

Monocon International Refractories Limited

Financial statements

For the year ended 31 March 2007

Grant Thornton 

Company No. 1141077

Company information

Company registration number	1141077
Registered office	Davy Road Old Denaby Doncaster DN12 4LQ
Directors	Mr K Hearnshaw Mr R Agarwal Mr P Bajoria Mr S K Bajoria Mr A Chhawchharia
Secretary	Mr A Chhawchharia
Bankers	ICICI Bank HSBC
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 2 Broadfield Court SHEFFIELD S8 0XF

Index

Report of the directors	3 - 6
Report of the independent auditor	7 - 8
Principal accounting policies	9 - 10
Profit and loss account	11
Balance sheet	12
Notes to the financial statements	13 - 19

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2007.

Principal activities and business review

The Company is engaged principally in manufacture of Specialised Refractories and Equipments used by the steel industry.

During the year, Goricon Metallurgical Services Ltd (GMSL), was acquired by the Company on 15 December 2006. On the same date, a step down subsidiary of the Company also acquired 100% ownership of Goricon LLC (GLLC), a limited liability company incorporated in Ohio, USA. These companies are also engaged in manufacture of Specialised Refractories used by the Steel Industry.

Financial performance of the Company for the year under review has been as follows:

	2007	2006
	£'m	£'m
Sales	10.773	13.642
Expenditure	10.426	12.781
Profit before tax	0.347	0.859
Profit after tax	0.246	0.729

Profit before Tax has not been satisfactory because of several reasons beyond the control of the Directors and accordingly no dividend has been recommended for the year under review.

The strategy adopted for the year has been to continually strengthen the Company's market position. This is based on largely promoting our well known MONOCON and GORICON brands and also that of the Indian Holding Company, amongst the producers of Iron and Steel. To pursue this objective with vigour several pro-active steps have been planned and we expect the positive results would be apparent in the financial performance for current year of the Group.

Several steps have been taken to improve operating margins of the Company. Unplanned expenditures are strictly controlled. Customers have been approached for price increases. Product mixes have been changed wherever necessary. Innovative product packages are being offered to customers. Production techniques have been altered to obliterate inefficiencies. Many more actions are in the offing.

During the current year, best efforts will be made to integrate the operation of its newly acquired subsidiaries GMSL and GLLC with that of the Company and this is expected to optimise utilisation of fixed overheads.

Report of the directors (continued)

Future development for the business

The directors recognise that increased competition has put pressure on our prices and our margins. We believe our continued investment in our product range, with particular emphasis on quality, design and employing people with the relevant expertise, will enable us to improve on our market position.

As a result we remain confident that we will not only continue to maintain our current level of performance but improve the same substantially and for this purpose, we may also explore possibilities of growth both organically and inorganically.

Principal risks and uncertainties

The management of the business and the nature of Company's strategy are subject to a number of risks.

Some of major risks presently faced by the Company are a) High proportion of fixed overheads and variable revenues b) Competition c) Product obsolescence d) Fluctuations in currency exchange rates e) Interest rate risk f) Credit risk. The directors are of the opinion that a system for risk assessment, identification, monitoring, control and mitigation exist whereby these risks and other micro and macro risks faced by the Company are continually managed.

Research and development

The group/company is continuing its policy of developing the existing product range to meet market requirements and researching new products that will contribute to the future expansion and diversification of the business.

Results and dividends

The profit for the year, after taxation, amounted to £245,500. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the company financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The company finances its operations through a mixture of retained profits, inter-company accounts and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

Report of the directors (continued)

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts and bank overdraft facilities.

Currency risk

The company is exposed to transaction and translation foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures are hedged when known, mainly using the forward hedge market.

Directors

The directors who served the company during the year were as follows:

Mr K Hearnshaw
Mr R Agarwal
Mr P Bajoria
Mr S K Bajoria
Mr A Chhawchharia

The interests of Mr P Bajoria and Mr S K Bajoria in the parent company are disclosed in that company's financial statements. None of the other directors have any interests in the company or the parent company.

