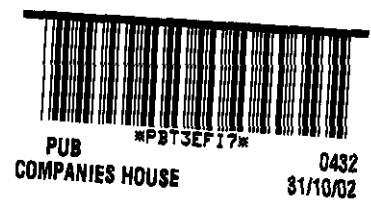


Dyson Limited

Directors' report and financial statements
for the year ended 31 December 2001



Dyson Limited

Directors' report and financial statements for the year ended 31 December 2001

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Dyson Limited

Officers and Professional Advisors for the year ended 31 December 2001

Directors

J Dyson (Chairman)

N S Edwards (Resigned 31 December 2001)

S Jupp

M McCourt

K Peters (Resigned 23 March 2001)

D Dally (Resigned 29 January 2002)

Sir R Needham (Non-Executive)

A Leighton (Non-Executive)

R Ayling (Non-Executive)

T Harris (Appointed 3 January 2002)

P Richardson (Appointed 1 January 2002)

Secretary

A S Briggs

Auditors

PricewaterhouseCoopers

31 Great George Street

Bristol

BS1 5QD

Bankers

Lloyds Bank Plc

55 Corn Street

Bristol

BS99 7LE

Solicitors

Dawson & Co

2 New Square

Lincoln's Inn

London

WC2A 3RZ

Registered Office

Tetbury Hill

Malmesbury

Wiltshire

SN16 0RP

Registered Number

2627406

Dyson Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Change of name

On 2 January 2001 Dyson Appliances Limited changed its name to Dyson Limited.

Principal activity and review of the business

The principal activity of the company is the manufacture and sale of domestic appliances. Both the level of business and the year end financial position of the company were satisfactory. The directors expect that the present level of activity will be at least sustained for the foreseeable future. The company's principal subsidiaries are set out on page 16. In addition the company has branches in Spain, Belgium, Italy, Singapore, Denmark and the Netherlands that are engaged in the sale of domestic appliances.

Acquisition

On 2 January 2001, the trade and net assets of Dyson Research Limited were transferred to Dyson Limited for a consideration of £12,521,000. Since that date, Dyson Limited has also undertaken the invention, research, design and development of machinery and tooling, and the arrangement of product licences from which income is derived.

Results and dividends

The profit for the year after taxation amounted to £3,606,000 (2000: £20,192,000). The directors recommend a final dividend amounting to £2,800,000 (2000: £5,000,000), making the total dividends £5,009,000 (2000: £6,009,000).

Future developments

The directors intend to continue to expand and develop the present business as described in the review of principal activity above.

Donations

During the year the company made donations of £315,007 (2000: £213,311) for charitable purposes. No payments were made for political purposes.

Employee involvement

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative. The training and re-training of staff is a high priority. Much of this training is on the job as well as by internal and external courses.

It is the company policy that career development and promotion opportunities should be available to all employees. The company ensures that all employees are kept up to date with major developments and changes within the organisation.

Creditor payment policy

The company agrees terms and conditions for its business transactions with suppliers. Payment is made on these terms, subject to the terms and conditions being met by the supplier.

Dyson Limited

Directors and directors' interests

The composition of the Board of Directors during the year to 31 December 2001 and to the date of this report (unless otherwise shown), was as follows:

		£1 ordinary shares	
		2001	2000
J Dyson	(Chairman)	20	20
N S Edwards	(Resigned 31 December 2001)	-	-
S Jupp		-	-
M McCourt		-	-
K Peters	(Resigned 23 March 2001)	-	-
D Dally	(Resigned 29 January 2002)	-	-
Sir R Needham	(Non-Executive)	-	-
A Leighton	(Non-Executive)	-	-
R Ayling	(Non-Executive)	-	-
T Harris	(Appointed 3 January 2002)	-	-
P Richardson	(Appointed 1 January 2002)	-	-

At the year end, J Dyson held 69.7% of the A shares and 100% of the B shares in Dyson Technology Limited, the ultimate parent company.

None of the other directors hold any beneficial interests in the shares in the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors confirm that in preparing those financial statements they have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and applied them consistently;
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Dyson Limited

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in dark ink, appearing to read 'A S Briggs', written over a horizontal line.

