

Black & Decker

Report and Financial Statements

Year ended 31 December 2007
Registration number 291547



Black & Decker

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Black & Decker

Directors and other information

Directors

G Johnston
J Wyatt (appointed 2 May 2008)
M Allan
L Ireland (resigned 15 April 2008)

Secretary

Mitre Secretaries Limited

Bankers

Bank of America
Bank of America NA
26 Elmfield Road
Bromley, Kent
BR1 1WA
UK

Registered office

210 Bath Road
Slough
Berkshire
SL1 3YD
UK

Solicitors

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD
UK

Auditors

Ernst & Young
Chartered Accountants
City Quarter
Lapps Quay
Cork
Ireland

Registered in England 291547

Directors' report

The directors present their report and financial statements for the year ended 31 December 2007

Results and dividends

The trading results for the year are set out on page 7. The profit for the year after taxation is £17,793,000 (2006 £26,159,000). There were no dividends declared or paid during the year (2006 £Nil).

Principal activity and review of business developments

The principal activities of the company during the year were the manufacture and sale of power tools and small domestic appliances through third party distribution.

The directors consider the results for the year to be satisfactory and they expect trading to continue at similar levels for 2008.

The company's key financial performance indicators during the year were as follows:

	2007 £m	2006 £m	Variance %
Turnover	136.5	145.1	-5.9%
Operating profit	6.1	40.4	-84.8%
Profit after tax	17.8	26.2	-32.0%

Revenues have deteriorated in 2007 as a result of lower sales of outdoor products combined with lower sales of components and accessories manufactured by the company (as a result of the Maltby restructuring process).

Operating profits in 2007 were lower than in 2006 and are primarily due to the movement in exceptional administrative costs which are detailed in note 4. The exceptional costs in 2007 comprise restructuring costs in the Spennymoor and Maltby plants of £459,000 and fixed asset impairment charges of £530,000. In 2006, the company made the initial provisions in respect of the Maltby restructuring totalling £1,759,000 and received a one off pension past service credit of £38,600,000.

Included in 2007 under investment income is a dividend received from a UK subsidiary of £18,100,000 (note 8).

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as competitive and liquidity/financing risks.

- *Competitive Risks*

The UK power tools and accessories market is comprised of a large number of branded and non-branded competitors. Management continually assesses Black & Decker's competitive position and takes appropriate action.

- *Liquidity / Financing Risks*

The Company's operations, loans and investments are financed by short and long term debt instruments. Management regularly reviews the funding position to ensure that adequate facilities are in place.

Research and development

During the year the company continued its commitment to the development of its existing products.

Directors

The current directors are shown on page 2.

Directors' report (continued)

Directors' interests

The directors have no beneficial interests in the shares of the company. No contract or arrangements entered into by the company in which any director is interested has subsisted during the year.

The company benefits from a global indemnity policy which protects its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Future developments

In March 2008 the Maltby division of Black & Decker was closed as an operational unit. As discussed earlier the results for 2006 and 2007 include the costs for the closure of Maltby.

In January 2008 the company announced a restructuring of its Spennymoor Division that will occur in 2008/2009. Costs relating to this restructuring totalling £700,000 have been provided for at year end and the remaining costs will be reflected in 2008/2009.

Events since the balance sheet date

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. This rate change will both affect the amount of future tax payments to be made by the company and will also reduce the size of the company's deferred tax asset. Changes to the UK capital allowance regime have also been proposed, the most significant of these changes for the company is the reduction in the rate of capital allowances applicable to plant and machinery expenditure from 25% to 20% per annum on a reducing balance basis from 1 April 2008. The effect on the company of these proposed changes to the UK tax system will be fully reflected in the company's financial statements for the year ending 31 December 2008.

Restructuring at the Maltby Division was completed in March 2008, while the restructuring programme of the Spennymoor Division has now commenced. Apart from these events there have been no other events since the balance sheet date which would affect the financial statements or require disclosure therein.

Fixed assets and investments

Information relating to changes in tangible fixed assets and investments is given in note 11 and 12 to the financial statements respectively. The directors are of the opinion that the aggregate market value of land and buildings situated in the United Kingdom is in excess of net book value (see note 11).

Creditors' payment policy

It is Black & Decker's policy to pay suppliers on a timely basis in accordance with the terms agreed at the time that the service was contracted. Creditor days at 31 December 2007 were 32 days (2006: 56 days). The number of days relate to actual invoices compared to payment dates excluding inter-company purchases.

Employee consultation

The company places the greatest value on its employees and their involvement in aspects of the company's business. The company has continued its established practice of keeping employees fully informed on matters which affect them, including the performance of the company. This is achieved through a variety of regular formal and informal meetings, briefings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Further involvement is being encouraged through the continuing development of cross functional working groups.

