

Company Registration No: 05541606

IFGL MONOCON HOLDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2006

**IFGL MONOCON HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006**

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**IFGL MONOCON HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE PERIOD ENDED 31ST MARCH 2006**

The Directors submit their report and the audited financial statements for the period 19th August 2005 to 31st March 2006.

Principal activity and business review

The group is principally engaged in the manufacture of Refractories and equipment for the steel industry.

The company, incorporated on 19th August 2005, purchased Monocon International Refractories Limited (MIRL) on 10th September 2005. MIRL also purchased Monocon Overseas Limited (MOL), an intermediary holding company for all overseas investments, on the same day. Subsequently, in March 2006, the holdings in subsidiaries in Brazil and China were transferred by MOL to the intermediary parent company IFGL Worldwide Holdings Limited (IWHL) of Isle of Man. The consolidated results of the group for the period beginning date of acquisition 10 September 2006 are as set out on page 8. The group including the company comprises MIRL, MOL and its overseas subsidiary companies.

The group will pursue its established management policies and it is anticipated that there will be an effective response to the challenges of the forthcoming year.

Directors

The following directors have held office since 22nd August 2005:

Mr B P Bajoria (Appointed 10th September 2005)
Mr S K Bajoria (Appointed 22nd August 2005)
Mr P D Manpuria (Appointed 10th September 2005)
Mr C C Schueppert (Appointed 10th September 2005)

Directors interests

There are no directors interest requiring disclosure under the Companies Act 1985.

	Ordinary shares of £1 each 31st March 2006
Mr S K Bajoria	-
Mr B P Bajoria	-
Mr P D Manpuria	-
Mr C C Schueppert	-

The interest of the above directors in the ultimate parent company IFGL Refractories Limited, India, are disclosed in its financial statements.

Dividends

The directors have recommended the payment of an interim dividend of £407,519 during the year.

IFGL MONOCON HOLDINGS LIMITED
DIRECTORS' REPORT (Continued)
FOR THE PERIOD ENDED 31ST MARCH 2006

Auditors

Sedley Richard Laurence Voulters were appointed auditors to the company during the period and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Creditor payment policy

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the group's contractual and other legal obligations. On an average, other trade creditors as at 31st March 2006 represented 53 days purchases of the group.

Political and charitable donation

During the period, the group made charitable donations totalling £1,256.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- (d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

IFGL MONOCON HOLDINGS LIMITED
DIRECTORS' REPORT (Continued)
FOR THE PERIOD ENDED 31ST MARCH 2006

Statement for disclosure to auditors

(a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all steps that they ought to have taken as directors in order to make themselves aware of relevant audit information and to establish that the company auditors are aware of that information.

By Order of the Board

Mr P D Manpuria

Secretary

3 May 2006

**IFGL MONOCON HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD ENDED 31ST MARCH 2006**

We have audited the financial statements of IFGL Monocon Holdings Limited on pages 8 to 25 for the period ended 31st March 2006. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

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 the directors and auditors

As described in the statement of directors' responsibilities on page 4 the directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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

Basis of audit 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 group's circumstances, consistently applied and adequately disclosed.

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.

**IFGL MONOCON HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT (continued)
FOR THE PERIOD ENDED 31ST MARCH 2006**

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 group and the company's affairs as at 31st March 2006 and of their profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Sedley Richard Laurence Voulters

3 May 2006

*Chartered Accountants
and Registered Auditors*

1 Conduit Street
London W1S 2XA

IFGL MONOCON HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31ST MARCH 2006

	Note	2006 £'000
Turnover	1	12,888
Raw materials and Consumables		(6,819)
Other expenses		(2,133)
Staff costs	2	(2671)
Depreciation of tangible fixed assets		(161)
Amortisation of intangible fixed assets		(86)
Other operating charges		<u>(228)</u>
Operating profit		790
Loss on transfer of fixed asset investment to parent company		(218)
Net interest payable	3	<u>(180)</u>
Profit on ordinary activities before taxation		392
Tax on profits on ordinary activities	4	(167)
Profit for the financial period		<u>225</u>
Dividends and appropriations	6	<u>(408)</u>
Transfer to Reserves	16	<u>£ (183)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

