

Bandhart

Report and Financial Statements

Year ended 31 December 2007

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Bandhart

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Directors and other information

Directors

C B Powell-Smith (Chairman)
G H Johnston
M Rothleitner (Vice-Chairman)
M J Allan (appointed 20 March 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

Auditors

Ernst & Young
Chartered Accountants
City Quarter
Lapps Quay
Cork
Ireland

Solicitors

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

Registered in England

1518375

Directors' Report

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

Principal activity and review of the business

The principal activity continued to be that of finance and investment activities within the Black & Decker group of undertakings

Principal risks and uncertainties

The principal risks and uncertainties facing the company arise from the holding of financial instruments, which can be subject to liquidity, foreign currency risk and interest rate risk. These are described in further detail below under treasury policy

Treasury policy

The company holds financial instruments in order to earn interest to finance the company. The company finances its operations from its existing equity base and loans from other group undertakings. The company loans and borrows principally in GBP at floating rates, but also in Canadian dollars.

The main risks arising from the company's financial instruments are interest rate risk, foreign currency exchange risk, liquidity and refinancing risk. These risks, and the policies to manage them, are summarised below. These policies have remained unchanged since the beginning of 1999.

Interest rate risk

The directors consider that they will be able to renegotiate the company's loan portfolio of other loans within an acceptable timescale so as to minimise the impact of significant changes in interest rates.

Foreign currency risk

The company uses short term forward foreign currency contracts to reduce the risk on interest receivable on non-functional currency loans. The principal amount of long-term foreign currency loans receivable is not hedged at a company level. Such hedging policies are determined and managed on a group-wide basis.

Liquidity and refinancing risk

The company's objective is to produce continuity of funding at a reasonable cost. The company uses its existing finances and intra-group loans payable to support this objective.

Results and dividends

The results for the year are set out in the profit and loss account on page 5. The most significant movements in interest receivable and payable from 2006 to 2007 arose from changes in interest rates, representing the bulk of profit and loss transactions recorded by the company. There were no dividends declared or paid in 2007 (2006 £13,500,000).

Directors

The directors who served during the year ended 31 December 2007 and to the date of this report were those listed on page 1.

Directors' interests

The directors have no beneficial interest in the shares of the undertaking or Emhart International Limited, the immediate holding company. The company has not entered into any contract or arrangement during the year in which any director has had an interest.

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.

Fixed asset investments

Fixed asset investments are dealt with in note 7 to the accounts.

Directors' Report (continued)

Events since the balance sheet date

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%. Aside from this the directors are not aware of any significant events since the balance sheet date which would have an effect on the financial statements or require disclosure there in

Future developments

The directors aim to maintain current management policies

Statement of Directors' responsibilities

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 company 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 s385 of the companies Act 1985, the appointment of Ernst & Young is treated as being continuous

By order of the Board

Director

Date


29 March 2008

Independent Auditors' Report To the shareholders of Bandhart

We have audited the company financial statements (the "financial statements") of Bandhart for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. 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 law and United Kingdom 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

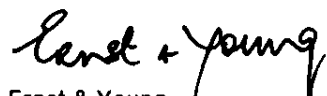
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 that reads 'Ernst & Young'.

Ernst & Young
Chartered Accountants & Registered Auditors
Cork

4 September 2008

Profit and loss account
For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Administrative expenses		51	12
Operating loss	2	(51)	(12)
Interest receivable and similar income	3	15,638	14,450
Interest payable and similar charges	4	(4,539)	(3,055)
Income from investment	5	420	840
Profit on ordinary activities before taxation		11,468	12,223
Tax on profit on ordinary activities	6	(198)	(409)
Profit for the financial year	11	11,270	11,814

Statement of total recognised gains and losses
For the year ended 31 December 2007


	Notes	2007 £'000	2006 £'000
Profit for the financial year		11,270	11,814
Unrealised gain/(loss) on translation of Canadian dollar loan	11	1,848	(2,326)
Total recognised gains for the year		13,118	9,488

Balance sheet

As at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	7	3,500	3,500
Current assets			
Debtors			
- amounts falling due within one year		105,860	100,252
- amounts falling due after one year		259,254	255,243
	8	365,114	355,495
Cash at bank and in hand		31,218	23,396
		396,332	378,891
Creditors' amounts falling due within one year	9	(88,581)	(84,258)
Net current assets		307,751	294,633
Net assets		311,251	298,133
Capital and reserves			
Called up share capital	10	115,010	115,010
Share premium account	11	183,892	183,892
Profit and loss account	11	12,349	(769)
		311,251	298,133

On behalf of the Board


 Director
 Date 29 August 2008

Notes to the financial statements

As at 31 December 2007

1. Accounting policies

1.1 Accounting convention

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

In accordance with s228A of the Companies Act 1985, the company is exempt from the requirement to prepare and deliver group accounts. Financial information is presented about the company as an individual and not about its group. Details of the ultimate parent undertaking which draws up group accounts are disclosed in note 14.

1.2 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.

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.

1.3 Revenue Recognition

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.

1.4 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 group financial statements of Black & Decker Corporation.

1.5 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.

1.6 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.

Notes to the financial statements

As at 31 December 2007

1. Accounting policies (continued)

1.6 Deferred taxation (continued)

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. Costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

1.7 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, except as described below.

Amounts owed by group undertakings include a loan denominated in Canadian dollars. The principal amount is treated as a permanent funding loan. At the balance sheet date the loan principal is revalued at the closing exchange rate, and unrealised gains/losses are taken directly to reserves.

