



14 September 2006

Foseco plc

Interim Financial Report for the Six Months Ended 30 June 2006

Highlights

- Turnover increased by 10% to £210.2m (2005: £190.4m).
- Operating profit before exceptional items at £24.8m was up 22% (2005: £20.4m). After exceptional items, operating profit rose by 52% to £24.8m (2005: £16.3m).
- Operating profit margins before exceptional items at 11.8% improved by 1.1 points (2005: 10.7%). After exceptional items, operating profit margins remained at 11.8%, up 3.2 points (2005: 8.6%).
- Basic and diluted earnings per share (before exceptional items) were 7.7p (2005: 6.1p). Basic and diluted earnings per share for continuing operations after exceptional items were 7.7p (2005: 1.4p).
- Interim dividend of 1.54p (2005: 1.4p).
- Strong progress in Foseco Foundry (80% of turnover) in both sales and margins.
- Foseco Steel (20% of turnover) showed good sales growth and continued to invest in development of the business.

Commenting on the results, Danny Rosenkranz, Chairman, said:

"I am delighted to report another excellent set of results. Turnover has grown strongly and I am particularly pleased with the overall improvement in the margins. Once again the Group has generated strong cash flows.

We expect to make further progress in the second half of the year, assuming that there is no deterioration in global trading conditions".

Enquiries:

Foseco plc

Jamie Pike, Chief Executive Tel today: +44 (0) 20 7554 1400

Paul Dean, Finance Director Tel thereafter: +44 (0) 1827 252 521

Gavin Anderson & Company Tel: +44 (0) 207 554 1400
Deborah Walter / Robert Speed

Notes to Editors

Foseco plc is a world leader in the supply of consumable products for use in the foundry and steel making industries. Typically, Foseco's products represent a small element of the overall cost of the foundry and steel making processes yet they are key to the overall quality and yield. The Group has a highly trained sales and service network in 34 countries across the world and operates 29 production facilities in 17 countries. It employs approximately 3,100 staff and is listed on the London Stock Exchange (FOSE.L).

The Group has two distinct divisions:

Foseco Foundry

This accounts for approximately 80% of Group turnover and supplies consumable products, together with technical services and support, to the global foundry industry. In the last full year to 31 December 2005 Foseco Foundry generated external turnover of £304.2m.

Foseco Steel

This business provides value added, high performance consumables and services to the steel making industry, principally in Europe and North America. In the last full year to 31 December 2005, Foseco Steel generated external turnover of £72.6m.

Chairman's Statement

In our second year as a quoted company, I am pleased to report strong earnings and cash generation for the six months to 30 June 2006.

Our Foundry business continues to perform well. The rate of turnover growth has moderated to a more sustainable level, while margins have improved following the advances seen in the second half of 2005.

Progress is being made in the Steel business; turnover has increased substantially and the new facility in China was recently opened on time and on budget. We are also starting to see an improvement in margins from the low point of the second half of 2005.

Overall, turnover increased by 10% to £210.2m; of which 3% was due to favourable currency movements.

Operating profit before exceptional items rose by £4.4m (22%) to £24.8m due to a combination of turnover growth, a substantial margin increase in Foundry and a £0.7m favourable impact from currency. No exceptional items were recorded in the period.

Net interest costs, at £2.8m, were in line with 2005. Interest cover is a healthy 8.9 times. The tax rate has edged up to 39.5% and reflects predominately the geographic mix of profits.

Profit for the period from continuing operations and before exceptional items rose by £2.6m (24%) to £13.3m. Earnings per share from continuing operations before exceptional items at 7.7 pence were up 26% on the first half of 2005.

Business Overview

Foseco Foundry

£m	H1 2006	H1 2005 (current rates)	Change YOY	H1 2005 (historic rates)	Full Year 2005 (historic rates)
Turnover	168.6	158.7	6.2%	153.5	304.2
Operating Profit *	25.2	20.8	21.2%	20.1	41.4

* stated pre-exceptional items throughout the Business Overview.

All comparative figures are quoted on the basis of current (i.e. H1 2006) exchange rates throughout the Chairman's statement unless stated otherwise.

Foseco Foundry supplies consumable products, technical services and support to the foundry industry worldwide. The products are designed to improve customers' process capabilities, yields and productivity.

Although the turnover growth of 6% was lower than the 10% recorded for full year 2005 at constant rates, the increase was in line with the second half of 2005 and is at a more sustainable running rate. Demand was particularly strong in Europe and China, though there was some weakness in the foundries that supply the US automotive industry.