Employment of disabled persons

The company's policy and practice is to encourage and assist the employment and continued training of disabled people and to retain employees who become disabled.

Charitable and political donations

The company made contributions for charitable purposes during the year amounting to £350 (2006: £3,011). There were no political contributions made during the year (2006: £Nil).

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

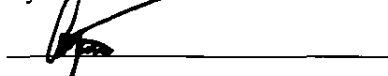
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

The company has passed Elective Resolutions to dispense with, among other things, the need to hold Annual General Meetings and to re-appoint auditors. In accordance with s 385 of the Companies Act 1985, the appointment of Ernst & Young is treated as being continuous

By order of the Board



Director

Date 28 October 2008

Independent auditors' report to the members of Black & Decker

We have audited the company financial statements (the "financial statements") of Black & Decker for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

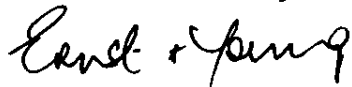
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young
Chartered Accountants & Registered Auditors
Cork

Date: 29 October 2008

Black & Decker

Profit and loss account

For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover – continuing operations	2	136,494	145,086
Cost of sales		(102,670)	(110,176)
Gross profit		33,824	34,910
Selling and distribution costs	3	(18,101)	(18,764)
Administrative expenses – ordinary		(8,588)	(12,541)
Administrative expenses – exceptional	4	(989)	36,841
		(27,678)	5,536
Operating profit - continuing operations	6	6,146	40,446
Profit on sale of fixed assets		1,864	-
Interest receivable and similar income	7	22,126	15,141
Investment income	8	18,110	-
Interest payable and similar charges	9	(35,153)	(30,428)
Net finance income in respect of defined pension benefit scheme	20	4,700	1,000
Profit on ordinary activities before taxation		17,793	26,159
Tax on profit on ordinary activities	10	-	-
Profit for the financial year		17,793	26,159

Statement of total recognised gains and losses

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Profit for the financial year		17,793	26,159
Actuarial gain recognised for the pension scheme	20	29,800	86,100
Total gains for the financial year		<u>47,593</u>	<u>112,259</u>

Black & Decker

Balance sheet

As at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	11	4,125	7,905
Investments	12	295,018	295,018
		<u>299,143</u>	<u>302,923</u>
Current assets			
Stocks	13	22,551	20,927
Debtors			
- amounts falling within one year		155,616	206,908
- amounts falling due after one year		16,863	17,864
	14	<u>172,479</u>	<u>224,772</u>
Cash at bank and in hand		105,039	58,542
		<u>300,069</u>	<u>304,241</u>
Creditors amounts falling due within one year	15	(133,572)	(153,110)
Net current assets		<u>166,497</u>	<u>151,131</u>
Total assets less current liabilities		465,640	454,054
Creditors amounts falling due after more than one year	16	(229,682)	(229,708)
Provision for liabilities and charges			
Other provisions	17	(3,942)	(4,272)
Pension liability	20	(6,025)	(41,800)
Net assets		<u>225,991</u>	<u>178,274</u>
Capital and reserves			
Called-up share capital	18	10,125	10,125
Share premium account	19	189,753	189,753
Option contribution reserve	19	233	146
Capital reserve	19	35,790	35,790
Other reserves	19	144,054	144,054
Profit and loss account	19	(153,964)	(201,594)
Shareholders' funds		<u>225,991</u>	<u>178,274</u>

Approved by the Board on 28 October 2008 .


Director

Notes to the financial statements

At 31 December 2007

1. ACCOUNTING POLICIES

1.1 Accounting convention and basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The company is exempt from the obligation to prepare and deliver group financial statements by virtue of section 228A of the Companies Act 1985. Financial information is presented about the company as an individual undertaking and not about its group. Details of the ultimate parent undertaking which draws up group financial statements are disclosed in note 26.

1.2 Depreciation of tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided in respect of freehold land. Depreciation of buildings, machinery, tooling and other equipment is calculated to write off the cost evenly over the estimated economic life of the assets at the following annual rates:

Freehold buildings	-	2%
Long leasehold land and buildings	-	7%
Machinery and equipment	-	12.5% - 20%
Furniture and fixtures	-	10% - 50%
Motor vehicles	-	20% - 25%
Tooling	-	20% - 100%

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1.3 Investments

Investments are stated at cost less provision required for any permanent diminution in value. The carrying value of investments is reviewed for impairment annually.

1.4 Revenue recognition

Turnover

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Investment income

Dividends from investments in group undertakings are credited to profit and loss account when declared.

1.5 Government grants

Government grants in respect of capital expenditure have been deducted from the cost of related tangible fixed assets and are released to the profit and loss account over the estimated economic life of the relevant assets. Revenue grants are released to profit over the life of the project to which they relate.

