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J & J DYSON plc

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REPORT

AND FINANCIAL

STATEMENTS

2000

DIRECTORS AND ADVISERS

BOARD OF DIRECTORS

T H P Brown MA, MBA – *Chairman*

T M O'Brien ACIS – *Chief Executive*

A N Parker ACA – *Finance Director*

J P Lomas BSC(Tech), ACA

R D Field OBE, FCA, MPHIL

REGISTRARS

Neville Registrars Limited

Neville House

18 Laurel Lane

Halesowen

West Midlands B63 3DA

Tel: 0121 585 1131

BANKERS

HSBC plc

National Westminster Bank plc

AUDITORS

Watson Wheatcroft

Chartered Accountants

The Annexe

The Manor House

260 Ecclesall Road South

Sheffield S11 9UZ

SOLICITORS

Irwin Mitchell

St Peters House

Hartshead

Sheffield S1 2EL

DLA

Fountain Precinct

Balm Green

Sheffield S1 1RZ

MERCHANT BANK

N M Rothschild & Sons Limited

1 Park Row

Leeds LS1 5NR

STOCKBROKERS

Williams de Broë

4 Park Place

Leeds LS1 2RU

REGISTERED OFFICE

381 Fulwood Road

Sheffield S10 3GB

Tel: 0114 230 3921

Fax: 0114 230 8583

Website: www.dyson-group.com

E-mail: investor.relations@dyson-group.com

Registered Company No: 163096

DIRECTORS' REPORT

The directors present their Report for the year ended 31 March 2000.

Principal Activities and Business Review – The principal activities of the Group comprise research, development, manufacture and sale of chemically based performance materials and thermal application products used in a variety of industries as described in the Operating Review.

A review of progress made in the financial year under review and of future developments is contained in the Chairman's Statement and the Operating Review.

Results and Dividends – Group profit for the financial year amounted to £4.1 million (1999: £1.9m).

An interim dividend of 1.35p per Ordinary share was paid on 28 January 2000. The directors recommend that a final dividend of 3.50p per Ordinary share be paid on 29 August 2000 to members on the Register at the close of business on 14 July 2000, making a total for the year of 4.85p per Ordinary share, compared with 4.03p per Ordinary share for the previous year.

After dividends paid and proposed of £1.0 million, the profit retained for the financial year amounted to £3.1 million, which will be transferred to reserves.

Post Balance Sheet Events – On 14 April 2000, J & J Dyson plc, via Dyson Industries Limited ("Dyson") bought the ceramic fibre business of Wade Ceramics Limited for a total consideration of £1.5 million of which £1.2 million was paid in cash on that date and the balance of £0.3 million was paid on 22 June 2000.

On 12 May 2000 Dyson acquired the kiln furniture business of Hewitt Refractories Limited for a total consideration of £1.4 million payable in cash on completion.

On 28 June 2000 Dyson acquired the entire issued share capital of Acme Marls Limited, a privately owned kiln furniture company, for a total consideration £1.9 million, of which £1.6 million was payable in cash on completion and the balance of the consideration has been satisfied by the issue of unsecured loan notes to the vendors.

Directors – The interests of directors in office at the year end in the share capital of the company were:

	Ordinary shares	
	31 March 2000	1 April 1999
T H P Brown	15,000	–
T M O'Brien	2,627	2,627
T M O'Brien (as non-beneficial trustee)	1,472,413	1,472,413
J P Lomas	1,434,420	1,434,420
R D Field	84,686	84,686
R D Field (as non-beneficial trustee)	1,472,413	1,472,413

None of the directors had a material interest at any time during the year in any contract of significance in relation to the company's business.

Mrs S P Field, the spouse of Mr R D Field, holds 380,950 Ordinary shares as co-trustee with Mr F N G Mountford of a discretionary trust.

On 30 June 2000, Mr A N Parker acquired 3,000 Ordinary shares at a price of 121p per share.

There were no other changes in the interests of directors in the period up to 4 July 2000.

BIOGRAPHIES OF DIRECTORS

Tom Brown – Non-executive Chairman appointed 19 March 1999, Tom was previously chief executive of Fenner plc and United Industries plc and currently holds a number of other private company directorships.

Mike O'Brien – Appointed Chief Executive in 1987, Mike has many years experience in the thermal engineering industry and has been a key influence in driving forward the research and development of performance materials. He also has a strong track record of ensuring the Group maintains good profitability and cash flow during severely adverse economic conditions.

Nick Parker – Appointed Finance Director on 1 February 2000, having spent seven years at Carclo plc, where he played a leading role in changing the emphasis within the portfolio away from traditional engineering towards higher growth manufacturing activities. Nick qualified with Arthur Andersen & Co. in 1986 and subsequently worked in the mainstream corporate finance department of Hill Samuel & Co. Limited.

John Lomas – John graduated from Sheffield University with an honours degree in Material Science and thereafter qualified as a chartered accountant with KPMG. John joined the Board of Dyson in 1990 and has considerable expertise in advising on the significant property matters within the Group.

Richard Field – Richard was chairman and chief executive of the Group before becoming a non-executive director in October 1997. Richard now runs a substantial management consultancy business, practising in a wide variety of industries.

DIRECTORS' REPORT – continued

Substantial Shareholdings – So far as the company is aware as at 4 July 2000 the following parties hold interests of 3% or more in the Ordinary share capital of the company.

	Ordinary shares
Valser Holdings Limited	6,188,500
Apollo Nominees Limited	1,604,954
The Dyson Group Pension Fund	1,472,413
Mr M A Lomas	1,263,044
Phildrew Nominees Limited	1,236,400

J & J Dyson plc Executive Share Option Scheme – The directors consider that the company will benefit and shareholder value be increased if the company's executive directors are encouraged to identify their interests with those of shareholders. To this end, following the recommendation of the Remuneration Committee, it was decided in December 1999 to seek approval for the J & J Dyson plc Executive Share Option Scheme at the forthcoming Annual General Meeting as required by the Listing Rules. Mr T M O'Brien and Mr A N Parker have each been provisionally granted an option to purchase 300,000 Ordinary shares each at a price of 74p subject to shareholder approval.

