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FOSECO (JERSEY) LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

REGISTERED NO: FC025938

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FOSECO (JERSEY) LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2006

Results and dividends

The profit for the year, after tax, is £14,953,000 (2005 £10,397,000) The Company paid an ordinary dividend of £15,000,000 (2005, £27,000,000) during the year No preference dividends were paid during the year(2005 £139,000)

Principal activities and review of the business

The Company is a wholly owned subsidiary of Foseco plc and operates as a holding company for all the subsidiaries of the Foseco plc group via another subsidiary The ultimate holding company is Foseco plc

The principal activities of the Foseco plc group are the development, manufacture and supply of consumable products and services to the higher quality segments of the foundry and steel-making industries worldwide

The Company's principal activity is the holding of the investment in subsidiary undertakings and its income consists of dividends received from these investments This dividend income has remained at the same level as last year

The balance sheet on page 7 shows that the Company's financial position at the year-end has not significantly changed from the prior year-end Details of amounts owed to its parent company are shown in note 11 to the accounts

The Foseco plc group manages its operations on a divisional basis For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of development, performance or position of the business The performance of the Foseco plc group as a whole, which includes the Company, is discussed in the Foseco plc Annual Report, which does not form part of this report

Principal risks and uncertainties

The Company's directors consider the risks for the Company to be the same as the risks to the Foseco plc group that are discussed in the Foseco plc Annual Report, which does not form part of this report

Research and development

The Company does not perform research and development Subsidiary undertakings perform research and development activities for the Foseco plc group The research and development activities are discussed in the Foseco plc Annual Report, which does not form part of this report

FOSECO (JERSEY) LIMITED

DIRECTORS' REPORT (continued)

Events since balance sheet date

An interim dividend for 2007 of £20,000,000 was declared and paid on 29 March 2007

Future developments

The directors consider that the business of the Company is unlikely to change in the foreseeable future

Directors

The directors who served during the year were as follows

P D Dean
D G Hussey
J R P Pike
D Rosenkranz

No director has any interest in the shares of the Company

No director was interested during or at the end of the year in any contract, which was significant in relation to the Company's business

Employees

The Company has no employees. Employees of other group companies undertake all administration on the Company's behalf

Supplier Payment Policy

The Company seeks to agree payment terms with each of its suppliers, ensuring they are aware of those terms, when it enters into binding purchase transactions. Terms of payment are adhered to, subject to the Company being satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions in the relevant purchase contract.

At 31 December 2006 the Company had an average of Nil days purchases outstanding in trade creditors

FOSECO (JERSEY) LIMITED

DIRECTORS' REPORT (continued)

Directors' statement as to disclosure of information to auditors

Having made enquiries of fellow directors and the Company's auditors, each of the directors who was a director at the date of approving this report confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Article 87 (4) of the Companies (Jersey) Law 1991, a resolution to dispense with annual general meetings was passed on 15 August 2005. Accordingly, Ernst & Young LLP are deemed to be reappointed under Article 109 (4) of the Companies (Jersey) Law 1991.

By order of the board



Ogier Corporate Services (Jersey) Limited
Secretary
Whiteley Chambers
Don Street
St Helier
Jersey JE4 9WG

8 May 2007

FOSECO (JERSEY) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual report and financial statements in accordance with applicable Jersey law and generally accepted accounting principles

Jersey Company law requires the directors to prepare financial statements for each financial year which 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 should

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- 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 Law. 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FOSECO (JERSEY) LIMITED

We have audited the Company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related 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 Article 110 of the Companies (Jersey) Law 1991. 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 auditors' 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 auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law as 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 (Jersey) Law 1991. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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 judgments 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.