1.6 Cash flow statement

The company has taken advantage of the exemption conferred in FRS 1 Revised "Cash flow Statements" not to include a cash flow statement as part of the financial statements since the company is included within the consolidated financial statements of Black & Decker Corporation.

Notes to the financial statements

At 31 December 2007

1. ACCOUNTING POLICIES (continued)

1.7 Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

1.8 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.9 Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.10 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. Amounts received in respect of capital contributions from the lessor are credited to income on a straight line basis over the term of the lease until the first break point.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful life. The capital element of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations are charged in the profit and loss account over the period of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Notes to the financial statements

At 31 December 2007

1. ACCOUNTING POLICIES (continued)

1.11 Research and development

Costs associated with product development are written off as incurred

1.12 Stock

Stocks are stated at the lower of cost (on a first-in, first-out basis) and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished products and products in progress, cost comprises direct materials, direct labour and attributable manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads is based on normal levels of activity.

1.13 Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.14 Defined benefit pension scheme

The Company, Black & Decker Europe and Tucker Fasteners Limited operate a defined benefit pension scheme (The Black & Decker 1995 Pension Scheme) for its employees, the assets of which are held separately from those of the company.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme assets are measured using market rate values at the balance sheet date.

The pension scheme deficit is recognised in full on the balance sheet. The deferred tax relating to a defined benefit liability is offset against the defined benefit liability to the extent that it is considered recoverable and not included with other deferred tax assets or liabilities.

Increases in the present value of the scheme liabilities expected to arise from employee service in the period are charged to operating profit. The expected return on scheme assets less the increase in present value of scheme liabilities arising from the passage of time are included in other interest and shown adjacent to interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Please refer to note 20 for further details of the accounting treatment of the multi-employer pension scheme adopted by the Company.

Defined contribution pension scheme

Pension costs for the company's defined contribution scheme are recognised within operating profit at an amount equal to the contributions payable to the scheme for the year. Any prepaid or outstanding contributions at the balance sheet date are recognised respectively as assets or liabilities within prepayments or accruals.

1.15 Share-based payment

FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period. For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. If an award fails to vest, the charge to the income statement will be adjusted to reflect this. No expense is recognized for awards that do not ultimately vest.

Notes to the financial statements

At 31 December 2007

1. ACCOUNTING POLICIES (continued)

1.15 Share-based payment (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions on the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in equity.

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the group recognizes only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards which was typically zero.

A credit is made to a share option contribution reserve for the share options charge, representing the fact that the share options are over common stock of the ultimate parent company. Costs recharged to the company by its ultimate parent company in respect of options exercised are debited to the profit and loss reserve directly.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover comprises the invoice value of sales to third parties and other Black & Decker companies, exclusive of discounts and value added tax, from continuing activities. The United Kingdom sales are all third party related, all other sales are to other Black & Decker companies. These sales are all consumer product related.

Turnover by destination is analysed as follows

Geographical area	2007 £'000	2006 £'000
United Kingdom	107,200	111,457
Rest of Europe	26,548	28,270
Africa and Middle East	46	13
Australasia and Far East	105	353
Americas	2,595	4,993
	<u>136,494</u>	<u>145,086</u>

Black & Decker is based wholly within the United Kingdom and consequently all its turnover and net assets originate within the United Kingdom.

Notes to the financial statements

At 31 December 2007

2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

Area of activity

Turnover and net assets are all allocated to the power tools and domestic appliances activity

	2007 £'000	2006 £'000
Turnover	136,494	145,086
Net assets	<u>225,991</u>	<u>178,274</u>

3 SELLING AND DISTRIBUTION COSTS

	2007 £'000	2006 £'000
Selling costs	11,400	11,569
Distribution costs	<u>6,701</u>	<u>7,195</u>
	<u>18,101</u>	<u>18,764</u>

4 ADMINISTRATIVE EXPENSES - EXCEPTIONAL

	Note	2007 £'000	2006 £'000
Pension – past service credit	20	-	(38,600)
Impairment of fixed assets	11	530	-
Restructuring provision - Spennymoor	17	170	-
Restructuring provision – Maltby	17	289	1,759
Total gains for the financial year		<u>989</u>	<u>(36,841)</u>

The past service pension credit of £38,600,000 arose in 2006 from a review of the defined benefit scheme and the removal of the allowance for discretionary pension increases

In 2006, the restructuring of the Maltby plant was announced and this progressed during 2007, closing in March 2008. The £289,000 above represents the additional costs arising on the Maltby closure. A provision of £170,000 was made in the Spennymoor Division for redundancies these being notified to staff prior to December 2007. In January 2008 the announcement was made to restructure Spennymoor and assets totalling £530,000 were identified as being impaired and these were fully provided for at year end.

