
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-K/A

AMENDMENT NO. 1

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2005

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 333-102428

RBS Global, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

01-0752045

(I.R.S. Employer Identification No.)

4701 Greenfield Avenue, Milwaukee, Wisconsin

(Address of Principal Executive Offices)

Rexnord Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

04-3722228

(I.R.S. Employer Identification No.)

53214

(Zip Code)

Registrant's telephone number, including area code: **(414) 643-3000**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Indicate by check whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

As of June 15, 2005, 3,622,031 shares of RBS Global, Inc. common stock, \$0.01 par value, were outstanding. There is no trading market for the common stock of RBS Global, Inc.

As of June 15, 2005, 1,000 shares of Rexnord Corporation common stock, \$0.01 par value, were outstanding. There is no trading market for the common stock of Rexnord Corporation.

EXPLANATORY NOTE

The purpose of this Form 10-K/A is to amend Part II, Item 8 of the RBS Global, Inc. and Rexnord Corporation Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended March 31, 2005, as filed with the Securities and Exchange Commission on June 15, 2005, to include a signed copy of the Audit Report of Ernst & Young LLP, an Independent Registered Public Accounting Firm. The Form 10-K inadvertently included an unsigned copy of such report. Except for providing a signed copy of the Audit Report, this Form 10-K/A does not reflect any events that occurred after the filing of the Form 10-K nor does it modify, amend or update any disclosures contained in the Form 10-K to reflect any subsequent events.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Financial Statements

RBS Global, Inc. and Subsidiaries Consolidated Financial Statements

For the Years ended March 31, 2005 and 2004, the Period from Inception (November 25, 2002)
through March 31, 2003 and for the Predecessor, for
the Period from April 1, 2002 through November 24, 2002

[Report of Ernst & Young LLP, Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets](#)

[Consolidated Statements of Income](#)

[Consolidated Statements of Stockholders' Equity](#)

[Consolidated Statements of Cash Flows](#)

[Notes to Consolidated Financial Statements](#)

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors

We have audited the accompanying consolidated balance sheets of RBS Global, Inc. and Subsidiaries (the Company) as of March 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows of the Company for the years ended March 31, 2005 and 2004 and for the period from inception (November 25, 2002) through March 31, 2003 and of the Predecessor for the period from April 1, 2002 through November 24, 2002. Our audits also included the financial statement schedule listed in Item 15(a)(2). These financial statements and schedule are the responsibility of management of the Company and its Predecessor. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at March 31, 2005 and 2004, and the consolidated results of operations and cash flows of the Company for the years ended March 31, 2005 and 2004 and for the period from inception (November 25, 2002) through March 31, 2003 and of its Predecessor for the period from April 1, 2002 through November 24, 2002, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
May 16, 2005

RBS Global, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars In Millions)

	<u>March 31, 2005</u>	<u>March 31, 2004</u>
Assets		
Current assets:		
Cash	\$ 26.3	\$ 21.8
Receivables, net	127.7	120.2
Inventories	127.7	134.7
Other current assets	18.1	14.6
Total current assets	<u>299.8</u>	<u>291.3</u>
Property, plant and equipment, net	263.9	270.2
Intangible assets, net	111.3	125.2
Goodwill	575.1	582.1
Other assets	27.3	30.3
Total assets	<u>\$ 1,277.4</u>	<u>\$ 1,299.1</u>
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 3.3	\$ 2.0
Trade payables	78.3	72.9
Income taxes payable	3.7	4.8
Deferred income taxes	12.8	6.4
Compensation and benefits	32.6	29.3
Current portion of pension obligations	13.6	10.5
Current portion of postretirement benefit obligations	5.7	5.7
Other current liabilities	30.9	42.1
Total current liabilities	<u>180.9</u>	<u>173.7</u>
Long-term debt	503.4	548.8
Pension obligations	75.8	82.2
Postretirement benefit obligations	34.2	38.2
Deferred income taxes	50.2	49.7
Other liabilities	8.2	7.4
Total liabilities	<u>852.7</u>	<u>900.0</u>
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock, \$.01 par value; authorized 5,000,000 shares; issued and outstanding 3,615,428 shares at March 31, 2005 and 3,595,001 shares at March 31, 2004	0.1	0.1
Additional paid in capital	361.6	359.4
Retained earnings	45.4	23.8
Accumulated other comprehensive income	17.6	15.8
Total stockholders' equity	<u>424.7</u>	<u>399.1</u>
Total liabilities and stockholders' equity	<u>\$ 1,277.4</u>	<u>\$ 1,299.1</u>

See notes to consolidated financial statements.

RBS Global, Inc. and Subsidiaries
Consolidated Statements of Income
(In Millions)

	Year ended March 31,		Period from November 25, 2002 through March 31, 2003	Predecessor (Note 1)
	2005	2004		Period from April 1, 2002 through November 24, 2002
Net sales	\$ 811.0	\$ 712.8	\$ 252.5	\$ 469.3
Cost of sales	555.8	485.4	162.1	310.5
Gross profit	255.2	227.4	90.4	158.8
Selling, general and administrative expenses	153.6	148.1	52.9	103.1
Restructuring and other similar costs	7.3	2.6	—	7.5
Curtailement gain	—	(6.6)	—	—
Income from litigation settlement	—	—	—	(2.3)
Amortization of intangibles	13.8	13.9	4.6	1.1
Income from operations	80.5	69.4	32.9	49.4
Non-operating income (expense):				
Interest expense:				
To third parties	(44.0)	(45.4)	(16.3)	(3.2)
To affiliates	—	—	—	(15.0)
Interest income from affiliates	—	—	—	5.2
Other income (expense), net	(0.7)	(1.1)	(0.5)	(0.1)
Income before income taxes	35.8	22.9	16.1	36.3
Provision for income taxes	14.2	8.7	6.5	16.0
Net income	<u>\$ 21.6</u>	<u>\$ 14.2</u>	<u>\$ 9.6</u>	<u>\$ 20.3</u>

See notes to consolidated financial statements.

RBS Global, Inc. and Subsidiaries
Statements of Stockholders' Equity
(In Millions)

	Invested Capital	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at March 31, 2002	\$ 503.6	\$ —	\$ —	\$ —	\$ (26.3)	\$ 477.3
Comprehensive income:						
Net income	20.3	—	—	—	—	20.3
Foreign currency translation adjustments	—	—	—	—	9.1	9.1
Total comprehensive income					29.4	29.4
Other activity with affiliates	547.6	—	—	—	—	547.6
Balance at November 24, 2002	1,071.5	—	—	—	(17.2)	1,054.3
Acquisition of Rexnord Group	(1,071.5)	0.1	359.4	—	17.2	(694.8)
Comprehensive income:						
Net income	—	—	—	9.6	—	9.6
Foreign currency translation adjustments	—	—	—	—	5.9	5.9
Total comprehensive income					15.5	15.5
Balance at March 31, 2003	—	0.1	359.4	9.6	5.9	375.0
Comprehensive income:						
Net income	—	—	—	14.2	—	14.2
Foreign currency translation adjustments	—	—	—	—	9.9	9.9
Total comprehensive income					24.1	24.1
Balance at March 31, 2004	—	0.1	359.4	23.8	15.8	399.1
Comprehensive income:						
Net income	—	—	—	21.6	—	21.6
Foreign currency translation adjustments	—	—	—	—	2.2	2.2
Additional minimum pension liability, net of \$0.3 income tax benefit	—	—	—	—	(0.4)	(0.4)
Total comprehensive income					23.4	23.4
Exercise of stock options	—	—	2.0	—	—	2.0
Other common stock activity	—	—	0.2	—	—	0.2
Balance at March 31, 2005	\$ —	\$ 0.1	\$ 361.6	\$ 45.4	\$ 17.6	\$ 424.7

See notes to consolidated financial statements.

RBS Global, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Millions)

	Year ended March 31,		Period from November 25, 2002 through March 31, 2003	Predecessor (Note 1)
	2005	2004		Period from April 1, 2002 through November 24, 2002
Operating activities				
Net income	\$ 21.6	\$ 14.2	\$ 9.6	\$ 20.3
Adjustments to reconcile net income to cash provided by (used for) operating activities:				
Depreciation	31.6	31.5	10.2	23.2
Amortization of intangibles	13.8	13.9	4.6	1.0
Amortization of deferred financing fees	3.6	3.4	1.0	—
Non-cash gain on pension and OPEB curtailment	—	(6.6)	—	—
Deferred income taxes	8.8	2.7	(1.3)	0.4
(Gain) loss on dispositions of fixed assets	(2.1)	(0.9)	—	0.3
Non-cash restructuring charges	—	—	—	0.1
Changes in operating assets and liabilities:				
Receivables	(4.6)	5.0	(9.6)	(32.9)
Inventories	9.5	1.3	3.0	(2.8)
Other assets	(3.6)	(1.6)	(0.5)	(0.7)
Trade payables	3.8	12.0	—	(28.3)
Trading balances with affiliates	—	—	—	(8.4)
Accruals and other liabilities	(15.0)	(29.9)	34.1	0.8
Cash provided by (used for) operating activities	67.4	45.0	51.1	(27.0)
Investing activities				
Acquisition of Rexnord Group	—	(10.4)	(913.5)	—
Expenditures for property, plant and equipment	(25.7)	(22.1)	(6.9)	(11.8)
Proceeds from dispositions of fixed assets	6.4	1.8	0.4	0.6
Cash used for investing activities	(19.3)	(30.7)	(920.0)	(11.2)
Financing activities				
Net borrowings (repayments) of long-term debt	(44.2)	(30.1)	(14.7)	0.2
Proceeds from issuance of long-term debt	—	—	587.0	—
Payment of financing fees	—	(1.1)	(25.5)	—
Proceeds from exercise of stock options	2.0	—	—	—
Other common stock activity	0.2	—	—	—
Capital contribution	—	—	359.5	—
Net increase in funding balances with affiliates	—	—	—	16.2
Cash provided by (used for) financing activities	(42.0)	(31.2)	906.3	16.4
Effect of exchange rate changes on cash	(1.6)	1.5	(0.1)	0.1
Increase (decrease) in cash	4.5	(15.4)	37.3	(21.7)
Cash (overdraft) at beginning of period	21.8	37.2	(0.1)	21.6
Cash (overdraft) at end of period	\$ 26.3	\$ 21.8	\$ 37.2	\$ (0.1)

See notes to consolidated financial statements.

1. Basis of Presentation and Description of Business

The Company

The Company is a manufacturer of mechanical power transmission components whose product portfolio includes flattop chain and modular conveyor belts, industrial bearings, aerospace bearings and seals, special components, couplings and gears and industrial chain. The products are either incorporated into products sold by original equipment manufacturers or sold to end-users through industrial distributors as aftermarket products.

The Acquisition

RBS Global, Inc. is the parent company of Rexnord Corporation, a holding company, which owns several domestic and foreign subsidiaries. On November 25, 2002, pursuant to a Stock Purchase Agreement between RBS Acquisition Corporation and Invensys plc (Invensys) and certain of its affiliates, RBS Acquisition Corporation acquired the net assets of the Rexnord Group (the Predecessor) for \$923.9 million, including direct costs of the acquisition of \$11.8 million (the Acquisition). RBS Acquisition Corporation is a wholly owned subsidiary of Rexnord Corporation. The purchase price was financed by a \$359.5 million equity investment from affiliates of The Carlyle Group and certain members of management of the Company, \$360.0 million of term loans and \$225.0 million of senior subordinated notes.