Net margins improved in all regions and overall increased to 14.9% up 1.8 points on the first half of 2005. The gain was due to a combination of enhanced mix, additional volume that improved overhead absorption and the recovery of input price increases that were suffered in late 2004 and early 2005.

Overall, the outlook for Foundry remains positive and we view the future for this business with confidence.

Foundry Europe

£m	H1 2006	H1 2005 (current rates)	Change YOY	H1 2005 (historic rates)	Full Year 2005 (historic rates)
Turnover	74.0	68.3	8.3%	68.1	129.3
Operating profit	13.5	10.4	29.8%	10.4	20.2

Casting volumes in the first half of 2006 were strong. Within a total increase of 4% in Western Europe, Germany was up by 6% and other key countries increased between 1% and 3%, though France and UK fell back by some 3%. Against this backdrop a turnover increase of nearly 7% again demonstrated Foseco's ability to grow sales in mature markets. Across Central and Eastern Europe, casting volumes rose by around 6%, but Foseco's turnover increased by 24% with continuing momentum in Turkey and the Czech Republic and developing sales in Russia and the Ukraine.

Margins improved due to the leverage effect of the higher volumes and the selling price increases that were implemented in mid 2005. Overall, trading profit rose by 30% or £3.1m on a constant currency basis.

Though there are cost pressures due to higher energy and raw materials (for example aluminium), the demand for capital goods remains strong, so that the outlook for the year remains positive.

Foundry Americas

£m	H1 2006	H1 2005 (current rates)	Change YOY	H1 2005 (historic rates)	Full Year 2005 (historic rates)
Turnover	42.7	42.1	1.4%	38.0	78.1
Operating profit	4.5	3.7	21.6%	3.2	6.8

In the US and Canada, demand for capital goods remained strong, offsetting weaker production of iron castings for the automotive sector; overall casting volumes were up around 1%. Fosco sales were down slightly due to a deliberate strategy of selective price increases and moving away from lower margin products. The combined impacts of the richer mix, selling price increases and a number of manufacturing improvements contributed to improved margins.

Demand in Latin America was surprisingly robust. Casting production in the key market of Brazil was up 6% due to a combination of strong automotive castings exports and increased demand for steel castings for the mining and railroad markets. Overall, turnover rose by 5%, which reflects solid market growth and successful market penetration offset by some currency related price reductions. Margins improved in both Mexico and Brazil.

The combination of modest turnover growth and improved margins meant that operating profit rose by 22% or £0.8m. Casting volumes remain strong despite sluggish North American automotive demand but the rate of growth in Latin America is likely to moderate in the second half of the year.

Foundry Rest of the World

£m	H1 2006	H1 2005 (current rates)	Change YOY	H1 2005 (historic rates)	Full Year 2005 (historic rates)
Turnover	51.9	48.3	7.5%	47.4	96.8
Operating profit	11.9	10.6	12.3%	10.4	22.1

Foseco's business outside Europe and the Americas continues to grow driven by strong overall demand in both mature and developing markets. In the former, Japan was up 8% - ahead of the market for ductile iron castings (up by 5%) and automotive production (up by 4%). Sales in Australasia advanced by a more modest 2% as a result of increased steel foundry activity related to the mining industry, while sales in South Africa were flat.

Strong sales growth in India was tempered by the exit from an unprofitable product line, resulting in a net 4% increase.

Sales in ASEAN rose by 6%, a more modest increase than in previous periods reflecting the slowdown in the Thai and Indonesian automotive sectors. China, up 34%, continued to grow dramatically as foundries, supplying castings to both domestic demand and export markets, prosper and increasingly recognise the value in Foseco's premium product and service package.

Overall, margins improved due to increased volumes and relatively stable (albeit high) raw material costs compared to the first half of 2005. Operating profit as a consequence increased by £1.3m (12%). Notwithstanding uncertainty in one or two significant markets, we remain cautiously optimistic for the second half.

Steel

£m	H1 2006	H1 2005 (current rates)	Change YOY	H1 2005 (historic rates)	Full Year 2005 (historic rates)
Turnover	41.6	37.6	10.6%	36.9	72.6
Operating Profit	1.8	2.1	(14.3%)	2.1	2.4

Our Steel business supplies consumable goods and services to the steel industry, focussing on the continuous casting process. Foseco Steel helps customers to increase capital efficiency, improve quality and reduce waste.