These options can be exercised if earnings per share exceed RPI by 2% per annum compound in the period from 31 March 2000 to 31 March 2003.

A separate circular dated 31 July 2000 and entitled "Proposal for the approval of the J & J Dyson plc Executive Share Option Scheme" has been sent to shareholders explaining these matters in greater detail. The directors believe it is important to the interests of shareholders that these matters should be approved, and, as such, recommend this resolution to shareholders.

Authority to Allot Shares – At the forthcoming Annual General Meeting a special resolution will be proposed to give the directors the authority for a period of fifteen months or to the date of the next Annual General Meeting, whichever earlier, to allot 6,282,964 unissued shares in the capital of the company and to allow the directors to allot such shares for cash both by way of rights issues and, in respect of 1,035,848 of such Ordinary shares, to people other than existing Ordinary shareholders. These authorities are equivalent to 30.3% and 5% respectively of the total issued shares as at 4 July 2000.

The directors believe that it is important to the interests of the shareholders that they should be given these authorities, which will give the directors the flexibility they need to finance business opportunities as they arise, including if it is appropriate, by the issue of shares. Accordingly, the directors recommend the resolution to shareholders.

There are no plans to allot shares at present.

Purchase of own shares – At the forthcoming Annual General Meeting the directors will seek shareholders' approval by way of special resolution for renewal of the company's current authority to make market purchases of up to approximately 5% of its own shares for subsequent cancellation. This authority will expire at the earlier of fifteen months after the date of the passing of the resolution or the date of the next Annual General Meeting. The directors consider that the grant of the power for the company to make market purchases of the company's shares would be beneficial for the company and accordingly they recommend this special resolution to shareholders. There is no current intention or plan to instigate any such purchases and the directors have no present intention to stand in the market and are taking a long term view. The directors will only exercise the authority sought if they believed such purchase was likely to result in an increase in earnings per share and it would be in the interests of shareholders generally. The minimum price to be paid will be the shares' nominal value and the maximum price will be no more than 5% above the average middle market quotations for the shares on the five days before the shares are purchased.

Corporate Governance – An account appears on pages 24 and 25 of how the Board of the company is structured and controlled and other steps taken by the directors to ensure proper management of the company.

Employees – The directors believe all employees should be encouraged to identify their interests with those of the company's shareholders and, if practicable, key senior employees should have part of their remuneration linked to share price performance. Legislation is currently being enacted to permit the new "All-employee share plans". The directors are currently reviewing such schemes as well as the future role of existing Inland Revenue approved schemes such as Savings Related Share Option Schemes and discretionary approved Company Share Option Schemes. It is anticipated such schemes have a role to play in our future remuneration policy.

The Group has continued to follow the requirements of the Health & Safety at Work Act 1974 and associated legislation with concern for the welfare of its employees.

It is Group policy to offer the same opportunity to disabled people as to all others in matters of recruitment and career advancement, provided they have the ability to perform the tasks required with or without training and support; and to provide support or re-training where practical in cases where disability is incurred during employment with the Group.

In the field of employee communication, considerable time has been spent in consultation and informing employees of matters affecting their interests.

Research and Development – The directors consider that product development plays an important part in the Group's success and expenditure in this field continues.

Charitable and Political Contributions – Contributions during the year by the Group for charitable purposes were £160 (1999: £350) and for political purposes £Nil (1999: £Nil).

Auditors – It is proposed that Ernst & Young be appointed Auditors to the company at the Annual General Meeting under Section 385(1) of the Companies Act 1985.

DIRECTORS' REPORT – continued

Internal control – The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the company's assets.
The company has adopted the transitional approach permitted by the Stock Exchange in its letter to listed companies of 27 September 1999 for accounting periods ending prior to 23 December 2000 in respect of the application of Code principle D.2.

The Board has reviewed its risk assessment and identified areas where procedures need to be changed or installed. The company is currently establishing the procedures necessary to implement the guidance, "Internal Control: Guidance for Directors on the Combined Code". It expects to have completed this process by December 2000, by which time all relevant employees will be trained in the new procedures. The Board will undertake a full risk and control assessment before reporting for the year ending 31 March 2001.

The Board of directors has overall responsibility for the Group's system of financial control and for monitoring its effectiveness. Following his appointment in February the Finance Director began to review these procedures. The Group has an established internal control framework which is appropriately monitored. The Board has had an internal audit function for the past five years. The internal audit function carries out detailed monthly checks. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group operates through subsidiaries and divisions that prepare annual budgets which are compared to subsequent monthly management accounts. There is a divisional organisational structure with clearly defined lines of responsibility and delegation of authority. Each trading activity has its own managing executive and the Chief Executive is responsible for overseeing the performance and plans of the business in conjunction with the Finance Director. There are established procedures for planning capital expenditure and a framework of investment evaluation for approving capital expenditure and appropriate authorisation with major expenditure being approved by the Board. Cash flow statements and forecasts are prepared monthly and are used to ensure that the Group has adequate funds and resources for the foreseeable future.

We completed our programme to ensure our IT software and hardware functioned through the 1999 year end into the year 2000. We believe that all critical systems are fully compliant.

Going concern – After making enquiries, the directors are confident that the company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

Payment to suppliers – Subsidiary companies are responsible for agreeing payment terms and conditions with their suppliers according to generally accepted trading practices within their businesses. It is the Group's normal practice to pay suppliers promptly provided that suppliers perform in accordance with the agreed terms. The Group's average number of days in respect of trade creditors for the year ended 31 March 2000 was 49 (1999: 37).

By order of the Board

R P McQuinn LLB(Hons), ACIS Secretary

31 July 2000

Registered Office:

381 Fulwood Road, Sheffield S10 3GB

REPORT OF THE AUDITORS

To the shareholders of J & J Dyson plc.

We have audited the financial statements on pages 28 to 50 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 32 and 33 and the information disclosed on pages 22 and 23 within the Report of the Remuneration Comittee.