The accompanying consolidated financial statements include the accounts of RBS Global, Inc. and subsidiaries (collectively, the Company) subsequent to the Acquisition and also include the accounts of the Predecessor prior to the Acquisition. All significant intercompany accounts and transactions, including profit and loss as a result of those transactions, have been eliminated in consolidation. The financial statements of the Predecessor are presented for comparative purposes and include the combined historical financial statements of the wholly owned subsidiaries and divisions of Invensys that were acquired by RBS Acquisition Corporation.

The Company accounted for the Acquisition using the purchase method of accounting. The excess of the cost of the Company's acquisition of the Rexnord Group over the fair value of the net tangible and intangible assets acquired has been allocated to goodwill. During fiscal 2005, the Company revised its estimates of remaining employee severance accruals and certain other items, which decreased goodwill by \$7.0 million. This goodwill is not amortized but is reviewed annually for impairment (see Note 6). The majority of the goodwill is not deductible for income tax purposes.

In conjunction with the Acquisition, the Company recorded liabilities in connection with the business combination primarily for plant exit costs and employee severance costs. Cash payments charged against these reserves relating to severance and plant exit costs amounted to \$4.0 million and \$18.9 million in the years ended March 31, 2005 and 2004, respectively. Non-cash charges against these reserves relating to the write-off of inventory and manufacturing equipment and the reversal of excess severance accruals amounted to \$6.2 million and \$5.3 million in the years ended March 31, 2005 and 2004, respectively. The reserve balance at March 31, 2005 was \$1.1 million.

Subsequent Event- Acquisition of The Falk Corporation

On May 16, 2005, the Company acquired The Falk Corporation ("Falk") from Hamilton Sundstrand, a division of United Technologies Corporation, for \$295 million in cash plus certain transaction related expenses and the assumption of certain liabilities. Falk, which is also headquartered in Milwaukee, is a manufacturer of gears and couplings with annual revenues of approximately \$200 million. This acquisition will be accounted for using the purchase method of accounting in the first quarter of fiscal 2006. We have not yet completed our preliminary purchase price allocation. The acquisition of Falk was funded by a \$312 million term loan obtained through an amendment to our existing credit agreement dated May 16, 2005. See Note 8 for more information on this amendment.

2. Significant Accounting Policies

Predecessor

Throughout these Notes to Consolidated Financial Statements, amounts for periods prior to November 25, 2002 (the date of the Acquisition), are those of the Predecessor, the Rexnord Group.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2005 presentation.

Revenue Recognition

Net sales are recorded upon transfer of title of product, which occurs upon shipment to the customer. The Company estimates amounts due and records accruals for sales rebates to certain distributors at the time of shipment. Net sales relating to any particular shipment are based upon the amount invoiced for the shipped goods less estimated future rebate payments and sales returns, which are based upon the Company's historical experience. Revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. The value of returned goods during the years ended March 31, 2005 and 2004 and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002 was less than 0.5% of net sales. Other than a standard one-year warranty, there are no post-shipment obligations.

The Company classifies shipping and handling fees billed to customers as net sales and the corresponding costs are classified as cost of sales in the consolidated statements of income.

Receivables

Receivables are stated net of allowances for doubtful accounts of \$3.2 million at March 31, 2005 and \$3.6 million at March 31, 2004. On a regular basis, the Company evaluates its receivables and establishes the allowance for doubtful accounts based on a combination of specific customer circumstances and historical write-off experience.

Credit is extended to customers based upon an evaluation of their financial position. Generally, advance payment is not required. Credit losses are provided for in the consolidated financial statements and consistently have been within management's expectations.

Inventories

Inventories are stated at the lower of cost or market. Market is determined based on estimated net realizable values. Cost of certain domestic inventories (approximately 66% and 61% of total inventories at March 31, 2005 and 2004, respectively) was determined by the "last-in, first-out" (LIFO) method. For the remaining domestic and all foreign inventories, cost was determined using the "first-in, first-out" (FIFO) method. If the FIFO inventory valuation method had been used to value all inventories, inventories would have been higher by \$1.2 million at March 31, 2005 and lower by \$0.7 million at March 31, 2004. Inventory valuation reserves (excluding LIFO reserves) totaled \$10.6 million at March 31, 2005 and \$9.1 million at March 31, 2004. Due to rising raw material costs and changes to manufacturing processes in fiscal 2005, the Company re-evaluated its process for capitalizing overhead costs into inventory. As a result, the Company revised certain estimates related to the capitalization of overhead variances which increased inventories and reduced cost of sales by approximately \$7.0 million in fiscal 2005.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided using the straight-line method over 13 to 50 years for buildings and improvements, 3 to 13 years for machinery and equipment and 3 to 5 years for hardware and software. Estimated residual values on machinery and equipment are used in computing depreciation expense. Maintenance and repair costs are expensed as incurred.

Intangible Assets

Intangible assets consist of goodwill, trademarks and tradenames, a covenant not to compete, patents and a distribution network. Goodwill represents the excess of the purchase price paid by RBS Acquisition Corporation for the Company over the fair value of the net assets acquired. Trademarks and tradenames, patents and distribution network are stated at fair value on the date of acquisition as determined by an independent valuation firm. The covenant not to compete is stated at fair value per the Stock Purchase Agreement. Patents and distribution network are amortized using the straight-line method over 10 years and 15 years, respectively. The covenant not to compete is being amortized over 4 years, the contractual period of the covenant.

Deferred Financing Costs

Other assets at March 31, 2005 and March 31, 2004 include deferred financing costs of \$18.7 million and \$22.2 million, respectively, net of accumulated amortization of \$8.0 million and \$4.4 million, respectively. These costs were incurred to obtain long-term financing and are being amortized using the effective interest method over the term of the related debt.

Impairment of Long-Lived Assets

Long-lived assets, including property, plant and equipment and amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset may not be recoverable. Long-lived assets held for use are reviewed for impairment by comparing the carrying amount of the long-lived asset or group of assets to the undiscounted future cash flows expected to be generated by such asset over its remaining useful life. If the long-lived asset or group of assets is considered to be impaired, an impairment charge is recognized for the amount by which the carrying amount of the asset or group of assets exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Product Warranty

The Company offers warranties on certain of its products and records an accrual for estimated future claims at the time of sale. Such accruals are based upon historical experience and management's estimate of the level of future claims. The following table presents the Company's product warranty liability activity:

	Year ended March 31,		Period from	Period from
	2005	2004	November 25, 2002 through March 31, 2003	April 1, 2002 through November 24, 2002
Balance at beginning of period	\$ 1.1	\$ 1.4	\$ 0.6	\$ 0.6
Expense	1.1	1.2	0.2	0.6
Acquired obligations	—	—	1.5	—
Claims settled	(1.3)	(1.5)	(0.9)	(0.6)
Balance at end of period	<u>\$ 0.9</u>	<u>\$ 1.1</u>	<u>\$ 1.4</u>	<u>\$ 0.6</u>

Accumulated Other Comprehensive Income (Loss)

At March 31, 2005, accumulated other comprehensive income (loss) consisted of \$18.0 million of foreign currency translation adjustments and \$(0.4) million of additional minimum pension liability, net of tax. Prior to fiscal 2005, accumulated other comprehensive income (loss) consisted entirely of foreign currency translation adjustments.

Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to mitigate exposure related to receivables and payables denominated in foreign currencies. These derivative contracts did not qualify as hedges of future cash flows and, accordingly, were adjusted to fair value at March 31, 2005 and 2004, with the gain or loss included in other income (expense) in the consolidated statements of income. For each of the periods presented, the gain or loss recognized on these contracts was not material.

Foreign Currency Translation

Assets and liabilities of subsidiaries operating outside of the United States with a functional currency other than the U.S. dollar are translated into U.S. dollars using exchange rates at the end of the respective period. Revenues and expenses of such entities are translated at average exchange rates in effect during the respective period. Foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss). Currency transaction gains and losses are included in other non-operating income (expense) in the consolidated statements of income and totaled \$(0.8) million, \$0.7 million, \$0.5 million, and \$0.2 million for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively.

Advertising Costs

Advertising costs are charged to selling, general and administrative expenses as incurred and amounted to \$3.6 million, \$3.6 million, \$1.3 million, and \$2.7 million for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively.

Research and Development Costs

Research and development costs are charged to selling, general and administrative expenses as incurred and amounted to \$4.4 million, \$5.7 million, \$2.2 million, and \$4.8 million for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively.

Stock Based Compensation

The Company has one stock-based employee compensation plan (see Note 10). Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its stock option plan.

Had compensation cost been determined based upon the fair value at the grant date for awards under the plan based on the provisions of SFAS No. 123, the Company's and the Predecessor's pro forma net income would have been as follows (in millions):

	Year ended March 31,		Period from	Period from
	2005	2004	November 25, 2002 through March 31, 2003	April 1, 2002 through November 24, 2002
Reported net income	\$ 21.6	\$ 14.2	\$ 9.6	\$ 20.3
Stock option compensation expense recorded under APB No. 25, net of tax	0.1	0.1	—	—
Stock based employee compensation expense determined under fair value based method, net of tax	(1.0)	(0.9)	(0.3)	(0.2)
Pro forma net income	\$ 20.7	\$ 13.4	\$ 9.3	\$ 20.1

The Company determined the fair value of options granted using the minimum value option-pricing model. Fair value under the minimum value option-pricing model was determined using the following weighted-average assumptions for all Company periods presented unless otherwise noted: dividend yield of 0%, expected life of 10 years, and risk-free rate of interest of 4.0% in fiscal 2005 and 3.8% prior to fiscal 2005. The Predecessor determined fair value of options granted using the Black-Scholes option-pricing model. The pro forma effects of applying the provisions of SFAS No. 123 are not necessarily representative of the effects on net income in future years.

Significant Customer

The Company has a customer, an industrial distributor, that accounted for 9.0%, 9.5%, 10.4%, and 12.5% of net sales during the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively. Receivables related to this industrial distributor at March 31, 2005 and 2004 were \$4.0 million and \$5.8 million, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, payables and accrued liabilities approximated fair value at March 31, 2005 and 2004 due to the short-term nature of those instruments. The carrying value of long-term debt approximated fair value based on market interest rates as of March 31, 2005 and 2004.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued the revised SFAS No. 123, *Share Based Payment* (SFAS 123(R)). SFAS 123(R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. Generally, compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognized over the requisite service period, generally as the awards vest. In April 2005, the Securities and Exchange Commission deferred the effective date of SFAS 123(R) such that we are now required to adopt SFAS 123(R) in the first quarter of fiscal 2007. SFAS 123(R) applies to all awards granted after June 30, 2005 and to previously granted unvested awards as of the adoption date. We are evaluating the effect of SFAS 123(R) on our financial statements and related disclosures, but currently do not expect the effect on compensation expense, net of related tax, to be significant.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs- an Amendment of ARB No. 43, Chapter 4* (SFAS 151). SFAS 151 requires that abnormal amounts of idle facility expense, freight handling costs and wasted material (spoilage) be recognized as current period charges. In addition, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. We are required to adopt SFAS 151 in the first quarter of fiscal 2007. We are evaluating the effect of SFAS 151 on our financial statements and related disclosures, but currently do not expect the effect on inventories and cost of sales to be significant.