Notes to the financial statements

At 31 December 2007

5 STAFF COSTS

Employee costs during the year amounted to

	2007 £'000	2006 £'000
Wages and salaries	18,552	19,643
Social welfare costs	1,463	1,614
Pension costs (see note 20)	1,342	(35,336)
Share option charges	87	68
	<u>21,444</u>	<u>(14,011)</u>

The average number of persons employed by the company during the year was 647 (2006 714) and is broken down into the following categories

	2007 No.	2006 No.
Manufacturing	340	390
Selling, distribution and administration	307	324
	<u>647</u>	<u>714</u>

The directors' emoluments for the company are both paid by and reported in Black & Decker Europe, another group company

6 OPERATING PROFIT - CONTINUING OPERATIONS

Operating profit is stated after charging/(crediting)

	2007 £'000	2006 £'000
Depreciation of tangible fixed assets	1,996	2,464
Impairment of fixed assets	530	-
Auditors' remuneration - Audit	212	123
- Other tax services	46	84
Other operating lease charges	585	565
Land and buildings operating lease charges	2,101	2,113
Rental income	<u>(172)</u>	<u>(172)</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £'000	2006 £'000
Interest receivable from fellow subsidiary undertakings	21,043	15,129
Hedge income	88	-
Foreign exchange gain	990	3
Other interest	5	9
	<u>22,126</u>	<u>15,141</u>

Notes to the financial statements

At 31 December 2007

8. INVESTMENT INCOME

	2007 £'000	2006 £'000
Dividends receivable from investment in group undertaking	<u>18,110</u>	<u>-</u>

	2007 No Shares	2006 No Shares
Bandhart Overseas	<u>233,076,212</u>	<u>233,076,212</u>

	2007 £'000	2006 £'000
Dividend receivable	<u>18,110</u>	<u>-</u>
Dividend pence per share	<u>7.77</u>	<u>-</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Bank and other short term loan interest	-	122
Interest payable to group undertakings	35,139	30,293
Foreign exchange loss	14	13
	<u>35,153</u>	<u>30,428</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
(a) <i>Tax on profit on ordinary activities</i>		
<i>The tax credit is made as follows</i>		
Current tax	-	-
Adjustments in respect of prior periods	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Notes to the financial statements

At 31 December 2007

10 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge for the period

The tax assessed for the period is lower than the UK standard rate of corporation tax of 30% (2006 30%)
The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	17,793	26,159
Profit on ordinary activities multiplied by the UK standard rate of corporation tax	5,338	7,848
<i>Effects of</i>		
Expenses not deductible for tax purposes	(151)	(132)
Capital allowances in excess of depreciation	(1,105)	(777)
Short term timing differences	(1,924)	(11,179)
Non-taxable income	(5,433)	-
Group relief surrendered for nil consideration	3,275	4,240
Total current tax charge	-	-

(c) Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £5,755,000 (2006 £16,004,000) This relates to the following

	2007 £'000	2006 £'000
<i>Deferred tax asset (not recognised)</i>		
Deferred capital allowances	(2,496)	(2,937)
Capital losses	(1,171)	-
Pension liability	(1,687)	(12,539)
Other short term timing differences	(401)	(528)
	(5,755)	(16,004)

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%

Notes to the financial statements

At 31 December 2007

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant, equipment and tooling £'000	Fixtures, fittings and motor vehicles £'000	Total £'000
Cost					
At 1 January 2007	8,120	1,010	78,118	6,387	93,635
Additions	101	-	721	7	829
Disposals	(7,164)	-	(12,104)	(2,520)	(21,788)
At 31 December 2007	<u>1,057</u>	<u>1,010</u>	<u>66,735</u>	<u>3,874</u>	<u>72,676</u>
Depreciation					
At 1 January 2007	5,820	886	73,238	5,786	85,730
Charge for the year	103	42	1,722	129	1,996
Disposals	(5,802)	-	(11,383)	(2,520)	(19,705)
Impairment of fixed assets	-	-	530	-	530
At 31 December 2007	<u>121</u>	<u>928</u>	<u>64,107</u>	<u>3,395</u>	<u>68,551</u>
Net book values					
At 31 December 2007	<u>936</u>	<u>82</u>	<u>2,628</u>	<u>479</u>	<u>4,125</u>
At 31 December 2006	<u>2,300</u>	<u>124</u>	<u>4,880</u>	<u>601</u>	<u>7,905</u>

Amounts contracted for but not provided in the financial statements amounted to £Nil (2006 £Nil)

A provision for the impairment of assets in the Spennymoor plant for £530,000 has been made as noted in the directors' report

12. INVESTMENTS

	Total £'000
Cost	
At 1 January 2007 and 31 December 2007	<u>295,018</u>
Net book value	
At 1 January 2007 and 31 December 2007	<u>295,018</u>

In the opinion of the directors, the aggregate value of the company's investments is not less than the amounts at which they are stated in the balance sheet