A S Briggs
Secretary

30 September 2002

Dyson Limited

Independent auditors' report to the members of Dyson Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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.

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 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. The other information comprises only the directors' report.

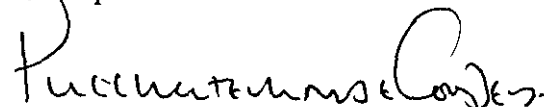
Basis of audit opinion

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 the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Bristol

30 September 2002

Dyson Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover - Continuing operations	1	224,205	213,824
Cost of sales - normal		(137,507)	(125,442)
- exceptional	10	(6,581)	-
Gross profit		80,117	88,382
Administrative expenses		(71,019)	(59,398)
Attributable to			
- Continuing operations		17,066	28,984
- Acquisition		(7,968)	-
Operating profit		9,098	28,984
Interest receivable and similar income	5	980	1,222
Interest payable and similar charges	6	(1,695)	(86)
Profit on ordinary activities before taxation	2	8,383	30,120
Tax on profit on ordinary activities	7	(4,777)	(9,928)
Profit on ordinary activities after taxation		3,606	20,192
Dividends - including non-equity	8	(5,009)	(6,009)
(Deficit)/profit retained for the financial year	17	(1,403)	14,183

There is no difference between the profit on ordinary activities and its historic cost equivalent and therefore no separate statement has been presented.

The notes on pages 9 to 21 form part of these financial statements.

Dyson Limited

Statement of total recognised gains and losses

	2001	2000
	£'000	£'000
Profit attributable to shareholders	3,606	20,192
Exchange adjustments taken to reserves	(155)	(59)
Adjustment of credit arising on prior year consolidation	(850)	-
Total recognised gains for the year	2,601	20,133

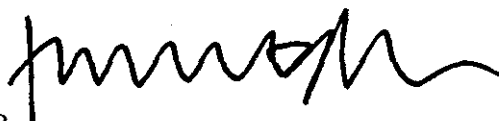
Dyson Limited

Balance sheet as at 31 December 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Fixed assets					
Intangible assets	9		1,989		165
Tangible assets	10		58,421		50,367
Investments	11		8,632		2,429
			69,042		52,961
Current assets					
Stocks	12	17,927		11,224	
Debtors	13	66,735		51,648	
Cash at bank and in hand		1,705		14,182	
		86,367		77,054	
Creditors: amounts falling due within one year	14	(89,161)		(61,920)	
Net current (liabilities)/assets			(2,794)		15,134
Total assets less current liabilities			66,248		68,095
Provisions for liabilities and charges	15		(6,854)		(6,293)
Net assets			59,394		61,802
Capital and reserves					
Called up share capital	16		2		2
Profit and loss account	17		59,392		61,800
Equity shareholders' funds	17		59,394		61,802

These financial statements were approved by the Board of Directors on 30 September 2002 and signed on its behalf by:

J Dyson
DIRECTOR



The notes on pages 9 to 21 form part of these financial statements.

Dyson Limited

Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

New financial reporting standards

The financial statements comply with the new Financial Reporting Standards issued by the UK Accounting Standards Board.

Basis of consolidation

The company is exempt from the requirement to present consolidated financial statements under section 228 of the Companies Act 1985. The accounts have been included in the consolidated financial statements of its ultimate parent company, Dyson Technology Limited.

FRS18 – Accounting policies

The company complies with this standard, which deals with the selection, application and disclosure of accounting policies in the financial statements. The adoption of this standard has not resulted in the change of any accounting policy.

FRS17 - Retirement benefits

The adoption of this standard has not resulted in any impact on the company's accounting policy in respect of the deferred contribution scheme operated.

Turnover

Turnover represents the value of goods despatched to customers, net of Value Added Tax and settlement discounts.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated so as to write off the cost, less estimated residual value of each asset on a straight line basis, over its useful economic life, as follows:

Freehold property	2% per annum
Tooling	33.3% per annum
Plant and equipment:	
Information Technology	33.3% per annum
Other	10% per annum
Motor vehicles	25% per annum

Assets in the course of construction are not depreciated until they are brought into use. No depreciation is provided against freehold land.