3. Restructuring and Other Similar Costs

The Company and the Predecessor have executed various restructuring programs focused on improving returns in core businesses by consolidating excess manufacturing capacity, rationalizing certain product lines, outsourcing of non-core production activity, streamlining of sales and administrative overhead, and realigning management structure. Restructuring and other similar costs are summarized as follows (in millions):

	<u>Year ended March 31,</u>		<u>Period from</u>
	<u>2005</u>	<u>2004</u>	<u>April 1,</u>
			<u>2002 through</u>
			<u>November 24,</u>
			<u>2002</u>
Consolidation and changes to manufacturing processes	\$ —	\$ —	\$ 3.3
Severance, recruiting and relocation costs	7.3	2.6	4.2
Excess and obsolete inventory - cost of sales	1.6	—	—
Total restructuring and other similar costs	<u>\$ 8.9</u>	<u>\$ 2.6</u>	<u>\$ 7.5</u>

Consolidation and Changes to Manufacturing Processes

The Predecessor closed certain facilities and either consolidated those operations into other facilities or made the decision to outsource the manufacture of the affected products. Consolidation and related costs totaled \$1.2 million in the period from April 1, 2002 through November 24, 2002. The Predecessor also changed the manufacturing process and discontinued the manufacture of certain products. Costs related to these restructuring initiatives during the period from April 1, 2002 through November 24, 2002 included \$1.6 million of incremental scrap and production inefficiencies and \$0.5 million of other incremental costs directly associated with the restructuring projects.

Severance, Recruiting and Relocation Costs

The Company and the Predecessor reduced headcount at certain locations in order to streamline manufacturing operations, to eliminate duplicative administrative, selling and marketing operations and to respond to declining demand and increasing costs. A total of 38 employees were terminated as a result of restructuring projects in the period from April 1, 2002 through November 24, 2002. Costs for the year ended March 31, 2004 were primarily for consulting assistance in connection with the implementation of severance programs. Costs for the year ended March 31, 2005 were primarily for management realignment and talent upgrades and consisted of \$4.2 million of severance, \$1.9 million of relocation expenses and \$1.2 million of recruiting expenses.

Excess and Obsolete Inventory - Cost of Sales

The Company recorded a \$1.6 million charge in fiscal 2005 to write-off certain excess and obsolete inventory that was on-hand at the date of the Acquisition for which no reserves were established in purchase accounting. This charge is included in cost of sales in the fiscal 2005 consolidated statement of income.

An analysis of the restructuring accrual is summarized as follows (in millions):

	March 31,	
	2005	2004
Balance at beginning of period	\$ —	\$ 0.6
Restructuring and other similar costs charged to operations	8.9	2.6
Cash payments	(5.0)	(3.2)
Write-off of excess and obsolete inventory	(1.6)	—
Balance at end of period	<u>\$ 2.3</u>	<u>\$ —</u>

4. Inventories

Inventories are summarized as follows (in millions):

	March 31,	
	2005	2004
Finished goods	\$ 83.5	\$ 85.6
Work in process	20.4	23.5
Raw materials	25.0	24.9
Inventories at FIFO cost	128.9	134.0
Adjustment to state inventories at LIFO cost	(1.2)	0.7
	<u>\$ 127.7</u>	<u>\$ 134.7</u>

During 2005, 2004 and 2003, the LIFO inventory quantities were reduced. As a result, cost of sales includes charges for inventories carried at prior years' LIFO values, which were more than current costs. The effect on the consolidated statements of income from these liquidations of inventories carried at LIFO values was not significant in any of these years.

5. Property, Plant and Equipment

Property, plant and equipment is summarized as follows (in millions):

	March 31,	
	2005	2004
Land	\$ 10.6	\$ 11.8
Buildings and improvements	60.7	65.9
Machinery and equipment	242.5	226.7
Hardware and software	10.0	7.9
	323.8	312.3
Less accumulated depreciation	59.9	42.1
	<u>\$ 263.9</u>	<u>\$ 270.2</u>

6. Intangible Assets and Goodwill

Intangible assets are summarized as follows (in millions):

	March 31, 2005		March 31, 2004	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Covenant not to compete	\$ 45.0	\$ (26.2)	\$ 45.0	\$ (15.0)
Patents	15.6	(3.7)	15.6	(2.0)
Distribution network	15.5	(2.4)	15.5	(1.4)
Intangible asset not subject to amortization - trademarks and tradenames	67.5	—	67.5	—
	<u>\$ 143.6</u>	<u>\$ (32.3)</u>	<u>\$ 143.6</u>	<u>\$ (18.4)</u>

Goodwill totaled \$575.1 million and \$582.1 million at March 31, 2005 and 2004, respectively, and consists entirely of the excess of the cost of the Company's acquisition of the Rexnord Group over the fair value of the net tangible and intangible assets acquired, as described in Note 1. Goodwill and certain other intangible assets are no longer amortized but are reviewed annually for impairment. The test for impairment was conducted in the fourth fiscal quarter of the year ended March 31, 2005 and 2004, and no impairment was found for any reporting unit.

The Company is expected to recognize amortization expense on the intangible assets subject to amortization of \$13.8 million in the fiscal year ending March 31, 2006, \$10.0 million in the fiscal year ending March 31, 2007, \$2.5 million in the fiscal year ending March 31, 2008, \$2.4 million in the fiscal year ending March 31, 2009 and \$2.4 million in the fiscal year ending March 31, 2010.

7. Other Current Liabilities

Other current liabilities are summarized as follows (in millions):

	March 31,	
	2005	2004
Taxes, other than income taxes	\$ 1.7	\$ 2.5
Interest payable	9.9	10.8
Sales rebates	5.3	5.2
Severance obligations	2.4	10.4
Liabilities recorded in connection with business combination	0.4	1.2
Other	11.2	12.0
	<u>\$ 30.9</u>	<u>\$ 42.1</u>

8. Long-Term Debt

Long-term debt is summarized as follows (in millions):

	March 31,	
	2005	2004
Term loans	\$ 275.0	\$ 320.0
Senior subordinated notes	225.0	225.0
Other	6.7	5.8
Total	<u>506.7</u>	<u>550.8</u>
Less current portion	3.3	2.0
Long-term debt	<u>\$ 503.4</u>	<u>\$ 548.8</u>

On November 25, 2002, Rexnord Corporation entered into a seven-year bank term loan credit agreement (the Credit Agreement) under which Rexnord Corporation had outstanding borrowings of \$275 million and \$320 million at March 31, 2005 and 2004, respectively. Borrowings under the Credit Agreement are secured by substantially all assets of the Company. On February 24, 2004, the Credit Agreement was amended to reduce the interest rate on the term loans by 75 basis points. At the option of Rexnord Corporation, borrowings under the term loans bear interest at the following rates per annum: (i) 2.00% plus the Base Rate, or (ii) 3.25% plus the Eurodollar Rate. At March 31, 2005, \$200 million of term loans bear interest at 5.23%, \$10 million bear interest at 5.85% and \$65 million bear interest at 5.92%. As of March 31, 2005, the term loans required principal payments of \$9.5 million in fiscal 2008, \$27.0 million in fiscal 2009; and \$238.5 million in fiscal 2010.

The Credit Agreement contains numerous terms, covenants and conditions as of March 31, 2005 which impose substantial limitations on Rexnord Corporation including: (i) payment of dividends or other distributions; (ii) minimum consolidated interest coverage ratio of 2.25 to 1.00 through June 2005; and (iii) maximum consolidated leverage ratio of 4.75 to 1.00 through June 30, 2005. The Credit Agreement is guaranteed by RBS Global, Inc. and Rexnord Corporation's domestic subsidiaries and is secured by substantially all of the domestic guarantors' real and personal property. Rexnord Corporation is required under the Credit Agreement to make mandatory prepayments of its loan facilities out of, among other things: (i) net cash proceeds received from the sales of certain assets; (ii) the issuance of capital stock or subordinated debt; and (iii) a percentage of the Company's excess cash flow, as defined.

The Credit Agreement also provides Rexnord Corporation with a \$75 million revolving credit facility. There were no borrowings outstanding under the revolving credit facility at March 31, 2005 and 2004; however, \$10.8 million and \$9.7 million of the facility was utilized in connection with outstanding letters of credit as of March 31, 2005 and 2004, respectively.

On May 16, 2005, the Company amended the existing Credit Agreement and obtained a new \$312 million term loan to fund the acquisition of Falk (see Note 1). This additional \$312 million term loan is not reflected in our fiscal 2005 consolidated balance sheet as the transaction occurred after our fiscal year-end. Under the amended Credit Agreement, all of the term loans (which consist of the new \$312 million term loan and the \$275 million of pre-existing term loans) bear interest, at the Company's option, at the following rates per annum: (i) 2.25% plus the Eurodollar Rate, or (ii) 1.00% plus the Base Rate (which is defined as the higher of the Federal funds rate plus 0.5% or the Prime rate). The Company is required to make semi-annual principal payments on these term loans of \$2.94 million beginning in November 2005 and continuing through May 2011, with the remaining principal balance of \$551.8 million due in December 2011. The amended Credit Agreement also contains certain revised financial covenants, including (i) a minimum consolidated interest coverage ratio of 2.25 to 1.00 through March 31, 2006; (ii) a maximum consolidated leverage ratio of 5.50 to 1.00 through September 30, 2006, and (iii) a maximum annual capital expenditures limit of \$50 million.

At March 31, 2005 and 2004, Rexnord Corporation had \$225.0 million of 10.125% senior subordinated notes (the Notes) outstanding with a maturity of December 15, 2012. Interest is payable semi-annually on June 15 and December 15. The Notes are unsecured obligations of Rexnord Corporation and are unconditionally guaranteed, jointly and severally, by RBS Global, Inc. and certain of the domestic subsidiaries of Rexnord Corporation. The Notes are subordinated in right of payment to all existing and future senior indebtedness of the guarantors. There are certain covenants under the terms of the Notes, including those that limit the Company's ability to incur or guarantee additional indebtedness, pay dividends or redeem or repurchase its capital stock, and sell assets.

At March 31, 2005 and 2004, the Company had additional debt of \$6.7 million and \$5.8 million, respectively, comprised of borrowings at various foreign subsidiaries.

Cash interest paid for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002 was \$41.1 million, \$39.9 million, \$7.1 million, and \$17.1 million, respectively.

9. Leases

The Company leases manufacturing and warehouse facilities and data processing and other equipment under non-cancelable operating leases which expire at various dates through 2017. Rent expense totaled \$5.5 million, \$5.6 million, \$2.2 million, and \$4.5 million for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively.

Future minimum rental payments for operating leases with initial or remaining terms in excess of one year are as follows (in millions):

Year ending March 31:	
2006	\$ 6.7
2007	5.6
2008	5.0
2009	4.2
2010	2.5
Thereafter	6.8
	<u>\$ 30.8</u>

10. Stock Options

Stock Option Plan of RBS Global, Inc. (the Plan)

Options to purchase common stock of the Company have been granted under the Plan, which was adopted on November 25, 2002. The Plan provides for the issuance of 355,551 options at exercise prices equal to the fair value of Common Stock on the date of grant. Approximately 47% of the options outstanding at March 31, 2005, become exercisable ratably over the five-year period subsequent to the date of grant. The remaining 53% of the options outstanding at March 31, 2005, vest on the seventh anniversary of the grant, but exercise of such options can be accelerated if certain debt repayments and EBITDA performance measures are met.

