

**SAINT GOBAIN CERAMIC MATERIALS
BHUTAN PRIVATE LIMITED**

BALANCE SHEET AS AT 31ST DECEMBER, 2010

AND

**PROFIT AND LOSS ACCOUNT & CASH FLOW
STATEMENT FOR THE YEAR ENDED
31ST DECEMBER, 2010**

RAY & RAY
Chartered Accountants

Kolkata Mumbai Delhi Bangalore Chennai Tirunneveli

DIRECTORS' REPORT

To

The Members,
Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd.

Your Directors have pleasure in presenting the Fourth Annual Report of your Company along with the Audited Accounts for the year ended 31st December, 2010.

Financial Highlights

	(In Nu.)	
	2010	2009
Sales	453,062,367	181,378,994
Other Income	1,505,123	67,300
Increase in finished goods	5,659,445	-
Total Income	460,226,934	181,446,294
Expenditure	395,849,614	152,658,765
Profit/(Loss) before Depreciation and Tax	64,377,320	28,787,529
Depreciation	47,698,459	28,098,371
Operating Profit	16,678,861	689,158
Interest	30770235	15804873
Profit/(Loss) before Tax	(14,091,374)	(15,115,714)
Provision for Taxation	-	-
Profit / (Loss) after Tax	(14,091,374)	(15,115,714)
Balance carried forward from Last year	(18,841,210)	(3,725,496)
Balance carried to Balance Sheet	(32,932,584)	(18,841,210)

Development & Outlook

Year 2010, was the first full year of operation for your Company. The Company made a profit at operating level (before interest). The production has been ramped up and except for few months in the second half of the year, the capacity utilization was above 90%. With technical support from the parent company, your company will be able to stabilize the production process and ensure the consistency in the quality of the product.

Auditors' Report

There is no reservation, qualification or adverse remark in the auditor's report for the financial year ended on 31st December 2010.

Auditors

M/s Ray & Ray, Chartered Accountants, Kolkata, India, are retiring as per the provisions of the Companies Act of the Kingdom of Bhutan, 2000 at the conclusion of the forthcoming Annual General Meeting. M/s Ray & Ray, Chartered Accountants, Kolkata, India, are eligible and willing to act as the Auditors of the Company from the conclusion of the forthcoming Annual General Meeting until the conclusion of the Fifth Annual General Meeting. Your directors recommend appointment of M/s Ray & Ray, Chartered Accountants, as Auditors of the Company at the Fourth Annual General Meeting.

Acknowledgments

Your directors take this opportunity to acknowledge with sincere gratitude the support and co-operation given by the Bhutan Government, Bank of Bhutan Limited, Vendors, Contractors and Shareholders in the completion of the project and smooth functioning of the operations.

For and on behalf of the Board of Directors


ANAND MAHAJAN
CHAIRMAN

Date: 10th May 2011

Place: Pasakha

RAY & RAY

CHARTERED ACCOUNTANTS

6 CHURCH LANE, KOLKATA 700 001, POST BOX NO. 706

Telephones : +91-33-22489861, 22438562, 22309584, Facsimile : (033) 22480547

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AUDITORS' REPORT

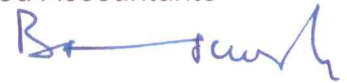
TO THE MEMBERS OF SAINT GOBAIN CERAMIC MATERIALS BHUTAN PRIVATE LIMITED. PASAKHA, BHUTAN

1. We have audited the attached Balance Sheet of Saint Gobain Ceramic Materials Bhutan Private Limited as at 31st December 2010 and also the Profit and Loss Account and the Cash Flow Statement 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 generally accepted auditing standards. These 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 determining 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 the Minimum Audit Examination and Reporting Requirements under Schedule XIV of Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 we enclose a statement on the matters specified therein to the extent applicable as an Annexure to our report.
4. Further to our comments in Annexure referred to in paragraph 3 above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.



- c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report have been prepared on the basis of generally accepted accounting principles and are in agreement with the books of accounts.
- d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Significant Accounting Policies and Notes on Accounts at Schedule 14, give the information required by the generally accepted accounting standards and principles in the manner so required and give a true and fair view:
- i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st December 2010 ;
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - iii) in so far as it relates to the Cash Flow Statement, of the movement of cash of the Company for the year ended on that date.

For **Ray & Ray**
Chartered Accountants



B.K. GHOSH
Partner

Membership Number- 51028

Place: Kolkata

Date: 29 MAR 2011



ANNEXURE TO AUDITOR'S REPORT
REFERRED TO IN OUR REPORT OF EVEN DATE

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 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 rule 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. 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 transaction has been made at prices which are reasonable having regard to the prevailing market prices for such goods and services.