Respective responsibilities of directors and auditors – The directors are responsible for preparing the annual report. As described previously, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards.
Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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. 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 24 and 25 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or Group's corporate governance procedures or its risk and control procedures.

Basis of 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 and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 evaluate 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 as at 31 March 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WATSON WHEATCROFT

Chartered Accountants

Registered Auditor

Sheffield S11 9UZ

31 July 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT – for the year ended 31 March 2000

	Note	2000 Before exceptional items and goodwill £000	2000 Exceptional items and goodwill £000	2000 Total £000	1999 Total £000
Turnover					
Continuing operations		44,402	–	44,402	47,646
Acquisitions		6,764	–	6,764	–
Discontinued operations		4,589	–	4,589	11,850
	2	55,755	–	55,755	59,496
Operating profit					
Continuing operations		1,663	–	1,663	929
Acquisitions		708	–	708	–
Discontinued operations		418	–	418	1,708
Goodwill amortisation		–	(70)	(70)	(15)
Group operating profit	3	2,789	(70)	2,719	2,622
Profit on sale of discontinued operations		–	4,530	4,530	–
Loss on termination of operations		–	(2,221)	(2,221)	–
Profit on sale of properties		–	507	507	–
Profit on ordinary activities before interest		2,789	2,746	5,535	2,622
Net interest receivable	4,5	293	–	293	66
Profit on ordinary activities before taxation		3,082	2,746	5,828	2,688
Taxation	7	(1,049)	(684)	(1,733)	(870)
Profit on ordinary activities after taxation		2,033	2,062	4,095	1,818
Minority interests		47	–	47	58
Profit for the financial year		2,080	2,062	4,142	1,876
Dividends	8	(1,002)	–	(1,002)	(2,674)
Retained profit		1,078	2,062	3,140	(798)
Earnings per share	9				
– Underlying		10.04p	–	10.04p	9.14p
– Adjustment for exceptional items and goodwill		–	9.96p	9.96p	(0.07)p
– Basic		10.04p	9.96p	20.00p	9.07p
Dividend per share					
– Interim				1.35p	1.35p
– Final				3.50p	2.68p
Total				4.85p	4.03p

CONSOLIDATED BALANCE SHEET – as at 31 March 2000

		Group		Company	
	Note	2000 £000	1999 £000	2000 £000	1999 £000
Fixed assets					
Intangible assets	10	**2,174**	30	**–**	–
Tangible assets	11	**14,748**	15,313	**–**	–
Investments	12	**–**	–	**19,701**	19,721
		16,922	15,343	**19,701**	19,721
Current assets					
Stocks	13	**8,402**	10,415	**–**	–
Debtors:	14				
due within one year		**14,654**	12,219	**9**	1
due after more than one year		**2,625**	–	**–**	–
Cash at bank and in hand		**8,859**	2,971	**6,472**	32
		34,540	25,605	**6,481**	33
Creditors: Amounts falling due within one year	15	**(20,346)**	(13,093)	**(858)**	(645)
Net current assets / (liabilities)		**14,194**	12,512	**5,623**	(612)
Total assets less current liabilities		**31,116**	27,855	**25,324**	19,109
Creditors: Amounts falling due after more than one year	16	**(759)**	(1,280)	**(4,603)**	(2,975)
Provisions for liabilities and charges	18	**(1,345)**	(636)	**59**	575
Equity minority interests		**111**	31	**–**	–
Net assets		**29,123**	25,970	**20,780**	16,709
Capital and reserves					
Called up share capital	19	**5,179**	5,179	**5,179**	5,179
Revaluation reserve	20	**2,562**	2,982	**–**	–
Profit and loss account	21	**21,382**	17,809	**15,601**	11,530
Equity shareholders' funds	22	**29,123**	25,970	**20,780**	16,709

The financial statements were approved by the Board on 29 June 2000.

T H P BROWN MA, MBA
Director

T M O'BRIEN ACIS
Director

T M O'Brien

CONSOLIDATED CASH FLOW STATEMENT – for the year ended 31 March 2000

	Note	2000 £000	1999 £000
Net cash inflow from operating activities	27	**6,361**	2,032
Returns on investments and servicing of finance	28	**293**	64
Taxation		**(602)**	(968)
Capital expenditure and financial investment	28	**(341)**	(1,958)
Acquisitions and disposals	28	**(88)**	–
Dividends paid		**(833)**	(2,674)
Net cash inflow / (outflow) before financing		**4,790**	(3,504)
Financing	28	**(564)**	1,112
Increase / (decrease) in cash		**4,226**	(2,392)
Reconciliation of net cash flow to movement in net funds			
Increase / (decrease) in cash in the year		**4,226**	(2,392)
Cash flow from decrease / (increase) in debt and lease financing		**564**	(1,006)
Change in net funds resulting from cash flows		**4,790**	(3,398)
Net funds as at 1 April 1999		**207**	3,605
Net funds as at 31 March 2000	29	**4,997**	207

NOTES TO THE ACCOUNTS

1 Principal accounting policies

Basis of accounting – The accounts are drawn up on the historical cost basis of accounting modified to include the valuation of certain properties and in accordance with applicable accounting standards from which there are no material departures.

Basis of consolidation – The consolidated financial statements include the financial statements of J & J Dyson plc and its subsidiary undertakings, all of which are made up to 31 March 2000. The results of subsidiary undertakings acquired during the year are included from the effective date of acquisition.

Investments – In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off.

Depreciation – Tangible and intangible assets are stated at cost less accumulated depreciation. The charge is calculated at rates appropriate to write off the assets by equal annual instalments over their estimated useful lives which are principally as follows: buildings – forty years; plant and equipment – ten years; fixtures and fittings – ten years; motor vehicles – three years; goodwill – twenty years; intellectual property – three years.

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for Investment Properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

Stocks – Stocks are valued at the lower of cost and net realisable value. Cost includes the appropriate overhead expenses.

Taxation – It is Group policy that ACT surrendered and Group relief transferred is chargeable to the recipient company.

