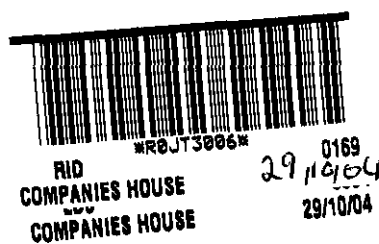


Registered no: 662120

Instron Holdings Limited

Annual report

for the year ended 31 December 2003



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Instron Holdings Limited

Annual report for the year ended 31 December 2003

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Directors and advisers

Directors

N L A Smith
S M Webb
M R Buchanan
J E Amaral
S L Martindale
A Baxter
P Vere (Appointed 1 April 2003)

Secretary and registered office

S M Webb
Coronation Road
High Wycombe
Buckinghamshire
HP12 3SY

Solicitors

Pitmans
47 Castle Street
Reading
Berkshire
RG1 7SR

Registered Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Bankers

HSBC
1 Cornmarket
High Wycombe
Buckinghamshire
HP11 2AY

National City Bank
1900 East Ninth Street
Cleveland
OH44114-3484
USA

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The Group engineers, manufactures and markets precision equipment for testing the strength and characteristics of materials. Instron testing instruments are used in a wide variety of fields requiring knowledge of the nature and behaviour of materials, including metals, paper, plastics, rubber and textiles.

Review of business and future developments

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2003.

Donations

Charitable donations for the year were £4,526 (2002: £10,405).

Local	£
Arts	300
Community	970
Education	100
Med/Disabled Care	1,800
Med/Disabled Research	300
National	
Red Nose Day	256
Sahara for Life Trust UK	200
Cancer Research UK	100
Children in Need	300
Handicapped Childrens Action Group	200

Research and development

The Group intends to continue its programme of development of new and enhanced products to serve the requirements of the market.

Directors and their interests

The directors who held office during the year are given below.

N L A Smith
S M Webb
M R Buchanan
J E Amaral
S L Martindale
A Baxter
P Vere (Appointed 1 April 2003)

According to the register required to be kept under Section 325 of the Companies Act 1985, no director had any interest in the shares of the company or any other group company during the year which is required to be notified to the company. For this purpose the directors are exempt from notifying the company of interests in shares in a body corporate incorporated outside Great Britain.

Significant contracts

During the years under review none of the directors had significant contracts with any of the group companies other than their contracts of service.

Employee involvement

The group ensures that regular communication is maintained with all employees and that they have opportunities to raise questions and seek information. The principal means of achieving this is through Team Briefs, which are issued on a regular basis and employee communications meetings, which are addressed by the Managing Director.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Policy and practice on payment of creditors

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is group policy that payments to suppliers are made in accordance with these terms provided that the supplier is also complying with all relevant terms and conditions. The group's average creditor payment period as at 31 December 2003 was 38 days (2002: 38 days)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Principal accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003, and that applicable accounting standards have been followed.

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

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company is not required as an elective resolution was passed to this effect.

By order of the board

A handwritten signature in black ink, appearing to be 'S M Webb', written over the printed name.

S M Webb
Director

29 October 2004

**Independent auditors' report to the members of
Instron Holdings Limited**

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.


Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2003 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
29 October 2004

**Consolidated profit and loss account
for the year ended 31 December 2003**

	Note	2003 £	2002 (Restated) £
Turnover – continuing operations	2	43,242,725	40,740,936
Cost of sales – continuing operations		(30,754,286)	(26,609,426)
Gross profit		12,488,439	14,131,510
Research and development expenses		(1,548,676)	(1,327,368)
Administration expenses		(8,298,980)	(11,617,150)
Operating profit - continuing operations		2,640,783	1,186,992
Interest receivable and similar income		478,634	495,293
Interest payable and similar charges	3	(669,912)	(783,350)
Profit on ordinary activities before taxation	4	2,449,505	898,935
Tax on profit on ordinary activities	7	(930,375)	(320,494)
Profit on ordinary activities after taxation		1,519,130	578,441
Equity minority interest	8	(14,413)	(6,216)
Profit for the financial year	19	1,504,717	572,225