The above transactions are not prejudicial to the interest of 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 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 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:

Contractor Tax	Nu.263,444
Rent	Nu. 4,188
Health Tax	Nu. 7,837
Salary Tax	Nu. 46,502
Provident Fund	Nu. 43,012

20. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to the Account other than those payable under contractual obligations and /or in accordance with generally accepted practice.
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. The company has carried out a quantitative reconciliation of stock of major items of inventories at the end of the year.
23. Approval of Board / appropriate authority is obtained for writing off amount due to material loss or discrepancies in physical /book balances of inventories.
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. The credit sales policy is reasonable and proper credit rating of customers are carried out.
28. There is no system of appointing commission agents for Sales. Hence the point 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 backup facilities exist.
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 Annexure-1

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.



ANNEXURE - I

Saint Gobain Ceramic Materials Bhutan Private Limited

Ratio Analysis

	<u>RATIO</u>	<u>BASIS</u>	<u>2010</u>	<u>2009</u>
i)	Current Ratio	Current Assets / Current Liabilities	1.07	.86
ii)	Quick ratio	Current Assets – Inventory / Current Liabilities	0.18	0.14
iii)	Debt Equity Ratio	<u>Long Term Debt</u> Shareholders fund + Long term Debt	0.47	0.50
iv)	Fixed Assets Turnover Ratio	Sales / Fixed Assets	1.09	0.40
v)	Return on Capital Employed	EBIT / Shareholders fund + Long term Debt	0.04	.001
vi)	Interest Coverage Ratio	EBIT / Interest	0.54	0.04
vii)	Net Profit Ratio	<u>Net Profit / (loss)</u> X 100 Sales	(3.11)	(8.33)



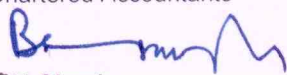
Saint Gobain Ceramic Materials Bhutan Private Limited
Balance Sheet as at 31st December, 2010

	Schedules	(In Nu)	As at 31st December, 2010 (In Nu)	As at 31st December, 2009 (In Nu)
I. Sources of funds :				
(1) Shareholders Funds Capital	1		240,083,544	228,566,587
(2) Loan Funds Secured loans	2		211,644,854	233,123,166
TOTAL :			<u>451,728,398</u>	<u>461,689,753</u>
II. Applications of funds :				
(1) Fixed Assets				
(a) Gross block	3	491,627,831		479,535,311
(b) Less : depreciation		<u>76,226,067</u>		<u>28,527,608</u>
(c) Net block		415,401,764		451,007,703
(d) Capital Work-in-progress		708,300	416,110,064	4,878,700
(2) Current Assets, Loans, and Advances :				
(a) Inventories	4	58,008,844		53,469,122
(b) Cash and bank balances	5	646,779		659,968
(c) Loans and advances	6	4,800,139		10,223,330
(d) Sundry debtors		<u>6,357,490</u>		<u>-</u>
		69,813,252		64,352,420
Less :				
Current Liabilities and Provisions :				
(a) Liabilities	7	65,289,189		75,178,478
(b) Provisions	8	<u>1,838,313</u>		<u>2,211,802</u>
		67,127,502		77,390,280
Net Current assets			2,685,750	(13,037,860)
(3) Profit & Loss Account			32,932,584	18,841,210
TOTAL :			<u>451,728,398</u>	<u>461,689,753</u>

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS 14

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


B.K. Ghosh
Partner
Membership No: 51028



For and on behalf of the Board


A.Y. Mahajan
(Chairman)


Ugyen Tsechup Dorji
(Vice Chairman)

Place : Kolkata

Date : 29 MAR 2011

Saint Gobain Ceramic Materials Bhutan Private Limited
Profit & Loss Account for the year ended 31st December, 2010

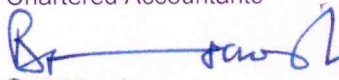
	Schedules	For the year ended 31st December, 2010 (In Nu)	For the year ended 31st December, 2009 (In Nu)
INCOME			
Sales		453,062,367	181,378,994
Other Income	9	1,505,123	67,300
Increase/(Decrease) in Finished Goods		5,659,445	-
Total		<u>460,226,934</u>	<u>181,446,294</u>
EXPENDITURE			
Material Cost	10	181,968,420	63,647,092
Employees' Remuneration and benefits	11	10,672,977	7,540,157
Operating and Other Expenses	12	177,583,140	81,471,516
Interest Cost	13	30,770,235	15,804,873
Depreciation	3	47,698,459	28,098,371
Management Fees		12,033,205	-
Royalty		13,591,871	-
		<u>474,318,308</u>	<u>196,562,008</u>
Profit/(Loss) Before Tax		(14,091,374)	(15,115,714)
Provision for Taxation		-	-
Add: Balance brought forward from previous year		(18,841,210)	(3,725,496)
Total		<u>(32,932,584)</u>	<u>(18,841,210)</u>
Balance carried to Balance Sheet		<u>(32,932,584)</u>	<u>(18,841,210)</u>

