Armstrong Pumps Limited
Financial statements
For the year ended 31 December 2005

Company No. 1294120

Company information

Company registration number :	1294120
Registered office :	1 Miles Street Manchester M12 5BZ
Directors :	C A Armstrong J C Armstrong E G Smith
Secretary :	J C Armstrong
Bankers :	Barclays Bank plc P O Box 1 4th Floor 6 East Parade Leeds LS1 1HA
Solicitors :	Thompson Smith & Puxon 4/5 North Hill Colchester CO1 1EB
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the company during the year was the supply of pumps, pumping equipment and accessories, together with expansion tanks to the building services market and the manufacture of electrical switchgear.

Business review

There was a loss for the year after taxation amounting to £5,440,557 (2004 : £2,784,847). The directors do not recommend payment of a dividend (2004 : £Nil) leaving £5,440,557 (2004 : £2,784,847) to be transferred to reserves.

Events since the balance sheet date

On 27 January 2006 the company sold the trade, fixed assets and inventory of North West Switch Gear and the Five Pump business division to Armstrong Integrated Systems Limited, a related undertaking, for a consideration of £422,000.

On 13 April 2006 the company sold the trade, fixed assets and inventory of Repower Mining International Pty Limited, Repower Mining International Inc and the High Pressure pumps division to RMI Pressure Systems Limited, a related party for a consideration of £2,247,525.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

J C Armstrong
C A Armstrong
E G Smith
P Caiger-Smith (resigned 28 November 2005)

J C Armstrong and C A Armstrong are ultimate shareholders of S A Armstrong Limited.

The directors have no other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Financial risk management objectives and policies

The company uses various financial instruments these include loans, cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. In order to manage the company's exposure to those risks, in particular the company's exposure to currency risk the company enters into a number of derivative transactions including forward foreign currency contracts.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

The tables below show the extent to which the company has residual financial assets and liabilities, after taking account of forward currency contracts, in currencies other than sterling. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the company.

Functional currency of operation	**Canadian Dollar £'000**	**US Dollar £'000**	**Total £'000**
2005			
Sterling	**(3,756)**	**(367)**	**(3,389)**
2004			
Sterling	(1,279)	235	(1,044)

Price risk

The company does not have a significant exposure to price risk.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

The company policy throughout the year has been to ensure continuity of funding through a combination of bank borrowings from its parent company falling due after more than one year.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in notes 10, 11 and 12 to the financial statements.

Interest rate risk

The company finances its operations through a mixture of non–interest bearing borrowings from its parent company and bank borrowings. The company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. The company regularly reviews interest rates, along with economic trends and indicators to manage the mix of fixed and floating interest rate facilities. Currently at the year end all borrowing facilities were comprised of floating rate borrowings.

The interest rate exposure of the financial assets and liabilities of the group as at 31 December 2005 is shown in the table below. The table includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

	Floating £'000	Zero £'000	Total £000
Financial assets			
Cash	61	–	61
Debtors	–	4,901	4,901
	61	4,901	4,962
Financial liabilities			
Overdraft and bank loans	2,516	–	2,516
Trade creditors	–	2,206	2,206
Amounts owed to group undertaking	–	10,134	10,134
	2,516	12,340	14,856

Credit risk

The company's principal financial assets are trade debtors. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. The company and a number of its subsidiaries also maintain credit insurance over its trade debtors in order to mitigate credit risk. Significant debtors in foreign markets are protected by documentary letters of credit.

There are concentrations of credit risk, with exposure being spread over a large number of customers.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

J.C. Armstrong

J C Armstrong
Secretary

23 June 2006

Grant Thornton

Report of the independent auditors to the members of Armstrong Pumps Limited

We have audited the financial statements of Armstrong Pumps Limited for the year ended 31 December 2005 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 26. 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 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' responsibilities for preparing the directors' report 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 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 other transactions is not disclosed.

We read the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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.

