 31.12.2012	As at 31.12.2012	As at 31.12.2011
Building	215,301,080	269,917	-	-	215,570,997	16,403,055	-	-	6,465,131	22,868,186	192,702,811	198,898,025
Computer	1,049,400	261,945	509,064	63,500	1,756,909	506,136	205,928	34,786	232,767	910,045	846,864	543,264
Furniture & Fixtures	1,111,513	185,044	460,029	-	1,756,587	448,494	127,044	-	241,511	817,049	939,538	663,019
Vehicles	2,173,524	-	-	-	2,173,524	1,218,630	-	-	326,029	1,544,658	628,866	954,894
Equipment	8,401,042	263,268	-969,093	9,800	7,685,416	2,820,163	-332,972	4,023	1,125,814	3,608,982	4,076,434	5,580,879
Plant and Machinery	265,850,147	675,541	-	159,765	266,365,923	102,816,032	-	61,844	39,921,817	142,676,005	123,689,918	163,034,115
Total	493,886,706	1,655,714	-	233,065	495,309,355	124,212,500	-	100,653	48,313,070	172,424,917	322,884,438	369,674,206
Depreciation Allocated to CWIP									-222,642			
Total	493,886,706	1,655,714	-	233,065	495,309,355	124,212,500	-	100,653	48,090,428	172,424,917	322,884,438	369,674,206
Previous Year	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
CWIP	21,725,561	100,649,285	*		122,374,846	-			-	-	122,374,846	21,725,561

* Addition to CWIP includes Nu 222,642/- of allocated depreciation as per Management estimation. Depreciation for the current year has been reduced to the same extent

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

As at 31st
December, 2012
(Nu)

As at 31st
December, 2011
(Nu)

SCHEDULE 4 : INVENTORIES

Raw Material	8,444,090	27,163,230
Work In Progress	16,605,079	16,745,911
Finished Goods	3,365,691	3,291,592
Stores & Spares, Fuel & Loose Tools	20,726,324	13,788,203
	<u>49,141,185</u>	<u>60,988,936</u>

SCHEDULE 5 : CASH & BANK

Cash in Hand	26,809	75,510
With Scheduled Banks - Bank of Bhutan:		
FC Account	176,548	171,630
INR Account	1,254,035	-
Margin Money	268,400	22,000
Gratuity Account	674,368	429,107
	<u>2,400,160</u>	<u>698,247</u>

SCHEDULE 6 : LOANS AND ADVANCES

Security Deposit	1,365,908	1,277,503
Other Advances	9,610,988	9,702,734
Less: Provision for Doubtful Advance	(98,390)	-
	<u>10,878,506</u>	<u>10,980,237</u>

SCHEDULE 7 : SUNDRY DEBTORS

Debts outstanding for a period exceeding six months	-	-
Other Debts	38,908,552	30,045,634
	<u>38,908,552</u>	<u>30,045,634</u>

SCHEDULE 8 : LIABILITIES

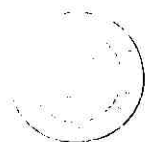
Sundry Creditors	15,491,056	8,214,128
Sundry Creditors - For Capital goods	9,148,926	-
Overdraft with Bank of Bhutan 8605	40,263,782	41,483,008
(Secured by hypothecation of Stocks, Book Debts and all the Fixed Assets of the company)		
Interest Accrued but Not Due	1,630,531	1,929,577
Others	45,871,632	57,299,423
	<u>112,405,927</u>	<u>108,926,137</u>

SCHEDULE 9 : PROVISIONS

Provision for Gratuity	674,368	726,156
Provision for Performance Incentive	2,398,709	2,052,922
	<u>3,073,077</u>	<u>2,779,078</u>

Saint Gobain Ceramic Materials Bhutan Private Limited
For the year ended 31st December, 2012
Schedules forming part of the Profit & Loss Account:

	For the year ended 31st December, 2012 (Nu)	For the year ended 31st December, 2011 (Nu)
SCHEDULE 10 : OTHER INCOME		
Exchange Gain	4,918	27,646
Miscellaneous Income	180	-
Scrap Sales	<u>5,733,267</u>	<u>2,063,938</u>
	<u>5,738,365</u>	<u>2,091,583</u>
SCHEDULE 11 : INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	3,291,592	4,202,933
Closing Inventory	<u>3,365,691</u>	<u>3,291,592</u>
	<u>74,099</u>	<u>(911,341)</u>
SCHEDULE 12 : RAW MATERIAL CONSUMED		
Raw Material		
Opening Inventory	27,163,230	22,053,249
Add: Purchase	<u>178,513,273</u>	<u>194,807,970</u>
Total	<u>205,676,503</u>	<u>216,861,219</u>
Less: Closing Inventory	<u>8,444,090</u>	<u>27,163,230</u>
Raw Material Consumed	<u>197,232,413</u>	<u>189,697,989</u>
Add: Opening WIP	<u>16,745,911</u>	<u>24,761,850</u>
Total	<u>213,978,324</u>	<u>214,459,839</u>
Less: Closing WIP	<u>16,605,079</u>	<u>16,745,911</u>
	<u>197,373,245</u>	<u>197,713,928</u>
SCHEDULE 13 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	14,885,882	13,760,185
Employers Contribution to P.F	368,448	297,393
Gratuity	(51,788)	397,912
Staff Welfare Expenses	<u>3,417,492</u>	<u>2,224,274</u>
	<u>18,620,034</u>	<u>16,679,764</u>



Saint Gobain Ceramic Materials Bhutan Private Limited
For the year ended 31st December, 2012

	For the year ended 31st December, 2012 (In Nu)	For the year ended 31st December, 2011 (In Nu)
SCHEDULE 14 : OPERATING & OTHER EXPENSES		
Consumption of Stores & Spares	3,150,629	3,011,457
Power & Fuel	163,685,469	149,910,239
Rent	3,270,501	3,071,943
Repairs & Maintenance - Building	1,019,031	274,501
Repairs & Maintenance - Plant & Machinery	21,071,430	22,417,490
Provision for Doubtful Advance	98,390	-
Security Expenses	1,619,798	1,562,480
Travelling & Conveyance Expenses	1,790,714	1,249,373
Audit Fees	289,733	275,750
Audit Expenses	52,311	135,246
Guest House Expenses	177,284	233,295
Hire Charges	17,026,585	13,012,026
Insurance	2,983,989	3,021,150
License Fees	35,755	36,980
Bank Charges	1,279,687	1,444,952
Communication Expenses	985,004	1,027,916
Books & Periodicals	500	4,665
Misc Expenses	976,128	604,985
Printing & Stationary	127,544	128,138
Freight Charges	981,170	455,300
	220,621,649	201,877,885

SCHEDULE 15 : INTEREST COST

Interest on :		
Term Loan	20,674,807	24,881,278
Working Capital	3,978,217	4,215,412
	24,653,025	29,096,690

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 or 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 a 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.

During the year following shares has been issued as per resolution of the Board :

Grindwell Norton Ltd., India	349,597 @ Nu 100 per share
Singye Group of Companies, Bhutan	149,827 @ Nu 100 per share

As per approval received from Dept of Industry, Ministry of Economic Affairs vide MoEA/FDI-7(b)/2012/41 dated May 11, 2012, Company has converted the Royalty payable into fully paid up Equity shares of Nu 100 each till 31 December 2012 for Nu 28,738,403 after 3% TDS deduction.

Consideration for 70,000 Equity shares issued to Grindwell Norton Ltd., India during the year 2012 has been received in cash.

Consideration for 149,827 Equity shares issued to Singye Group of Companies during the year 2012 has been received in cash.

- (b) Capital Work in Progress: Grain Plant which was started in mid of 2011 has been completed and Trial production happened in Dec 2012. The same is under debugging for all Plant & Machinery hence not capitalized by the year end. The sale proceeds from 57.10 MT of Grain for Nu 33,595,000 has been adjusted from the Capital WIP while cost of production for above for Nu 2,876,420.00 has been added
- (c) Estimated Capital commitments (net of advance) not provided for Nu 367,683 (P.Y. 48,741,485)
- (d) Bank of Bhutan has wrongly charged penal interest on Term Loan for 258,763.60 in June 2012 which is not considered in the accounts since bank has confirmed that this will be rectified in their books only in 2013 vide their letter No 27/Credit/13 dated 05 Jan 2013.
- (e) During the year Company has paid Personal Income Tax of an employee for Nu 335,130.50

	Current Year	Previous Year
	<u>Nu.</u>	<u>Nu.</u>
(f) Auditors' Remuneration:		
(i)As Auditors		
Audit Fee	250,000	250,000
Service Tax on above services	30,900	25,750
Out of pocket expenses	<u>50,711</u>	<u>84,730</u>