Notes to the financial statements

At 31 December 2007

12 INVESTMENTS

The investments at 31 December 2007 relate to

Subsidiary Undertaking	Country of registration or incorporation	Proportion of shares held	Nature of business
Bandhart Overseas	England and Wales	100% of ordinary shares	Holding company
Aven Tools Limited	England and Wales	100% of 'A' and 'B' ordinary shares and 3% non-cumulative preference shares	Non trading

Black & Decker International irrevocably undertakes to each holder of the class 'B' ordinary shares of Aven Tools Ltd that if at any time any class 'B' ordinary shares are due to be redeemed in accordance with their terms and such redemption cannot be lawfully effected on the due date, it shall subscribe for such number of shares in the capital of Aven Tools Ltd or further shares in the capital of Aven Tools Limited at a subscription price of £1 per share as will enable the redemption to be effected on such date

In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements

13. STOCKS

	2007 £'000	2006 £'000
Raw materials and work in progress	2,684	3,720
Finished goods	19,867	17,207
	<u>22,551</u>	<u>20,927</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material

14. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	15,496	14,835
Amounts owed by group undertakings	156,398	209,146
Other debtors	25	4
Prepayments and accrued income	560	787
	<u>172,479</u>	<u>224,772</u>

Included in the above is a long term loan with a value of £16,863,000 (2006 £17,864,000) to Black & Decker Inc with a maturity date of 5 December 2016, and an interest rate of 6% per annum. The interest rate can be reset where necessary without further documentation and both parties can mutually agree to repay the loan without any penalty

Notes to the financial statements

At 31 December 2007

15. CREDITORS amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	2,791	2,703
Amounts owed to group undertaking	113,438	134,044
Accruals and deferred income	17,343	16,363
	<u>133,572</u>	<u>153,110</u>

16. CREDITORS: amounts falling due after more than one year

	2007 £'000	2006 £'000
Amounts owed to group undertaking	229,682	229,682
Accruals and deferred income	-	26
	<u>229,682</u>	<u>229,708</u>

Analysis of creditors falling due after more than one year:

The amounts owed to other group undertakings include ten convertible equity notes with an aggregate principal value of £137,117,148 (2006 £137,117,148). The notes are convertible on or before 15 December 2092 into an equivalent nominal value of ordinary £1 shares in the capital of the company at the option of the holder, Black & Decker International. The notes are redeemable at par on 15 December 2092. Interest is calculated at 9.25% per annum.

Other values include a £2,950,000 (2006 £2,950,000) equity note with Black & Decker International with a conversion date of 2098 and an interest rate of 6.40% per annum, an equity note of £75,502,000 (2006 £75,502,000) with Dewalt Power Tools Ltd with a maturity date of 2023 and an interest rate of 4.35% per annum, and a loan note of £14,112,858 (2006 £14,112,858) with a maturity date of 1 January of 2019 and an interest rate of 7.50% per annum.

17. OTHER PROVISIONS

	2007 £'000	2006 £'000
<i>Warranty provision</i>		
At 1 January	1,220	1,360
Additional provision	2,414	2,521
Other accruals	72	15
Utilisation of provision	(2,564)	(2,676)
At 31 December	<u>1,142</u>	<u>1,220</u>

Notes to the financial statements

At 31 December 2007

17. OTHER PROVISIONS (continued)

The expected timing of any resulting transfers of economic benefit is not known, given the uncertain timing of warranty work to be performed

	2007 £'000	2006 £'000
<i>Restructuring provision</i>		
At 1 January	1,759	-
Utilisation of provision	(783)	-
Additional provision	459	1,759
At 31 December	<u>1,435</u>	<u>1,759</u>

In 2006, the restructuring of the Maltby plant was announced and this progressed during 2007, closing in March 2008. The £459,000 represents two elements, £289,000 for additional costs arising in the Maltby closure and £170,000 for the Spennymoor Division relating to redundancies these being notified to staff prior to December 2007.

	2007 £'000	2006 £'000
<i>Dilapidations provision</i>		
At 1 January	1,293	1,196
Additional provision	72	97
At 31 December	<u>1,365</u>	<u>1,293</u>

The provision for dilapidations has been made to represent the company's obligations under its leases for land and buildings. These obligations are generally settled at the expiry or termination of the lease.