Grant Thornton

Report of the independent auditors to the members of Armstrong Pumps Limited

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 company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

23 June 2006

Principal accounting policies

Basis of preparation

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

The principal accounting policies of the group have remained unchanged from the previous year and are set out below. The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the group's circumstances.

Basis of consolidation

The group financial statements consolidate the financial statements of its subsidiary undertakings (see note 7), drawn up to 31 December 2005. Acquisition of subsidiaries are dealt with by the acquisition method of accounting.

Goodwill

Goodwill arising on the purchase of a business' trade and assets, representing the excess of the fair value of the consideration given over the provisional fair values of the identifiable net assets acquired has been capitalised and amortised in full. Negative goodwill is written back to the profit and loss account to match the recovery of the non–monetary assets acquired.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation.

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives.

The rates generally applicable are:

Freehold property	2% straight line (buildings only)
Plant, machinery and equipment	10–20% reducing balance
Fixtures and fittings	10–50% reducing balance
Motor vehicles	15–30% reducing balance

Investments

Investments are included at cost less amounts written off.

Stocks

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

Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

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

Contributions to pension schemes

Defined contribution schemes

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Consolidated profit and loss account

	Note	2005 Continuing activities £	2005 Discontinuing £	2005 Total £	2004 Total £
Turnover	1	14,460,090	6,644,108	21,104,198	25,013,267
Cost of sales		(11,367,036)	(5,414,276)	(16,781,312)	(18,386,068)
Gross profit		3,093,054	1,229,832	4,322,886	6,627,199
Administrative expenses					
– exceptional items re non–recurring cost reduction activities		(405,472)	(147,054)	(552,526)	(367,398)
– other administrative expenses		(6,418,578)	(2,948,581)	(9,367,159)	(8,808,455)
Total administrative expenses		(6,824,050)	(3,095,635)	(9,919,685)	(9,175,853)
Operating loss		(3,730,996)	(1,865,803)	(5,596,799)	(2,548,654)
Exceptional item - profit on disposal of building				420,031	–
Net interest	3			(281,076)	(229,486)
Loss on ordinary activities before taxation	1			(5,457,844)	(2,778,140)
Tax on loss on ordinary activities	4			17,287	(6,707)
Loss for the financial year	15			(5,440,557)	(2,784,847)

Consolidated statement of total recognised gains and losses

	2005 £	2004 £
Loss for the financial year	(5,440,557)	(2,784,847)
Currency differences on foreign currency net investments	27,344	(16,448)
Total recognised gains and losses for the year	(5,413,213)	(2,801,295)

The accompanying notes form part of these financial statements.

Consolidated balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	**572,202**	1,382,813
Current assets			
Stocks	8	**3,296,905**	4,421,270
Debtors	9	**4,901,008**	5,947,880
Cash at bank and in hand		**61,156**	1,071,471
		8,259,069	11,440,621
Creditors : amounts falling due within one year	10	**(5,075,376)**	(9,191,175)
Net current assets		**3,183,693**	2,249,446
Total assets less current liabilities		**3,755,895**	3,632,259
Creditors : amounts falling due after more than one year	11		
Other loans and financing		**(778,980)**	(2,023,746)
Amounts owed to group undertakings		**(10,072,515)**	(3,533,900)
		(10,851,495)	(5,557,646)
Provisions for liabilities and charges	13	**(452,830)**	(209,830)
		(7,548,430)	(2,135,217)
Capital and reserves			
Called up share capital	14	**500,000**	500,000
Profit and loss account	15	**(8,048,430)**	(2,635,217)
Shareholders' deficit	16	**(7,548,430)**	(2,135,217)

The financial statements were approved by the Board of Directors on 23 June 2006.