**Statement of total recognised gains and losses
for the year ended 31 December 2003**

	Note	2003 £	2002 (Restated) £
Profit for the financial year		1,504,717	572,225
Currency translation differences on foreign currency net investments	19	45,515	(116,374)
Total recognised gains and losses relating to the year		1,550,232	455,851
Prior year adjustment (as explained in note 19)		308,471	1,234,046
Total gains and losses recognised since last annual report		1,858,703	1,689,897


There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Balance sheets as at 31 December 2003

	Note	Group		Company	
		2003	2002	2003	2002
		£	(Restated) £	£	£
Fixed assets					
Intangible assets	9	-	-	-	-
Tangible assets	10	4,254,455	4,574,596	-	-
Investments	11	-	-	12,702,418	12,958,236
		4,254,455	4,574,596	12,702,418	12,958,236
Current assets					
Stock	12	5,895,652	8,328,547	-	-
Debtors	13	12,468,128	13,407,264	4,634	-
Cash at bank and in hand		1,301,690	2,283,697	12,698	12,151
		19,665,470	24,019,508	17,332	12,151
Creditors - Amounts falling due within one year	14	(12,085,128)	(18,409,952)	(3,482,589)	(3,470,177)
Net current assets/(liabilities)		7,580,342	5,609,556	(3,465,257)	(3,458,026)
Total assets less current liabilities		11,834,797	10,184,152	9,237,161	9,500,210
Creditors - Amounts falling due after more than one year	15	(341,893)	(341,893)	(341,893)	(341,893)
Provisions for liabilities and charges	16	(4,324,000)	(4,238,000)	-	-
Net assets		7,168,904	5,604,259	8,895,268	9,158,317
Capital and reserves					
Called up share capital	18	2,000,000	2,000,000	2,000,000	2,000,000
Profit and loss account	19	5,094,136	3,543,904	6,895,268	7,158,317
Equity shareholders' funds	20	7,094,136	5,543,904	8,895,268	9,158,317
Equity minority interests	8	74,768	60,355	-	-
		7,168,904	5,604,259	8,895,268	9,158,317

The financial statements on pages 5 to 23 were approved by the board of directors on 29 October 2004 and were signed on its behalf by:


S M Webb
 Director


A Baxter
 Director

Notes to the financial statements for the year ended 31 December 2003**1 Principal accounting policies**

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Adoption of new accounting standards

The company has adopted the principles of Application note G 'Revenue Recognition' an amendment to FRS 5. The adoption of this standard has had no effect on the company's result or the prior year.

Turnover

With the exception of the sale of non-standard equipment turnover represents the value of goods and services supplied and invoiced to customers during the year, excluding VAT and trade discounts. For the sale of non-standard equipment, turnover is recognised on customer acceptance of the equipment.

Basis of consolidation

The consolidated financial statements include the accounts of Instron Holdings Limited and all its subsidiaries made up to 31 December 2003. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

Cash flows

The company is a wholly owned subsidiary of Instron Corporation. The company is included in the consolidated group financial statements of Instron Corporation and consequently the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from publishing a cash flow statement.

Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 not to disclose related party transactions with companies of which 90% or more of the voting rights are controlled within the group.

Foreign currency translation

The assets and liabilities of overseas subsidiaries and branches have been translated into sterling at the rates of exchange ruling at the year end. The results of overseas subsidiaries and branches have been translated into sterling at the average rate of exchange ruling throughout the year. The resulting exchange differences have been dealt with as a movement on reserves and are included in the statement of total recognised gains and losses. All other assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the year end and exchange differences are taken to profit on ordinary activities.

Fixed assets and depreciation

The cost of the tangible fixed assets is their purchase cost, together with any incidental cost of acquisition.

Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings	2%
Short leaseholds	Over the life of the lease
Machinery and equipment (including computer equipment)	10-50%

No depreciation is provided on freehold land.