IFGL MONOCON HOLDINGS LIMITED
BALANCE SHEET
AS AT 31st MARCH 2006

	Note	The group 2006 £'000	The company 2006 £'000
Fixed assets			
Intangible assets	7	3,363	-
Tangible assets	8	1,991	
Investments	9	-	5,025
		<u>5,354</u>	<u>5,025</u>
Current assets			
Stocks	10	2,490	-
Debtors	11	4,255	383
Cash at bank and in hand		<u>1,128</u>	<u>-</u>
		7,873	383
Creditors: amounts falling due within one year	12	<u>(3,398)</u>	<u>(408)</u>
Net current assets		<u>4,475</u>	<u>(25)</u>
Total assets less current liabilities		9,829	5,000
Creditors: amounts falling due after more than one year	13	(4,691)	-
Provisions for liabilities and charges	14	(218)	-
		<u>4,920</u>	<u>5,000</u>
Capital and reserves			
Called up share capital	15	5,000	5,000
Reserves	16	(80)	-
Shareholders' funds		<u>4,920</u>	<u>5,000</u>

The financial statements were approved by the Board of Directors on 3 May 2006.

Mr S K Bajoria
Director

Mr P D Manpuria
Director

**IFGL MONOCON HOLDINGS LIMITED
CONSOLIDATED CASH FLOW
FOR THE PERIOD ENDED 31ST MARCH 2006**

	Note	£'000	2006 £'000
Net cash outflow from operating activities	19		(2,667)
Returns on investments and servicing of finance			
Interest paid		(180)	(180)
Net cash outflow from returns on investments and Servicing of finance		<u> </u>	<u> </u>
			(2,847)
Taxation			-
Capital expenditure and financial investment			
Payments to acquire intangible assets		(3,449)	
Payments to acquire tangible fixed assets		(2,280)	
Transfer of subsidiaries to parent company		(218)	
Sale of fixed assets		<u>128</u>	
Net cash outflow from capital expenditure and financial investment			<u>(5,819)</u>
Net cash inflow before financing			(8,666)
Financing			
Issue of ordinary share capital		5,000	
New long term bank loan	20	<u>4,691</u>	<u>9,691</u>
Net cash inflow from financing			1,025
Effect of foreign exchange change			<u>103</u>
Increase in cash	21		<u>1,128</u>

IFGL MONOCON HOLDINGS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31ST MARCH 2006

	2006 £'000
Profit for the financial period	225
Exchange differences arising on retranslation of net assets of overseas subsidiary undertakings	103
Loss on transfer of fixed asset investment to parent company	<u>(218)</u>
Total recognised profit for the period	<u>110</u>

**IFGL MONOCON HOLDINGS LIMITED
PRINCIPAL ACCOUNTING POLICIES
FOR THE PERIOD ENDED 31ST MARCH 2006**

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements have been prepared as continuing operations. These include the results of the subsidiaries transferred to the parent company, as all companies are wholly owned by the ultimate parent company.

The principal accounting policies of the group are set out below.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn from the date of acquisition on 10 September 2005 up to 31st March 2006. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

The results of subsidiaries acquired or disposed during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal as appropriate.

Goodwill

Goodwill arising on consolidation, representing the excess of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 20 years.

Turnover

Turnover is the total value of goods supplied and services provided by the group, excluding VAT and trade discounts. Turnover is recognised in the period in which the goods are despatched and services are provided.

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets (other than leasehold land) over its estimated useful life, as follows:

Buildings	50 years
Plant and machinery	3 – 10 years
Fixtures and fittings	1 – 10 years
Motor Vehicles	4 years

IFGL MONOCON HOLDINGS LIMITED
PRINCIPAL ACCOUNTING POLICIES
FOR THE PERIOD ENDED 31ST MARCH 2006

Leased assets

Rentals payable for assets acquired under operating lease are charged to profit and loss account.