Policy on the payment of creditors

It is the company's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are made aware of these terms and to abide by them. Trade creditors at the year end amount to 64 days of average supplies for the year.

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

Grant Thornton UK LLP were appointed as auditors during the year, to fill a casual vacancy.

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

Mr A Chhachharia
Secretary

11 July 2007

Report of the independent auditor to the member of Monocon International Refractories Limited

We have audited the financial statements of Monocon International Refractories Limited for the year ended 31 March 2007 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the member of Monocon International Refractories Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

At This UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
27 July 2007

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Related parties transactions

The company is a wholly owned subsidiary of IFGL Monocon Holdings Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the IFGL Monocon Holdings group.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. Turnover is recognised in the period in which goods are despatched and services are provided.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	-	50 years
Plant & Machinery	-	3 - 10 years
Fixtures & Fittings	-	1 - 10 years
Motor Vehicles	-	4 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The pension costs charged against operating profits represent the amount of the contributions payable to personal pension plans in respect of the accounting period.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2007 £	2006 £
Turnover	1	10,772,784	13,641,890
Change in stocks of finished goods and consumable stock		84,703	(62,310)
Other operating income		58,223	2,838
		10,915,710	13,582,418
Operating costs:			
Raw materials and consumables		(6,449,647)	(7,803,415)
Other external charges		(594,673)	(758,292)
Staff costs	2	(2,099,456)	(2,614,042)
Depreciation written off fixed assets	3	(116,839)	(122,622)
Other operating charges	3	(1,047,907)	(1,211,195)
Operating profit	3	607,188	1,072,852
Interest receivable		31,334	12,709
Interest payable and similar charges	5	(291,319)	(226,460)
Profit on ordinary activities before taxation		347,203	859,101
Tax on profit on ordinary activities	6	(101,703)	(130,426)
Profit for the financial year	21	245,500	728,675

All of the activities of the company are classed as continuing.

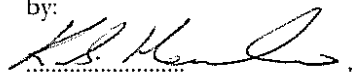
The company has no recognised gains or losses other than the results for the year as set out above.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	8	1,190,641	1,253,054
Investments	9	4,991,803	4,087,303
		<u>6,182,444</u>	<u>5,340,357</u>
Current assets			
Stocks	10	1,356,251	1,345,874
Debtors	11	2,972,777	3,377,788
Cash at bank		448,017	1,019,256
		<u>4,777,045</u>	<u>5,742,918</u>
Creditors: amounts falling due within one year	12	<u>4,364,573</u>	<u>3,427,997</u>
Net current assets		<u>412,472</u>	<u>2,314,921</u>
Total assets less current liabilities		<u>6,594,916</u>	<u>7,655,278</u>
Creditors: amounts falling due after more than one year	13	<u>3,457,931</u>	<u>4,690,897</u>
		<u>3,136,985</u>	<u>2,964,381</u>
Provisions for liabilities			
Deferred taxation	16	145,104	218,000
		<u>2,991,881</u>	<u>2,746,381</u>
Capital and reserves			
Called-up equity share capital	19	100	100
Profit and loss account	20	2,991,781	2,746,281
Shareholder's funds	21	<u>2,991,881</u>	<u>2,746,381</u>

These financial statements were approved by the directors on 11 July 2007 and are signed on their behalf by:



 Mr K Hearnshaw

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
 An analysis of turnover is given below:

	2007 £	2006 £
United Kingdom	4,097,010	4,048,875
Other EU countries	1,461,043	1,918,473
Americas	1,105,507	1,898,595
Rest of world	4,109,224	5,775,947
	<u>10,772,784</u>	<u>13,641,890</u>

2 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2007 No	2006 No
Production	35	37
Sales and service	27	30
Office and management	23	25
	<u>85</u>	<u>92</u>

The aggregate payroll costs of the above were:

	2007 £	2006 £
Wages and salaries	1,861,096	2,299,733
Social security costs	187,345	237,543
Other pension costs	51,015	76,766
	<u>2,099,456</u>	<u>2,614,042</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2007	2006
	£	£
Depreciation of owned fixed assets	116,839	122,622
Auditor's remuneration:		
Audit fees	22,000	-
Net (profit)/loss on foreign currency translation	<u>(169,569)</u>	<u>221,641</u>

4 Directors

Remuneration in respect of directors was as follows:

	2007	2006
	£	£
Emoluments receivable	138,366	223,212
Company pension contributions to money purchase schemes	4,580	16,756
	<u>142,946</u>	<u>239,968</u>

5 Interest payable and similar charges

	2007	2006
	£	£
Interest payable on bank borrowing	<u>291,319</u>	<u>226,460</u>

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007	2006
	£	£
Current tax:		
UK Taxation		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	174,599	166,318
Over/under provision in prior year	-	(35,892)
	<u>174,599</u>	<u>130,426</u>
Double taxation relief	-	(10,566)
	<u>174,599</u>	<u>119,860</u>
Foreign tax		
Current tax on income for the year	-	10,566
Total current tax	<u>174,599</u>	<u>130,426</u>
Deferred tax:		
Origination and reversal of timing differences	<u>(72,896)</u>	-
Tax on profit on ordinary activities	<u>101,703</u>	<u>130,426</u>

6 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%).

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>347,203</u>	<u>859,101</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	104,161	257,730
Expenses not deductible for tax purposes	29,549	8,354
Depreciation for the period in excess of capital allowances	8,349	35,423
Short term timing differences	32,540	-
Other adjustments	-	(851)
Utilisation of group relief	-	(134,338)
Adjustments to tax charge in respect of previous periods	-	(35,892)
Total current tax (note 6(a))	<u>174,599</u>	<u>130,426</u>

7 Dividends

Dividends on shares classed as equity

	2007 £	2006 £
Paid during the year:		
Equity dividends on ordinary shares	<u>-</u>	<u>869,295</u>

8 Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 April 2006	1,167,897	1,347,126	486,970	44,145	3,046,138
Additions	1,191	58,353	21,897	-	81,441
Disposals	-	(79,051)	-	-	(79,051)
At 31 March 2007	<u>1,169,088</u>	<u>1,326,428</u>	<u>508,867</u>	<u>44,145</u>	<u>3,048,528</u>
Depreciation					
At 1 April 2006	254,056	1,034,235	461,715	43,078	1,793,084
Charge for the year	20,483	75,316	19,973	1,067	116,839
On disposals	-	(52,036)	-	-	(52,036)
At 31 March 2007	<u>274,539</u>	<u>1,057,515</u>	<u>481,688</u>	<u>44,145</u>	<u>1,857,887</u>
Net book value					
At 31 March 2007	<u>894,549</u>	<u>268,913</u>	<u>27,179</u>	<u>-</u>	<u>1,190,641</u>
At 31 March 2006	<u>913,841</u>	<u>312,891</u>	<u>25,255</u>	<u>1,067</u>	<u>1,253,054</u>

9 Investments

Subsidiary undertakings

	£
Cost	
At 1 April 2006	4,087,303
Additions	904,500
At 31 March 2007	<u>4,991,803</u>
Net book value	
At 31 March 2007	<u>4,991,803</u>
At 31 March 2006	<u>4,087,303</u>

The company has investments in the following subsidiary undertakings:

	Country of registration	Class of share capital held	Proportion held	Nature of business
Goricon Metallurgical Services Limited	England	Ordinary	100%	Manufacture of darts and lances
Monocon Overseas Limited	England	Ordinary	100%	Holding Company

10 Stocks

	2007	2006
	£	£
Raw materials	423,109	328,030
Work in progress	161,834	25,059
Finished goods and goods for resale	771,308	992,785
	<u>1,356,251</u>	<u>1,345,874</u>

11 Debtors

	2007	2006
	£	£
Trade debtors	1,984,629	2,979,724
Amounts owed by group undertakings	708,475	142,648
Other debtors	44,782	50,435
Prepayments and accrued income	234,891	204,981
	<u>2,972,777</u>	<u>3,377,788</u>