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 Accounting Standards, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP

Ernst & Young LLP
Birmingham

24 May 2007

FOSECO (JERSEY) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006****Notes**

		Continuing operations	
		2006	2005
		£'000	£'000
	Administration expenses	(47)	(362)
	Other operating income (dividends from subsidiary undertakings)	15,000	15,000
3	Operating exceptional items	-	(3,561)
2	Operating profit	14,953	11,077
6	Finance charges	-	(819)
13	Profit on ordinary activities before and after tax	<u>14,953</u>	<u>10,258</u>

The Company has no recognised gains or losses other than the profit for the year of £14,953,000 (2005 profit £10,258,000)

Details of dividends paid during the year and those proposed after the balance sheet date are set out in note 8 to the accounts

A reconciliation of movements in shareholders funds is set out in note 13 to the accounts

FOSECO (JERSEY) LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

Notes		2006 £'000	2005 £'000
	Fixed assets		
9	Investment in subsidiary undertakings	30,439	30,439
		<u>30,439</u>	<u>30,439</u>
	Current assets		
10	Debtors	2,962	1,552
	Cash and short-term deposits	-	6
		<u>2,962</u>	<u>1,558</u>
11	Creditors amounts falling due within one year	(15,128)	(13,677)
	Net current liabilities	<u>(12,166)</u>	<u>(12,119)</u>
	Net assets	<u>18,273</u>	<u>18,320</u>
	Capital and reserves		
12	Called-up share capital	10	10
13	Share premium	16,250	16,250
13	Capital redemption reserve	746	746
13	Profit and loss account	1,267	1,314
13	Total shareholders' funds	<u>18,273</u>	<u>18,320</u>

Approved by the board of directors on 8 May 2007 and signed on their behalf



Director

FOSECO (JERSEY) LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

Group accounts

These accounts present information about the Company as an individual undertaking and not about its group. The Company does not have to prepare group accounts as it is a subsidiary of a European parent that prepares group accounts.

The Company is wholly owned by Foseco plc. The Company's accounts are incorporated into the consolidated accounts of Foseco plc that are prepared in accordance with UK legislation and include a consolidated cash flow statement. The Company is therefore exempt from the requirements of Financial Reporting Standard No 1 (Revised) - 'Cash Flow Statements'.

The Annual Report of Foseco plc may be obtained from Coleshill Road, Tamworth, Staffordshire, B78 3TL or from the Foseco plc website at www.foseco.com. This is the parent undertaking of the smallest and largest group into which the Company's results are consolidated and for which group accounts are prepared and are publicly available.

Accounting convention

The accounts have been prepared under the historical cost convention, and have been prepared in accordance with accounting principles generally accepted in the Island of Jersey, incorporating United Kingdom accounting standards.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision for diminution in value.

Tax

Prior to 15 April 2005, the Company was tax resident in Jersey and had no liability to UK corporation tax. On 15 April 2005, following a group restructuring, the Company's tax residency was changed to the United Kingdom and as such corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

FOSECO (JERSEY) LIMITED

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Investment income

Investment income is recognised when the right to receive payment is established

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All exchange differences are taken to the profit and loss account.

Going concern basis

The financial statements have been prepared on the going concern basis.

2. Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after charging		
Auditors remuneration (borne by another group company)	-	-
Operating exceptional costs (note 3)	-	3,561
Staff costs (note 4)	-	46
	<u>-</u>	<u>46</u>

3. Operating exceptional items

	2006 £'000	2005 £'000
Silica liability settlement	-	4,250
Release of accruals relating to attempted disposal of the Company	-	(689)
	<u>-</u>	<u>3,561</u>

4. Employees

	2006 No.	2005 No.
The average monthly number of employees during the year was made up as follows		
Management and technical	-	1
	<u>-</u>	<u>1</u>
Staff costs during the year amounted to	£'000	£'000
Wages and salaries	-	41
Social security costs	-	5
	<u>-</u>	<u>46</u>

FOSECO (JERSEY) LIMITED**NOTES TO THE ACCOUNTS (continued)****5. Directors' remuneration**

	2006 £'000	2005 £'000
Directors' remuneration consists of		
Other emoluments (excluding pension contributions)	<u>-</u>	<u>41</u>
Members of defined benefit pension scheme	<u>-</u>	<u>-</u>

The remuneration of the executive directors of the Company is paid by other group companies