Deferred taxation – Provision is made for taxation deemed to be deferred as a result of differences in treatment of certain items for accounting and taxation purposes to the extent that it is probable that an actual liability will crystallise.

Research and development expenditure – Expenditure on research and development is charged against revenue in the year in which it is incurred. The development work carried out is intrinsically involved in ongoing operations and as such is not meaningfully quantifiable, and has not been disclosed as required by SSAP 13, Accounting for Research and Development.

Turnover – Turnover represents amounts invoiced by the Group in respect of goods sold and services provided during the year excluding value added tax and trade discounts.

Foreign currency – Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or where appropriate at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or where appropriate at the rate of exchange in a related forward exchange contract.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

For the purpose of consolidation the closing rate method is used. Profit and loss accounts of overseas subsidiary undertakings are translated at the average rate. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are dealt with through reserves.

Derivative financial instruments – Gains and losses on derivative financial instruments are only recognised as they crystallise.

Leasing and hire purchase commitments – Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the contract obligations is charged to the profit and loss account in equal instalments over the period of the contract. Rentals paid under operating leases are charged against revenue in equal instalments over the period of the leases. The majority of the finance leases are sale and leaseback transactions whereby the risk and reward of ownership have not been substantially transferred to the lessor.

Government grants – Government grants on capital expenditure are treated as deferred income and credited to the profit and loss account on a basis consistent with the depreciation policy. Grants of a revenue nature are credited to income in the period to which they relate.

Goodwill – In accordance with Financial Reporting Standard 10, goodwill arising on acquisition is capitalised as an intangible asset and amortised by equal instalments against profit over its expected life. The expected life of purchased goodwill does not exceed 20 years.

Prior to the introduction of Financial Reporting Standard 10, goodwill eliminated against the profit and loss account since 1 January 1989 was £3.5 million.

Pension costs – The cost of providing pensions, as calculated periodically by professionally qualified acturaries, is charged to the profit and loss account so as to spread the cost over the expected remaining service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. Provision is made for deferred taxation of pension costs to the extent that it is probable that an actual liability will crystallise.

	2000 £000	1999 £000
2 Segmental analyses		
Turnover: Geographical analysis		
United Kingdom	**37,735**	40,691
European Community	**7,040**	5,939
Rest of Europe	**750**	797
Africa and Middle East	**693**	1,098
Australia and Far East	**5,414**	2,697
America	**4,123**	8,274
	55,755	59,496

By business segment	Turnover		Operating profit		Net assets	
	2000 £000	1999 £000	**2000 £000**	1999 £000	**2000 £000**	1999 £000
Performance materials						
Continuing	**4,266**	3,657	**1,523**	1,059	**4,710**	2,235
Acquisitions	**6,764**	–	**708**	–	**4,000**	–
	11,030	3,657	**2,231**	1,059	**8,710**	2,235
Thermal technologies	**35,718**	38,701	**1,663**	1,594	**13,178**	19,471
Distribution	**4,418**	5,288	**321**	430	**902**	379
Continuing	**51,166**	47,646	**4,215**	3,083	**22,790**	22,085
Discontinued	**4,589**	11,850	**418**	1,708	**204**	1,983
	55,755	59,496	**4,633**	4,791	**22,994**	24,068
Central costs			**(1,667)**	(1,595)		
Pensions regular cost			**(938)**	(1,057)		
Pensions credit			**606**	614		
Redundancy			**(108)**	(276)		
Property income			**263**	160		
Operating profit before exceptional items and goodwill			**2,789**	2,637		
Goodwill amortisation			**(70)**	(15)		
Exceptional items			**2,816**	–		
Profit on ordinary activities before interest			**5,535**	2,622		

Net operating assets represent the book value of net assets excluding loans to and from other segments and excluding cash and borrowings. Exceptional items comprises profit on the sale of Dycat £4.53 million, site closure costs (£1.97m), motor dealership closure costs (£0.25m) and profit on sale of properties £0.51 million.

The business segments have been reclassified as shown above. Of the segments shown in 1999, refractories and catalysts and thermal process engineering form part of performance materials and thermal technologies excepting the sale of the catalysts business. Builders merchanting has been reclassified as distribution and the motor vehicles and supplies business has been discontinued. These changes have no effect on the profit for the year.

3 Operating profit

By business segment	Continuing £000	Acquisitions £000	Discontinued £000	2000 Total £000	Continuing £000	Discontinued £000	1999 Total £000
Turnover	**44,402**	**6,764**	**4,589**	**55,755**	47,646	11,850	59,496
Cost of sales	**(35,761)**	**(4,568)**	**(2,982)**	**(43,311)**	(40,071)	(7,310)	(47,381)
Gross profit	**8,641**	**2,196**	**1,607**	**12,444**	7,575	4,540	12,115
Distribution costs	**(2,341)**	**(224)**	**(414)**	**(2,979)**	(2,358)	(1,140)	(3,498)
Administrative expenses	**(3,031)**	**(1,264)**	**(775)**	**(5,070)**	(2,451)	(1,753)	(4,204)
Other operating income	**238**	**–**	**–**	**238**	317	61	378
Central costs	**(1,844)**	**–**	**–**	**(1,844)**	(2,154)	–	(2,154)
Operating profit	**1,663**	**708**	**418**	**2,789**	929	1,708	2,637

	2000 £000	1999 £000
Operating profit is stated after charging / (crediting) the following:		
Directors' remuneration	**240**	186
Auditors' remuneration	**78**	78
Auditors' remuneration for non-audit services	**24**	23
Depreciation of tangible fixed assets	**1,264**	1,308
Amortisation of intangible fixed assets	**70**	15
Operating lease rentals – plant and equipment	**320**	307
Operating lease rentals – land and buildings	**20**	–
Profit on foreign exchange	**(31)**	(15)

4 Interest receivable

Bank interest	**235**	165
Other interest	**167**	–
	402	165

5 Interest payable

Bank interest	**1**	17
Loan interest	**15**	25
Finance charges on finance leases	**90**	57
Other interest	**3**	–
	109	99

	2000	1999
6 Employee costs and directors' remuneration		
The average number of persons employed by the Group during the year was as follows:		
Performance materials	**340**	140
Thermal technologies	**726**	835
Distribution	**21**	22
Other	**15**	26
	1,102	1,023

	2000 £000	1999 £000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**15,179**	15,751
Social security costs	**1,089**	1,235
Other pension costs	**331**	444
	16,599	17,430

Details of directors' emoluments are included within the Report of the Remuneration Committee on pages 21 to 23.