The carrying value of fixed assets are reviewed for impairment if circumstances indicate that they may not be recoverable.

Stock and work in progress

Stock and work in progress are stated at the lower of cost, which includes an appropriate allocation of overheads, and net realisable value. In general, cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Deferred taxation

Provision is made for deferred taxation, using the full provision method, on all material timing differences. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

Leases

Payments in respect of operating leases are charged against profit as incurred.

Research and development

Expenditure on research and development is written off in the period in which it is incurred.

Goodwill

Goodwill arising on consolidation represents the excess of fair value of the consideration given over the value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is eliminated by amortisation through the profit and loss and is written off in full on a straight line basis over 5 years, being the period of its expected useful economic life.

Pensions

Contributions to defined benefit schemes contracted out of the state scheme are charged against profit so as to spread the pension cost over the anticipated period of service of the pension scheme members. Contributions to defined contribution schemes are charged against profit in the period to which they relate.

The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates.

2 Turnover

Turnover and profit before tax is derived solely from the Group's principal activities.

The analysis of turnover by geographical market is as follows:

	2003 £	2002 £
United Kingdom	6,623,245	7,254,492
Rest of Europe	22,545,367	19,874,275
Rest of World	14,074,113	13,612,169
	43,242,725	40,740,936

3 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts repayable within five years, not by instalments	557,980	783,350
Group interest payable on cash pooling	111,932	-
	669,912	783,350

Group interest arises on cash pooling arrangements and is incurred at a rate of 1.5% per annum. All other intercompany balances are interest free.

4 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	2003 £	2002 £
Depreciation - On owned assets	671,259	940,312
(Profit)/Loss on sale of fixed assets	(2,759)	16,130
Auditors' remuneration for audit		
- audit services (company £10,000, 2002: £10,000)	82,450	80,250
- non audit services (company £7,500, 2002: £26,000)	68,852	58,570
Operating lease charges		
- other	472,577	502,399
- land and buildings	238,231	218,522
Rental income	(54,982)	(22,956)

5 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	426,551	417,900
Aggregate amounts receivable under long term incentive schemes	24,696	27,067

Retirement benefits are accruing to 5 (2002:5) directors under the group's defined benefit scheme.

The emoluments above exclude J E Amaral and S L Martindale who are remunerated by the parent company. It is not possible to apportion their emoluments from the services they provide to Instron Holdings Limited and that they provide to Instron Corporation group.

Emoluments payable to the highest paid director are as follows:

	2003	2002
	£	£
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	155,213	138,221
Defined benefit scheme: Accrued pension at year end	61,635	55,526

Directors' emoluments are paid by the wholly owned subsidiary, Instron Limited.

6 Employee information

	2003	2002
	£	£
Staff costs		
Wages and salaries	11,197,245	11,170,749
Social security costs	1,628,042	1,565,159
UK pension scheme	583,655	1,247,114
Other pension costs	35,623	95,159
	13,444,565	14,078,181

The average monthly number of persons employed by the group during the year was:

	2003	2002
	Number	Number
UK	274	304
Rest of Europe	92	97
Rest of World	34	31
	400	432

7 Tax on profit on ordinary activities

	2003 £	As Restated 2002 £
United Kingdom corporation tax at 30% (2002: 30%)		
Current year	575,037	193,057
Prior years under/(over) provision	(14,778)	(255)
Double Tax Relief	(77,805)	(14,673)
Overseas corporation tax	290,567	45,848
Total current tax charge	773,021	223,977
Deferred tax		
Origination and reversal of timing differences	16,866	225,197
Adjustments in respect of previous periods	140,488	(128,680)
Total deferred tax charge	157,354	96,517
Tax charge on profit on ordinary activities	930,375	320,494