Information relative to stock options is as follows:

	Year Ended March 31, 2005		Year Ended March 31, 2004		Period from November 25, 2002 through March 31, 2003	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Number of shares under option:						
Outstanding at beginning of year	279,895	\$ 100.00	276,467	\$ 100.00	—	\$ —
Granted	67,253	100.00	21,883	100.00	276,467	100.00
Exercised	(19,427)	100.00	—	—	—	—
Canceled	(23,716)	100.00	(18,455)	100.00	—	—
Outstanding at end of year	<u>304,005</u>	<u>\$ 100.00</u>	<u>279,895</u>	<u>\$ 100.00</u>	<u>276,467</u>	<u>\$ 100.00</u>
Exercisable at end of year	<u>79,009</u>	<u>\$ 100.00</u>	<u>46,722</u>	<u>\$ 100.00</u>	<u>4,236</u>	<u>\$ 100.00</u>

Stock Option Plans of the Predecessor

Invensys, the parent company of the Predecessor, maintained two stock option plans in which participants included senior management of the Predecessor through November 24, 2002. In accordance with the terms of those plans, all outstanding options expired on May 24, 2003. No options were granted or exercised by participants employed by the Predecessor under these plans during the period from April 1, 2002 through November 24, 2002.

11. Retirement Benefits

The Company and the Predecessor sponsor pension and other postretirement benefit plans for certain of their employees. The pension plans cover most of the Company's employees and provide for monthly pension payments to eligible employees upon retirement. Pension benefits for salaried employees generally are based on years of credited service and average earnings. Pension benefits for hourly employees generally are based on specified benefit amounts and years of service. The Company's policy is to fund its pension obligations in conformity with the funding requirements under applicable laws and governmental regulations. Other postretirement benefits consist of a retiree medical plan that covers a portion of employees in the United States that meet certain age and service requirements and other postretirement benefits for employees at certain foreign locations.

The components of net periodic benefit cost are as follows (in millions):

	Pension Benefits				Other Postretirement Benefits			
	Year ended March 31,		Period from	Period from	Year ended March 31,		Period from	Period from
	2005	2004	November 25, 2002 through March 31, 2003	April 1, 2002 through November 24, 2002	2005	2004	November 25, 2002 through March 31, 2003	April 1, 2002 through November 24, 2002
Service cost	\$ 3.3	\$ 7.3	\$ 3.2	\$ 4.8	\$ 0.8	\$ 0.8	\$ 0.2	\$ 0.4
Interest cost	13.4	13.1	4.6	8.7	2.6	3.3	1.1	3.9
Expected return on plan assets	(10.9)	(9.2)	(3.6)	(9.1)	—	—	—	—
Curtailment gain	—	(5.6)	—	—	—	(1.1)	—	—
Amortization:								
Prior service cost	—	—	—	—	(0.3)	—	—	(0.5)
Net actuarial loss	—	—	—	(0.1)	0.1	—	—	(0.9)
Net periodic benefit cost	<u>\$ 5.8</u>	<u>\$ 5.6</u>	<u>\$ 4.2</u>	<u>\$ 4.3</u>	<u>\$ 3.2</u>	<u>\$ 3.0</u>	<u>\$ 1.3</u>	<u>\$ 2.9</u>

During the year ended March 31, 2004, the Company made significant modifications to its defined benefit pension plan covering certain U.S. employees by freezing credited service as of March 31, 2004. A new discretionary Company contribution equal to 3% of pay was added to the 401(k) defined contribution plan. The changes to the defined benefit plan resulted in a curtailment of the plan under FAS No. 88 "Employers' Accounting for Settlement and Curtailments of Defined Benefit Pension Plans and for Termination Benefits". Accordingly, a pretax curtailment gain of \$5.6 million was recorded in the third quarter ended December 31, 2003. In the fourth quarter ended March 31, 2004, the Company eliminated postretirement benefits for certain active employees and recognized a curtailment gain of \$1.1 million.

Benefit obligations, plan assets, funded status and net liability information are summarized as follows (in millions):

	Pension Benefits		Other Postretirement Benefits	
	Year ended March 31,		Year ended March 31,	
	2005	2004	2005	2004
Benefit obligation at beginning of period	\$ (224.0)	\$ (200.4)	\$ (45.6)	\$ (50.2)
Service cost	(3.3)	(7.3)	(0.8)	(0.8)
Interest cost	(13.4)	(13.1)	(2.6)	(3.3)
Actuarial losses	(8.2)	(16.5)	(8.8)	(5.7)
Plan amendments	—	—	—	4.0
Benefits paid	13.3	11.2	10.1	10.8
Curtailement gain	—	5.6	—	1.1
Other	—	—	(2.8)	(1.3)
Translation adjustment	(1.9)	(3.5)	(0.1)	(0.2)
Benefit obligation at end of period	\$ (237.5)	\$ (224.0)	\$ (50.6)	\$ (45.6)
Plan assets at beginning of period	\$ 130.0	\$ 114.4	\$ —	\$ —
Actual return on plan assets	13.4	20.7	—	—
Contributions	11.2	6.1	10.1	10.8
Benefits paid	(13.3)	(11.2)	(10.1)	(10.8)
Plan assets at end of period	\$ 141.3	\$ 130.0	\$ —	\$ —
Funded status of plans	\$ (96.2)	\$ (94.0)	\$ (50.6)	\$ (45.6)
Unrecognized prior service cost	—	—	(3.7)	(4.0)
Unrecognized net actuarial losses	5.6	1.3	14.4	5.7
Contributions after measurement date	1.9	—	—	—
Net amount recognized	\$ (88.7)	\$ (92.7)	\$ (39.9)	\$ (43.9)
Recorded in:				
Current liabilities	\$ (13.6)	\$ (10.5)	\$ (5.7)	\$ (5.7)
Long-term liabilities	(75.8)	(82.2)	(34.2)	(38.2)
Accumulated other comprehensive loss	0.7	—	—	—
	\$ (88.7)	\$ (92.7)	\$ (39.9)	\$ (43.9)

The Company uses an actuarial measurement date of December 31 to measure its pension benefit obligations and March 31 to measure its other postretirement obligations. The following table presents significant assumptions used to determine benefit obligations and net periodic benefit cost (in weighted-average percentages):

	Pension Benefits			Other Postretirement Benefits		
	March 31,			March 31,		
	2005	2004	2003	2005	2004	2003
Benefit Obligations:						
Discount rate	5.78%	6.07%		6.00%	6.25%	
Rate of compensation increase	3.31%	3.49%		n/a	n/a	
Net Periodic Benefit Cost:						
Discount rate	6.07%	6.55%	7.30%	6.25%	6.75%	7.50%
Rate of compensation increase	3.49%	3.31%	3.40%	n/a	n/a	n/a
Expected return on plan assets	8.50%	9.00%	9.00%	n/a	n/a	n/a

In evaluating the expected return on plan assets, consideration was given to historical long-term rates of return on plan assets, and input from the Company's pension fund consultant on asset class return expectations, long-term inflation and current market conditions.

The Company's weighted-average investment allocations as of March 31, 2005 and 2004, are presented in the following table. The Company's defined benefit pension investment policy recognizes the long-term nature of pension liabilities, the benefits of diversification across asset classes and the effects of inflation. The diversified portfolio is designed to maximize investment returns consistent with levels of investment risk that are prudent and reasonable. All assets are managed externally according to guidelines established individually with investment managers and the Company's investment consultant. The manager guidelines prohibit the use of any type of investment derivative without the prior approval of the investment committee. Portfolio risk is controlled by having managers comply with their established guidelines, including establishing the maximum size of any single holding in their portfolios and by using managers with different investment styles. The Company periodically undertakes asset and liability modeling studies to determine the appropriateness of the investments. The portfolio included holding of domestic, international, and private equities, global high quality and high yield fixed income, and short-term interest bearing deposits. No equity securities of the Company are held in the portfolio. The target allocation of 65% equities and 35% fixed income is established by the investment committee of each plan.

	Plan Assets as of March 31,	
	2005	2004
Equity securities	70%	76%
Debt securities	29	24
Other	1	—

The Company expects to contribute approximately \$13.6 million during fiscal 2006 to its defined benefit plans and \$5.7 million to its other postretirement benefit plans.

Expected benefit payments to be paid in each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows (in millions):

<u>Year ending March 31:</u>	<u>Pension Benefits</u>	<u>Other Postretirement Benefits</u>
2006	\$ 13.6	\$ 5.7
2007	13.9	5.1
2008	14.1	4.8
2009	14.4	4.5
2010	14.7	4.4
2011 – 2015	80.2	18.6

Pension Plans That Are Not Fully Funded

At March 31, 2005, the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of the fair value of plan assets were \$235.3 million, \$224.9 million and \$139.0 million, respectively, and at March 31, 2004 were \$222.0 million, \$188.9 million and \$128.0 million, respectively.

Other Postretirement Benefits

The Company's domestic retiree medical program provides for prescription drug benefits. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D). In May 2004, the FASB issued Staff Position No. 106-2 (FSP 106-2), which provides accounting guidance to employers that offer prescription drug benefits under retiree healthcare benefit plans to Medicare eligible retirees. FSP 106-2 requires that the benefit attributable to past service be accounted for as an actuarial gain and the benefit related to current service be reported as a reduction in service cost. The adoption of FSP 106-2 reduced the Company's accumulated postretirement benefit obligation at March 31, 2005 by approximately \$2.6 million.

The other postretirement benefit obligation was determined using an assumed health care cost trend rate of 9% in fiscal 2006 grading down to 5% in fiscal 2010 and thereafter. The discount rate, compensation rate increase and health care cost trend rate assumptions are determined as of the measurement date.

Assumed health care cost trend rates have a significant effect on amounts reported for the retiree medical plans. A one-percentage point change in assumed health care cost trend rates would have the following effect (in millions):

	<u>One Percentage Point Increase</u>				<u>One Percentage Point Decrease</u>			
	<u>Year ended March 31,</u>		<u>Period from</u>	<u>Period from</u>	<u>Year ended March 31,</u>		<u>Period from</u>	<u>Period from</u>
	<u>2005</u>	<u>2004</u>	<u>November 25, 2002 through March 31, 2003</u>	<u>April 1, 2002 through November 24, 2002</u>	<u>2005</u>	<u>2004</u>	<u>November 25, 2002 through March 31, 2003</u>	<u>April 1, 2002 through November 24, 2002</u>
Increase (decrease) in total of service and interest cost components	\$ 0.2	\$ 0.3	\$ 0.1	\$ 0.4	\$ (0.2)	\$ (0.3)	\$ (0.1)	\$ (0.4)
Increase (decrease) in postretirement benefit obligation	\$ 3.0	\$ 3.9	\$ 5.1	\$ 7.1	\$ (2.6)	\$ (3.3)	\$ (4.6)	\$ (6.5)

Multi-employer and Government-sponsored Plans

The Company participates in certain multi-employer and government-sponsored plans for eligible employees. Expense related to these plans was \$0.2 million, \$0.2 million, \$0.1 million, and \$0.1 million for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively.

Defined Contribution Savings Plans

The Company sponsors certain defined-contribution savings plans for eligible employees. Expense related to these plans was \$5.9 million, \$0.6 million, \$0.9 million, and \$2.2 million for the years ended March 31, 2005 and 2004, and for the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively.