J C Armstrong Director

J.C. Armstrong

Company balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	**15,871**	883,099
Investments	7	**6,000**	6,000
		21,871	889,099
Current assets			
Stocks	8	**235,913**	1,190,743
Debtors	9	**6,549,293**	3,109,354
Cash at bank and in hand		**5,428**	550,266
		6,790,634	4,850,363
Creditors : amounts falling due within one year	10	**(377,325)**	(3,493,239)
Net current assets		**6,413,309**	1,357,124
Total assets less current liabilities		**6,435,180**	2,246,223
Creditors : amounts falling due after more than one year	11		
Other loans		**-**	(444,324)
Amounts owed to group undertakings		**(9,534,023)**	(3,533,900)
		(9,534,023)	(3,978,224)
Provisions for liabilities and charges	13	**(202,830)**	(109,830)
		(3,301,673)	(1,841,831)
Capital and reserves			
Called up share capital	14	**500,000**	500,000
Profit and loss account	15	**(3,801,673)**	(2,341,831)
Shareholders' deficit		**(3,301,673)**	(1,841,831)

The financial statements were approved by the Board of Directors on 23 June 2006.

J C Armstrong Director

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

	Note	2005 £	2004 £
Net cash outflow from operating activities	17	**(6,289,146)**	(1,729,439)
Returns on investments and servicing of finance			
Interest received		**958**	540
Interest paid		**(282,034)**	(230,026)
Net cash outflow from returns on investments and servicing of finance		**(281,076)**	(229,486)
Taxation		**17,287**	(6,707)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(170,872)**	(370,688)
Receipts from sale of fixed assets		**1,126,000**	–
Net cash inflow/(outflow) from capital expenditure and financial investment		**955,128**	(370,688)
Acquisition and Disposals			
Purchase of businesses		**–**	(2,900,178)
Net cash from purchase of subsidiary undertaking		**–**	123,574
Net cash outflow from acquisitions and disposals		**–**	(2,776,604)
Financing			
Net new bank loans		**–**	2,074,765
Repayment of bank loans		**(1,384,121)**	–
Increase in long–term amounts owed to group undertakings		**6,538,615**	2,000,000
Net cash inflow from financing		**5,154,494**	4,074,765
Decrease in cash	18	**(443,313)**	(1,038,159)

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation is attributable to the principal activity of the group. An analysis of turnover is given below :

	2005	2004
	£	£
United Kingdom	14,994,833	16,289,026
Other	6,109,365	8,724,241
	21,104,198	25,013,267

The loss on ordinary activities before taxation is stated after :

	2005	2004
	£	£
Auditors' remuneration		
– auditors	39,000	37,000
– other services	15,950	5,000
Depreciation :		
Tangible fixed assets	330,626	296,098
Hire of plant and equipment under operating leases	32,047	18,389
Other operating lease rentals	346,236	78,328

2 Directors and employees

Staff costs during the year were as follows :	2005 £	2004 £
Wages and salaries	6,301,337	6,427,005
Social security costs	652,460	644,111
Pension costs	171,056	243,475
	7,124,853	7,314,591

The average number of employees during the year was :	2005 Number	2004 Number
Office and management	159	177
Production and sales	96	93
	255	270

The total amounts for directors' remuneration and other benefits was as follows :

	2005	2004
	£	£
Emoluments	**86,500**	86,504
Contributions to money purchase pension schemes	**3,120**	3,120
	89,620	89,624

3 Net interest

	2005	2004
	£	£
Interest payable on bank borrowings	**282,034**	230,026
Other interest receivable	**(958)**	(540)
	281,076	229,486

4 Tax (credit)/charge on loss on ordinary activities

The taxation (credit)/charge is based on the loss for the year and represents :

	2005	2004
	£	£
Corporation tax at 30% (2004 : 30%)	**(17,287)**	6,707

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom of 30% (2004 : 30%). The differences are explained as follows :

	2005	2004
	£	£
Loss on ordinary activities before taxation	**(5,457,844)**	(2,778,140)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004 : 30%)	**(1,637,353)**	(833,442)
Effect of:		
Expenses not deductible for tax purposes	**188,322**	220,420
Capital allowances for the period in excess of depreciation	**24,634**	2,300
Capital gains tax adjustment	**(44,174)**	–
Overseas tax	**(17,287)**	–
Other timing differences	**32,610**	101,387
Losses carried forward	**1,340,861**	516,042
Trade losses unavailable for use	**95,100**	–
Total current tax	**(17,287)**	6,707

The group has in excess of £4 million of trading losses to carry forward against future taxable profits.