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	As Restated 2002 £
Profit on ordinary activities before tax	2,449,505	898,935
Profit on ordinary activities multiplied by standard rate in the UK 30% (2002: 30%)	734,851	269,681
Effects of:		
Expenses not deductible for tax purposes	2,617	67,658
Depreciation in excess of capital allowances	(1,696)	52,745
Other timing differences	28,482	23,621
Tax rate difference	27,010	(7,606)
Tax losses utilised in the year	(75,381)	(200,464)
Excess foreign tax suffered	71,916	18,597
Adjustments to tax charge in respect of previous period	(14,778)	(255)
Current tax charge for the period	773,021	223,977

8 Equity minority interests

	2003 £	2002 £
At 1 January	60,355	54,139
Profit and loss account	14,413	6,216
At 31 December	74,768	60,355

9 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2003 and 31 December 2003	219,915
Accumulated depreciation	
At 1 January 2003 and 31 December 2003	219,915
Net book amount	
At 31 December 2003	-
At 31 December 2002	-

The goodwill arising on the acquisition of Instron Structural Testing Systems Limited has been amortised on a straight line basis over 5 years. This is the period over which the directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

10 Tangible fixed assets

Group

	Freehold Land £	Buildings £	Machinery And Equipment £	Total £
Cost				
At 1 January 2003	205,513	5,221,189	11,951,686	17,378,388
Exchange differences	-	-	99,401	99,401
Additions	-	10,330	330,913	341,243
Disposals	-	-	(340,107)	(340,107)
At 31 December 2003	205,513	5,231,519	12,041,893	17,478,925
Accumulated depreciation				
At 1 January 2003	-	2,002,263	10,801,529	12,803,792
Exchange differences	-	-	71,624	71,624
Charge for year	-	147,002	524,257	671,259
Disposals	-	-	(322,205)	(322,205)
At 31 December 2003	-	2,149,265	11,075,205	13,224,470
Net book amount				
At 31 December 2003	205,513	3,082,254	966,688	4,254,455
At 31 December 2002	205,513	3,218,926	1,150,157	4,574,596

The net book amount of buildings comprises:

	2003 £	2002 £
Freehold	3,067,336	3,201,715
Short leasehold	14,918	17,211
	3,082,254	3,218,926

The company has no tangible fixed assets.

11 Fixed asset investments

Company

Investments in subsidiary undertakings:

	£
At Cost	
At 1 January 2003 and 31 December 2003	12,958,236
Provision for diminution in value	
At 1 January 2003	-
Charge for year	255,818
31 December 2003	255,818
Net book amount	
At 31 December 2003	12,702,418
At 31 December 2002	12,958,236

The Group's undertakings are as follows:

Name of undertaking	Description Of shares held	Proportion of nominal value held	Country of Incorporation or registration and operation	Business
Subsidiaries				
Instron SA	Ordinary	96%	France	Note (a)
Instron Pty Limited	Ordinary	100%	Australia	Note (a)
Instron International Limited	Ordinary	100%	Great Britain	Note (a)
Severn Furnaces Limited	Ordinary	100%	Great Britain	Note (b)
Instron Limited	Ordinary	100%	Great Britain	Note (c)
Rockwell Hardness Testing Limited	Ordinary	100%	Great Britain	Dormant
Instron Wolpert GmbH*	Ordinary	100%	Germany	Note (d)
IST Enterprises Limited**	Ordinary	100%	Great Britain	Note (c)
Instron Structural Testing Systems Limited ***	Ordinary	100%	Great Britain	Note (a)
Instron India Private Ltd	Ordinary	100%	India	Note (a)

Note

- (a) Sale of materials testing equipment.
- (b) Manufacture and sale of scientific equipment.
- (c) Manufacture and sale of materials and hardness testing equipment.
- (d) Sale and servicing of materials and hardness testing equipment.
- * Held by Instron International Limited.
- ** Held by Instron Limited.
- *** Held by IST Enterprises Limited.