12. Income Taxes

The components of the provision for income taxes are as follows (in millions):

	Year ended March 31,		Period from November 25, 2002 through March 31, 2003	Period from April 1, 2002 through November 24, 2002
	2005	2004		
Current:				
United States	\$ —	\$ —	\$ 3.0	\$ 9.9
Non-United States	4.2	5.2	3.3	4.9
State and local	1.2	0.8	1.5	0.8
Total current	<u>5.4</u>	<u>6.0</u>	<u>7.8</u>	<u>15.6</u>
Deferred:				
United States	6.8	2.8	(3.2)	(0.4)
Non-United States	—	0.2	2.3	0.4
State and local	2.0	(0.3)	(0.4)	0.4
Total deferred	<u>8.8</u>	<u>2.7</u>	<u>(1.3)</u>	<u>0.4</u>
Provision for income taxes	<u>\$ 14.2</u>	<u>\$ 8.7</u>	<u>\$ 6.5</u>	<u>\$ 16.0</u>

The provision for income taxes was calculated based upon the following components of income before income taxes (in millions):

	Year ended March 31,		Period from November 25, 2002 through March 31, 2003	Period from April 1, 2002 through November 24, 2002
	2005	2004		
United States	\$ 28.3	\$ 18.0	\$ 12.6	\$ 30.7
Non-United States	7.5	4.9	3.5	5.6
Income before income taxes	<u>\$ 35.8</u>	<u>\$ 22.9</u>	<u>\$ 16.1</u>	<u>\$ 36.3</u>

Deferred income taxes consist of the tax effects of the following temporary differences (in millions):

	March 31,	
	2005	2004
Deferred tax assets:		
Retirement benefits	\$ 26.4	\$ 30.8
US federal and state tax operating loss carryforwards (gross amount of taxable losses of \$21.4 as of March 31, 2005)	4.7	8.8
Foreign tax credit carryforwards	17.5	11.5
Foreign net operating loss carryforwards	14.1	11.6
Other	0.5	2.5
	<u>63.2</u>	<u>65.2</u>
Valuation allowance	(18.1)	(14.4)
Total deferred tax assets	<u>45.1</u>	<u>50.8</u>
Deferred tax liabilities:		
Property, plant and equipment	53.1	56.2
Compensation and benefits	1.0	1.1
Inventories	12.2	6.4
Intangible assets	36.6	37.5
Other	5.2	5.7
Total deferred tax liabilities	<u>108.1</u>	<u>106.9</u>
Net deferred tax liabilities	<u>\$ 63.0</u>	<u>\$ 56.1</u>

These deferred tax assets and liabilities are classified in the consolidated balance sheet based on the balance sheet classification of the related assets and liabilities.

Management believes it is more likely than not that current and long-term deferred tax assets will be realized through the reduction of future taxable income. Significant factors considered by management in this determination include the historical operating results of the Company and the Predecessor and the expectation of future earnings, including anticipated reversals of future taxable temporary differences. A valuation allowance was established at March 31, 2005 and 2004 for deferred tax assets related to state net operating loss carryforwards and foreign net operating loss carryforwards for which utilization is uncertain. The carryforward period for the foreign tax credit is ten years. The carryforward period for the state net operating loss is fifteen years. Certain foreign net operating loss carryforwards are subject to a five year expiration period. The carryforward period for the remaining foreign net operating losses is indefinite.

The provision for income taxes differs from the United States statutory income tax rate due to the following item (in millions):

	Year ended March 31,		Period from	Period from
	2005	2004	November 25, 2002 through March 31, 2003	April 1, 2002 through November 24, 2002
Provision for income taxes at U.S. statutory income tax rate	\$ 12.5	\$ 8.0	\$ 5.6	\$ 12.7
State and local income taxes	2.1	0.6	0.7	1.4
Net effects of foreign tax rates and credits	(0.6)	1.6	(0.5)	0.7
Foreign net operating loss carryforward utilized	(1.0)	(1.2)	—	—
Foreign net operating losses for which tax benefit was not provided	1.4	—	1.2	2.2
Other	(0.2)	(0.3)	(0.5)	(1.0)
Provision for income taxes	<u>\$ 14.2</u>	<u>\$ 8.7</u>	<u>\$ 6.5</u>	<u>\$ 16.0</u>

No provision has been made for United States or foreign income taxes related to approximately \$8.6 million of undistributed earnings of foreign subsidiaries considered to be permanently reinvested. It is not practicable to determine the income tax liability, if any, which would be payable if such earnings were not permanently reinvested.

The Company's United States income tax returns for the years 2000 through 2002 are currently under examination. Management expects the examination of the Company's returns for such years will be completed during the fiscal year ended March 31, 2006. Management believes adequate provision for income taxes payable of the Company has been made for all fiscal years through 2005. In connection with the sale of the Predecessor (see Note 1), Invensys has indemnified the Company against all income tax obligations existing prior to the closing date, November 25, 2002.

For tax years prior to November 24, 2002, various United States and foreign subsidiaries of the Company were included in consolidated tax filings with other Invensys affiliated companies. The Predecessor's methodology applied for allocating taxes between affiliates that participated in consolidated tax filings was as follows: to the extent that a company generated taxable income, the company remitted taxes to its affiliated parent company based upon the applicable statutory effective tax rate. If a taxable loss was generated by a company, the affiliated parent company did not provide any current or future cash benefit. The income tax provision for the Predecessor was calculated as if the entities included in the consolidated financial statements filed separately from their non-Rexnord Group affiliates.

Cash paid for income taxes to governmental tax authorities during the years ended March 31, 2005 and 2004 and during the periods from November 25, 2002 through March 31, 2003 and April 1, 2002 through November 24, 2002, respectively, was \$7.1 million, \$7.4 million, \$0.5 million, and \$12.4 million, respectively. At March 31, 2005 and 2004, income taxes payable to governmental tax authorities was \$3.7 million and \$4.8 million, respectively.

13. Related Party Transactions

On November 25, 2002, RBS Global, Inc. entered into a management services agreement with TC Group, L.L.C., (the Carlyle Group) for advisory and consulting services related to corporate management, finance, product strategy, investment, acquisitions and other matters relating to the business of the Company. Under the terms of the agreement, the Company agreed to pay for these services and recorded charges of \$0.7 million for the period from November 25, 2002 through March 31, 2003 and \$2.0 million per year thereafter, plus out of pocket expenses. This agreement will remain in effect until such time as the Carlyle Group or its affiliates collectively own less than 10% of the equity interest of the Company, or such earlier time as the Company and the Carlyle Group may mutually agree.

Predecessor Related Party Transactions

Included within selling, general and administrative expenses were charges for administrative expenses incurred by Invensys and its Automation Systems Division that were directly attributed to, or reasonably allocated to, the stand-alone operations of the Company before acquisition. These charges were for administrative services, accounting and legal services, officer salaries, advertising and other costs attributed to the Company's operations and the Company's allocable share of other expenses. These charges totaled \$2.9 million for the period April 1, 2002 through November 24, 2002.

The expenses allocated had been determined on a basis that the Predecessor, Invensys and its Automation Systems Division considered to be reasonable reflections of the utilization of services provided or the benefit received by the Predecessor.

Predecessor – Trading Activity

The Predecessor purchased from affiliates various products and services in the normal course of business. Pricing was generally negotiated on an arm's-length basis or on the basis of standard pricing schedules. Purchases from affiliates were \$4.4 million in the period April 1, 2002 through November 24, 2002.

14. Commitments and Contingencies

The Company is involved in various unresolved legal actions, administrative proceedings, and claims in the ordinary course of its business involving, among other things, product liability, commercial, employment, workers' compensation, intellectual property claims and environmental matters. The Company establishes reserves in a manner that is consistent with accounting principles generally accepted in the United States for costs associated with such matters when its liability is probable and those costs are capable of being reasonably estimated. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss or recovery, based upon current information, management believes the eventual outcome of these unresolved legal actions either individually, or in the aggregate, will not have a material effect on the financial position, results of operations or cash flows of the Company.

In a prior year, the Predecessor initiated legal proceedings against a consulting firm for nonperformance with respect to process reengineering services the consulting firm was retained to perform for the Predecessor. A jury trial was held in 2001, and a verdict of \$2.2 million was returned in favor of the Predecessor, including an award of attorney's fees of \$0.6 million. In May 2002, the consulting firm unsuccessfully exhausted its right of appeal at which time the Predecessor received \$2.3 million, including interest of \$0.1 million and recorded a gain.

In connection with the sale of the Predecessor, Invensys has indemnified the Company against certain contingent liabilities. Invensys has also indemnified the Company for all preclosing environmental liabilities which individually exceed \$75,000 and which in the aggregate exceed \$2.0 million.

The following paragraphs summarize noteworthy actions and proceedings against which the Company has been indemnified:

- The Company is a defendant in a case entitled *GE Transportation Systems v. Rexnord*, pending in the United States District Court for the Western District of Pennsylvania. The case seeks \$8.0 million for damages allegedly incurred by GE in using Rexnord bearings to retrofit GE locomotives. The ultimate outcome of this litigation cannot presently be determined; however, management believes the Company has meritorious defenses to the suit.
- The Company is a third-party defendant in two separate class action suits for alleged groundwater contamination in the United States District Court for the Northern District of Illinois: *Teresa and Al LeClercq et al v. Lockformer et al v. Arrow Gear Company et al* and *Mejdrech et al v. Met-Coil Systems/The Lockformer Company v. Arrow Gear Company et al*. The original defendant, Lockformer Company, has settled with the LeClercq plaintiffs for \$10 million and with the Mejdrech plaintiffs for \$12.5 million. Lockformer is now seeking contribution under various theories of alleged groundwater contamination in Lisle, Illinois from at least ten other companies, including the Company. The contribution claims for both suits have been combined into one suit. The outcome of this litigation cannot presently be determined; however, management believes the Company has not contributed to the groundwater contamination and has meritorious defenses to the suit. The Company has sued and been sued by its insurance companies over coverage for the Lockformer matter.
- The Company is a potentially responsible party (“PRP”) at the Ellsworth Industrial Park Site, Downers Grove, DuPage County, Illinois (the Site), which is under investigation by the USEPA and IEPA. The investigation alleges there has been a release or threatened release of hazardous substances, pollutants or contaminants at the Site. Based on their proximity to the Site, the Company and at least ten other companies have been notified of their potential liability for the remediation of the Site. In support of USEPA/IEPA, Illinois filed a lawsuit in the Circuit Court of DuPage County, Illinois against the Company and the other PRP companies: *State of Illinois v. Precision et al*. Subsequently, Rexnord and at least ten other companies entered into an Administrative Order by Consent (AOC) with USEPA/IEPA/Illinois et al that provides \$4.275 million to fund the hook-up of about 800 homes to municipal water and provides for continuing investigation of the Site. The Company has agreed to provide \$273,000 of that fund under an interim allocation. Recently the Company was notified by the USEPA that the Site investigation is expanding. The Company is a defendant in three other lawsuits stemming from the Site: *Muniz et al v. Rexnord Corporation et al*, a class action pending in the United States District Court for the Northern District of Illinois; *Jana Bendik v. Precision Brand Products et al v. Rexnord Corporation et al*, filed by an individual plaintiff in the Circuit Court of Cook County, Illinois; and *Kevin Pote, et al v. Ames Supply Co. et al.*, filed by an individual plaintiff in the Circuit Court of Cook County, Illinois. The AOC is expected to resolve a significant portion of the *State of Illinois* and *Muniz* lawsuits. The ultimate outcome of the Ellsworth investigation and related litigation cannot presently be determined; however, management believes the Company has meritorious defenses to the suits. The Company has sued and been sued by its insurance companies over coverage for the Ellsworth matters.
- The Company was a defendant and cross-defendant in a case entitled *Odeco Drilling Inc., et al. v. Baroid Equipment, Inc.*, filed in state court in Harris County, Texas. On February 26, 2002, the Court entered a final judgment in favor of Baroid Equipment, Inc. and Varco Shaffer Co. (“Defendants/Cross-Plaintiffs”) against the Company in the amount of approximately \$2.3 million, plus pre-judgment interest of 10% beginning October 16, 1992. The judgment provides for a further award of attorneys’ fees to the Defendants/Cross-Plaintiffs in the event of appeals. This judgment is currently on appeal in the Houston Court of Appeals. The Company vigorously disputes the claims made the basis of the judgment and intends to prosecute its appeal of the judgment. The Company is indemnified against any loss by two separate parties in connection with this matter. Accordingly, the Company has recorded a liability at March 31, 2005 in the amount of the judgment plus accrued interest totaling \$7.6 million and a corresponding receivable in the same amount. Both the liability and corresponding receivable are classified as a noncurrent liability and asset, respectively, in the accompanying consolidated balance sheet.