	2007 £'000	2006 £'000
Total other provisions	<u>3,942</u>	<u>4,272</u>

18. CALLED-UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised equity		
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid equity		
Ordinary shares of £1 each	<u>10,125</u>	<u>10,125</u>

Notes to the financial statements

At 31 December 2007

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Option Contri- bution reserve £'000	Capital reserve £'000	Other reserves £'000	Profit and loss account £'000	Total share holders' funds £'000
At 1 January 2006	10,125	189,753	78	35,790	144,054	(313,652)	66,148
Profit attributable to members of the company	-	-	-	-	-	26,159	26,159
Actuarial gain	-	-	-	-	-	86,100	86,100
Reserve credit for share-based payments	-	-	68	-	-	-	68
Charge made by parent company on exercise of share options in 2006	-	-	-	-	-	(201)	(201)
At 31 December 2006	10,125	189,753	146	35,790	144,054	(201,594)	178,274
Profit attributable to members of the company	-	-	-	-	-	17,793	17,793
Actuarial gain	-	-	-	-	-	29,800	29,800
Reserve credit for share-based payments	-	-	87	-	-	-	87
Charge made by parent company on exercise of share options in 2007	-	-	-	-	-	37	37
At 31 December 2007	10,125	189,753	233	35,790	144,054	(153,964)	225,991

20. PENSION OBLIGATIONS

The Company, Black & Decker Europe and Tucker Fasteners Limited operate a defined benefit pension scheme (The Black & Decker 1995 Pension Scheme) for employees which closed for new employees on 1 July 2004, the assets of which are held separately from those of the company. The Company complies with the accounting requirements of FRS 17 "Retirement Benefits". The Company is unable to identify its share of the underlying assets and liabilities of the Scheme. However as a result of being the most significant of the three participants, financial statements for the entire scheme as a defined benefit scheme are shown below. Therefore, in accordance with FRS17 paragraph 9 (b) (multi-employer exemption), Black & Decker Europe and Tucker Fasteners Limited account for the scheme as if it were a defined contribution scheme.

The defined benefit cost to the Company includes the entire scheme's current service cost less actual contributions from Black & Decker Europe and Tucker Fasteners Limited.

The company also operates a defined contribution scheme for all new employees (from 1 July 2004) and pension payments for the year amounted to £77,000 (2006 £40,000).

Notes to the financial statements

At 31 December 2007

20. PENSION OBLIGATIONS (continued)

Pension contributions are determined with the advice of independent qualified actuaries, Hewitt Bacon & Woodrow, on the basis of triennial valuations using the projected unit credit method. The actuarial valuation was carried out at 31 March 2006 and updated at 31 December 2007 for the purposes of FRS17 accounting and disclosure. Further contributions of 3% of pensionable earnings, in addition to the employer's regular contribution of 15.1% (2006 – 14%) of pensionable earnings, are made in order to eliminate the deficiency in the scheme by 2008. The total contributions to the defined benefit plan by the Company in 2008 are expected to be £4,600,000.

The directors continue to review the method and assumptions that are required to be taken into consideration when supplying information to the actuary in order that a pension valuation can be carried out and the liability of the company properly reflected in the financial statements. In carrying out this task, the directors have challenged the allowance for future discretionary pensions in payment increases and have reduced the increase from the prior year's valuation percentage. The effect of this action has been treated as a change in past service benefits, generating a (negative) past service cost which is included in the prior year administrative expenses.

The main assumptions used by the actuary were

Valuation method	31 December 2007 Projected unit credit method	31 December 2006 Projected unit credit method	31 December 2005 Projected unit credit method
Inflation rate	3.15%	3.1%	2.9%
Salary increases	3.75%	3.85%	4.5%
Increase for pensions in payment*			
- Post May 2005	2.35%	2.3%	2.1%
- 5 April 1997 to May 2005	3.15%	3.1%	2.8%
- Pre 6 April 1997	Nil	Nil	1.5%
Discount rate	5.8%	5.1%	4.7%

* Other than statutory increases for guaranteed minimum pensions

The assets in the scheme and the expected rate of return were

	Long term Rate of return Expected at 31/12/07	Value at 31/12/07 £'000	Long term Rate of return Expected at 31/12/06	Value at 31/12/06 £'000	Long term Rate of return Expected at 31/12/05	Value at 31/12/05 £'000
Equities	8.4%	209,900	8.4%	211,700	8.2%	196,300
Bonds	4.9%	71,800	5.0%	62,500	4.9%	61,100
Property	7.1%	21,200	6.8%	21,900	6.5%	19,000
Other	4.4%	3,000	4.1%	1,500	3.9%	1,900
Total market value of assets		305,900		297,600		278,300
Actuarial value of the scheme		(311,925)		(339,400)		(445,000)
Net pension liability		<u>(6,025)</u>		<u>(41,800)</u>		<u>(166,700)</u>

Notes to the financial statements

At 31 December 2007

20. PENSION OBLIGATIONS (continued)

An analysis of the defined benefit pension cost for the year is as follows

	2007 £'000	2006 £'000
Current service cost	(4,800)	(6,376)
Less Past service credit	-	38,600
Less Contributions from other group companies	3,492	3,148
Defined contribution payments	(77)	(40)
Direct discretionary payments	43	4
Total credit to operating profit	(1,342)	35,336
Amount credited to net finance income		
Expected return on pension scheme assets	21,800	19,900
Interest on pension scheme liabilities	(17,100)	(18,900)
	4,700	1,000
Amount recognised in statement of total recognised gains and losses		
(Loss)/gain on pension scheme assets	(5,800)	7,800
Experience (loss)/gain arising on the scheme liabilities	(100)	52,800
Changes in the assumptions underlying (financial and demographic)	35,700	25,500
Actuarial gain recognised in the statement of total recognised gains and losses	29,800	86,100