	331,611	360,480
(ii)As Advisor		
Company law Matter	<u>-</u>	<u>22,060</u>
	<u>-</u>	<u>382,540</u>

(g) 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 2012:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	3,210,412	3,210,412
		-	(P.Y. 4,180,248)	(P.Y. 4,180,248)
Vehicle Expenses	78,579	-	-	78,579
	(P.Y. 90,406)	-	-	(P.Y. 90,406)
Project Management Expenses	-	-	5,699,460	5,699,460
	-	-	(P.Y. 3,309,000)	(P.Y. 3,309,000)
Purchase of Raw Material	-	-	-	-
	-	-	-	-
Sales	-	-	527,083,376	527,083,376
	-	-	(P.Y. 504,884,380)	(P.Y. 504,884,380)
Royalty	-	-	15,936,997	15,936,997
	-	-	(P.Y. 15,146,531)	(P.Y. 15,146,531)
Management Fees	-	-	12,981,515.00	12,981,515.00
	-	-	(P.Y. 12,240,000)	(P.Y. 12,240,000)
Debtors as at 31 st December 2012	-	-	34,879,696	34,879,696
			(P.Y. 30,045,634)	(P.Y. 30,045,634)
Creditors as at 31 st December 2012	292,799	-	23,640,180	23,932,979
	(P.Y. 292,799)	-	(P.Y. 40,002,221)	(P.Y. 40,295,020)

(Transactions with related parties are awaiting confirmation)

In addition to the above Corporate Guarantee has been given by Grindwell Norton Limited amounting to Nu 94,432,450 (PY Nu 83,907,950) being 35% of the sanctioned limit of the term loan.

(h) Inventory:

i) Opening and Closing stock of Raw Material						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	2,497.24	24,542,684	MT	714.65	6,284,170
Quartz	MT	907.73	2,620,546	MT	735.77	2,159,920

ii) Raw Material Consumed						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
Coke	MT	13,498.57	151,558,786	MT	13,063.08	141,720,132.00
Quartz	MT	16,316.25	45,673,627	MT	16,219.10	47,977,856.00

iii) Opening and Closing Stock of goods produced						
	Opening			Closing Stock		
	Unit	Quantity	Value	Unit	Quantity	Value
NI Crude	MT	79.99	3,291,592	MT	70.70	2,950,266
Met Crude	MT	-	-	MT	4.03	147,365
Grain	MT	-	-	MT	4.90	268,060

iv) Opening and Closing Stock of Work in Progress						
BFS	MT	70.05	2,556,960	MT	1,440.00	13,889,761
BOM	MT	1300.03	14,188,951	MT	74.96	2,715,318

v) Sales						
	Current Year			Previous Year		
	Unit	Quantity	Value	Unit	Quantity	Value
NI	MT	6,260.12	316,584,618	MT	6,509.02	313,119,311
MC	MT	1,837.55	81,067,474	MT	2,300.87	97,441,075
Unsorted	MT	2,645.93	126,071,784	MT	2,058.09	94,323,994
MET 80/85	MT	136.99	7,509,364	MT	-	-
Total	MT	10,880.59	531,233,240	MT	10,867.98	504,884,380

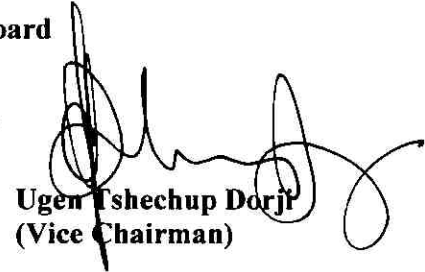
vi) Grain Plant Trial Production Sales						
Grain	MT	46.10	2,996,500.00	-	-	-
SIC - M	MT	11.00	363,000.00	-	-	-
Total	MT	57.10	33,595,000.00	-	--	-

- (i) **Contingent Liability not provided for:** There is a notice of demand from Regional Revenue & Custom Office, Phuentsholing amounting to Nu 2,483,343 for the income year 2007 – 2010 for which the Company has preferred an appeal to the department without any payment being made.
- (j) Previous year figures have been regrouped or reclassified where ever necessary.

For and on behalf of the Board



**A Y Mahajan
(Chairman)**



**Ugen Tshechup Dorji
(Vice Chairman)**