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.

2. Operating loss

	2007 £'000	2006 £'000
Operating loss is stated after charging		
Auditors' remuneration		
- Audit	43	4
- Non-audit services	8	8
	<u>51</u>	<u>12</u>

The company does not employ any staff, the business and administration of the company being carried out by staff of another group undertaking.

The directors received no remuneration during the year (2006: £Nil).

3. Interest receivable and similar income

	2007 £'000	2006 £'000
Bank and other interest receivable	1,142	68
Interest receivable on inter-company loan	14,496	14,382
	<u>15,638</u>	<u>14,450</u>

4. Interest payable and similar charges

	2007 £'000	2006 £'000
Inter-company loan interest	4,539	3,055
	<u>4,539</u>	<u>3,055</u>

Notes to the financial statements

As at 31 December 2007

5. Income from investment

	2007 £'000	2006 £'000
Dividends receivable from investment in group undertaking	420	840

The dividends receivable represent the dividends due on the 12% cumulative preference shares held in Black & Decker International for the year ended 31 December 2007

6. Taxation

	2007 £'000	2006 £'000
<i>(a) Tax on profit on ordinary activities</i>		
Foreign tax	198	195
Total foreign tax	198	195
Adjustment in respect of prior years	-	214
Tax on ordinary profits	198	409

(b) Factors affecting current tax charge for the year

The tax assessed for the year 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	11,468	12,223
Profit on ordinary activities multiplied by the UK standard rate of corporation tax	3,440	3,667
<i>Effects of</i>		
Group relief claimed for no consideration	(3,116)	(3,220)
Non-taxable income	(126)	(252)
Adjustment in respect of prior year	-	214
Total Current Tax	198	409

(c) Deferred tax

There is no provided or unprovided deferred tax

(d) Factors affecting future tax charges

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

Notes to the financial statements

As at 31 December 2007

7. Investments

	2007 £'000	2006 £'000
Shares at cost	3,500	3,500

At 31 December 2007 investment interests comprised

Company	Country of registration or incorporation	Proportion of shares held	Nature of business
Black & Decker International	England	100% of preference shares	Holding company

The shares held in Black & Decker International are 12% cumulative preference shares

The directors believe that the market value of investments is not less than their cost

8. Debtors

	2007 £'000	2006 £'000
Amounts owed by group undertakings (loans and accrued interest)		
- amounts falling due within one year	105,860	100,252
- amounts falling due after one year	259,254	255,243
	<u>365,114</u>	<u>355,495</u>

Analysis of long-term debtors:

Loan Number	2007 Principal £	2006 Principal £	Rate of Interest	Date of Maturity
15	51,114,460	51,114,460	3.60%	29/03/2095
2	170,744,128	170,744,128	3.6%	See below
53	37,395,292	33,384,727	5.48%	08/12/2023
	<u>259,253,880</u>	<u>255,243,315</u>		

Loan 2 above has no date of maturity other than on the liquidation of the Company. Loan 53 is denominated in Canadian dollars.

The Canadian loan was issued on the basis that the funds received were to be used to reduce the stated capital of its issued and outstanding non-voting preferred shares and voting preferred shares. The loan is repayable on 8 December 2023, but may be extended at the option of the company to 8 December 2048. Bandhart has the right to convert the loan into fixed value non-voting preferred shares in Black & Decker Canada Inc within the agreed specified time limit only if it is not in default of the terms of the agreement or insolvent.

Notes to the financial statements

As at 31 December 2007

9. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	8,349	3,865
Loans from group undertakings	80,189	80,189
Accruals	43	204
	<u>88,581</u>	<u>84,258</u>

The intercompany loans are in the form of demand loans amounting to £80,189,000 (2006 £80,189,000)

10. Share capital

	2007 £'000	2006 £'000
Authorised equity		
Ordinary shares of £1 each	115,250	115,250
Allotted, called up and fully paid equity		
Ordinary shares of £1 each	<u>115,010</u>	<u>115,010</u>

11. Reconciliation of movements in shareholders' funds and movement on reserves

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	115,010	183,892	3,243	302,145
Profit for the year	-	-	11,814	11,814
Dividends	-	-	(13,500)	(13,500)
Unrealised foreign exchange loss	-	-	(2,326)	(2,326)
At 31 December 2006	<u>115,010</u>	<u>183,892</u>	<u>(769)</u>	<u>298,133</u>
Profit for the year	-	-	11,270	11,270
Unrealised foreign exchange gain	-	-	1,848	1,848
At 31 December 2007	<u>115,010</u>	<u>183,892</u>	<u>12,349</u>	<u>311,251</u>

12. Related party transactions

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

Notes to the financial statements**As at 31 December 2007****13 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	<u>336</u>	<u>185</u>

The contract is hedging the interest on a Canadian dollar loan maturing in 2023

14. Ultimate holding company

The company is a wholly owned subsidiary of Emhart International Limited, a company incorporated in the United Kingdom. The ultimate holding company is The Black & Decker Corporation, a company incorporated in the United States of America.

The parent undertaking of the largest and smallest group of undertakings for which group accounts are prepared and of which the company is a member is The Black & Decker Corporation, incorporated in the United States of America. The Black & Decker Corporation is also regarded as the company's ultimate parent company and controlling party. Copies of The Black & Decker Corporation accounts can be obtained from the Black & Decker Corporation, 701 East Joppa Road, Towson, Maryland 21286, USA.

15 Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 29 August 2008.