	2000 £000	1999 £000
7 Tax on profit on ordinary activities		
Corporation tax at 30% (1999: 31%)	**1,883**	987
Irrecoverable overseas taxation	**13**	–
Deferred taxation	**–**	(159)
	1,896	828
Adjustments for previous years		
Corporation tax	**(25)**	144
Deferred taxation	**(138)**	(102)
	1,733	870

	2000 £000	1999 £000
8 Dividends		
The dividends paid and proposed are:		
Preference dividend	**–**	2
Special dividend	**–**	1,839
Interim dividend of 1.35p (1999: 1.35p) per Ordinary share	**279**	279
Final dividend of 3.5p (1999: 2.68p) per Ordinary share	**723**	554
	1,002	2,674

9 Earnings per share

The calculation of earnings per share is based on profits (less preference dividend) of £4,142,513 (1999: £1,873,888) and the weighted average number of shares in issue during the year of 20,717,035 (1999: 20,656,377).

Preference dividends were as follows: £Nil (1999: £1,991).

The calculation of adjusted earnings per share is based on profits before exceptional items and goodwill amortisation of £2,080,078 (1999: £1,888,888).

10 Intangible fixed assets

	Goodwill £000	Intellectual property £000	Total £000
Cost or valuation			
As at 31 March 1999	–	45	45
Additions	2,214	–	2,214
As at 31 March 2000	2,214	45	2,259
Amortisation			
As at 31 March 1999	–	15	15
Charge for the year	55	15	70
As at 31 March 2000	55	30	85
Net book value			
As at 31 March 2000	2,159	15	2,174
As at 31 March 1999	–	30	30

11 Tangible fixed assets

	Freehold Properties £000	Leasehold Properties £000	Plant and Machinery £000	Motor Vehicles £000	Fixtures and Fittings £000	Assets in Course of Construction £000	Total £000
Cost or valuation							
As at 31 March 1999	11,522	116	10,715	1,540	1,061	22	24,976
Additions	394	–	822	171	161	648	2,196
Acquisition of subsidiary	–	–	478	39	65	–	582
Reclassification	60	–	76	–	9	(145)	–
Disposals	(943)	–	(1,713)	(272)	(112)	–	(3,040)
Exchange movements	39	–	(14)	6	(3)	–	28
As at 31 March 2000	11,072	116	10,364	1,484	1,181	525	24,742
Accumulated depreciation							
As at 31 March 1999	1,772	17	6,322	775	777	–	9,663
Charge for the year	187	4	675	328	70	–	1,264
Acquisition of subsidiary	–	–	321	13	49	–	383
Disposals	(132)	–	(827)	(211)	(100)	–	(1,270)
Exchange movements	(8)	–	(33)	–	(5)	–	(46)
As at 31 March 2000	1,819	21	6,458	905	791	–	9,994
Net book value							
As at 31 March 2000	9,253	95	3,906	579	390	525	14,748
As at 31 March 1999	9,750	99	4,393	765	284	22	15,313

Included in the above are the following amounts relating to leased assets:

	Freehold Properties £000	Leasehold Properties £000	Plant and Machinery £000	Motor Vehicles £000	Fixtures and Fittings £000	Assets in Course of Construction £000	Total £000
Net amount of assets held under finance leases			807	172	31		1,010
Depreciation allocated for the year			116	143	3		262

Land and buildings with a net book value of £4.89 million (1999: £4.98m) are not depreciated.

Freehold investment properties have been revalued at £3.31 million on an open market existing use basis in 1997 by the following firms of Chartered Surveyors: Fuller Peiser, Crapper and Haigh, Bell Ingram and Shuldham Calverley. If the revalued assets were stated on the historical cost basis the amounts would be:

	2000 £000	1999 £000
Cost	**545**	594
Accumulated depreciation	**277**	295
Net book value	**268**	299

The Group has elected to retain tangible fixed assets at revalued amounts, where applicable, under the transitional arrangements of FRS 15, rather than at depreciated historical cost.

	2000 £000	1999 £000
12 Investments		
Company		
Shares in subsidiary undertakings at cost	**6,639**	5,646
Amounts owed by subsidiary undertakings	**13,062**	14,075
	19,701	19,721

13 Stocks		
Raw materials and consumables	**2,657**	2,947
Work in progress	**1,659**	2,557
Finished goods and goods for resale	**4,086**	4,911
	8,402	10,415

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 Debtors: Amounts falling due within one year		
Trade debtors	**12,592**	11,371
Other debtors	**1,445**	178
Prepayments and accrued income	**617**	670
	14,654	12,219
Company		
Prepayments and accrued income	**1**	–
Amounts owed by subsidiary undertakings	**8**	1
	9	1
Debtors: Amounts falling due after more than one year		
Other debtors	**2,625**	–
	2,625	–

	2000 £000	1999 £000
15 Creditors: Amounts falling due within one year		
Bank overdraft	**2,730**	1,068
Secured loan	**167**	167
Net lease obligations	**342**	369
Trade creditors	**5,800**	5,009
Corporation tax	**1,796**	1,042
Other taxes and social security	**742**	835
Other creditors	**1,194**	173
Accruals and deferred income	**6,852**	3,876
Dividends	**723**	554
	20,346	13,093

The bank overdraft is secured on certain of the assets of subsidiary undertakings.