12 Stock

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Raw materials and consumables	2,464,766	2,494,225	-	-
Work in progress	1,056,258	3,834,184	-	-
Finished goods and goods for resale	2,374,628	2,000,138	-	-
	5,895,652	8,328,547	-	-

13 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	7,194,739	9,168,716	-	-
Amounts owed by group undertakings	3,441,333	2,010,964	4,634	-
Other debtors	426,481	531,414	-	-
Prepayments	391,968	433,663	-	-
UK corporation tax	-	61,570	-	-
Overseas tax	33,432	63,408	-	-
Deferred tax (note 17)	980,175	1,137,529	-	-
	12,468,128	13,407,264	4,634	-

14 Creditors - Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Payments received on account	1,088,772	2,544,521	-	-
Trade creditors	2,033,858	2,234,962	-	-
Amounts owed to group undertakings	1,939,763	6,475,955	3,482,589	3,470,177
Other creditors	21,640	59,288	-	-
UK Corporation tax	235,418	-	-	-
Overseas corporation tax	286,529	69,774	-	-
Other taxation and social security	291,433	302,403	-	-
Accruals and deferred income	6,187,715	6,723,049	-	-
	12,085,128	18,409,952	3,482,589	3,470,177

15 Creditors - Amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts due to parent company	341,893	341,893	341,893	341,893

16 Provisions for liabilities and charges

Group	Pensions and similar obligations (see note 21)
	£
At 1 January 2003	4,238,000
Profit and loss account	563,000
Contributions paid	(477,000)
At 31 December 2003	4,324,000

17 Deferred taxation

The movements in the deferred tax asset recognised in the financial statements were as follows:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
At 1 January	(1,137,529)	(1,234,046)	-	-
Charged to the profit and loss account during the year	157,354	96,517	-	-
At 31 December	(980,175)	(1,137,529)	-	-

The deferred tax provided in the financial statements and the potential (assets)/liabilities not recognised were as follows:

	2003		2002	
	£	£	£	£
Group	Amount recognised	Amount not recognised	Amount recognised	Amount not recognised
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	544,575	-	531,597	-
Other timing differences	(1,524,750)	-	(1,508,321)	-
Tax losses	-	(8,395)	(160,805)	(13,028)
Overseas deferred tax	-	(1,155,780)	-	(1,171,970)
	(980,175)	(1,164,175)	(1,137,529)	(1,184,998)

Deferred tax assets have been recognised to the extent that the directors of the company consider it more likely that not that the assets will crystallise in the future. The deferred tax assets have been recognised within debtors (see note 13).

Company	2003		2002	
	£	£	£	£
	Amount recognised	Amount not recognised	Amount recognised	Amount not recognised
Tax losses	-	(8,395)	-	(13,028)

18 Called up share capital

Group and Company	2003	2002
	£	£
Authorised, issued and fully paid		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000

19 Reserves

	Profit and Loss account	Profit and Loss account
	Group	Company
	2003	2003
	£	£
At 1 January as previously reported	3,235,433	7,158,317
Prior period adjustment – IST Ltd	308,471	-
At 1 January 2002 as restated	3,543,904	7,158,317
Profit/(loss) for the year	1,504,717	(263,049)
Currency translation differences	45,515	-
At 31 December	5,094,136	6,895,268

Instron Holdings Limited has not presented its own profit and loss account as permitted by Section 230 (1) of the Companies Act 1985. The loss for the financial year dealt with in the financial statements of Instron Holdings Limited is £263,049 (2002: loss of £10,810).

Prior period adjustment arising from overcharge of management fees from the US in the financial year ending 31 December 2002 of £440,673. The prior period administration expense of £12,498,497 in the profit and loss account has been adjusted by an amount of £440,673 resulting in an adjusted administration expense of £12,057,823. The prior period year end intercompany balance sheet item of £2,380,436 has been adjusted by an amount of £440,673 resulting in an adjusted intercompany balance sheet item of £1,939,763. The prior year tax charge and the UK corporation tax creditor have been increased by £132,202.