5 Loss for the financial year

The parent company Armstrong Pumps Limited has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in the financial statements. The loss of Armstrong Pumps Limited for the year was £1,459,842 (2004 : £1,507,909).

6 Tangible fixed assets

Group

	Freehold property £	Leasehold improvements £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
Cost					
At 1 January 2005	750,009	19,013	964,598	872,965	2,606,585
Additions	–	–	137,151	47,372	184,523
Foreign exchange	–	–	53,128	–	53,128
Disposals	(750,009)	–	(160,096)	(414,218)	(1,324,323)
At 31 December 2005	**–**	**19,013**	**994,781**	**506,119**	**1,519,913**
Depreciation					
At 1 January 2005	37,372	792	562,572	623,036	1,223,772
Charge for the year	6,667	4,754	213,413	105,792	330,626
Foreign exchange	–	–	11,666	–	11,666
Eliminated on disposals	(44,039)	–	(160,096)	(414,218)	(618,353)
At 31 December 2005	**–**	**5,546**	**627,555**	**314,610**	**947,711**
Net book amount					
At 31 December 2005	**–**	**13,467**	**367,226**	**191,509**	**572,202**
Net book amount					
At 31 December 2004	712,637	18,221	402,026	249,929	1,382,813

These figures above include assets held under finance leases as follows:

	Plant, machinery and equipment £
Net book amount at 31 December 2005	**13,182**
Net book amount at 31 December 2004	**–**
Depreciation charged in year	**469**

Company

	Freehold property £	Plant, machinery and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2005	750,009	389,243	688,575	1,827,827
Additions	–	–	164	164
Disposals	(750,009)	(160,096)	(414,218)	(1,324,323)
Transfer to group undertakings	–	(206,380)	(239,156)	(445,536)
At 31 December 2005	–	**22,767**	**35,365**	**58,132**
Depreciation				
At 1 January 2005	37,372	323,947	583,409	944,728
Charge for the year	6,667	12,294	45,097	64,058
Disposals	(44,039)	(160,097)	(414,218)	(618,354)
Transfer to group undertakings	–	(156,970)	(191,201)	(348,171)
At 31 December 2005	–	**19,174**	**23,087**	**42,261**
Net book amount				
At 31 December 2005	–	**3,593**	**12,278**	**15,871**
Net book amount				
At 31 December 2004	712,637	65,296	105,166	883,099

7 Investments

Company

	£
Cost	
As at 1 January 2005 and 31 December 2005	506,000
Amounts written off	
As at 1 January 2005 and 31 December 2005	500,000
Net book amount	
As at 31 December 2004 and 31 December 2005	6,000

At 31 December 2005, the group held 20% or more of the allotted share capital of the following:

	Country of incorporation	Class of capital held	Proportion held by parent company	Proportion held by the group	Nature business
Northwest Switchgear Limited	England & Wales	Ordinary	100%	100%	Dormant
Armstrong Holden Brooke Pullen Limited	England & Wales	Ordinary	100%	100%	Supply of pumps and accessories
Repower Mining International Pty	Australia	Ordinary	–	100%	Provision of mining systems
Repower Mining International Inc	USA	Ordinary	–	100%	Provision of mining systems
Holden & Brooke Limited	England & Wales	Ordinary	–	100%	Dormant
Pullen Pumps Limited	England & Wales	Ordinary	–	100%	Dormant
Baric Pumps Limited	England & Wales	Ordinary	–	100%	Dormant

Subsequent to the year end the shareholdings in Northwest Switchgear Limited, Repower Mining International Pty and Repower Mining International Inc have been disposed of (note 26).