Company		
Corporation tax	**13**	1
Other creditors	**29**	17
Accruals and deferred income	**93**	73
Dividends	**723**	554
	858	645

16 Creditors: Amounts falling due after more than one year		
Net lease obligations due between one and two years	**328**	317
Net lease obligations due between two and five years	**295**	676
Secured loan due between one and two years	**–**	167
Other creditors	**136**	120
	759	1,280
Company		
Amounts owed to subsidiary undertakings	**4,603**	2,975

A secured loan of £1 million is repayable in six equal annual instalments, starting on 28 September 1995. The interest on the loan is fixed at 6% per annum. The loan is secured on the land and buildings at our Fenton site.

17 Analysis of changes in finance lease obligations		
Net lease obligations as at 31 March 1999	**1,362**	190
New term loans	**–**	1,310
Repayment of capital	**(397)**	(138)
Net lease obligations as at 31 March 2000	**965**	1,362

	2000 £000	1999 £000
18 Provisions for liabilities and charges		
Deferred taxation	**(59)**	(437)
Pension provisions	**1,404**	1,073
	1,345	636
Deferred taxation		
Provided		
Excess of tax allowances over book depreciation of tangible fixed assets	**29**	545
Other timing differences	**(29)**	(407)
	–	138
Less: Advance corporation tax paid and payable on dividends	**(59)**	(575)
	(59)	(437)
Unprovided amounts		
Excess of tax allowances over book depreciation of tangible fixed assets	**179**	143
Other timing differences	**(730)**	–
	(551)	143
The movements in deferred tax balances were:		
As at 31 March 1999	**138**	399
Transfer to profit and loss account	**(138)**	(261)
As at 31 March 2000	**–**	138

No provision has been made for the potential liability in respect of chargeable gains, which might arise in the event of properties being sold at their revalued amounts, until it is decided in principle to dispose of the assets.

Company

Advance corporation tax paid and payable on dividends	**(59)**	(575)

The parent company is not itself expected to utilise the advance corporation tax. It is expected that this will be surrendered in due course to certain subsidiary undertakings and set off against mainstream corporation tax liabilities.

Pension provisions		
As at 31 March 1999	**1,073**	629
Charged to profit and loss account	**331**	444
As at 31 March 2000	**1,404**	1,073

19 Share capital

Authorised		
Ordinary shares of 25p each	**6,750**	6,750
Allotted, called up and fully paid		
Ordinary shares of 25p each	**5,179**	5,179

	2000 £000	1999 £000
20 Revaluation reserve		
As at 31 March 1999	**2,982**	2,982
Transfer to profit and loss account	**(420)**	–
As at 31 March 2000	**2,562**	2,982

	2000 £000	1999 £000
21 Profit and loss account		
As at 31 March 1999	**17,809**	19,092
Retained profit / (loss) for the year	**3,140**	(798)
Transfer from revaluation reserve	**420**	–
Exchange differences on overseas subsidiaries	**13**	(247)
Issue of shares	**–**	(238)
As at 31 March 2000	**21,382**	17,809
Company		
As at 31 March 1999	**11,530**	11,875
Retained profit / (loss) for the year	**4,071**	(107)
Issue of shares	–	(238)
As at 31 March 2000	**15,601**	11,530

	2000 £000	1999 £000
22 Reconciliation of movement in shareholders' funds		
Profit for the financial year	**4,142**	1,876
Exchange differences on overseas subsidiaries	**13**	(247)
Dividends	**(1,002)**	(2,674)
Proceeds from issue of shares	–	106
Net increase / (decrease) in shareholders' funds	**3,153**	(939)
Opening shareholders' funds	**25,970**	26,909
Closing shareholders' funds	**29,123**	25,970
Company		
Profit for the financial year	**5,073**	2,567
Dividends	**(1,002)**	(2,674)
Proceeds from issue of shares	**–**	106
Net increase / (decrease) in shareholders' funds	**4,071**	(1)
Opening shareholders' funds	**16,709**	16,710
Closing shareholders' funds	**20,780**	16,709

23 Capital commitments

	2000 £000	1999 £000
Capital commitments contracted as at 31 March 2000 for which no provision has been made are:	**186**	16

24 Operating lease commitments

Group commitments during the year to 31 March 2001 in respect of rentals payable under non-cancellable operating leases are as follows:

	Land and buildings	**Plant and machinery**	**Total**	Total
			2000	1999
	£000	**£000**	**£000**	£000
Date of lease termination:				
Within one year	**–**	**131**	**131**	134
Between two and five years	**41**	**28**	**69**	1
In over five years	**–**	**68**	**68**	–
	41	**227**	**268**	135

25 Contingencies

Bank overdrafts – The parent company and certain of the subsidiary undertakings have signed an interlocking guarantee in respect of bank overdrafts.

Others – Contingent liabilities exist in certain of the subsidiary undertakings in relation to performance bonds, advance payment guarantees and foreign bills negotiated (all with recourse). These total £0.49 million (1999: £0.46m).

26 Financial Instruments

Treasury management – The Group's treasury activities are targeted to provide suitable and flexible funding arrangements to satisfy the Group's requirements. In addition, interest rate risks, liquidity risks and foreign currency translation risks are managed at Group level.

Interest rate risk – The Group finances its activities through a mixture of retained profits, bank borrowings and finance leases. All borrowings are in sterling at floating rates of interest. The bank borrowing is an overdraft, repayable on demand, and is shown in note 15. The finance lease borrowing is shown in notes 15 and 16.

Currency risk – The Group policy is to consider hedging on an individual contract basis. At 31 March 2000 there were no derivative financial instruments and there was no divergence between the book values and fair values of the currency trade debtors and creditors.

Liquidity risk – The Group policy is to manage liquidity risk so as to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. At 31 March 2000 the Group had undrawn committed borrowing facilities of £4 million.