15. Business Segment Information

The Company operates in a single business segment — mechanical power transmission components. Net sales to third parties and long-lived assets by geographic region are as follows (in millions):

	Net Sales to Third Parties				Long-Lived Assets	
	Year ended March 31,		Period from	Period from	Year ended March 31,	
	2005	2004	November 25, 2002 through March 31, 2003	April 1, 2002 through November 24, 2002	2005	2004
United States	\$ 528.9	\$ 439.1	\$ 168.3	\$ 325.2	\$ 704.1	\$ 727.6
Europe	201.2	201.6	63.4	102.5	239.3	243.4
Rest of the world	80.9	72.1	20.8	41.6	6.9	6.5
	<u>\$ 811.0</u>	<u>\$ 712.8</u>	<u>\$ 252.5</u>	<u>\$ 469.3</u>	<u>\$ 950.3</u>	<u>\$ 977.5</u>

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates. Amounts attributed to the geographic regions for long-lived assets are based on the location of the entity that holds such assets.

16. Guarantor Subsidiaries

The following schedules present condensed consolidating/combining financial information at March 31, 2005 and 2004, and for the years ended March 31, 2005 and 2004, and the period from November 25, 2002 through March 31, 2003 and the period from April 1, 2002 through November 24, 2002 for: (a) RBS Global, Inc., the Parent Company; (b) Rexnord Corporation, the Issuer, which is wholly-owned by the Parent; (c) on a combined basis, the domestic subsidiaries of the Company, all of which are wholly-owned by the Parent (Guarantor Subsidiaries); and (d) on a combined basis, the foreign subsidiaries of the Company (non-Guarantor Subsidiaries). Separate financial statements of the Guarantor Subsidiaries are not presented because their guarantees of the senior subordinated notes are full and unconditional and joint and several, and the Company believes separate financial statements and other disclosures regarding the Guarantor Subsidiaries are not material to investors. The Guarantor Subsidiaries guarantee the senior subordinated notes issued in connection with the acquisition of the Company by The Carlyle Group.

The restricted assets of the consolidated subsidiaries of RBS Global, Inc., a holding company (the Parent Company), exceeds 25 percent of consolidated net assets at March 31, 2005 and 2004. The following schedules present the condensed financial information of the Parent Company in accordance with Rule 5-04 of Regulation S-X. With the exception of the Parent Company's guarantee of the senior subordinated notes, the Parent Company does not have any guarantees, material contingencies or long-term obligations.

Condensed Consolidating Balance Sheet
March 31, 2005
(in millions)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Current assets:						
Cash	\$ —	\$ —	\$ 15.9	\$ 10.4	\$ —	\$ 26.3
Receivables, net	—	—	65.0	62.7	—	127.7
Inventories	—	—	81.6	46.1	—	127.7
Other current assets	—	—	11.3	6.8	—	18.1
Total current assets	—	—	173.8	126.0	—	299.8
Receivable from (payable to) affiliates	—	79.7	36.3	(116.0)	—	—
Property, plant and equipment, net	—	—	194.8	69.1	—	263.9
Intangible assets, net	—	—	103.5	7.8	—	111.3
Goodwill	—	8.1	392.8	174.2	—	575.1
Investment in:						
Guarantor subsidiaries	425.7	940.9	—	—	(1,366.6)	—
Non-guarantor subsidiaries	—	—	115.0	—	(115.0)	—
Other assets	—	18.8	7.6	0.9	—	27.3
Total assets	<u>\$ 425.7</u>	<u>\$ 1,047.5</u>	<u>\$ 1,023.8</u>	<u>\$ 262.0</u>	<u>\$ (1,481.6)</u>	<u>\$ 1,277.4</u>
Liabilities & stockholders' equity						
Current liabilities:						
Current portion of long-term debt	\$ —	\$ —	\$ (0.1)	\$ 3.4	\$ —	\$ 3.3
Trade payables	—	—	43.8	34.5	—	78.3
Income taxes payable	(0.7)	(13.5)	14.3	3.6	—	3.7
Deferred income taxes	—	—	9.8	3.0	—	12.8
Compensation and benefits	—	—	21.9	10.7	—	32.6
Current portion of pension obligations	—	—	11.0	2.6	—	13.6
Current portion of postretirement obligations	—	—	5.7	—	—	5.7
Other current liabilities	—	9.7	15.1	6.1	—	30.9
Total current liabilities	(0.7)	(3.8)	121.5	63.9	—	180.9
Long-term debt	—	500.0	0.9	2.5	—	503.4
Note payable to (receivable from) affiliates, net	1.7	125.0	(165.5)	38.8	—	—
Pension obligations	—	—	38.8	37.0	—	75.8
Postretirement benefit obligations	—	—	32.1	2.1	—	34.2
Deferred Income taxes	—	0.6	47.1	2.5	—	50.2
Other liabilities	—	—	8.0	0.2	—	8.2
Total liabilities	1.0	621.8	82.9	147.0	—	852.7
Commitments and contingent liabilities						
Stockholders' equity	424.7	425.7	940.9	115.0	(1,481.6)	424.7
Total liabilities and stockholders' equity	<u>\$ 425.7</u>	<u>\$ 1,047.5</u>	<u>\$ 1,023.8</u>	<u>\$ 262.0</u>	<u>\$ (1,481.6)</u>	<u>\$ 1,277.4</u>

Condensed Consolidating Balance Sheet
March 31, 2004
(in millions)

	Parent	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets:						
Current assets:						
Cash	\$ —	\$ —	\$ 9.1	\$ 12.7	\$ —	\$ 21.8
Receivables, net	—	—	59.2	61.0	—	120.2
Inventories	—	—	80.3	54.4	—	134.7
Other current assets	—	—	8.2	6.4	—	14.6
Total current assets	—	—	156.8	134.5	—	291.3
Receivable from (payable to) affiliates	—	94.2	36.3	(130.5)	—	—
Property, plant and equipment, net	—	—	202.7	67.5	—	270.2
Intangible assets, net	—	—	117.2	8.0	—	125.2
Goodwill	—	8.1	399.8	174.2	—	582.1
Investment in:						
Guarantor subsidiaries	400.9	894.0	—	—	(1,294.9)	—
Non-guarantor subsidiaries	—	—	109.9	—	(109.9)	—
Other assets	—	22.3	6.9	1.1	—	30.3
Total assets	<u>\$ 400.9</u>	<u>\$ 1,018.6</u>	<u>\$ 1,029.6</u>	<u>\$ 254.8</u>	<u>\$ (1,404.8)</u>	<u>\$ 1,299.1</u>
Liabilities and stockholders' equity						
Current liabilities:						
Current portion of long-term debt	\$ —	\$ —	\$ 0.1	\$ 1.9	\$ —	\$ 2.0
Trade payables	—	—	40.2	32.7	—	72.9
Income taxes payable	—	—	(0.7)	5.5	—	4.8
Deferred income taxes	—	—	4.2	2.2	—	6.4
Compensation and benefits	—	—	19.0	10.3	—	29.3
Current portion of pension obligations	—	—	10.5	—	—	10.5
Current portion of postretirement benefit obligations	—	—	5.7	—	—	5.7
Other current liabilities	—	10.7	17.4	14.0	—	42.1
Total current liabilities	—	10.7	96.4	66.6	—	173.7
Long-term debt	—	545.0	1.0	2.8	—	548.8
Notes payable to (receivable from) affiliates, net	1.8	61.6	(95.2)	31.8	—	—
Pension obligations	—	—	44.5	37.7	—	82.2
Postretirement benefit obligations	—	—	36.4	1.8	—	38.2
Deferred income taxes	—	0.4	45.6	3.7	—	49.7
Other liabilities	—	—	6.9	0.5	—	7.4
Total liabilities	<u>1.8</u>	<u>617.7</u>	<u>135.6</u>	<u>144.9</u>	<u>—</u>	<u>900.0</u>
Commitments and contingent liabilities						
Stockholders' equity	399.1	400.9	894.0	109.9	(1,404.8)	399.1
Total liabilities and stockholders' equity	<u>\$ 400.9</u>	<u>\$ 1,018.6</u>	<u>\$ 1,029.6</u>	<u>\$ 254.8</u>	<u>\$ (1,404.8)</u>	<u>\$ 1,299.1</u>

Condensed Consolidating Statement of Income
Fiscal Year Ended March 31, 2005
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ —	\$ 571.1	\$ 290.1	\$ (50.2)	\$ 811.0
Cost of sales	—	—	389.5	216.5	(50.2)	555.8
Gross profit	—	—	181.6	73.6	—	255.2
Selling, general and administrative expenses	0.2	0.1	98.5	54.8	—	153.6
Restructuring and other similar costs	—	—	5.2	2.1	—	7.3
Amortization of intangible assets	—	—	13.6	0.2	—	13.8
Income from operations	(0.2)	(0.1)	64.3	16.5	—	80.5
Nonoperating income (expense):						
Interest expense:						
To third parties	—	(42.3)	(0.1)	(1.6)	—	(44.0)
To affiliates	—	7.1	2.6	(9.7)	—	—
Other, net	(2.0)	—	(1.0)	2.3	—	(0.7)
Income (loss) before income taxes	(2.2)	(35.3)	65.8	7.5	—	35.8
Provisions for income taxes	(0.7)	(13.3)	24.0	4.2	—	14.2
Income (loss) before equity in earnings of subsidiaries	(1.5)	(22.0)	41.8	3.3	—	21.6
Equity in earnings of subsidiaries	23.1	45.1	3.3	—	(71.5)	—
Net income	<u>\$ 21.6</u>	<u>\$ 23.1</u>	<u>\$ 45.1</u>	<u>\$ 3.3</u>	<u>\$ (71.5)</u>	<u>\$ 21.6</u>