**SIGNIFICANT ACCOUNTING POLICIES &
NOTES TO ACCOUNTS**

14

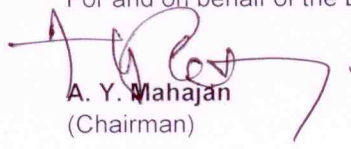
The Schedules referred to above form an integral part of the Profit & Loss Account
This is the Profit & Loss Account referred to in our report of even date.

For **RAY & RAY**
Chartered Accountants


B.K. Ghosh
Partner
Membership No: 51028



For and on behalf of the Board


A. Y. Mahajan
(Chairman)


Ugyen Tsechup Dorji
(Vice Chairman)

Place : Kolkata

Date : 29 MAR 2011

Saint Gobain Ceramic Materials Bhutan Private Limited
Cash Flow Statement for the year ended 31st December, 2010

	For the Year Ended 31st December, 2010		For the Year Ended 31st December, 2009	
	(In Nu)	(In Nu)	(In Nu)	(In Nu)
Net loss before Tax / Operating loss	(14,091,374)		(15,115,714)	
ADD: Depreciation charged to Profit and Loss A/c	47,698,459		28,098,371	
(Increase)/Decrease in Loans & Advances	5,423,190		(8,603,647)	
(Increase) / Decrease in Debtors	(6,357,490)		-	
(Increase)/ Decrease in stock	(4,539,722)		(53,469,122)	
Increase/(Decrease) in Payables	(16,964,944)		18,765,223	
Net cash flow from operating activities		11,168,119		(30,324,889)
Returns on investments and servicing of finance.	-		-	
Taxation	-		-	
Capital expenditure (Note 1)	(7,922,120)		(87,402,842)	
Net cash inflow/ (outflow) from investing activities		(7,922,120)		(87,402,842)
Net cash inflow/ (outflow) before financing		3,245,999		(117,727,731)
Financing (Note 2)	(3,259,189)		111,578,466	
Management of liquid resources	-		-	
Net cash inflow/ (outflow) from financing		(3,259,189)		111,578,466
Net Increase/ (Decrease) in Cash & Cash Equivalents		(13,190)		(6,149,265)
ADD: Opening Balance		659,968		6,809,233
Cash & Cash Equivalents as on 31.12.2010		646,778		659,968
Closing Cash Balance as on 31.12.2010		646,778		659,968

Notes :

1. Capital expenditure

Payments to acquire tangible fixed assets	(7,922,120)	(82,632,820)
Payment for Capital Work-in-Progress	-	(4,878,700)
ADD: Depreciation allocated to CWIP	-	108,678
	(7,922,120)	(87,402,842)

2. Financing

Equity contribution	11,516,957	49,877,956
Term Loan	(14,776,146)	61,700,510
	(3,259,189)	111,578,466

3. Cash & Cash Equivalents Comprise :

Cash and Bank Balances	646,778	659,968
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This is the Cash Flow Statement referred to in our report of even date.

For **RAY & RAY**

Chartered Accountants

B.K.Ghosh

Partner

Membership No. 51028

Place : Kolkata

Date : 29 MAR 2011



For and on behalf of the Board

A. Y. Mahajan
(Chairman)

Ugen Tsechup Dorji
(Vice Chairman)