20 Reconciliation of movements in shareholders' funds

	2003	As restated 2002
	£	£
Profit for the financial year	1,504,717	572,225
Other recognised gains and losses relating to the year	45,515	(116,374)
Net addition to shareholders' funds	1,550,232	455,851
Opening shareholders' funds as previously reported	5,235,433	3,854,007
Change in accounting policy – FRS 19	-	1,234,046
Prior year adjustment (as explained in note 19)	308,471	-
Opening shareholders' funds as restated	5,543,904	5,088,053
Closing shareholders' funds	7,094,136	5,543,904

21 Pension arrangements

SSAP 24 accounting (see note 16)

As described in note 1, accounting policy for pension costs, the company continues to account for the pension cost under the financial reporting standard SSAP 24. FRS 17 transitional disclosures are shown below which are not reflected in the financial statements.

The group operates a pension fund providing benefits based on a final pensionable salary. The fund's assets are held under trust separately from the company.

The cost of pensions is spread over employees' working lives with the company. This cost is determined by Watson Wyatt LLP, a firm of independent qualified actuaries, on the basis of triennial valuations using the projected unit method.

The most recent valuation was as at 31 August 2001. Assets were taken at market value, with the principal assumptions being as follows:

	%pa
Investment return	6.0
Salary increases	4.0
Pension increases – pre 6 April 1997 service	0.0
Pension increases – post 5 April 1997 service	2.5

The pension expense for 2003 is £563,000 (2002: £1,113,000). This is net of a reduction of £47,000 (2002: £53,000) in respect of the amortisation of experience surpluses that are being recognised over 17 years, the average remaining service lives of employees.

The 2001 valuation showed that the market value of the fund's assets was £25,747,000 which represented 91% of the past service liabilities on an ongoing basis.

An amount of £4,324,000 (2002: £4,238,000) is included in provisions which represents the excess of the accumulated pension cost over the payment of contributions to the pension fund according to SSAP 24.

As a result of the closure of the defined benefit fund to new entrants from 15 January 2003, new employees are offered the chance to join the Instron Limited Stakeholder Pension Plan. This is a separate defined contribution arrangement into which Instron Limited pay 5% of member's pension charge earnings. The pension expenses in respect of this plan in 2003 were taken as the contribution paid by the company, amounting to £20,655 (2002: nil).

The group operates a defined contribution scheme in Italy and Belgium, where the total pension cost to the group was £18,966 (2002: £30,181)

The group operates a defined contribution scheme in Australia, where the total pension cost to the group for the current year was £16,657.

For all defined contribution schemes, the assets of the schemes are held separately from those of the company and are independently administered.

FRS 17 transitional disclosures

Information about the fund:

- Defined benefit (closed)
- The last full actuarial valuation upon which the FRS 17 figures have been based was at 31 August 2001.
- The company reduced its contributions to the fund from 10.9% of pensionable salaries to 5% of pensionable earnings with effect from 1 April 2003. The company contributed £477,000 to the fund during the year ended 31 December 2003.

The fund was closed to new entrants from 15 January 2003. As a result the company's contribution rate to the fund is likely to increase over time.

The principal assumptions used by the actuary in evaluating the Scheme Liabilities were:

	2003	2002	2001
Rate of increase in salaries	3.75%	3.75%	4.00%
Rate of increase to pensions in payment:			
Pension accrued before 6.4.97	0.00%	0.00%	0.00%
Pension accrued after 5.4.97	2.50%	2.25%	2.50%
Rate of increase of deferred pensions	2.50%	2.25%	2.50%
Discount rate	5.50%	5.75%	6.00%
Inflation assumption	2.50%	2.25%	2.50%

The investments of the Fund are managed by Merrill Lynch and Barclays Global Investors using a variety of their funds. This means that the Trustees own units in a variety of pooled funds which are invested in a range of assets. The fair value of the assets held in each asset class were:

	2003	£'000	2002	£'000	2001	£'000
	Long-term expected rate of return		Long-term expected rate of return		Long-term expected rate of return	
Equities	9.0%	15,144	9.3%	11,339	8.0%	14,599
Bonds	5.5%	4,220	5.8%	2,618	6.0%	2,672
Government Securities	4.5%	5,750	4.5%	7,882	5.0%	7,856
Cash	3.5%	126	3.8%	353	4.5%	140
Total market value of assets		25,240		22,192		25,267

