

Goricon Metallurgical Services Limited

Financial statements

For the period from 1 July 2006 to 31 March 2007

Grant Thornton 

Officers and professional advisers

Company registration number	01056737
Registered office	Goricon Buildings Picton Street Kenfig Hill BRIDGEND Glamorgan CF33 6EF
Directors	Mr P Manpuria Mr A Chhawchharia Mr R Browning
Secretary	Mr A Chhawchharia
Bankers	Barclays Bank plc
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 2 Broadfield Court SHEFFIELD S8 0XF

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Report of the directors

The directors present their report and the financial statements of the company for the period from 1 July 2006 to 31 March 2007.

Principal activities

The principal activities of the company during the period were the manufacture, sales and servicing of products for use in the steel-making industry.

Results and dividends

The loss for the period, after taxation, amounted to £59,498. Particulars of dividends paid are detailed in note 5 to the financial statements.

The directors and their interests in the shares of the company

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At	At
	31 March 2007	1 July 2006 or later date of appointment
Mr P Manpuria	-	-
Mr A Chhawchharia	-	-
Mr R Browning	-	-
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Mr P Manpuria was appointed as a director on 15 December 2006.

Mr A Chhawchharia was appointed as a director on 15 December 2006.

Mr M Herbert retired as a director on 15 December 2006.

Mr R Sloggett retired as a director on 15 December 2006.

None of the directors have interests in the parent company.

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.

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 currency market.

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.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD


Mr A Chhawchharia
Secretary
11 July 2007

Report of the independent auditor to the members of Goricon Metallurgical Services Limited

We have audited the financial statements of Goricon Metallurgical Services Limited for the period from 1 July 2006 to 31 March 2007 which comprise the accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses and notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 members of Goricon Metallurgical Services 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 loss for the period 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.

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GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
11 August 2007

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

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 small.

Related parties transactions

The company is a wholly owned step down 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 Limited group.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

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:

Plant & Machinery	3 - 10 years
Fixtures and fittings	1 - 10 years.

Stocks

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

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

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 and other post-retirement benefits

Defined Benefit Pension Scheme

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service costs and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement on total recognised gains and losses.

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 on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the 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	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
Turnover		2,679,255	3,880,981
Cost of sales		2,230,112	3,193,221
Gross profit		<u>449,143</u>	<u>687,760</u>
Other operating charges	1	505,680	481,424
Other operating income		(15,979)	(28,195)
Operating (loss)/profit	2	<u>(40,558)</u>	<u>234,531</u>
Interest payable and similar charges	4	11,374	51,642
(Loss)/profit on ordinary activities before taxation		<u>(51,932)</u>	<u>182,889</u>
Tax on (loss)/profit on ordinary activities		7,566	118,841
(Loss)/profit for the financial period	14	<u>(59,498)</u>	<u>64,048</u>

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

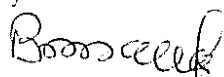
The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	31 Mar 07 £	30 Jun 06 £
Fixed assets			
Tangible assets	6	<u>103,463</u>	<u>61,773</u>
Current assets			
Stocks		338,215	320,489
Debtors	7	969,049	1,318,719
Cash at bank		<u>12,966</u>	<u>92,502</u>
		<u>1,320,230</u>	<u>1,731,710</u>
Creditors: amounts falling due within one year	9	<u>1,030,771</u>	<u>1,297,025</u>
Net current assets		<u>289,459</u>	<u>434,685</u>
Total assets less current liabilities		<u>392,922</u>	<u>496,458</u>
Net assets excluding pension asset		<u>392,922</u>	<u>496,458</u>
Defined benefit pension scheme asset	11	<u>244,300</u>	<u>365,067</u>
Net assets including pension asset		<u>637,222</u>	<u>861,525</u>
Capital and reserves			
Called-up equity share capital	13	60,000	60,000
Profit and loss account	14	<u>577,222</u>	<u>801,525</u>
Shareholders' funds	15	<u>637,222</u>	<u>861,525</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

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



Mr P Manpuria
 Director

Other primary statements

Statement of total recognised gains and losses

	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
(Loss)/profit for the financial period	(59,498)	64,048
Actuarial (loss)/gain in respect of defined benefit pension scheme	(131,700)	1,134,200
Deferred tax in respect of defined benefit pension scheme	39,510	(215,498)
Other movements	—	169,366
Total gains and losses recognised for the period	<u>(151,688)</u>	<u>1,152,116</u>

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

Notes to the financial statements

1 Other operating charges

	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
Distribution costs	147,524	132,911
Administrative expenses	358,156	348,513
	<u>505,680</u>	<u>481,424</u>

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
Staff pension contributions	19,216	—
Depreciation of owned fixed assets	21,978	47,345
Depreciation of assets held under finance leases and hire purchase agreements	4,902	—
Operating lease costs:		
Other	34,000	—
Net profit on foreign currency translation	<u>(2,314)</u>	<u>—</u>

3 Directors

Remuneration in respect of directors was as follows:

	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
Emoluments	<u>12,500</u>	<u>2,880</u>

3 Directors (continued)

The number of directors who accrued benefits under company pension schemes was as follows:

	9 month period ending 31 Mar 07 No	Year to 30 Jun 06 No
Money purchase schemes	—	1

4 Interest payable and similar charges

	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
Finance charges	1,770	—
Other interest and similar charges	9,604	51,642
	<u>11,374</u>	<u>51,642</u>

5 Dividends

Dividends on shares classed as equity

	9 month period ending 31 Mar 07 £	Year to 30 Jun 06 £
Paid during the year:		
Equity dividends on ordinary shares	<u>72,615</u>	<u>400,000</u>