6. Finance charges

	2006 £'000	2005 £'000
Deep discount bonds	<u>-</u>	<u>(633)</u>
Interest receivable	<u>-</u>	<u>(633)</u>
Amortisation of loan fees	<u>-</u>	<u>117</u>
Net interest receivable before exceptional items	<u>-</u>	<u>(516)</u>
Exceptional items – write off of issue costs	<u>-</u>	<u>1,196</u>
Preference dividend	<u>-</u>	<u>139</u>
	<u>-</u>	<u>819</u>

7. Tax

	2006 £'000	2005 £'000
The tax charge for the year comprises		
<i>UK corporation tax</i>		
Current tax charge on income for the period	-	-
Overseas withholding tax	-	-
Double tax relief	<u>-</u>	<u>-</u>
Current tax charge for the period	<u>-</u>	<u>-</u>
	2006 £'000	2005 £'000
Tax reconciliation		
UK corporation tax @ 30% of profit before tax	4,486	3,119
Non-deductible and non-taxable items	(4,709)	(3,246)
Group relief not paid for	<u>223</u>	<u>127</u>
Current tax on profit on ordinary activities before tax	<u>-</u>	<u>-</u>

Under Article 123A of the Income Tax (Jersey) Law 1961, as amended, the company has obtained Jersey exempt company status for the year and is therefore exempt from Jersey income tax on non Jersey source income and bank interest (by concession) A £600 annual exempt company fee is payable by the company

FOSECO (JERSEY) LIMITED**NOTES TO THE ACCOUNTS (continued)****8. Dividends**

	2006 £'000	2005 £'000
Equity dividends on ordinary shares		
Dividends paid £ 15 26 per share (2005 £ 12 21 per share)	<u>15,000</u>	<u>27,000</u>
	<u>15,000</u>	<u>27,000</u>

9. Investment in subsidiary undertakings

	2006 £'000	2005 £'000
Cost		
At 1 January	30,439	628
Additions	-	29,811
At 31 December	<u>30,439</u>	<u>30,439</u>

During 2005 a capital contribution was made to Foseco Holding Limited. This contribution was permanent and as such is not repayable at any time.

The activities of the Company's subsidiary undertakings are in the supply of consumable products and services for use in the foundry and steel-making industries. Details of the principal subsidiary undertakings are set out in note 15.

10. Debtors

	2006 £'000	2005 £'000
Other debtors	3	11
Amounts due from fellow subsidiaries	<u>2,959</u>	<u>1,541</u>
	<u>2,962</u>	<u>1,552</u>

11. Creditors

	2006 £'000	2005 £'000
Other creditors	-	5
Amounts owed to subsidiary undertakings	9	9
Amount owed to parent undertaking	<u>15,119</u>	<u>13,663</u>
	<u>15,128</u>	<u>13,677</u>

FOSECO (JERSEY) LIMITED**NOTES TO THE ACCOUNTS (continued)****12. Share capital**

	Number	
	2006	2005
Authorised		
Ordinary shares of £0 01 each	<u>69,154,476</u>	<u>69,154,476</u>
	£	
	2006	2005
Authorised		
Ordinary shares of £0 01 each	<u>691,545</u>	<u>691,545</u>
	Number	
	2006	2005
Allotted, called up and fully paid		
Ordinary shares of £0 01 each	<u>982,495</u>	<u>982,495</u>
	£	
	2006	2005
Allotted, called up and fully paid		
Ordinary shares of £0 01 each	<u>9,825</u>	<u>9,825</u>

FOSECO (JERSEY) LIMITED

NOTES TO THE ACCOUNTS (continued)

13. Reconciliation of the movement in shareholders' funds

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2005	557	6,403	199	22,000	29,159
Purchase and cancellation of shares	(547)	(6,403)	-	(3,397)	(10,347)
Transfer to non-distributable reserves	-	-	547	(547)	-
Capital injection	-	16,250	-	-	16,250
Retained profit for the year	-	-	-	10,258	10,258
Dividends	-	-	-	(27,000)	(27,000)
At 31 December 2005	10	16,250	746	1,314	18,320
Retained profit for the year	-	-	-	14,953	14,953
Dividends	-	-	-	(15,000)	(15,000)
At 31 December 2006	10	16,250	746	1,267	18,273

14. Related party transactions

The Company is a subsidiary undertaking and 90% or more of its voting rights are controlled within the Foseco plc group. The Foseco plc group accounts are publicly available. The Company is therefore exempt from the requirements of FRS8 to disclose material related party transactions insofar as the transactions occur within the group. There were no material transactions with related parties outside of the Foseco plc group during the year.