Analysis of movement in deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at beginning of year	(41,800)	(166,700)
Current service cost	(4,800)	(6,400)
Contributions paid	6,075	5,600
Net finance income	4,700	1,000
Past service credit	-	38,600
Actuarial gain	29,800	86,100
Deficit in the scheme at end of year	(6,025)	(41,800)

History of experience gains and losses	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets					
- Amount (£'000)	(5,800)	7,800	29,600	6,600	15,900
- percentage of scheme assets	(1.9%)	2.6%	10.6%	2.8%	7.2%
Experience gain/(loss) arising on the scheme liabilities					
- Amount (£'000)	(100)	52,800	100	(5,200)	(8,600)
- percentage of present value of scheme liabilities	0.0%	15.6%	0.0%	(1.3)%	(2.3)%
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses					
- Amount (£'000)	29,800	86,100	(9,700)	(4,900)	(73,700)
- percentage of present value of scheme liabilities	9.6%	25.4%	2.2%	1.2%	19.6%

Notes to the financial statements

At 31 December 2007

21. SHARE-BASED PAYMENT

(a) Description

The company participates in both The Black & Decker Corporation stock option and restricted stock plans. These are as follows:

- (i) *Stock Option Plan* Under various stock option plans, options to purchase common stock of The Black & Decker Corporation may be granted until 2013. Options are granted at fair market value at the date of grant, and generally become exercisable in four equal annual instalments beginning one year from the date of grant, and expire 10 years after the date of grant. The plans permit the issuance of either incentive stock options or non-qualified stock options.
- (ii) *Restricted Stock Plan* In 2004, The Black & Decker Corporation adopted a restricted stock plan. Under the restricted stock plan, eligible employees are awarded restricted shares of The Black & Decker Corporation's common stock. Restrictions on awards generally expire from three to four years after issuance, subject to continuous employment and certain other conditions.

(b) Outstanding Options and Awards

(i) Stock Option Plan

At 31 December 2007, options to subscribe for common stock of the Black & Decker Corporation were outstanding as follows:

Options price	Number of shares	Normally exercisable from
\$48.33	600	2003, 2004, 2005, 2006
\$39.74	650	2004, 2005, 2006, 2007
\$60.19	1,071	2005, 2006, 2007, 2008
\$82.26	2,069	2006, 2007, 2008, 2009
\$92.36	5,250	2007, 2008, 2009, 2010
\$88.37	5,750	2008, 2009, 2010, 2011

21. SHARE-BASED PAYMENT (continued)

(b) Outstanding Options and Awards (continued)

(i) Stock Option Plan (continued)

The comparative figures as at 31 December 2006 were:

Options price	Number of shares	Normally exercisable from
\$48.33	525	2003, 2004, 2005, 2006
\$39.74	900	2004, 2005, 2006, 2007
\$60.19	838	2005, 2006, 2007, 2008
\$82.26	1,751	2006, 2007, 2008, 2009
\$92.36	4,500	2007, 2008, 2009, 2010

The following table summarizes information about options outstanding at 31 December 2007:

Exercise prices	Outstanding options number	Weighted average remaining cumulative life - years
\$48.33	600	4.33
\$39.74	650	5.32
\$60.19	1,071	6.32
\$82.26	2,069	7.32
\$92.36	5,250	8.30
\$88.37	5,750	9.30

Notes to the financial statements

At 31 December 2007

21. SHARE-BASED PAYMENT (continued)

The comparative figures as at 31 December 2006 were

Exercise prices	Outstanding options number	Weighted average remaining cumulative life - years
\$48 33	525	5 33
\$39 74	900	6 32
\$60 19	838	7 32
\$82 26	1,751	8 32
\$92 36	4,500	9 30

(ii) Restricted Stock Plan

At 31 December 2007, outstanding restricted stock issued was as follows

Number of shares	Vesting period
290	2004 to 2008
840	2005 to 2009
1,335	2006 to 2010
1,910	2007 to 2011

The comparative figures as at 31 December 2006 were

Number of shares	Vesting period
650	2004 to 2008
630	2005 to 2009
1,099	2006 to 2010

Movement in the year

(i) Stock Option Plan

A summary of the status of the stock option plan as at 31 December 2007 and 2006 and changes during the years ended on those dates is shown below