	2003 £'000	2002 £'000	2001 £'000
Market value plan assets	25,240	22,192	25,267
Present value of scheme liabilities	(34,134)	(30,746)	(28,753)
Deficit in the scheme	(8,894)	(8,554)	(3,486)
Related deferred tax asset	2,668	2,566	1,046
Net pension liability	(6,226)	(5,988)	(2,440)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2003 would be as follows:

	2003 £'000	2002 £'000
Net assets as currently stated	7,169	5,604
SSAP 24 Pensions accrual	4,324	4,238
Net assets excluding pensions deficit	11,493	9,842
Pension deficit	(6,226)	(5,988)
Net assets including pension deficit	5,267	3,854
Profit and loss reserve as currently stated	5,094	3,543
SSAP 24 Pensions accrual	4,324	4,238
Profit and loss reserve excluding pension deficit	9,418	7,781
Pension deficit	(6,226)	(5,988)
Profit and loss reserve including pension deficit	(3,192)	(1,793)

Analysis of amounts charged to operating profit:

	2003 £'000	2002 £'000
Current service cost	397	949
Past service costs	-	53
Total charged to operating profit	397	1,002

Analysis of the amount charged/(credited) to other finance income:

	2003	2002
	£'000	£'000
Interest on pension scheme liabilities	1,764	1,723
Expected return on assets in the pension scheme	(1,563)	(1,709)
Net charge to other finance income	201	14
Total profit and loss charge before deduction for tax	598	1,016

Analysis of the amounts recognised in the statement of recognised gains and losses:

	2003	2002
	£'000	£'000
(Gain)/loss on assets	(1,550)	4,471
Experience (gain)/loss on liabilities	(348)	56
Loss/(gain) on change of assumptions (financial and demographic)	2,117	(23)
Total loss recognised in the statement of recognised gains and losses before adjustment for tax	219	4,504

Analysis of the movement in deficit in the fund during the year:

	2003	2002
	£'000	£'000
Deficit in the plan at beginning of year	(8,554)	(3,486)
Contributions paid	477	452
Current service cost	(397)	(949)
Past service cost	-	(53)
Other finance income/(charge)	(201)	(14)
Actuarial gain/(loss)	(219)	(4,504)
Deficit in the plan at end of year	(8,894)	(8,554)

History of experience gains and losses:

	2003	2002
	£'000	£'000
Difference between the actual and expected return on scheme assets:		
Amount (£'000)	(1,550)	4,471
Percentage of scheme assets	6.14%	20.15%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(348)	56
Percentage of the present value of the scheme liabilities	1.02%	0.18%
Total actuarial (gain)/loss recognised in statement of total recognised gains and losses		
Amount (£'000)	219	4,504
Percentage of the present value of the scheme liabilities	0.64%	14.65%

22 Operating lease commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003		2002	
	Other	Land and	Other	Land and
	£	Buildings	£	Buildings
	£	£	£	£
Expiring within one year	38,449	27,387	11,859	28,090
Expiring between two and five years inclusive	313,561	137,444	401,367	124,774
Over five years	3,356	75,175	-	75,175
	355,366	240,006	413,226	228,039

23 Contingent liabilities

The Company is jointly and severally liable for certain debts of its subsidiaries. At 31 December 2003 the amount of group debt outstanding for which the company is potentially liable was £Nil (2002: £Nil).

There is a fixed and floating charge over the assets of the company in favour of National City Bank. At 31 December 2003 the amount of group debt outstanding subject to charge was £Nil (2002: £Nil).

24 Parent company and ultimate controlling party

The Company is a wholly owned subsidiary of Instron Corporation, incorporated under the laws of the State of Massachusetts, United States of America. The directors regard this company as the ultimate holding company of Instron Holdings Limited. The ultimate controlling part is Kirkland Capital Partners. Copies of the consolidated financial statements of Instron Corporation can be obtained from Instron Corporation, 100 Royal Street, Canton, Massachusetts, USA.