Condensed Consolidating Statement of Income
Fiscal Year Ended March 31, 2004
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ —	\$ 491.3	\$ 265.8	\$ (44.3)	\$ 712.8
Cost of sales	—	—	336.2	193.5	(44.3)	485.4
Gross profit	—	—	155.1	72.3	—	227.4
Selling, general and administrative expenses	0.2	0.1	93.3	54.5	—	148.1
Restructuring and other similar costs	—	—	0.5	2.1	—	2.6
Curtailment gain	—	—	(6.6)	—	—	(6.6)
Amortization of intangible assets	—	—	13.7	0.2	—	13.9
Income (loss) from operations	(0.2)	(0.1)	54.2	15.5	—	69.4
Nonoperating income (expense):						
Interest expense:						
To third parties	—	(44.3)	—	(1.1)	—	(45.4)
To affiliates	—	8.7	2.6	(11.3)	—	—
Other, net	(2.0)	(0.1)	(0.8)	1.8	—	(1.1)
Income (loss) before income taxes	(2.2)	(35.8)	56.0	4.9	—	22.9
Provision for income taxes	(0.7)	(13.0)	18.9	3.5	—	8.7
Income (loss) before equity in earnings of subsidiaries	(1.5)	(22.8)	37.1	1.4	—	14.2
Equity in earnings of subsidiaries	15.7	38.5	1.4	—	(55.6)	—
Net income	<u>\$ 14.2</u>	<u>\$ 15.7</u>	<u>\$ 38.5</u>	<u>\$ 1.4</u>	<u>\$ (55.6)</u>	<u>\$ 14.2</u>

Condensed Consolidating Statement of Income
Period from Inception, November 25, 2002, through March 31, 2003
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ —	\$ 182.5	\$ 85.7	\$ (15.7)	\$ 252.5
Cost of sales	—	—	122.0	55.8	(15.7)	162.1
Gross profit	—	—	60.5	29.9	—	90.4
Selling, general and administrative expenses	—	—	33.8	19.1	—	52.9
Amortization of intangible assets	—	—	4.5	0.1	—	4.6
Income from operations	—	—	22.2	10.7	—	32.9
Nonoperating income (expense):						
Interest expense:						
To third parties	—	(16.0)	(0.1)	(0.2)	—	(16.3)
To affiliates	—	2.8	1.1	(3.9)	—	—
Other, net	(0.7)	—	0.7	(0.5)	—	(0.5)
Income (loss) before income taxes	(0.7)	(13.2)	23.9	6.1	—	16.1
Provision for income taxes	(0.3)	(4.6)	7.8	3.6	—	6.5
Income (loss) before equity in earnings of subsidiaries	(0.4)	(8.6)	16.1	2.5	—	9.6
Equity in earnings of subsidiaries	10.0	18.6	2.5	—	(31.1)	—
Net income	<u>\$ 9.6</u>	<u>\$ 10.0</u>	<u>\$ 18.6</u>	<u>\$ 2.5</u>	<u>\$ (31.1)</u>	<u>\$ 9.6</u>

Condensed Combining Statement of Income
Period from April 1, 2002 through November 24, 2002
(in millions)

	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Combined</u>
Net sales	\$ 349.2	\$ 148.8	\$ (28.7)	\$ 469.3
Cost of sales	231.9	107.3	(28.7)	310.5
Gross profit	117.3	41.5	—	158.8
Selling, general and administrative expenses	68.3	32.5	—	100.8
Restructuring and other similar costs	5.9	1.6	—	7.5
Amortization of intangible assets	1.1	—	—	1.1
Income from operations	42.0	7.4	—	49.4
Nonoperating income (expense):				
Interest expense:				
To third parties	(1.3)	(1.9)	—	(3.2)
To affiliates	(14.7)	(0.3)	—	(15.0)
Interest income from affiliates	4.9	0.3	—	5.2
Other, net	(0.2)	0.1	—	(0.1)
Income before income taxes	30.7	5.6	—	36.3
Provision for income taxes	11.7	4.3	—	16.0
Income before equity in earnings (loss) of non-guarantor subsidiaries	19.0	1.3	—	20.3
Equity in loss of non-guarantor subsidiaries	(3.4)	—	3.4	—
Net income	<u>\$ 15.6</u>	<u>\$ 1.3</u>	<u>\$ 3.4</u>	<u>\$ 20.3</u>

Condensed Consolidating Statement of Cash Flows
Fiscal Year Ended
March 31, 2005
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating activities						
Net income	\$ 21.6	\$ 23.1	\$ 45.1	\$ 3.3	\$ (71.5)	\$ 21.6
Noncash adjustments	(23.1)	(41.3)	39.3	9.3	71.5	55.7
Changes in operating assets and liabilities:	(0.7)	63.2	(63.4)	(9.0)	—	(9.9)
Cash provided by (used for) operating activities	(2.2)	45.0	21.0	3.6	—	67.4
Investing activities						
Expenditures for property, plant and equipment	—	—	(19.3)	(6.4)	—	(25.7)
Proceeds from dispositions of fixed assets	—	—	5.4	1.0	—	6.4
Cash used for investing activities	—	—	(13.9)	(5.4)	—	(19.3)
Financing activities						
Net borrowings (repayments) of long-term debt	—	(45.0)	(0.3)	1.1	—	(44.2)
Proceeds from exercise of stock options	2.0	—	—	—	—	2.0
Other common stock activity	0.2	—	—	—	—	0.2
Cash provided by (used for) financing activities	2.2	(45.0)	(0.3)	1.1	—	(42.0)
Effect of exchange rate changes on cash	—	—	—	(1.6)	—	(1.6)
Increase (decrease) in cash	—	—	6.8	(2.3)	—	4.5
Cash at beginning of period	—	—	9.1	12.7	—	21.8
Cash at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15.9</u>	<u>\$ 10.4</u>	<u>\$ —</u>	<u>\$ 26.3</u>

Condensed Consolidating Statement of Cash Flows
Fiscal Year Ended
March 31, 2004
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating activities						
Net income	\$ 14.2	\$ 15.7	\$ 38.5	\$ 1.4	\$ (55.6)	\$ 14.2
Noncash adjustments	(15.7)	(34.9)	32.0	7.0	55.6	44.0
Changes in operating assets and liabilities	1.5	50.3	(58.6)	(6.4)	—	(13.2)
Cash provided by operating activities	—	31.1	11.9	2.0	—	45.0
Investing activities						
Expenditures for property, plant and equipment	—	—	(14.5)	(7.6)	—	(22.1)
Proceeds from dispositions of fixed assets	—	—	1.8	—	—	1.8
Acquisition of the Rexnord Group	—	—	(10.4)	—	—	(10.4)
Cash used for investing activities	—	—	(23.1)	(7.6)	—	(30.7)
Financing activities						
Net repayments of long-term debt	—	(30.0)	(0.1)	—	—	(30.1)
Payment of financing fees	—	(1.1)	—	—	—	(1.1)
Cash used for financing activities	—	(31.1)	(0.1)	—	—	(31.2)
Effect of exchange rate changes on cash	—	—	—	1.5	—	1.5
Decrease in cash	—	—	(11.3)	(4.1)	—	(15.4)
Cash at beginning of period	—	—	20.4	16.8	—	37.2
Cash at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9.1</u>	<u>\$ 12.7</u>	<u>\$ —</u>	<u>\$ 21.8</u>

Condensed Consolidating Statement of Cash Flows
Period from Inception, November 25, 2002, through March 31, 2003
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating activities						
Net income	\$ 9.6	\$ 10.0	\$ 18.6	\$ 2.5	\$ (31.1)	\$ 9.6
Noncash adjustments	(10.0)	(8.7)	1.5	0.6	31.1	14.5
Changes in operating assets and liabilities	0.4	3.2	7.9	15.5	—	27.0
Cash provided by operating activities	—	4.5	28.0	18.6	—	51.1
Investing activities						
Acquisition of Rexnord Group	—	(913.5)	—	—	—	(913.5)
Expenditures for property, plant and equipment	—	—	(4.3)	(2.6)	—	(6.9)
Proceeds from dispositions of property, plant and equipment	—	—	0.3	0.1	—	0.4
Cash used for investing activities	—	(913.5)	(4.0)	(2.5)	—	(920.0)
Financing activities						
Net repayments of long-term debt	—	(12.0)	—	(2.7)	—	(14.7)
Proceeds from issuance of long-term debt	—	587.0	—	—	—	587.0
Payment of financing fees	—	(25.5)	—	—	—	(25.5)
Capital contribution	—	359.5	—	—	—	359.5
Cash provided by (used for) financing activities	—	909.0	—	(2.7)	—	906.3
Effect of exchange rate changes on cash	—	—	—	(0.1)	—	(0.1)
Increase in cash	—	—	24.0	13.3	—	37.3
Cash (overdraft) at beginning of period	—	—	(3.6)	3.5	—	(0.1)
Cash at end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 20.4</u>	<u>\$ 16.8</u>	<u>\$ —</u>	<u>\$ 37.2</u>

Condensed Combining Statement of Cash Flows
Period from April 1, 2002 through November 24, 2002
(in millions)

	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Combined
Operating activities				
Net income	\$ 15.6	\$ 1.3	\$ 3.4	\$ 20.3
Noncash adjustments	21.4	3.6	—	25.0
Equity in loss of non-guarantor subsidiaries	3.4	—	(3.4)	—
Changes in operating assets and liabilities	(32.2)	(40.1)	—	(72.3)
Cash provided by (used for) operating activities	8.2	(35.2)	—	(27.0)
Investing activities				
Expenditures for property, plant and equipment	(7.8)	(4.0)	—	(11.8)
Proceeds from dispositions of property, plant and equipment	0.3	0.3	—	0.6
Cash used for investing activities	(7.5)	(3.7)	—	(11.2)
Financing activities				
Net repayments of long-term debt	0.5	(0.3)	—	0.2
Net decrease in funding balances with affiliates	(6.9)	23.1	—	16.2
Cash provided by (used for) financing activities	(6.4)	22.8	—	16.4
Effect of exchange rate changes on cash	—	0.1	—	0.1
Decrease in cash	(5.7)	(16.0)	—	(21.7)
Cash at beginning of period	2.1	19.5	—	21.6
Cash (overdraft) at end of period	<u>\$ (3.6)</u>	<u>\$ 3.5</u>	<u>\$ —</u>	<u>\$ (0.1)</u>

17. Quarterly Results of Operations (Unaudited) (in millions)

Fiscal Year 2005:	First	Second	Third(a)	Fourth	Total
Net sales	\$ 188.8	\$ 199.3	\$ 199.7	\$ 223.2	\$ 811.0
Gross profit	61.1	61.7	55.2	77.2	255.2
Net income	5.0	5.2	0.3	11.1	21.6

Fiscal Year 2004:	First	Second	Third	Fourth	Total
Net sales	\$ 161.8	\$ 171.8	\$ 171.6	\$ 207.6	\$ 712.8
Gross profit	48.1	53.2	55.4	70.7	227.4
Net income (loss)	(2.5)	0.4	5.3	11.0	14.2

(a) A pension curtailment gain of \$5.6 million (\$3.4 million after tax) was recorded in the third quarter of fiscal 2004.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The Company's consolidated financial statements included in Item 8 hereof are for the Years Ended March 31, 2005 and 2004 and for the Period from Inception (November 25, 2002) through March 31, 2003, and for the Predecessor for the Period from April 1, 2002 through November 24, 2002 and consist of the following:

Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(a) (2) Financial Statement Schedules.