6 Tangible fixed assets

	Plant & Machinery £	Equipment £	Total £
Cost			
At 1 July 2006	412,104	25,765	437,869
Additions	68,570	–	68,570
At 31 March 2007	<u>480,674</u>	<u>25,765</u>	<u>506,439</u>
Depreciation			
At 1 July 2006	355,077	21,019	376,096
Charge for the period	24,906	1,974	26,880
At 31 March 2007	<u>379,983</u>	<u>22,993</u>	<u>402,976</u>
Net book value			
At 31 March 2007	<u>100,691</u>	<u>2,772</u>	<u>103,463</u>
At 30 June 2006	<u>57,027</u>	<u>4,746</u>	<u>61,773</u>

Included within the net book value of £103,463 is £60,504 (2006 - £Nil) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £4,902 (2006 - £Nil).

7 Debtors

	31 Mar 07 £	30 Jun 06 £
Trade debtors	582,606	887,029
Amounts owed by group undertakings	214,370	265,419
Corporation tax repayable	35,187	–
Other debtors	79,353	124,562
Deferred taxation (note 8)	57,533	41,709
	<u>969,049</u>	<u>1,318,719</u>

8 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	9 month period ending 31 Mar 07	Year to 30 Jun 06
	£	£
Included in debtors (note 7)	<u>57,533</u>	<u>41,709</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	31 Mar 07	30 Jun 06
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>31,715</u>	25,148
Tax losses available	<u>25,818</u>	<u>16,561</u>
	<u>57,533</u>	<u>41,709</u>

9 Creditors: amounts falling due within one year

	31 Mar 07	30 Jun 06
	£	£
Bank loans and overdrafts	347,404	607,717
Trade creditors	388,756	510,502
Amounts owed to group undertakings	199,490	-
Corporation tax	-	94,269
Other taxation	31,664	55,486
Amounts due under finance leases and hire purchase agreements	55,840	-
Other creditors	7,617	29,051
	<u>1,030,771</u>	<u>1,297,025</u>

10 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	31 Mar 07	30 Jun 06
	£	£
Amounts payable within 1 year	14,232	-
Amounts payable between 1 and 2 years	14,232	-
Amounts payable between 3 and 5 years	27,376	-
	<u>55,840</u>	<u>-</u>

11 Pension commitments

The most recent actuarial valuation has been updated at 31 March 2007 by a qualified actuary using revised assumptions that are consistent with the requirements of Financial Reporting Standard No 17. Investments have been valued, for this purpose, at fair value. The principal assumptions used by the actuary were as follows:

11 Pension commitments (continued)

	2007 %	2006 %	2005 %
Rate of increase in salaries	2.0	2.0	2.0
Rate of increase in pensions in payment	3.0	3.0	3.0
Rate of increase in deferred pensions	3.0	3.0	3.0
Discount rate	5.3	5.5	5.3
Inflation assumption	3.0	3.0	3.0

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are:

	2007		2006		2005
	Long-term rate of return expected %	Value expected £	Long-term rate of return expected %	Value expected £	Value £
Others	5.3	2,840,000	5.5	2,804,800	2,009,300
Total market value of assets		2,840,000		2,804,800	2,009,300
Present value of scheme liabilities		(2,491,000)		(2,354,100)	(2,653,300)
Surplus/(Deficit) in the scheme		349,000		450,700	(644,000)
Related deferred tax (liability)/asset		(104,700)		(85,633)	122,360
Net pension asset/(liability)		244,300		365,067	(521,640)

An analysis of the movements in surplus/(deficit) during the period are shown below:

	31 Mar 07 £	30 Jun 06 £
At 1 July	450,700	(644,000)
Total operating charge	(12,000)	(45,400)
Total other finance income/(costs)	20,000	(13,700)
Actuarial income/(costs) recognised in the statement of total recognised gains and losses	(131,700)	1,134,200
Contributions	22,000	19,600
At 31 March	349,000	450,700

An analysis of the defined benefit cost follows:

Analysis of the amount charged to operating (loss)/profit:

	31 Mar 07 £	30 Jun 06 £
Current service cost	(12,000)	(45,400)
Total operating charge	(12,000)	(45,400)

13 Share capital

Authorised share capital:

	31 Mar 07	30 Jun 06
	£	£
60,000 Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>

Allotted, called up and fully paid:

	31 Mar 07		30 Jun 06	
	No	£	No	£
Ordinary shares of £1 each	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>

14 Profit and loss account

	9 month period ending 31 Mar 07
	£
Balance brought forward	801,525
Loss for the financial period	(59,498)
Equity dividends paid	(72,615)
Defined pension benefit scheme	(92,190)
Transfer from revaluation reserve	—
Balance carried forward	<u>577,222</u>

15 Reconciliation of movements in shareholders' funds

	31 Mar 07	30 Jun 06
	£	£
(Loss)/Profit for the financial period	(59,498)	64,048
Equity dividends paid	(72,615)	(400,000)
Transfer from revaluation reserve	—	169,366
Actuarial gain/(loss) in respect of defined benefit pension scheme	(92,190)	918,702
Transfer to profit and loss account	—	(169,366)
Net (reduction)/addition to shareholders' funds	<u>(224,303)</u>	<u>582,750</u>
Opening shareholders' funds	<u>861,525</u>	<u>278,775</u>
Closing shareholders' funds	<u>637,222</u>	<u>861,525</u>

16 Ultimate Parent Undertaking

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

Monocon International Refractories 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.