Investments

Long term investments are stated at cost less provision for permanent diminution, if any.

Inventories

Inventories are valued at lower of cost and net realizable value after making due allowance for obsolete and slow moving items. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to its location and includes, appropriate overheads, wherever applicable. Cost is calculated using the weighted average method.

Current and Deferred taxation

Current tax is determined as the amount of tax payable in the respective countries, on taxable income for the year based on applicable tax rates and laws. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been enacted or subsequently enacted by the Balance Sheet date. The deferred tax balance has not been discounted.

Foreign currencies

The individual financial statements of each group entity are present in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidation financial statements.

For consolidation, all assets and liabilities (except opening net-worth) denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Income and expenses are translated at the month-end exchange rates for consolidation purposes. Exchange differences arising from such retranslation in subsidiaries are recognized as foreign exchange translation reserve.

In individual financial statements, transactions in foreign currencies are recognized at the rates existing at the time of such transactions. Gain or losses resulting from the settlement of such transactions are recognized in the Profit and Loss Account. Year end balances of monetary assets and liabilities are translated at applicable forward contract/year-end rates and the resultant differences relating to fixed assets are adjusted against fixed assets and the balance is recognized in the Profit and Loss Account.

**IFGL MONOCON HOLDINGS LIMITED
PRINCIPAL ACCOUNTING POLICIES
FOR THE PERIOD ENDED 31ST MARCH 2006**

Retirement benefits

The company operates a Defined contributions pension scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable.

Research and development

Research expenditure is charged to the profit and loss account in the period in which is incurred. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected use arising from the projects. All other development costs are written off in the year of expenditure.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

IFGL MONOCON HOLDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

1. Turnover and loss on ordinary activities before taxation

Turnover represents the amount derived from the provision of goods and services which fall due within the ordinary activities of the group.

The analysis of turnover by geographical area is as follows:

	2006
	£'000
United Kingdom	2,301
Other EU countries	1,094
Americas	5,327
Rest of world	<u>4,166</u>
	<u>12,888</u>

The profit on ordinary activities before taxation is stated after:

	2006
	£'000
Auditors' remuneration;	
Audit Services	21
Depreciation of tangible fixed assets	161
Exchange loss	231
Amortisation of goodwill	<u>86</u>

2. Directors and employees

Staff costs during the period were as follows:

	2006
	£'000
Wages and salaries	2529
Social security costs	98
Other pension costs	<u>44</u>
	<u>2671</u>

	2006
	Number
Production staff	71
Sales & Field services	43
Office and management	<u>36</u>
(excluding employees of transferred subsidiaries)	<u>150</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

2. Directors and employees (continued)

Remuneration in respect of directors was as follows:

	2006 £'000
Emoluments	225
Pension contributions to personal pension schemes	<u>18</u>
	<u>243</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2006 £'000
Emoluments	63
Pension contributions to personal pension scheme	<u>1</u>
	<u>64</u>

3. Net interest payable

	2006 £'000
On bank loans and others	193
Other interest receivable and similar income	<u>(13)</u>
	<u>180</u>

4. Tax on profit on ordinary activities

The tax charge represents:

	2006 £'000
United Kingdom corporation tax of 30%	130
Overseas taxation	37
	<u>167</u>
Tax on profit on ordinary activities	<u>167</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

4. Tax on profit on ordinary activities (continued)

The tax charge is explained as follows:

	2006 £'000
Profit of ordinary activities before tax	<u>392</u>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax of 30.00% (2005: 30.00%)	118
Effect of:	
Non deductible expenses	214
Depreciation add back	48
Capital allowance	(1)
Tax losses utilised	(150)
Adjustment to previous years	(36)
Foreign tax adjustments	(24)
Other tax adjustments	<u>(2)</u>
Current tax charge	<u>167</u>

5. Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £ nil which is dealt with in the financial statements of the company.