8 Stocks

	Group 2005 £	Group 2004 £	**Company 2005 £**	Company 2004 £
Raw materials	**2,098,716**	2,648,405	**109,792**	881,785
Work in progress	**641,817**	353,372	**92,781**	288,538
Finished goods	**556,372**	1,419,493	**33,340**	20,420
	3,296,905	4,421,270	**235,913**	1,190,743

9 Debtors

	Group 2005 £	Group 2004 £	**Company 2005 £**	Company 2004 £
Trade debtors	**4,400,829**	5,511,358	**914,805**	2,390,618
Amounts owed by group undertakings	**82,797**	–	**5,568,895**	598,929
Other debtors	**83,107**	3,498	**–**	3,498
Prepayments and accrued income	**334,275**	433,024	**65,593**	116,309
	4,901,008	5,947,880	**6,549,293**	3,109,354

Included in amounts owed by group undertakings, is an amount of £5,568,895 due from Armstrong Holden Brooke Pullen in more than one year.

10 Creditors : amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank loans and overdrafts	**1,748,445**	2,444,966	–	–
Trade creditors	**2,206,871**	2,480,053	**39,589**	797,284
Amounts owed to group undertakings	**62,598**	2,614,032	**54,630**	2,406,201
Social security and other taxes	**413,438**	211,055	**122,313**	38,652
Other creditors	**27,653**	148,703	**10,515**	727
Accruals and deferred income	**613,368**	1,292,366	**150,278**	250,375
Amounts due under finance leases	**3,003**	–	–	–
	5,075,376	9,191,175	**377,325**	3,493,239

11 Creditors : amounts falling due after more than one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank term loans (see note 12)	**768,332**	2,023,746	–	444,324
Amounts owed to group undertakings	**10,072,515**	3,533,900	**9,534,023**	3,533,900
Amounts due under finance lease	**10,648**	–	–	–
	10,851,495	5,557,646	**9,534,023**	3,978,224

12 Borrowings

Bank term loans and mortgage are repayable as follows :

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Within one year	**369,996**	498,703	–	53,904
Between one and two years	**369,996**	453,912	–	53,904
Between two and five years	**398,336**	1,361,736	–	161,712
Greater than five years	–	208,098	–	174,804
	1,138,328	2,522,449	–	444,324

The bank loan held by the subsidiary company Armstrong Holden Brooke Pullen Limited repayable by fixed monthly instalments of £30,334 commenced in February 2005. Interest is being charged at 2.5% above the base rate until the first interest review date in February 2007 when the company has the option to change the basis of calculation to a fixed rate basis.

The long term funding from the group undertaking is secured by a fixed and floating charge on the company's assets. There are no fixed terms of repayment and the loan is not interest bearing. The amounts have been classified as long term as the group undertakings, which includes the ultimate parent entity, have postponed future repayment of the amounts owed beyond 1 January 2007. The ultimate parent entity continues to provide financial support to the company.

13 Provisions for liabilities and charges

Warranty provision

	Group 2005 £	Group 2004 £	**Company 2005 £**	Company 2004 £
At 1 January 2005	**209,830**	109,830	**109,830**	109,830
Acquired with subsidiary undertaking	–	100,000	–	–
Charge in the year	**243,000**	–	**93,000**	–
At 31 December 2005	**452,830**	209,830	**202,830**	109,830

14 Share capital

	2005 £	2004 £
Authorised		
500,000 Ordinary shares of £1 each	**500,000**	500,000
3,000 Preference shares of £10 each	**30,000**	30,000
	530,000	530,000
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	**500,000**	500,000

15 Profit and loss account

	Group £	Company £
At 1 January 2005	(2,635,217)	(2,341,831)
Retained loss for the year	(5,440,557)	(1,459,842)
Exchange differences	27,344	–
At 31 December 2005	(8,048,430)	(3,801,673)

16 Reconciliation of movements in equity shareholders' (deficit)/funds

Group	**2005 £**	2004 £
Loss for the financial year	**(5,440,557)**	(2,784,847)
Other recognised gains and losses	**27,344**	(16,448)
Net decrease in shareholders' deficit	**(5,413,213)**	(2,801,295)
Equity shareholders' (deficit)/funds at 1 January 2005	**(2,135,217)**	666,078
Equity shareholders' deficit at 31 December 2005	**(7,548,430)**	(2,135,217)