12 Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank loans and overdrafts	1,326,491	521,205
Trade creditors	1,235,413	1,240,841
Amounts owed to group undertakings	704,448	526,197
Corporation tax	100,141	155,752
Other taxation and social security	247,417	260,707
Accruals and deferred income	750,663	723,295
	<u>4,364,573</u>	<u>3,427,997</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

13 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Bank loans and overdrafts	<u>3,457,931</u>	<u>4,690,897</u>

The loans are denominated in Euros and US dollars and the loan facility is secured by:

- A mortgage over movable and immovable assets (including intangibles) of the company.
- A mortgage over movable and immovable assets of Mono Ceramics Inc, USA - a subsidiary of Monocon Overseas Limited (MOL).
- Corporate guarantee from IFGL Refractories Limited.
- Pledge of IFGL Worldwide Holdings Limited (IWHL) holding in IFGL Monocon Holdings Limited (IMHL).
- Pledge of IMHL's holding in Monocon International Refractories Limited (MIRL).
- Pledge of MIRL's holding in MOL.

14 Bank loans and overdrafts

Creditors include finance capital which is due for repayment as follows:

	2007	2006
	£	£
Amounts repayable:		
In one year or less or on demand	1,326,491	521,205
In more than one year but not more than two years	988,066	1,042,410
In more than two years but not more than five years	2,469,865	3,127,282
In more than five years	-	521,205
	<u>4,784,422</u>	<u>5,212,102</u>

15 Pensions

The company operates a group personal pension plan for the benefit of the employees and directors. This plan consists of individual personal pension plans which are managed by an independent pensions management agency.

16 Deferred taxation

The movement in the deferred taxation provision during the year was:

	2007	2006
	£	£
Provision brought forward	218,000	218,000
Profit and loss account movement arising during the year	(72,896)	-
Provision carried forward	<u>145,104</u>	<u>218,000</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2007	2006
	£	£
Excess of taxation allowances over depreciation on fixed assets	177,850	218,000
Other timing differences	(32,746)	-
	<u>145,104</u>	<u>218,000</u>

17 Derivatives

The fair value of derivatives held by the company at 31 March, not recognised in the financial statements is as set out below.

	2007	2006
	£	£
Forward exchange contracts	6,000	-
Currency swaps	(113,000)	-
	<u>(107,000)</u>	<u>-</u>

18 Related party transactions

The company has taken advantage of the exemption under the terms of FRS 8 not to disclose related party transactions with entities that are part of the IFGL Refractories Limited group. During the year £43,394 was paid to C C Schueppert, a director of IFGL Monocon Holdings Limited, the immediate parent company in his capacity as a consultant.

19 Share capital

Authorised share capital:

	2007	2006
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

20 Reserves

	Profit and loss account £
At 1 April 2006	2,746,281
Profit for the year	245,500
At 31 March 2007	<u>2,991,781</u>

21 Reconciliation of movements in shareholder's funds

	2007	2006
	£	£
Profit for the financial year	245,500	728,675
Equity dividends paid	—	(869,295)
Net addition/(reduction) to shareholder's funds	<u>245,500</u>	<u>(140,620)</u>
Opening shareholder's funds	<u>2,746,381</u>	<u>2,887,001</u>
Closing shareholder's funds	<u>2,991,881</u>	<u>2,746,381</u>

22 Capital commitments

The directors have confirmed that there were no capital commitments at 31 March 2007 or 31 March 2006.

23 Ultimate parent company

The ultimate parent undertaking of this company is IFGL Refractories Limited, a company registered in India.

IFGL Monocon Holdings Limited, a company registered in England and Wales is the company's immediate parent company. The largest undertaking for which group accounts have been drawn up is that headed by IFGL Refractories Limited, the smallest group of undertakings is IFGL Monocon Holdings Limited. Copies of IFGL Refractories Limited's group financial statements can be obtained from its head and corporate office at 3, Netaji Road Subhas Road, Kolkata - 700 001, India.