After a sharp downturn in the second half of 2005, the market for Steel is recovering. In Europe, steel production is up 4% on last year and in North America it is up 5%. Against this backdrop, Steel has increased turnover by 11% due to share gain and increased market penetration in several key product groups, partly as a result of recent investments in molten metal flow simulation.

Though margins are ahead of the second half of 2005, they trailed the first half due to unrecovered increases in energy and raw material costs and, more importantly, to investment in the infrastructure to develop the business globally, especially in China.

In contrast to 2005, current expectations are that volumes will remain stable for the balance of the year and that operating profit for the full year will be ahead of last year.

Balance Sheet

The overall shape of the balance sheet is little changed from June 2005. Total assets have increased by £15.7m (7%) due largely to higher cash balances (£6.8m); inventories and receivables have remained well controlled despite business expansion and continuing geographic development.

Total liabilities rose by just £9.7m (4%). The only material increase relates to pensions (£8.1m, 29%) due to the reduction in discount rates and adjustments to mortality rate assumptions that were reflected in the 2005 full year accounts.

Net debt (net cash and borrowings gross of issue costs) at £95.7m is £5.5m below June 2005.

Compared with the balance sheet at 31 December 2005, the most significant movement is in the level of receivables, which have increased by £5.6m, reflecting the higher sales activity.

Cash Flow

The comparative cash flows are distorted by the exceptional items associated with the IPO. The following table disaggregates the cash flow:

£m	H1 2006	H1 2005 Historic rates	% Change
Operating profit before exceptionals	24.8	20.4	21.6%
Depreciation and amortisation	5.5	5.0	
Non cash Ltip charge	0.4	--	
Working capital	(7.2)	(5.5)	
Borrowing costs	(2.7)	(2.3)	
Income tax paid	(9.1)	(6.5)	
Operating cash flow before exceptional items	11.7	11.1	5.4%
Cash flow from exceptional items	--	(9.6)	
Operating cash flow after exceptional items	11.7	1.5	680.0%

Before exceptional items, operating cash flows were £11.7m, £0.6m ahead of last year. Working capital remains well controlled and the increase in the first half reflects the continued growth of the business and the unusually low level of working capital at the end of 2005. The increase in income tax paid is due to both higher Group profits and to the timing of payments in Germany.

At £4.6m, capital expenditure is still below the charge for depreciation though it does include a significant element of spend in China by both Foundry and Steel.

Dividend

The directors have declared an interim dividend of 1.54 pence, 10% higher than the 2005 interim dividend. The dividend will be paid on 22 November 2006 to shareholders on the register at the close of business on 20 October 2006.

Outlook

Foseco has delivered strong results for the first half of 2006 and we continue to pursue our strategy of developing our position in the mature markets and expanding geographically as markets become attractive.

In Foundry, the view of the order book is limited but further growth is anticipated; the outlook for the capital goods market remains positive and little change is expected in the global automotive market.

The markets for the Steel business remain stable and we anticipate further progress in the second half of the year.

We expect to make further progress for the Group as a whole in the second half of the year assuming that there is no deterioration in global trading conditions, although the relative strength of sterling, if maintained, will impact the translation of the full year results.

Danny Rosenkranz
Chairman

13 September 2006

Forward-looking Statements

Certain statements in this announcement are forward-looking statements. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. You should not place undue reliance on forward-looking statements, which speak as only of the date of this announcement.

The Company is under no obligation to update or keep current the forward-looking statements contained in this announcement or to correct any inaccuracies which may become apparent in such forward-looking statements.

Independent Review Report to Foseco plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense, and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
Birmingham
13 September 2006