17 Net cash outflow from operating activities

	2005 £	2004 £
Operating loss	**(5,596,799)**	(2,548,654)
Depreciation	**330,626**	296,098
Release of negative goodwill	**–**	(216,881)
Decrease/(increase) in stocks	**1,124,365**	(2,065,402)
Decrease/(increase) in debtors	**1,046,872**	(1,990,662)
(Decrease)/increase in creditors	**(3,194,210)**	4,796,062
Net cash outflow from operating activities	**(6,289,146)**	(1,729,439)

18 Reconciliation of net cash flow to movement in net debts

	2005 £	2004 £
Decrease in cash in the year	**(443,313)**	(1,038,159)
Cash inflow/(outflow) from financing	**369,621**	(4,074,765)
Change in net debt resulting from cash flows	**(73,692)**	(5,112,924)
Exchange movement	**812**	–
Inception of finance leases	**(13,651)**	–
Movement in net debt in the period	**(86,531)**	(5,112,924)
Net debt at 1 January 2005	**(6,931,141)**	(1,818,217)
Net debt at 31 December 2005	**(7,017,672)**	(6,931,141)

19 Analysis of changes in net debt

	At 1 January 2005 £	Cashflow £	Non–cash movement £	Exchange movement £	At 31 December 2005 £
Cash at bank and in hand	1,071,471	(1,011,874)	–	1,559	**61,156**
Overdraft	(1,946,263)	568,561	–	(747)	**(1,378,449)**
	(874,792)	(443,313)	–	812	**(1,317,293)**
Bank loan	(2,522,449)	1,384,121	–	–	**(1,138,328)**
Amounts owed to Group	(3,533,900)	(6,538,615)	–	–	**(10,072,515)**
Finance leases	–	–	(13,651)	–	**(13,651)**
	(6,931,141)	(5,597,807)	(13,651)	812	**(7,017,672)**

20 Capital commitments

There were no capital commitments at 31 December 2005 or 31 December 2004.

21 Contingent liabilities

The group has provided limited performance guarantees relating to contracts entered into by subsidiary undertakings amounting to US $302,000 at 31 December 2005.

22 Retirement benefits

Defined Contribution Scheme

The group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the group.

The pension cost for the year to 31 December 2005 was £171,056 (2004 : £243,475).

23 Leasing commitments

Operating lease commitments amounting to £57,349 (2004 : £195,886) are due within one year. The leases to which these amounts relate expire as follows:

	2005	2004
	£	£
Operating leases which expire :		
– within one year	**394**	74,418
– within one to two years	**44,301**	45,760
– within two to five years	**12,654**	74,343
– after five years	**–**	1,365
	57,349	195,886

24 Transactions with related parties

The group undertook transactions with related parties during the year and had balances outstanding as follows :

	Sales	**Debtors**	**Purchases**	**Creditors**
	£	**£**	**£**	**£**
31 December 2005				
Armstrong Integrated Systems Limited	180,497	129,248	120,677	131,138
31 December 2004				
Armstrong Integrated Systems Limited	17,886	13,336	243,223	213,944

Armstrong Pumps Limited is 100% owned by S A Armstrong Limited which controls Armstrong Integrated Systems Limited.

25 Ultimate and immediate parent undertaking

The immediate and ultimate parent of the company is S A Armstrong Limited, incorporated in Canada.

26 Post balance sheet events

On 27 January 2006 the company sold the trade, fixed assets and inventory of North West Switch Gear and the five Pump business division to Armstrong Integrated Systems Limited, a related undertaking, for a consideration of £422,000.

On 13 April 2006 the company sold the trade, fixed assets and inventory of Repower Mining International Pty Limited, Repower Mining International Inc and the High Pressure pumps division to RMI Pressure Systems Limited, a related party for a consideration of £2,247,525.