6. Dividends and appropriations

	2006 £'000
Equity dividends on ordinary shares - paid	<u>408</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

7. Intangible fixed assets

	Goodwill £'000
The group	
At cost on acquisition	3,449
Amortisation	
Provided in the period to 31 st March 2006	<u>(86)</u>
Net book value at 31 st March 2006	<u>3,363</u>

8. Tangible fixed assets

The group	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Net book value at acquisition	1,233	624	248	17	2,122
Additions	57	35	16	-	108
Deductions/Transfer to parent company	-	(86)	(6)	(2)	(94)
At 31 March 2006	<u>1,290</u>	<u>573</u>	<u>258</u>	<u>15</u>	<u>2,136</u>
Depreciation					
Charge for the period	24	85	45	7	161
Deductions/Transfer to parent company	-	(14)	(1)	(1)	(16)
At 31 March 2006	<u>24</u>	<u>71</u>	<u>44</u>	<u>6</u>	<u>145</u>
Net book value At 31 March 2006	<u>1,266</u>	<u>502</u>	<u>214</u>	<u>9</u>	<u>1,991</u>

Freehold land and buildings includes £165,321 being the cost of freehold land which is not depreciated.

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

9. Fixed asset investments

The company	Investment in subsidiary undertakings £'000
Addition during the period	5,025
Cost at 31 st March 2006	<u>5,025</u>

The investment has been included in the company's balance sheet at the date of acquisition. The fair value of the net asset position and goodwill arising at the date of acquisition is detailed below.

	£000
Goodwill	3,449
Assets	18,991
Liabilities	<u>(17,415)</u>
Consideration paid in cash	<u>5,025</u>

The goodwill arising on acquisition is attributable to the anticipated profitability of the manufacture and distribution of the group's products in new markets and the anticipated future operating synergies with the ultimate parent company in India.

At 31 March 2006, the group held 20% or more of the allotted share capital of the following:

	Country of Incorporation	Class of share capital held	Proportion held
Monocon International Refractories Limited	England & Wales	Ordinary shares	100%
Monocon Overseas Limited	England & Wales	Ordinary shares	100%
Monocon Taiwan Company Limited*	Taiwan	Share stock	100%
Mono Ceramics Inc*	USA	Share stock \$1	100%

*Held through Monocon Overseas Limited

Monocon International Refractories Limited, Mono Ceramics Inc. and Monocon Taiwan Company Limited manufacture refractory products and equipments for the steel industry. Monocon Overseas Limited is an intermediate holding company for the groups overseas investments.

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

10. Stocks

	The group 2006 £'000	The company 2006 £'000
Raw materials	701	-
Consumable stock	31	-
Finished goods	<u>1758</u>	<u>-</u>
	<u>2,490</u>	<u>-</u>

11. Debtors

	The group 2006 £'000	The company 2006 £'000
Trade debtors	3,840	-
Other debtors and prepayments	415	383
	<u>4,255</u>	<u>383</u>

12. Creditors: amounts falling due within one year

	The group 2006 £'000	The company 2006 £'000
Bank loans	521	-
Trade creditors	1,234	-
Amounts owed to group undertakings	408	-
Other creditors and accruals	<u>1,235</u>	<u>408</u>
	<u>3,398</u>	<u>408</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

13. Creditors: amounts falling due after more than one year

	The group	The company
	2006	2006
	£'000	£'000
Bank Loan	<u>4,691</u>	-
Analysis of loans		
Total loan	<u>5,212</u>	-
	5,212	-
Included in current liabilities	<u>(521)</u>	<u>-</u>
	<u>4,691</u>	
Loan maturity analysis		
In more than one year but not more than two years	1,042	-
In more than two years but not more than five years	3,127	-
In more than five years	<u>522</u>	-
	<u>4,691</u>	

The loans have been taken in Euro and US dollar currencies and the loan facility is secured by:

- Mortgage of movable and immovable assets (including intangibles) of MIRL
- Mortgage of movable and immovable assets of Mono Ceramics Inc, USA – a subsidiary of Monocon Overseas Limited (MOL).
- Shortfall undertaking from IFGL Refractories Limited
- Pledge of IFGL Worldwide Holdings Limited (IWHL) in IFGL Monocon Holdings Limited (IMHL)
- Pledge of IMHL's holding in Monocon International Refractories Limited (MIRL)
- Pledge of MIRL's holding in MOL
- Non-disposal undertaking from IWHL for its holding in subsidiaries in China and Brazil