	2000 £000	1999 £000
27 Reconciliation of operating profit to operating cash flows		
Operating profit	**2,719**	2,622
Depreciation	**1,334**	1,323
Loss on sale of fixed assets	**1**	246
Decrease / (increase) in stocks	**1,259**	(349)
(Increase) / decrease in debtors	**(822)**	467
Increase / (decrease) in creditors	**3,658**	(2,607)
Exceptional items	**(1,788)**	330
Cash inflow from operating activities	**6,361**	2,032

28 Analysis of cash flows for headings netted in the cash flow statement

	2000 £000	1999 £000
Returns on investments and servicing of finance		
Interest received	**402**	165
Interest paid	**(19)**	(42)
Interest element of finance lease rental payments	**(90)**	(57)
Preference dividend paid	**–**	(2)
Net cash inflow	**293**	64
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(1,467)**	(1,972)
Receipts from sale of tangible fixed assets	**1,126**	14
Net cash outflow	**(341)**	(1,958)
Acquisitions and disposals		
Purchase of subsidiary undertaking	**(994)**	–
Purchase of business	**(2,628)**	–
Sale of business	**3,534**	–
Net cash outflow	**(88)**	–
Financing		
Issue of ordinary share capital	**–**	106
Repayment of loan	**(167)**	(167)
New finance leases	**–**	1,310
Capital element of finance lease rental payments	**(397)**	(137)
Net cash (outflow) / inflow	**(564)**	1,112

29 Analysis of changes in net funds

	As at 31 March 1999 £000	Cash flow £000	Non-cash movements £000	As at 31 March 2000 £000
Cash at bank and in hand	2,971	5,888	–	8,859
Overdrafts	(1,068)	(1,662)	–	(2,730)
	1,903	4,226	–	6,129
Debt due within one year	(167)	167	(167)	(167)
Debt due after more than one year	(167)	–	167	–
Finance leases	(1,362)	397	–	(965)
	207	4,790	–	4,997

30 Acquisitions

Saffil™ – On 30 June 1999 the Group acquired the trade and selected business assets of the Saffil™ division of ICI Chemicals & Polymers Limited for a cash consideration of £2.7 million. The business now trades as Saffil™ Limited, a wholly owned subsidiary of J & J Dyson plc. Goodwill arising on the acquisition of Saffil™ has been capitalised and is being amortised over a period of 20 years.

The management accounts for the period from 1 January 1999, the beginning of the company's financial year to 30 June 1999, the date of acquisition, showed an operating profit of £0.38 million.

The accountant's report on Saffil™ dated 4 May 1999, showed an operating profit for the year to 31 December 1998 of £0.49 million.

Fibre Techniques Limited – On 23 February 2000 the Group acquired 1,515 ordinary shares of £1 each in Fibre Techniques Limited, being 100% of its nominal issued share capital for a cash consideration of £1 million. Goodwill arising on the acquisition of Fibre Techniques Limited has been capitalised and is being amortised over a period of 20 years. The purchase of Fibre Techniques Limited has been accounted for by the acquisition method of accounting.

The profit after taxation of Fibre Techniques Limited for the period from 1 January 2000 to 23 February 2000, the beginning of the subsidiary's financial year to the date of acquisition was £Nil. The profit after taxation for the year ended 31 December 1999 was £0.1 million.

The fair values of the assets and liabilities of Saffil™ and Fibre Techniques Limited at acquisition were as follows:

continued overleaf

	Saffil™			Fibre Techniques Ltd	
	Book value	Adjustments and costs	Fair value	Fair value	Total
	£000	£000	£000	£000	£000
Intangible fixed assets	44	(44)	–	–	–
Tangible fixed assets	1,956	(990)	966	198	1,164
Stocks	800	10	810	239	1,049
Debtors	–	–	–	712	712
Cash at bank	–	–	–	26	26
Creditors	(374)	(153)	(527)	(790)	(1,317)
Net assets	2,426	(1,177)	1,249	385	1,634
Goodwill			1,405	609	2,014
Total assets			2,654	994	3,648
Satisfied by cash			2,654	994	3,648

Saffil™ Limited made the following contributions to and utilisations of Group cash flows.

	2000 **£000**
Net cash inflow from operating activities	**947**
Capital expenditure and financial investment	**(80)**
Acquisitions	**(2,654)**
Financing	**2,776**
Increase in cash	**989**

Fibre Techniques Limited's contributions to and utilisations of Group cash flows were not significant in the period following acquisition to 31 March 2000.

An analysis of the net cash outflow in respect of the acquisitions is as follows:

Cash at bank acquired	**26**
Cash consideration	**(3,648)**
Net cash outflow	**(3,622)**

31 Principal Subsidiary Undertakings

The main trading subsidiary undertakings and sub-divisions within the Group, along with the countries in which they are incorporated and principally operate, are shown below. Subsidiary undertakings whose results are not significant have been omitted. All the subsidiary undertakings are wholly owned except P.T.Dyson Zedmark Indonesia Limited in which the Group has a 51% interest. The financial year end of P.T.Dyson Zedmark Indonesia Limited is 31 December.

All subsidiary undertakings are incorporated and operate in Great Britain, with the exception of Dytech Industries Inc. and Zedtec Combustion Systems Inc., which are incorporated and operate in the USA and P.T.Dyson Zedmark Indonesia Limited, which is incorporated and operates in Indonesia.

Performance Materials

Dyson Domestic Ceramics

Mount Pleasant Works,

Woodvale, Swadlincote,

Derbyshire DE11 8EZ

Tel: +44 (0) 1283 217081

Fax: +44 (0) 1283 550774

E-mail: enq@dyson-ceramics.com

Website: www.dyson-ceramics.com

A business operation within Dyson Industries Limited, involved in commercial production of Cerafome™ and other components for use in domestic fireplaces.

Dytech Corporation Limited

Stubley Lane, Dronfield,

Sheffield S18 1LS

Tel: +44 (0) 1246 299700

Fax: +44 (0) 1246 299720

E-mail: dytech@dytech.co.uk

Operation and maintenance of catalyst production facility.

Fibre Techniques Limited

Unit 34, Greenfield Business Park,

Greenfield, Holywell,

Flintshire CH8 7HJ

Tel: +44 (0) 1352 712331

Fax: +44 (0) 1352 713294

E-mail: fibreteq@aol.com

Processing of chemical fibres for use in the automotive industry.