15. Principal subsidiary undertakings

The ultimate holding company is Foseco plc. The principal activities of the Company's subsidiary and associated undertakings are the development, manufacture and supply of metallurgical chemicals to the higher quality segments of the foundry and steel industries worldwide. The principal activity of the Company is to act as an investment holding entity.

FOSECO (JERSEY) LIMITED

NOTES TO THE ACCOUNTS (continued)

15. Principal subsidiary undertakings (continued)

The following is a list of principal subsidiary undertakings of which Foseco (Jersey) Limited, directly or through subsidiary companies, is the beneficial owner of the whole, or such lesser percentage as is stated, of the equity share capital

Name	Country of incorporation	Functional currency	% equity interest
Foseco Holding Limited *	UK	Sterling	100
Foseco (UK) Limited	UK	Sterling	100
Foseco International Limited	UK	Sterling	100
Foseco Limited	UK	Sterling	100
Foseco Holding (Europe) Limited	UK	Sterling	100
New Foseco (UK) Limited	UK	Sterling	100
Foseco Austria GmbH	Austria	Euro	100
Foseco SA	Belgium	Euro	100
Foseco Ceska s r o	Czech Republic	Coruna	100
Foseco SAS	France	Euro	100
Foseco Holding (Deutschland) GmbH	Germany	Euro	100
Foseco GmbH	Germany	Euro	100
Foseco Srl	Italy	Euro	100
Foseco Nederland BV	Netherlands	Euro	100
Foseco Polska sp z o o	Poland	Zloty	100
Foseco Portugal Produtos para Fundicao Lda	Portugal	Euro	100
Foseco o o o	Russia	Rouble	100
Foseco Espanola SA	Spain	Euro	100
SMC - Foseco Productos Fundicion SA	Spain	Euro	100
Foseco AB	Sweden	Krona	100
Foseco (Switzerland) AG	Switzerland	S Franc	100
Foseco Dokum Sanayi ve Ticaret Limited Sirketi	Turkey	Lira	100
Foseco Industria E Commercial Ltda	Brazil	Real	100
Foseco Canada Inc	Canada	C\$	100
Foseco Metallurgical Inc	USA	US\$	100
Foseco SA de CV	Mexico	M Peso	100
Foseco (Pty) Limited	Australia	A\$	100
Foseco Foundry (China) Limited	China	Renminbi	100
Foseco Refractories Tianjin Co Limited	China	Renminbi	100
Foseco India Limited	India	Rupee	66 48
PT Foseco Indonesia	Indonesia	Rupiah	100
Foseco Japan Limited	Japan	Yen	100
Foseco Korea Limited	Korea	Won	100
Foseco NZ Limited	New Zealand	NZ\$	100
Foseco Philippines Inc	Philippines	P Peso	100
Foseco (Foundry Services) Pte Limited	Singapore	S\$	100
Foseco South Africa (Pty) Limited	South Africa	Rand	100
Foseco Golden Gate Co Limited	Taiwan	T\$	51
Foseco (Thailand) Limited	Thailand	Baht	74

* shares directly held by Foseco (Jersey) Limited

In the opinion of the directors of the Company, the value of the interest in the subsidiary undertakings is not less than the amount at which that asset is stated in the balance sheet

FOSECO (JERSEY) LIMITED

NOTES TO THE ACCOUNTS (continued)

16. Post balance sheet event

An interim dividend of £20,000,000 was declared and paid on 29 March 2007. This will be accounted for as an appropriation of retained earnings in the year ending 31 December 2007.