	Number of options	2007 Weighted average exercise price	Number of options	2006 Weighted average exercise price
Outstanding at 1 January	8,514	\$78 84	8,484	\$59 84
Granted during the year	5,000	\$88 37	4,750	\$92 36
Exercised during the year	(2,000)	\$56 81 (1)	(2,207)	\$53 04 (2)
Forfeited during the year	-	-	(2,513)	\$62 92
Transferred in during the year	5,426	\$77 25	-	-
Transferred out during the year	(1,550)	\$87 82	-	-
Outstanding at 31 December	15,390	\$83 33	8,514	\$78 84
Exercisable at 31 December	3,279	\$68 89	843	\$54 82

Notes to the financial statements

At 31 December 2007

21 SHARE-BASED PAYMENT (continued)

(i) Stock Option Plan (continued)

(1) - The weighted average share price at the date of exercise for options exercised is \$92.36

(2) - The weighted average share price at the date of exercise for options exercised is \$93.01

Restricted Stock Plan

A summary of the status of restricted stock plan as at 31 December 2007 and 2006 and changes during the years ended on those dates is shown below

		2007		2006
	Number of options	Weighted average fair value at grant date	Number of options	Weighted average fair value at grant date
Outstanding at 1 January	2,379	\$79.54	1,765	\$68.47
Granted during the year	1,690	\$88.37	1,174	\$92.36
Exercised during the year	(486)	\$55.23	-	-
Forfeited during the year	-	-	(560)	\$71.54
Transferred in during the year	1,272	\$84.36	-	-
Transferred out during the year	(480)	\$87.16	-	-
Outstanding at 31 December	4,375	\$86.21	2,379	\$79.54

Expense charged to income statement

Total expense recognized for the year arising from equity compensation plans was as follows

	2007 £'000	2006 £'000
Equity-settled expense	87	68

(e) Fair value of options awards granted after 7 November 2002

(i) Stock Option Plan

The weighted average fair value of stock options granted during the year, estimated using the Black-Scholes options pricing model, was \$21.09, \$23.03, \$22.94, \$17.07 and \$11.22 per share for options issued in 2007, 2006, 2005, 2004 and 2003 respectively

The fair value of the options was estimated on the date of grant, based on the following assumptions

Notes to the financial statements

At 31 December 2007

21. SHARE-BASED PAYMENT (continued)

(i) Stock Option Plan (continued)

	2007	2006	2005	2004	2003
Share price	\$88 37	\$92 36	\$82 26	\$60 19	\$39 74
Exercise price	\$88 37	\$92 36	\$82 26	\$60 19	\$39 74
Expected volatility	25 30%	25 70%	31 00%	31 90%	32 30%
Expected life in years	4 56	4 33	4 33	4 33	4 33
Expected dividend yield	1 90%	1 65%	1 36%	1 40%	1 21%
Risk-free rate	4 56%	4 97%	4 03%	4 01%	3 38%

The volatility assumption utilized in determining the fair value of stock options granted during 2007 was based upon the average of historical and implied volatility. For options granted prior to 2006, the expected volatility was based on the historical volatility.

The risk-free rate was based on the yields available for US treasury strips at the date of grant. The treasury strips chosen were those with similar remaining term to the expected life of the option.

(ii) Restricted Stock

The weighted average fair value of restricted stock granted during the year was \$88 37, \$92 36, \$82 26 and \$55 23 per share for shares issued in 2007, 2006, 2005 and 2004 respectively.

22. OPERATING LEASES

Operating lease payments amounting to £1,845,000 (2006: £1,844,000) are committed to be made in the next year and are analysed as follows:

	Land and buildings		Other		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Expiry date						
Within one year	1,022	33	-	13	1,022	46
Between two and five years	661	1,611	129	65	790	1,676
In over five years	33	122	-	-	33	122
	1,716	1,766	129	78	1,845	1,844

23. DERIVATIVES

The company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined with reference to their market values, are as follows:

	2007 £'000	2006 £'000
Forward foreign currency contracts	17	719

Notes to the financial statements

At 31 December 2007

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in Financial Reporting Standard No 8 Related Party Disclosures' not to disclose related party transactions with group undertakings as the ultimate parent company publishes consolidated financial statements

The directors consider the controlling party to be The Black & Decker Corporation

25. CONTINGENT LIABILITIES

Under cash pooling arrangements the company has given unlimited cross guarantees in respect of bank borrowings of certain other undertakings within the Black & Decker UK group. It is not practicable to disclose the financial effect of this contingency, or the uncertainties relating to the amount or timing of any outflows

26. ULTIMATE PARENT COMPANY

The ultimate parent company is The Black & Decker Corporation, a company which is incorporated in the United States of America. The largest and smallest group in which the results of the company are consolidated is that headed by The Black & Decker Corporation. The consolidated financial statements are available from The Black & Decker Corporation, 701 East Joppa Road, Towson, Maryland 21286, USA

The immediate parent undertaking of the company is Emhart International Limited (registered in England and Wales)

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 October 2008.