Fused Silica

Griffs Works, Stopes Road,

Stannington, Sheffield S6 6BW

Tel: +44 (0) 114 234 9888

Fax: +44 (0) 114 285 4332

E-mail: enq@dyson-precision.com

Website: www.dyson-precision.com

A business operation within Dyson Industries Limited, involved in developing and manufacturing hot application components with fused silica materials.

Hi-Por™ Ceramics Limited

Griffs Works, Stopes Road,

Stannington, Sheffield S6 6BW

Tel: +44 (0) 114 234 8899

Fax: +44 (0) 114 229 2901

E-mail: enquiries@hi-por.co.uk

Website: www.hi-por.com

Research, development and manufacture of porous chemical materials for demanding applications.

Saffil™ Limited

Pilkington Sullivan Site,

Tanhouse Lane, Widnes,

Cheshire WA8 0RY

Tel: +44 (0) 151 422 6700

Fax: +44 (0) 151 422 6701

E-mail: info@saffil.com

Website: www.saffil.com

Manufacture and development of chemical fibre used in hot applications in automotive, aerospace and petro-chemical industries.

Thermal Technologies

Dyson Hotwork Limited

Bretton Street, Savile Town,

Dewsbury, West Yorkshire WF12 9DB

Tel: +44 (0) 1924 506506

Fax: +44 (0) 1924 506306

E-mail: enq@dyson-hotwork.com

Website: www.dyson-hotwork.com

Design, development and service of heat treatment systems in the glass, metals and ceramics industries.

Dyson Industries Limited

Dyson Ceramic Systems

Diamond Works, Shelton New Road,

Hartshill, Stoke-on-Trent ST4 6EP

Tel: +44 (0) 1782 711511

Fax: +44 (0) 1782 717078

E-mail: enq@dyson-ceramic-systems.com

Website: www.dyson-ceramic-systems.com

Development and manufacture of materials designed to operate in hot environments in the ceramics industry.

Dyson Holloware

Griffs Works, Stopes Road,

Stannington, Sheffield S6 6BW

Tel: +44 (0) 114 234 8663

Fax: +44 (0) 114 232 2519

E-mail: enq@dyson-holloware.com

Website: www.dyson-holloware.com

Manufacture of single use components for conveying molten materials.

Dyson Precision Ceramics

Brierley Hill Works, Bretell Lane,

Brierley Hill, West Midlands DY5 3LH

Tel: +44 (0) 1384 78028

Fax: +44 (0) 1384 481852

Dewsbury Works, Low Road,

Earlsheaton, Dewsbury,

West Yorkshire WF12 8BU

Tel: +44 (0) 1924 468201

Fax: +44 (0) 1924 459429

E-mail: enq@dyson-precision.com

Website: www.dyson-precision.com

Development and manufacture of components and systems for use in the glass industry.

Dyson Refractories

Totley Works, Baslow Road,

Owler Bar, Sheffield S17 3BL

Tel: +44 (0) 114 235 6060

Fax: +44 (0) 114 235 6010

E-mail: enq@dysonref.com

Website: www.dysonref.com

Manufacture of single use and multi use components for conveying molten metal.

Dyson Technical Ceramics

West Hunwick Works, Hunwick,

Near Crook, County Durham DL15 OLE

Tel: +44 (0) 114 263 2808

Fax: +44 (0) 114 230 8583

Research, design, development and manufacture of electrode based monitoring systems for use in molten materials.

P.T.Dyson Zedmark Indonesia Limited

MM2100 Industrial Town Blok F2-1,

Cibitung, Bekasi Jawa Barat, Indonesia

Tel: +62 (0) 2189 81270

Fax: +62 (0) 2189 81271

E-mail: dzindo@cbn.net.id

Manufacture of components and systems for use in the glass industry.

Zedtec Combustion Systems Inc.

Crossroads Commons, 3901 Washington Road,

Suite 203, McMurray PA 15317, USA

Tel: +1 724 942 3408

Fax: +1 724 942 4747

E-mail: dyson-hotwork@zedtec-usa.com

Website: www.zedtec.com

Design, development and service of heat treatment systems in the glass, metals and ceramics industries.

Distribution

The Builders Centre (Sheffield) Limited

Suffolk House, Suffolk Road, Sheffield S2 4AE

Tel: +44 (0) 114 272 4001

Fax: +44 (0) 114 275 6671

E-mail: info@builderscentresheffield.freeserve.co.uk

Builders merchanting.

32 Pensions

The Dyson Group Pension Fund is a funded pension scheme and provides benefits based on final pensionable earnings for the benefit of the Group's employees. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The latest actuarial valuation of the scheme was made as at 5 April 1997 using the projected unit method of valuation. Assets are valued by discounting to the valuation date the expected income stream generated by the scheme's investments. The main assumptions adopted in this review were that the long term investment return would be 9% per annum compound, that pensionable earnings would increase on average by between 7% and 7.5% per annum compound, that dividends on equities would increase by 4.25% per annum compound and that pensions accruing from 6 April 1997 would increase at the rate of 4.25% per annum. Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 have been assumed to attract statutory increases once in payment. At 5 April 1997, the market value of the assets of the scheme was £34.33 million and the actuarial value of the assets was sufficient to cover 125% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the year was £0.33 million (1999: £0.44m). This is after a reduction of £0.6 million (1999: £0.61m) in respect of the amortisation of the surplus held within the scheme as at 5 April 1997 which is being recognised over 11 years, the average expected remaining service lifetime of employees. A provision of £1.4 million (1999: £1.1m) is included in provisions for liabilities and charges, this being the excess of accumulated pension cost over the amount funded.

No allowance has been made in the above figures in respect of the changes to the Advance Corporation Tax payments made in the Budget 1997. Allowance for those changes will be made in the next actuarial valuation due on 5 April 2000.

33 Profit and loss account of the parent company

In accordance with the concession granted under Section 230 of the Companies Act 1985 the profit and loss account of J & J Dyson plc has not been separately presented. Consolidated profit on ordinary activities after taxation includes a profit of £5.1 million (1999: £2.6m) which is dealt with in the financial statements of the parent company.