Investments

Investments are stated at cost less provision for permanent diminution in value where appropriate.

Dyson Limited

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided from the date of acquisition to write off the cost less estimated residual value over its useful economic life.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and production overheads based on a normal level of activity. Where necessary provision is made for obsolete, slow moving and defective stocks.

Warranty provision

Provision is made for the cost of repairing appliances under warranty, together with collection and return to the consumer where appropriate, based on the expected level of return.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences, to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Cash flow statement

The company has taken advantage of the exemption under FRS 1 not to disclose a cash flow statement on the grounds that more than 90% of its voting rights are controlled within the Dyson Technology Limited group.

Foreign currencies

For the UK business, trading items in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at mid-market rates of exchange ruling at the balance sheet date.

The results of overseas branches are translated into sterling at the average rate of exchange prevailing during the year. The balance sheets of overseas branches are translated into sterling at mid-market rates of exchange ruling at the balance sheet date.

Exchange gains and losses arising from foreign branch translations and on foreign currency borrowings relating to overseas investments are taken to reserves and reported in the statement of total recognised gains and losses. All other foreign currency gains and losses are taken to the profit and loss account.

Leases and hire purchase agreements

Tangible fixed assets held under hire purchase agreements are capitalised at the amount representing the outright purchase price and are depreciated in the same manner as other tangible fixed assets over their useful lives. The related obligations, net of future finance charges, are treated as liabilities under creditors due within or after more than one year, as appropriate. The interest element of the rental obligations is charged to the profit and loss account over the period of the agreement and is calculated by reference to the reducing proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account as they are incurred.

Pensions

Contributions in respect of defined contribution pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Dyson Limited

Notes to the financial statements for the year ended 31 December 2001

1 Turnover

Turnover is derived solely from the principal activity of the company.

An analysis of turnover by geographical destination is given below:

	2001	2000
	£'000	£'000
United Kingdom	196,035	192,565
Rest of Europe	18,345	14,737
Rest of the world	9,825	6,522
	224,205	213,824

Turnover, net assets and results are primarily sourced from within the UK.

2 Profit on ordinary activities before taxation

	2001	2000
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration including expenses	75	71
Payments to auditors for non-audit services	430	173
Depreciation of owned fixed assets	10,556	7,298
Loss on disposal of fixed assets	8	16
Hire of equipment	1,403	217
Foreign exchange losses/(gains)	476	(868)

Dyson Limited

3 Directors' remuneration

	2001 £'000	2000 £'000
Aggregate emoluments	1,409	1,165
Company contributions paid to money purchase pension schemes	86	69
	1,495	1,234

In addition two directors received fees in connection with specific consultancy services provided to the company totalling £164,902 (see Note 20).

	2001 Number	2000 Number
Directors with benefits accruing under money purchase pension schemes	6	4

The directors' remuneration disclosed above includes the following amounts for the Chairman and highest paid director:

Highest paid director	2001 £'000	2000 £'000
Aggregate emoluments	462	280
Company contributions paid to money purchase pension schemes	26	26
	488	306

4 Staff costs

	2001 £'000	2000 £'000
Wages and salaries	39,965	25,833
Social security costs	3,824	2,804
Other pension costs	952	629
Staff costs	44,741	29,266

The company operates three defined contribution pension schemes. The assets are held and managed independently of the finances of the company.