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

	As at 31st December, 2010 (In Nu)	As at 31st December, 2009 (In 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		
24,00,000 Equity Shares of Nu 100/- each, fully paid-up (Previous Year 22,66,667 Equity Shares of Nu 100/- each, fully paid-up)		
Grindwell Norton Limited	168,000,000	158,666,700
Singye Group of Companies Private Limited	<u>72,000,000</u>	<u>68,000,000</u>
	240,000,000	226,666,700
ADVANCE AGAINST EQUITY		
Grindwell Norton Limited	83,544	1,899,887
Singye Group of Companies Private Limited	<u>-</u>	<u>-</u>
	83,544	1,899,887
	<u>240,083,544</u>	<u>228,566,587</u>
SCHEDULE 2 : SECURED LOANS		
Term Loan from : Bank of Bhutan Ltd	128,724,807	105,899,735
Bhutan National Bank Ltd	82,920,047	72,223,431
(Secured by way of Hypothecation charge created / or to be created on all the fixed assets of the company and Corporate Guarantee given by Grindwell Norton Ltd upto 35% of the Sanctioned Amount)		
Bridge Loan from Bank Of Bhutan - 000033	-	55,000,000
(Secured by way of Hypothecation charge created / or to be created on all the fixed assets of the company and Corporate Guarantee of SBI for the Sanctioned Amount)		
	<u>211,644,854</u>	<u>233,123,166</u>
SCHEDULE 4 : INVENTORIES		
Raw Material	22,053,249	6,812,216
Finished Goods	28,964,783	23,305,338
Stock in Hand - Others	6,990,812	295,437
Goods In Transit	<u>-</u>	<u>23,056,131</u>
	58,008,844	53,469,122
SCHEDULE 5 : CASH & BANK		
Cash in Hand	52,795	65,093
With Scheduled Banks:		
On FC Account	143,984	144,875
Margin Money with Bank Of Bhutan	450,000	450,000
	<u>646,779</u>	<u>659,968</u>



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

	As at 31st December, 2010 (In Nu)	As at 31st December, 2009 (In Nu)
SCHEDULE 6 : LOANS AND ADVANCES		
Security Deposit	1,259,503	1,254,046
Other Advances	3,540,636	8,969,284
	<u>4,800,139</u>	<u>10,223,330</u>
SCHEDULE 7 : LIABILITIES		
Sundry Creditors	11,549,824	21,992,507
Overdraft Balance with Bank of Bhutan 8605	22,864,116	16,036,002
Interest Accrued but Not Due	2,133,349	1,268,261
Others	28,741,900	35,881,708
	<u>65,289,189</u>	<u>75,178,478</u>
SCHEDULE 8 : PROVISIONS		
Provision for Gratuity	328,244	208,146
Provision for Performance Incentive	1,510,069	2,003,656
	<u>1,838,313</u>	<u>2,211,802</u>



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

SCHEDULE 3 : FIXED ASSET

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at 01.01.2010	Addition	Deduction	As at 31.12.2010	Up To 01.01.2010	On Sales	For the year	Up To 31.12.2010	As at 31.12.2010	As at 31.12.2009
Building	204,626,746	11,147,550	795,046	214,979,250	3,630,437	-	6,320,780	9,951,217	205,028,032	200,996,310
Computer	1,093,900	-	-	1,093,900	187,131	-	164,085	351,216	742,684	906,769
Furniture & Fixtures	1,017,788	14,195	-	1,031,982	139,180	-	154,191	293,370	738,612	878,608
Vehicles	2,173,524	-	-	2,173,524	566,573	-	326,029	892,601	1,280,923	1,606,951
Equipment	6,353,754	834,883	-	7,188,637	661,951	-	1,044,948	1,706,899	5,481,737	5,691,802
Plant and Machinery										
Plant Equipment	11,796,016	-	-	11,796,016	1,189,171	-	1,769,982	2,958,852	8,837,164	10,606,845
Plant and Machinery	252,473,583	1,784,614	893,676	253,364,521	22,153,164	-	37,918,757	60,071,921	193,292,600	230,320,419
Total	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
Previous Year	3,099,491	476,435,818	-	479,535,311	320,560	-	28,207,047	28,527,607	451,007,704	-
CWIP	4,878,700	708,300	4,878,700	708,300	-	-	-	-	708,300	4,878,700
									416,110,064	455,886,403



Saint Gobain Ceramic Materials Bhutan Private Limited
For the year ended 31st December, 2010