The Financial Statement Schedules of the Company appended hereto are required for the Years Ended March 31, 2005 and 2004 and for the Period from Inception (November 25, 2002) through March 31, 2003, and for the Predecessor for the Period from April 1, 2002 through November 24, 2002 and consist of the following:

Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable or because the information required is included in the notes to the consolidated financial statements.

(a) (3) Exhibits.

See (b) below

(b) Exhibits.

Exhibit No.	Description of Exhibit
2.1*	Stock Purchase Agreement dated as of September 27, 2002, by and among RBS Acquisition Corporation, Invensys plc, BTR Inc., BTR (European Holdings) BV, BTR Industries GmbH, Dunlop Vermögensverwaltungsgesellschaft GmbH, Brook Hansen Inc., Invensys France SAS, Invensys Holdings Ltd., Hansen Transmissions International Ltd., Hawker Siddeley Management Ltd. and BTR Finance BV. The Registrants agree to furnish supplementally a copy of the schedules omitted from this Exhibit 2.1 to the Commission upon request.
2.2***	Stock Purchase Agreement dated as of April 5, 2005, by and among Rexnord Corporation, Hamilton Sundstrand Corporation and The Falk Corporation.
3.1*	Certificate of Incorporation of Rexnord Corporation, filed September 26, 2002.
3.2*	Amended and Restated Certificate of Incorporation of Rexnord Industries, Inc., filed October 28, 1992.
3.3*	Certificate of Incorporation of PT Components Inc., filed August 25, 1981.
3.4*	Certificate of Incorporation of RBS Acquisition Corporation, filed September 26, 2002.
3.5*	Certificate of Incorporation of Rexnord Germany-1 Inc., filed February 24, 1987.
3.6*	Certificate of Incorporation of Rexnord International Inc., filed November 12, 1964.
3.7*	Certificate of Incorporation of Winfred Berg Licensco Inc., filed December 5, 1988.
3.8*	Certificate of Incorporation of W.M. Berg Inc., filed August 11, 1980.
3.9*	Certificate of Incorporation of RAC-I, Inc., filed November 12, 2002.
3.10*	Certificate of Incorporation of RBS North America, Inc., filed November 4, 2002.
3.11*	Restatement of Articles of Incorporation of Prager Incorporated, filed July 6, 1989.
3.12*	Amended and Restated Articles of Incorporation of Addax Inc., filed August 18, 1987.
3.13*	Certificate of Consolidation of Belson Corporation and the Highfield Mfg. Company into Clarkson Industries, Inc., filed December 1, 1967.

- 3.14* Articles of Incorporation of Rexnord Ltd., filed September 3, 1970.
- 3.15* Articles of Incorporation of Rexnord Puerto Rico Inc., filed June 14, 1978.
- 3.16* Articles of Incorporation of Betzdorf Chain Company Inc., filed February 21, 1980.
- 3.17* Restated Certificate of Incorporation of RBS Global, Inc., filed November 19, 2002.
- 3.18* Certificate of Formation of RBS China Holdings, L.L.C., dated October 21, 2002.
- 3.19* By-laws of Rexnord Corporation.
- 3.20* Amended and Restated By-laws of Rexnord Industries, Inc.
- 3.21**** Amended and Restated By-Laws of PT Components Inc.
- 3.22* By-Laws of RBS Acquisition Corporation.
- 3.23**** Amended and Restated By-Laws of Rexnord Germany-1 Inc.
- 3.24**** Amended and Restated By-Laws of Rexnord International Inc.
- 3.25**** Amended and Restated By-Laws of Winfred Berg Licensco Inc.
- 3.26**** Amended and Restated By-Laws of W.M. Berg Inc.
- 3.27**** Amended and Restated By-Laws of RAC-I, Inc.
- 3.28* By-Laws of RBS North America, Inc.
- 3.29**** Amended and Restated By-Laws of Prager Incorporated.
- 3.30**** Amended and Restated By-Laws of Addax Inc.
- 3.31**** Amended and Restated By-Laws of Clarkson Industries, Inc.
- 3.32**** Amended and Restated By-Laws of Rexnord Ltd.
- 3.33**** Amended and Restated By-Laws of Rexnord Puerto Rico Inc.
- 3.34**** Amended and Restated By-Laws of Betzdorf Chain Company Inc.
- 3.35* By-Laws of RBS Global, Inc.
- 3.36* Limited Liability Company Agreement of RBS China Holdings, L.L.C.
- 3.37**** By-Laws of Prager Service, Inc.
- 4.1* Senior Subordinated Note Indenture with respect to the 10 ¹/₈% Senior Subordinated Notes due 2012, between Rexnord Corporation, Wells Fargo Bank Minnesota, National Association, as trustee, and the Guarantors listed on the signature pages thereto, dated November 25, 2002.
- 4.2* Form of 10 ¹/₈% Senior Subordinated Notes due 2012 (included in exhibit 4.1).
- 10.1**** Amended and Restated Credit Agreement, dated as of May 16, 2005, by and among RBS Global, Inc., Rexnord Corporation, various lenders, Deutsche Bank Trust Company Americas, as administrative agent, General Electric Capital Corporation and Wachovia Bank, National Association as co-documentation agents, and Deutsche Bank Securities Inc. and Credit Suisse First Boston, as joint lead arrangers and joint book runners.
- 10.2* Security Agreement, dated as of November 25, 2002, among RBS Global, Inc., Rexnord Corporation, certain subsidiaries of RBS Global, Inc., and Deutsche Bank Trust Company Americas, as collateral agent.
- 10.3* Pledge Agreement, dated as of November 25, 2002, among RBS Global, Inc., Rexnord Corporation, certain subsidiaries of RBS Global, Inc., and Deutsche Bank Trust Company Americas, as collateral agent.
- 10.4* Subordination Agreement, dated as of November 25, 2002, by and among RBS Global, Inc., Rexnord Corporation, each of its Subsidiaries party thereto, and Deutsche Bank Trust Company Americas, as collateral agent.
- 10.5* Subsidiaries Guaranty dated November 25, 2002, by and among the Guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent.
- 10.6* Management Agreement among RBS Global, Inc. and TC Group LLC dated November 25, 2002.
- 10.7* Management Consulting Agreement among Rexnord Corporation and George M. Sherman, Cypress Group, L.L.C. and Cypress Industrial Holdings, L.L.C. dated November 25, 2002.
- 10.8* Non-Competition Agreement dated November 25, 2002, by and among Invensys, plc and RBS Acquisition Corporation.
- 10.9* Employment Agreement between Rexnord Corporation and Robert A. Hitt dated November 25, 2002.(1)
- 10.10* Employment Agreement between Rexnord Corporation and Thomas J. Jansen dated November 25, 2002.(1)
- 10.11* Employment Agreement between Rexnord Corporation and Michael N. Andrzejewski dated November 25, 2002.(1)

10.12*	Stock Option Plan of RBS Global, Inc.(1)
10.13*	Form of Rexnord Non-Union Pension Plan.(1)
10.14*	Form of Rexnord Supplemental Pension Plan.(1)
10.15*	Form of Rexnord Corporation Executive Bonus Plan.(1)
10.16*	Stockholders Agreement by and among RBS Global, Inc., Carlyle Partners III, L.P., CPIII Coinvestment, L.P., Carlyle High Yield Partners, L.P. and Robert A. Hitt, dated as of November 25, 2002.(1)
10.17*	Stockholders Agreement by and among RBS Global, Inc., Carlyle Partners III, L.P., CPIII Coinvestment, L.P., Carlyle High Yield Partners, L.P. and Thomas Jansen, dated as of November 25, 2002.(1)
10.18*	Stockholders Agreement by and among RBS Global, Inc., Carlyle Partners III, L.P., CPIII Coinvestment, L.P., Carlyle High Yield Partners, L.P. and Michael Andrzejewski, dated as of November 25, 2002.(1)
10.19**	Release and Severance Agreement between Rexnord Corporation and Thomas J. Smith dated January 21, 2005.(1)
10.20****	Stock Purchase Plan of RBS Global, Inc. (1)
21.1****	List of Subsidiaries.
31.1	Certification of Robert A. Hitt, Chief Executive Officer
31.2	Certification of Thomas J. Jansen, Chief Financial Officer
99****	Separation Agreement and Release between Rexnord Industries, Inc. and John Gialouris dated March 9, 2005 (1)

* Incorporated by reference to the Exhibits filed with Rexnord Corporation's Registration Statement on Form S-4 filed May 15, 2003.

** Incorporated by reference to the Exhibit filed with Rexnord Corporation's Form 8-K dated January 21, 2005.

*** Incorporated by reference to the Exhibit filed with Rexnord Corporation's Form 8-K dated May 19, 2005.

**** Incorporated by reference to the Exhibit filed with Rexnord Corporation's Form 10-K filed June 15, 2005.

(1) Management plan or compensatory plan or arrangement.

(c) Financial Statements Excluded from Annual Report to Shareholders.
Not applicable.

Rexnord Corporation
Schedule II—Valuation and Qualifying Accounts
Fiscal Years Ended March 31, 2003, 2004, and 2005
(in millions of dollars)

Description	Balance at Beginning of Year	Additions		Deductions(1)	Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts		
Period April 1, 2002 to November 24, 2002 (Predecessor):					
Valuation allowance for trade and notes receivable	1.6	0.5	—	(0.4)	1.7
Valuation allowance for excess and obsolete inventory	11.1	1.6	—	(1.5)	11.2
Valuation allowance for income taxes	12.2	—	—	(0.1)	12.1
Period November 25, 2002 through March 31, 2003:					
Valuation allowance for trade and notes receivable	1.7	0.6	2.0	(0.8)	3.5
Valuation allowance for excess and obsolete inventory	11.2	0.4	3.1	(1.1)	13.6
Valuation allowance for income taxes	12.1	—	—	(0.4)	11.7
Fiscal Year 2004:					
Valuation allowance for trade and notes receivable	3.5	1.2	1.0	(2.1)	3.6
Valuation allowance for excess and obsolete inventory	13.6	1.5	—	(6.0)	9.1
Valuation allowance for income taxes	11.7	2.8	—	(0.1)	14.4
Fiscal Year 2005:					
Valuation allowance for trade and notes receivable	3.6	1.1	0.2	(1.7)	3.2
Valuation allowance for excess and obsolete inventory	9.1	3.1	1.6	(3.2)	10.6
Valuation allowance for income taxes	14.4	1.9	—	(0.8)	15.5

(1) Uncollectible amounts, dispositions charged against the reserve, and consumption of net operating losses.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each of the Co-Registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RBS GLOBAL, INC.

By: /s/ THOMAS H. JANSEN

Name: Thomas H. Jansen

Title: Vice President Finance and Chief Financial
Officer (Principal Accounting and Financial
Officer)

Date: October 6, 2005

REXNORD CORPORATION

By: /s/ THOMAS H. JANSEN

Name: Thomas H. Jansen

Title: Vice President Finance and Chief Financial
Officer (Principal Accounting and Financial
Officer)

Date: October 6, 2005

CERTIFICATIONS

I, Thomas J. Jansen, VP Finance and Chief Financial Officer of **RBS Global, Inc.** and **Rexnord Corporation** certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of RBS Global, Inc. and Rexnord Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 6, 2005

By: /s/ THOMAS J. JANSEN
Name: Thomas J. Jansen
Title: Vice President Finance and Chief Financial
Officer