Dyson Limited

4 Staff costs (continued)

The average monthly number of employees (including directors) during the year was as follows:

By activity	2001	2000
	Number	Number
Production	721	616
Sales and administration	804	720
Research and development	292	-
	1,817	1,336

5 Interest receivable and similar income

	2001	2000
	£'000	£'000
Bank interest	526	613
Interest on group loans	306	534
Other interest	63	-
Royalties	85	75
	980	1,222

6 Interest payable and similar charges

	2001	2000
	£'000	£'000
Bank interest	295	20
Interest on group loans	1,400	66
	1,695	86

Dyson Limited

7 Taxation

	2001 £'000	2000 £'000
Taxation on the profit for the year		
UK corporation tax at 30% (2000: 30%)		
- current year	5,121	10,638
- prior year	(339)	(1,289)
Deferred tax at 30% (2000: 30%)		
- current year	245	(28)
- prior year	(250)	607
	4,777	9,928

8 Dividends

	2001 £'000	2000 £'000
Interim declared at £994.19 per share (2000: £454.13)	2,209	1,009
Final proposed at £1,260.13 per share (2000: £2,250.23)	2,800	5,000
	5,009	6,009

9 Intangible fixed assets

	Patents £'000
Cost	
At 1 January 2001	165
Additions	1,824
At 31 December 2001	1,989
Amortisation	
At 1 January and 31 December 2001	-
Net book value	
At 31 December 2001	1,989
At 31 December 2000	165

Dyson Limited

10 Tangible fixed assets

	Freehold land and buildings	Tooling	Plant, equipment, fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2001	25,320	30,081	14,981	1,764	72,146
Additions	9,308	7,451	8,736	191	25,686
Disposals	(411)	(99)	(54)	(397)	(961)
At 31 December 2001	34,217	37,433	23,663	1,558	96,871
Depreciation					
At 1 January 2001	1,029	15,638	4,277	835	21,779
Charge in year	664	6,802	2,689	401	10,556
Disposals	(8)	(98)	(45)	(315)	(466)
Impairment	-	4,281	2,300	-	6,581
At 31 December 2001	1,685	26,623	9,221	921	38,450
Net book value					
At 31 December 2001	32,532	10,810	14,442	637	58,421
At 31 December 2000	24,291	14,443	10,704	929	50,367

The cost and net book values include assets in the course of construction as follows:

At 31 December 2001	598	5,739	3,133	-	9,470
At 31 December 2000	-	3,721	748	5	4,474

Capital expenditure contracted but not provided for at the year end was £2,279,983 (2000: £7,620,000).

There were no assets held under hire purchase agreements as at 31 December 2001.

In accordance with FRS 11 "Impairment of fixed assets and goodwill", fixed assets should be carried at their recoverable amount, being the higher of net realisable value and value in use. A review of the company's fixed assets has resulted in an exceptional fixed asset impairment of £6,581,000.

Dyson Limited

11 Investments

	Subsidiary Undertakings £'000
Cost	
At 1 January 2001	2,429
Additions	7,203
At 31 December 2001	9,632
Amounts written off	
At 1 January 2001	-
Charge in year	1,000
Amounts written off as at 31 December 2001	1,000
Net book value	
At 31 December 2001	8,632
At 31 December 2000	2,429

The principal subsidiaries of the company are as follows:

Investment	Holding of allotted shares	Class of shares	Country of incorporation	Principal activity
Dyson GmbH	100%	Ordinary	Germany	Sale and service of domestic appliances
Dyson KK	100%	Ordinary	Japan	Sale and service of domestic appliances
Dyson SA	99.95%	Ordinary	France	Sale and service of domestic appliances
Dyson SA	100%	Ordinary	Switzerland	Sale and service of domestic appliances
Dyson Appliances Sdn Bhd	100%	Ordinary	Malaysia	Manufacturing

Dyson Limited

12 Stocks

	2001	2000
	£'000	£'000
Raw materials and consumables	11,259	8,247
Finished goods and goods for resale	6,668	2,977
	17,927	11,224

13 Debtors

	2001	2000
	£'000	£'000
Trade debtors	39,133	28,860
Amounts due from group undertakings	22,933	19,679
Other debtors	612	120
Prepayments	4,057	2,989
	66,735	51,648

14 Creditors – Amounts falling due within one year

	2001	2000
	£'000	£'000
Bank overdrafts	3,735	-
Trade creditors	22,448	20,480
Other creditors	371	868
Amounts due to group undertakings	36,203	11,494
Corporation tax	3,295	6,580
Other taxes and social security	3,684	3,718
Accruals and deferred income	16,625	13,770
Proposed dividend	2,800	5,010
	89,161	61,920