Consolidated Balance Sheet at 30 June 2006

	(Unaudited) 30 June 2006 £m	(Unaudited) 30 June 2005 £m	(Audited) 31 December 2005 £m
Assets			
Non-current assets			
Property, plant and equipment	77.4	74.8	79.8
Intangible assets	24.4	24.7	24.6
Available-for-sale financial assets	0.1	0.1	0.1
Deferred taxation assets	0.7	2.0	1.5
	102.6	101.6	106.0
Current assets			
Inventories	41.6	38.1	40.9
Trade and other receivables	85.7	83.4	80.1
Other financial assets	2.3	0.2	0.7
Cash and short term deposits	22.3	15.5	23.2
	151.9	137.2	144.9
Total assets	254.5	238.8	250.9
Equity and liabilities			
Issued capital	0.1	0.1	0.1
Own shares held	(2.0)	-	(1.0)
Share premium	0.1	0.1	0.1
Capital redemption reserve	0.7	0.7	0.7
Foreign currency translation reserve	0.9	3.3	5.1
Hedge accounting reserve	1.7	0.2	0.5
Retained earnings	11.9	2.5	3.7
	13.4	6.9	9.2
Minority interests	2.7	3.2	3.6
Total equity	16.1	10.1	12.8
Non-current liabilities			
Interest-bearing loans and borrowings	110.7	110.9	111.3
Other long term liabilities	3.7	4.0	3.9
Provisions	3.7	4.5	3.5
Deferred taxation liabilities	4.1	4.4	4.5
Pensions	36.2	28.1	35.9
	158.4	151.9	159.1
Current liabilities			
Trade and other payables	65.3	64.8	65.3
Interest-bearing loans and borrowings	6.0	4.4	4.7
Income taxation payable	7.3	7.2	7.4
Provisions	1.4	0.4	1.6
	80.0	76.8	79.0
Total liabilities	238.4	228.7	238.1
Total equity and liabilities	254.5	238.8	250.9

Consolidated Cash Flow Statement for the six months ended 30 June 2006

	Note	(Unaudited)		(Unaudited)		(Audited)	
		Six months ended 30 June 2006		Six months ended 30 June 2005		Year ended 31 December 2005	
		£m	£m	£m	£m	£m	£m
Cash flows from operating activities							
Group operating profit			24.8		16.3		36.1
Depreciation		5.2		4.7		9.5	
Amortisation of intangible assets		0.3		0.3		0.6	
Non-cash charge for the Group long term incentive plan ("Ltip")		0.4		-		0.4	
Non-cash movements			5.9		5.0		10.5
Increase in inventories		(2.3)		(2.9)		(4.5)	
Increase in trade and other receivables		(7.4)		(7.2)		(1.4)	
Increase in trade and other payables and provisions		2.5		0.6		-	
Loss / (profit) on disposals of property, plant and equipment		-		0.1		(0.3)	
Interest paid	6	(2.7)		(3.9)		(6.7)	
Income taxation paid		(9.1)		(6.5)		(12.7)	
Cash movements			(19.0)		(19.8)		(25.6)
Net cash flows from operating activities			11.7		1.5		21.0
Cash flows from investing activities							
Proceeds from sale of property, plant and equipment		-		0.1		0.3	
Purchase of property, plant and equipment		(4.6)		(3.7)		(10.9)	
Interest received		0.3		0.2		0.5	
Net cash flows from investing activities			(4.3)		(3.4)		(10.1)
Cash flows from financing activities							
Purchase of own shares	8	(1.0)		(12.7)		(13.7)	
Return of capital		-		(23.1)		(23.1)	
Proceeds on placement of own shares		-		0.2		0.2	
Issue costs of new long term loans		-		(1.4)		(1.7)	
New borrowings		1.2		115.0		115.2	
Repayment of borrowings		(1.2)		(75.9)		(77.9)	
Finance lease payments		(0.4)		(0.5)		(0.6)	
Dividends paid to minority interests		(1.0)		(0.5)		(0.7)	
Equity dividends	8	(5.2)		-		-	
Distribution to shareholders	8	-		-		(2.4)	
Net cash flows from financing activities			(7.6)		1.1		(4.7)
Net (decrease) / increase in cash and cash equivalents			(0.2)		(0.8)		6.2
Exchange differences		(0.9)		-		-	0.8
Cash and cash equivalents at 1 January		22.8		15.8		15.8	
Cash and cash equivalents at the end of the period		21.7		15.0		22.8	
Cash and cash equivalents are presented in the balance sheet as:							
Cash and short term deposits		22.3		15.5		23.2	
Bank overdrafts (within current interest-bearing loans and borrowings)		(0.6)		(0.5)		(0.4)	
		21.7		15.0		22.8	

Consolidated Statement Of Recognised Income and Expense for the six months ended 30 June 2006