	For the year ended 31st December, 2010	For the year ended 31st December, 2009
	(In Nu)	(In Nu)
SCHEDULE 9 : OTHER INCOME		
Exchange Gain	-	25,760
Misc Income	1,179,543	-
Scrap Sales	325,580	41,540
	1,505,123	67,300
SCHEDULE 10 : MATERIAL COST		
Raw Material & Components	181,968,420	86,952,430
Closing Inventory		
Finished Goods	-	(23,305,338)
Less: Opening Inventory Finished Goods		
	181,968,420	63,647,092
SCHEDULE 11 : EMPLOYEES' REMUNERATION AND BENEFITS		
Salary	9,577,656	6,873,749
Employers Contribution to P.F	264,281	181,285
Gratuity	120,098	88,662
Staff Welfare Expenses	710,943	396,461
	10,672,977	7,540,157
SCHEDULE 12 : OPERATING & OTHER EXPENSES		
Advertisement	-	66,667
Audit Expenses	82,098	160,450
Audit Fees	275,750	275,750
Bank Charges	910,159	643,702
Books & Periodicals	6,020	5,345
Communication Expenses	916,929	635,291
Consumables	4,529,512	1,821,023
EHS & Safety Expenses	1,124,962	1,440,248
Electricity Charges	135,193,044	56,504,359
Exchange Loss	7,346	-
Furnace Gate	5,876,655	673,627
GNO Expenses	2,198,548	1,340,382
Guest Expenses	188,185	172,168
Guest House Expenses	45,005	36,512
Hire Charges	9,069,374	5,760,060
Insurance	3,177,470	2,794,749
License Fees	4,000	4,000
Misc Expenses	626,122	552,109
Printing & Stationary	155,201	165,802
Rent	2,490,724	1,933,223
Repairs & Maintenance	8,093,831	4,834,653
Security Expenses	1,541,470	899,600
Travelling & Conveyance Expenses	1,070,737	751,796
	177,583,140	81,471,516



Saint Gobain Ceramic Materials Bhutan Private Limited
For the year ended 31st December, 2010

	For the year ended 31st December, 2010 (In Nu)	For the year ended 31st December, 2009 (In Nu)
SCHEDULE 13 : INTEREST COST		
Interest on Loan		
Term Loan	26,835,372	13,211,780
Working Capital	3,934,863	2,593,093
	<u>30,770,235</u>	<u>15,804,873</u>



Schedules Forming Part of the Accounts:
Schedule -14: 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

Value of assets and liabilities held in foreign currencies are converted at the closing date as per quotation from Company's Bankers, and the foreign exchange difference is dealt with in the accounts.

(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 have agreed to subscribe to the equity shares in the ratio of 7:3 respectively.

During the year, the company has allotted 93,333 equity shares of Nu 100 each to Grindwell Norton Ltd and 40,000 equity shares of Nu 100 each to Singye Group of Companies Private Limited, against the



advance received for the same. An amount of Nu 83544.00 remains unadjusted pending for equity share allotment.

- (b) The company has not received proper year end balance confirmation from banks in respect of loan accounts. Hence, amount shown in books and interest on term loan are subject to bank confirmation.
- (c) Contingent Liability:
Bank Guarantees - Nu. 1,800,000 (P.Y. Nu 1,800,000)
- (d) Estimated Capital commitments (net of advance) not provided for Nil (P.Y. Nu 1,640,876)

	Current	Year
Previous Year	<u>Nu.</u>	<u>Nu.</u>
(e) Auditors' Remuneration:		
As Auditors		
Audit Fee	250,000	250,000
Service Tax on above services	25,750	25,750
Out of pocket expenses	<u>82,098</u>	<u>112,489</u>
	<u>357,848</u>	<u>388,239</u>

- (f) 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 2010:

Nature of Transaction	Associates	Key Management Personnel	Co-venturers	Total
	In Nu.	In Nu.	In Nu.	In Nu.
Reimbursement of Expenses	-	-	3,345,611	3,345,611
	(P.Y. 66,667)	-	(P.Y. 5,235,494)	(P.Y. 5,302,161)
Vehicle Expenses	30,766	-	-	30,766
	(P.Y. 98,498)	-	-	(P.Y. 98,498)
Advance received against Equity	-	-	11,516,957	11,516,957
	-	-	(P.Y. 49,877,956)	(P.Y. 49,877,956)
Project Management Expenses	-	-	-	-
	-	-	(P.Y. 4,412,000)	(P.Y. 4,412,000)
Purchase of Raw Material	-	-	-	-
	-	-	(P.Y. 1,552,407)	(P.Y. 1,552,407)
Sales	-	-	453,062,367	453,062,367
	-	-	(P.Y. 181,378,994)	(P.Y. 181,378,994)
Royalty	-	-	13,591,871	13,591,871
	-	-	(P.Y. Nil)	(P.Y. Nil)
Management Fees	-	-	12,033,205	12,033,205
	-	-	(P.Y. Nil)	(P.Y. Nil)
Payable as at 31 st December 2010	292,799	-	25,815,298	26,108,097
	(P.Y. 292,799)	-	(P.Y. 10,010,463)	(P.Y. 10,303,262)

(Transactions with related parties are awaiting confirmation)