Dyson Limited

15 Provisions for liabilities and charges

	2001	2000
	£'000	£'000
Provision for returns under warranty	6,280	5,714
Deferred tax	574	579
	6,854	6,293

Provision for returns under warranty	£'000
At 1 January 2001	5,714
Charge for year	566
At 31 December 2001	6,280
Deferred tax	
At 1 January 2001	579
Credited to the profit and loss account	(5)
At 31 December 2001	574

Deferred taxation includes:

	Provided 2001	Provided 2000
	£	£
Accelerated capital allowances	2,066	1,515
Other timing differences	(1,492)	(936)
	574	579

There was no unprovided deferred tax at 31 December 2001.

Dyson Limited

16 Share capital

	2001	2000
	£'000	£'000
Authorised, allotted, called up and fully paid		
2,222 ordinary shares of £1 each	2	2

17 Reconciliation of movements in shareholders' funds

For the year ended 31 December 2001	Share Capital £'000	Profit and Loss £'000	2001 £'000	2000 £'000
Profit on ordinary activities after taxation	-	3,606	3,606	20,192
Other gains and losses	-	(1,005)	(1,005)	(59)
Dividends	-	(5,009)	(5,009)	(6,009)
Net (decrease)/addition to shareholders' funds	-	(2,408)	(2,408)	14,124
Opening shareholders' funds	2	61,800	61,802	47,678
Closing shareholders' funds	2	59,392	59,394	61,802

18 Financial Commitments

The company had annual commitments under non-cancellable operating leases expiring as follows:

	2001	2000
	£'000	£'000
Within one year	15	14
Within two to five years	120	92
After five years	-	116
	135	222

Dyson Limited

19 Acquisition

The company purchased the trade and assets of Dyson Research Limited for a total consideration of £12,521,000. The total adjustments required to the book value of the assets and liabilities of the companies acquired in order to present the net assets of Dyson Research Limited at fair values in accordance with the companies accounting principles were £Nil, details of which are set out below, together with the resultant amount of goodwill arising. The purchase has been accounted for as an acquisition.

From the date of acquisition to 31 December 2001 the acquisition realised an operating loss of £7,968,000.

Transfer of trade and assets from Dyson Research Limited

	Book value	Adjustment	Fair value
	£'000	£'000	£'000
Tangible fixed assets	10,943	-	10,943
Debtors	16,728	-	16,728
Creditors	(12,721)	-	(12,721)
Provisions for liabilities and charges	(2,429)	-	(2,429)
Net assets acquired	12,521	-	12,521
Goodwill			-
Consideration			12,521
Consideration satisfied by:			
Intercompany			12,521
			12,521

20 Related party transactions

The company has taken advantage of the exemption within FRS 8 not to disclose any transactions or balances with entities that are part of the same Group.

During the year the company was charged £136,340 (2000: £100,000) by Richard Needham Consultancy Limited for consultancy services. Sir Richard Needham is a non-executive director of Dyson Limited. The balance payable by the company at the year end amounted to £10,547 (2000: £8,333).

All transactions were conducted at arm's length on commercial terms.

Dyson Limited

20 Related party transactions (continued)

During the year the group was also charged £28,562 (2000:£Nil) by Going Plural, the consultancy company owned by Allan Leighton. Allan Leighton is a non-executive director of Dyson Limited. The balance payable by the group at the year end amounted to £5,346.

During the year, the company paid Mrs D Dyson £20,000 (2000: £13,687) for her services as a director of Dyson Research Limited.

21 Contingent liabilities

The company has given maximum guarantees of £500,000 to HM Customs and Excise for its deferment account.

At the year end the company had outstanding forward foreign exchange contract and foreign exchange option commitments amounting to £45,325,707 (2000: £32,929,083).

22 Ultimate parent company and controlling party

The ultimate parent company is Dyson Technology Limited (formerly Dyson Limited), a company incorporated in the United Kingdom. The ultimate controlling party is Mr J Dyson by virtue of his controlling interest in the shares of Dyson Technology Limited.