	(Unaudited) Six months ended 30 June 2006 £m	(Unaudited) Six months ended 30 June 2005 £m	(Audited) Year ended 31 December 2005 £m
Net gain on hedge of net investments	-	1.3	0.9
Currency translation adjustments	(4.5)	1.8	4.1
Cash flow hedges taken to equity	1.6	0.3	0.7
Cash flow hedge losses removed from equity	-	-	0.1
Deferred taxation on cash flow hedges	(0.4)	-	(0.2)
Actuarial adjustments on pension liabilities	-	-	(6.7)
Deferred taxation on pension liabilities	-	-	(0.1)
Net income recognised directly in equity	<u>(3.3)</u>	3.4	(1.2)
Profit for the period	<u>13.4</u>	2.8	13.6
Total recognised income and expense for the period	<u>10.1</u>	6.2	12.4
Attributable to:			
Equity holders of the parent	10.0	5.6	11.2
Minority interests	<u>0.1</u>	0.6	1.2
	<u>10.1</u>	6.2	12.4

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2006

1 Authorisation of financial statements

Foseco plc is a public limited company incorporated and domiciled in England whose shares are publicly traded. The principal activities of the Group are described in note 3.

The interim consolidated financial statements of Foseco plc for the six months ended 30 June 2006 were authorised in accordance with a resolution of the directors on 13 September 2006.

2 Accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2005.

From a legal perspective, Foseco plc acquired Foseco (Jersey) Limited in May 2005. However, as Foseco (Jersey) Limited had the power to govern the financial and operating activities of its legal parent at the date of the acquisition, the transaction was accounted for as a "reverse acquisition" in accordance with IFRS 3. As a consequence of this the balance sheet presented shows the share capital of Foseco (Jersey) Limited rather than the share capital issued by Foseco plc.

3 Segmental analysis

The Group's primary reporting format is business segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The foundry segment ("Foundry") is a supplier of technical product and service solutions to the foundry industry.

The steel mills ("Steel") segment provides high performance consumables and services to the steel-making industry.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

The following table presents revenue and profit information regarding the Group's business segments.

		Six months ended 30 June 2006		Six months ended 30 June 2005		Year ended 31 December 2005	
		£m	£m	£m	£m	£m	£m
Revenue							
Foundry	Segment revenue	169.3		154.4		305.2	
	Sales between businesses	(0.7)		(0.9)		(1.0)	
	Revenue		168.6		153.5		304.2
Steel	Segment revenue	41.7		37.4		72.9	
	Sales between businesses	(0.1)		(0.5)		(0.3)	
	Revenue		41.6		36.9		72.6
Continuing operations			210.2		190.4		376.8
Operating profit before exceptional items							
Foundry			25.2		20.1		41.4
Steel			1.8		2.1		2.4
Unallocated expenses			(2.2)		(1.8)		(3.9)
Continuing operations			24.8		20.4		39.9
Segment result							
Foundry			25.2		20.0		41.6
Steel			1.8		2.1		2.4
Unallocated expenses			(2.2)		(5.8)		(7.9)
Continuing operations			24.8		16.3		36.1
Discontinued operations			0.2		-		-
Total operations			25.0		16.3		36.1

Discontinued operations in the period ended 30 June 2006 represent release of provisions relating to the Fosbel joint venture, which would previously have been disclosed as a discrete business segment.

4 Discontinued operations

	Six months ended 30 June 2006 £m	Six months ended 30 June 2005 £m	Year ended 31 December 2005 £m
Profit before taxation from discontinued activities	0.2	-	-
Taxation	(0.1)	-	(0.1)
Net profit/(loss) for the period from discontinued operations	<u>0.1</u>	<u>-</u>	<u>(0.1)</u>
Basic and diluted earnings per share for profit for the period from discontinued operations (pence per share)	0.1p	-	(0.1)p

Discontinued operations during the periods shown represent charges and releases of provisions arising from the sale of the Chem-Trend business (in 2004) and Fosbel joint venture (in 2003).