14. Provisions for liabilities and charges

The group	Deferred
	taxation
	2006
	£'000
At 31 st March 2006	<u>218</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

15. Share Capital

	2006
	£'000
Authorised:	
5,000,000 ordinary shares of £1 each	<u>5,000</u>
Allotted called up and fully paid:	
5,000,000 ordinary shares of £1 each	<u>5,000</u>

16. Reserves

The group	Other Reserves £'000	Profit and loss account £'000	Total £'000
Exchange translation reserve	103	-	103
Loss for the year	<u>-</u>	<u>(183)</u>	<u>(183)</u>
	<u>103</u>	<u>(183)</u>	<u>(80)</u>

The company	Profit and loss account £'000	Total £'000
Retained profits for the year	<u>-</u>	<u>-</u>

17. Deferred taxation

Deferred taxation provided for the financial statements is set out below.

	2006
	£'000
The group	
Accelerated capital allowances	<u>218</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

18. Reconciliation of movements shareholders' funds

	2006
	£'000
Profit for the financial year	225
Dividends	<u>(408)</u>
	(183)
Proceeds from issue of shares	5,000
Movements on other reserves	<u>103</u>
Net addition to shareholders' funds	4,920
Opening shareholders' funds	-
	<u>4,920</u>
Closing shareholders' funds	<u>4,920</u>

19. Net cash flow from operating activities

	2006
	£'000
Operation profit	790
Depreciation	161
Amortisation of goodwill	86
Increase in stock	(2,490)
Increase in debtors	(4,255)
Increase in creditors	<u>3,041</u>
Net cash outflow from operating activities	<u>(2,667)</u>

20. Analysis of changes in net debt

	Cash flows
	2006
	£'000
Cash in hand	1,128
Debt due within one year	(521)
Debt due after one year	<u>(4,691)</u>
Net debt	<u>(4,084)</u>

21. Reconciliation of net cash flow to movement in net debt

	2006
	£'000
Increase in cash in the year	1,128
Net cash flow at 31 st March 2006	<u>1,128</u>

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

22. Retirement benefits

Defined contribution pension scheme

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

23. Leasing commitments

The group

At the balance sheet date, the group was committed to making the following payments for plant and machinery taken under non-cancellable operating leases in the year to 31 March 2007:

	£'000
Operating leases which expire:	
Within one year	34
Between two and five years	<u>69</u>
	<u>103</u>

24. Contingent Liability

In year 2001, the group's subsidiary company Mono Ceramics Inc, USA incurred a bad debt through its customer Bethlehem Steel Inc going into Chapter 11 bankruptcy. This amount was provided for and written off. The company has been advised by lawyers for Bethlehem Steel Inc's senior creditors of a further claim under US bankruptcy law for repayment of sums paid to Mono Ceramics Inc during the 90 day period prior to bankruptcy. The payments amounts to US dollar \$1,000,000.

The directors have taken legal advice on this issue and the claim is being defended by the company's lawyers in USA. These claims appear to be opportunistic and, therefore, can be defended. Currently, the directors consider it unlikely that these claims will be payable.

25. Controlling Parties

The immediate parent company is IFGL Worldwide Holdings Limited a company registered in the Isle of Man, and the ultimate parent Company is IFGL Refractories Limited, a company registered in India.

IFGL Refractories Limited prepare group financial statements and copies can be obtained from its head and corporate office at 3 Netaji Subhas Road, Kolkata – 7000 001, India.

The largest group of undertakings for which group accounts have been drawn up is that headed by IFGL Refractories Limited in India.

IFGL MONOCON HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2006

26. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

During the period, a sum totalling £96,932 was paid to Mr C C Schueppert, a director of the company, from a fellow subsidiary Monocon International Refractories Limited in his capacity as a director of the previous holding company up to 10th September 2005 and subsequently as an advisor.