5 Exceptional items before interest and taxation

	Six months ended 30 June 2006 £m	Six months ended 30 June 2005 £m	Year ended 31 December 2005 £m
Listing costs	-	3.8	3.8
Silica indemnity settlement	-	1.8	1.8
Release of TURBOSTOP™ provision	-	(0.9)	(0.9)
Release of accruals relating to attempted disposal	-	(0.7)	(0.7)
Relocation of European manufacturing facilities	-	0.1	0.1
Profit on sale of property, plant and equipment	-	-	(0.3)
Loss before interest and taxation	<u>-</u>	<u>4.1</u>	<u>3.8</u>

Certain items of income and expense have been classified as exceptional in these financial statements due to their size, incidence or non-recurring nature:

- a) Listing costs represent professional fees and other expenses incurred to facilitate the admission of the Company to The London Stock Exchange during 2005.
- b) The Group renegotiated the terms of an indemnity agreement with Burmah Castrol plc in respect of asbestos-related claims so as to include silica-related claims within its ambit in consideration of a payment of £4.25 million. The Group already held a provision of £2.5 million in respect of these claims, which was fully utilised by this payment, and the excess of £1.75 million was charged as an exceptional item during 2005.
- c) Provision had been made for diminution in the value of the TURBOSTOP™ business sector. This provision was reassessed and released during 2005.
- d) Costs accrued during 2004 relating to the attempted disposal of the Group could only be estimated, as the attempted disposal was undertaken in the final quarter of 2004, and included compensatory amounts for advisors who had worked on success-based fees. These over-accrued amounts were released during 2005.
- e) Manufacturing facilities in Spain have been rationalised, resulting in costs associated with the transfer of these facilities during 2005.
- f) The profit on sale of fixed assets in 2005 principally arose from the sale of a surplus site in Spain.

6 Finance costs and income

	Note	Six months ended 30 June 2006 £m	Six months ended 30 June 2005 £m	Year ended 31 December 2005 £m
Finance costs				
<i>Profit and loss account</i>				
Interest on borrowings		2.7	2.3	5.0
Finance charges payable under finance lease and hire purchase contracts		-	-	0.1
Amortisation of issue costs of long term debt		0.2	0.4	0.5
Net interest on pension liabilities		0.2	0.1	0.3
Finance cost of shares classified as borrowings under IAS 32 / 39	a)	-	0.2	0.2
Finance costs before exceptional item – continuing operations		3.1	3.0	6.1
Exceptional item – write-off of debt issue costs	b)	-	3.3	3.4
Total finance costs		3.1	6.3	9.5
<i>Cash flow</i>				
Interest paid on borrowings as above		2.7	2.3	5.0
Finance charges paid under finance lease and hire purchase contracts as above		-	-	0.1
Dividends and interest paid on shares classified as borrowings under IAS 32 / 39	c)	-	1.6	1.6
Interest paid		2.7	3.9	6.7

- a) Foseco (Jersey) Limited had preference share capital and redeemable share capital which are classified as borrowings under IAS 32 / 39. These classes of share capital were redeemed on 12 May 2005.
- b) Issue costs of debt were written off as the debt to which they related was repaid during the period and new finance was put in place.
- c) The acquisition of Foseco (Jersey) Limited by Foseco plc in 2005 triggered the redemption and cancellation of preference and redeemable shares issued by that company, and the payment of accrued dividends and interest thereon. These shares were classified as interest-bearing borrowings under IAS 32 / 39.

	Six months ended 30 June 2006 £m	Six months ended 30 June 2005 £m	Year ended 31 December 2005 £m
Finance income			
Bank interest receivable	0.3	0.2	0.5
Total finance income (on a historical cost basis)	0.3	0.2	0.5

7 Earnings per share

As the Group has used reverse acquisition accounting in accordance with IFRS 3, earnings per share is calculated by reference to the share capital of the legal parent rather than the legal subsidiary, whose share capital is disclosed in the consolidated balance sheet.

For all periods until 12 May 2005, the number of shares in issue is deemed to be the shares issued by Foseco plc to acquire Foseco (Jersey) Limited, adjusted to take account of movements in the share capital of Foseco (Jersey) Limited during those periods. After 12 May 2005, the actual number of shares in issue is taken into account.

Basic and diluted earnings per share is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares used in the calculation excludes ordinary shares purchased by the Group and deducted from equity.

The following income and share data is used in the basic and diluted earnings per share computations for total operations:

	Six months ended 30 June 2006 £m	Six months ended 30 June 2005 £m	Year ended 31 December 2005 £m
Earnings for basic and diluted earnings per share			
Net profit for the period attributable to ordinary shareholders of the parent	13.0	2.4	12.7
Basic and diluted earnings per share for profit for the period	7.7p	1.4p	7.5p
Earnings for basic and diluted earnings per share from continuing operations			
Profit for the period from continuing operations	13.3	2.8	13.7
Less: Minority interests	(0.4)	(0.4)	(0.9)
Net profit for the period attributable to ordinary shareholders from continuing operations	12.9	2.4	12.8
Basic and diluted earnings per share for profit for the period from continuing operations	7.7p	1.4p	7.6p
Earnings for basic and diluted earnings per share from continuing operations before exceptional items			
Net profit for the period attributable to ordinary shareholders from continuing operations	12.9	2.4	12.8
Add: Exceptional items	-	7.9	7.6
Net profit for the period for the period attributable to ordinary shareholders from continuing operations before exceptional items	12.9	10.3	20.4
Basic and diluted earnings per share for profit for the period from continuing operations before exceptional items	7.7p	6.1p	12.1p
Earnings for basic and diluted earnings per share from discontinued operations			
Net profit/(loss) for the period attributable to ordinary shareholders from discontinued operations	0.1	-	(0.1)
Basic and diluted earnings per share for profit for the period from discontinued operations	0.1p	-	(0.1)p
Weighted average number of ordinary shares in issue for basic and diluted earnings per share	168,363,273	169,005,249	169,078,219

8 Reconciliation of movements in equity

Note	Issued capital £m	Own shares held (note a) £m	Share premium £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2006	0.1	(1.0)	0.1	0.7	5.1	0.5	3.7	9.2	3.6	12.8
Changes in equity for the period:										
Currency translation adjustments	-	-	-	-	(4.2)	-	-	(4.2)	(0.3)	(4.5)
Cash flow hedge gains taken to equity	-	-	-	-	-	1.6	-	1.6	-	1.6
Cash flow hedge losses removed from equity	-	-	-	-	-	-	-	-	-	-
Deferred taxation on cash flow hedges	-	-	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Profit for the period	-	-	-	-	-	-	13.0	13.0	0.4	13.4
Total recognised income and expense for the period	-	-	-	-	(4.2)	1.2	13.0	10.0	0.1	10.1
Purchase of own shares	a)	(1.0)	-	-	-	-	-	(1.0)	-	(1.0)
Credit in respect of Ltip	-	-	-	-	-	-	0.4	0.4	-	0.4
Equity dividends	b)	-	-	-	-	-	(5.2)	(5.2)	(1.0)	(6.2)
Reversal of 2005 distribution	c)	-	-	-	-	-	2.4	2.4	-	2.4
Redesignation of 2005 distribution as a dividend	c)	-	-	-	-	-	(2.4)	(2.4)	-	(2.4)
At 30 June 2006	0.1	(2.0)	0.1	0.7	0.9	1.7	11.9	13.4	2.7	16.1

- a) The Group makes regular purchases of its own shares so that share awards made under the long term incentive plan ("Ltip") can be distributed to employees as and when they vest. These shares are treated as a deduction from equity in accordance with IAS 32.
- b) The directors declared a final dividend for 2005 of 3.1p per share, which was paid on 14 June 2006 to shareholders on the register at the close of business on 19 May 2006.

The directors proposed an interim dividend for 2006 of 1.54p per share, which will be paid on 22 November 2006 to shareholders on the register at the close of business on 20 October 2006.

- c) The directors declared an interim dividend for 2005 of 1.4p per share, which was paid on 24 November 2005 to shareholders on the register at the close of business on 28 October 2005. As the Company was incorporated on 5 April 2005, initial financial statements should have been filed to demonstrate that the Company had sufficient distributable reserves to enable it to pay a dividend during 2005. These financial statements were filed subsequent to the declaration of a dividend, therefore legally the payment to shareholders did not constitute a dividend but rather was deemed to be a distribution, and was shown as a movement on retained reserves. A resolution was approved at the annual general meeting of the Company on 17 May 2006 to approve the redesignation of this distribution as a dividend.

9 Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts in accordance with section 240 of the Companies Act 1985. Under the reverse acquisition accounting rules set out in IFRS 3, the consolidated results of Foseco plc are a continuation of the accounts of its legal subsidiary Foseco (Jersey) Limited. The 2005 annual report and financial statements of Foseco plc are available on the Company's website at www.foseco.com. The information for the year ended 31 December 2005 is extracted from the audited accounts for the year ended 31 December 2005, which have been filed with the Registrar of Companies and on which the auditors have expressed an unqualified opinion.

A copy of this report will be sent to all shareholders and further copies will be available on request from the Company Secretary, Foseco plc, Coleshill Road, Fazeley, Tamworth, Staffordshire, United Kingdom, B78 3TL, or from the Company's website, www.foseco.com.