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## **Black & Decker Holdings, LLC**

### **Report and Financial Statements**

Year ended 31 December 2008

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# **Black & Decker Holdings, LLC**

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## **Directors and other information**

### **Directors**

C. B. Powell-Smith (Chairman)  
G. Johnston (President)  
M. Allan  
E. Dolce  
J. Wyatt (appointed 2 May 2008)  
L. Ireland (resigned 15 April 2008)

### **Secretary**

Mitre Securities Limited

### **Bankers**

Bank of America	Citibank N.A
Bank of America NA	1 Penns Way
26 Elmfield Road	New Castle
Bromley, Kent	DE 19720
BR1 1WA	USA
UK	

### **Registered office**

Corporation Trust Center  
1209 Orange Street  
Wilmington  
County of New Castle  
Delaware 19801  
USA

### **Main place of business**

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**

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# **Black & Decker Holdings, LLC**

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## **Directors' Report**

The directors present their report and financial statements for the year ended 31 December 2008.

### **Principal activities and review of business developments**

The company acts as an intermediate holding company for Black & Decker group subsidiaries in the United Kingdom. Its activities include the financing of Black & Decker subsidiaries. The company is incorporated in the United States of America and is registered in the United Kingdom as an overseas company under Part XXIII of the Companies Act 1985.

On November 2008, Black & Decker Holding LLC issued 500 new shares to Black & Decker Group, its parent company. The monies from the share issue together with the additional share premium were used to purchase additional ordinary shares in Black & Decker Finance.

### **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 and interest rate risk, and the holding of investments in subsidiaries. The risks of holding financial instruments are described in further detail below under treasury policy.

### **Treasury policy**

The company is a holding company which provides finance to its subsidiary and group undertakings. The company finances its operations by a mixture of short-term borrowings from group undertakings and longer-term loans from group undertakings and capital markets. The company borrows principally in US Dollars at both floating and fixed rates of interest.

The main risks arising from the company's financial instruments are liquidity and interest rate risk. These risks, and the policies to manage them, are summarized below.

### ***Interest rate risk***

The company does not use hedging instruments to hedge interest risk as the directors consider that they will be able to renegotiate borrowing and loan portfolios within an acceptable timescale so as to minimize the impact of significant changes in interest rates.

### ***Liquidity and refinancing risk***

The company's objective is to produce continuity of funding at a reasonable cost. To do this it seeks to arrange committed funding for a variety of maturities from a diversity of sources.

### **Results and dividends**

The results for the year are set out in the profit and loss account on page 5. The loss for the year, after taxation, is USD 10,001,000 (2007: loss of USD 71,850,000). The directors do not propose to make a dividend in the current year (2007: \$Nil).

### **Directors**

The current directors of Black & Decker Holdings, LLC are listed on page 1.

### **Directors' interests**

The directors have no beneficial interests in the shares of the company. No material contract or arrangement has been entered into by the company during the year in which any director has had an interest.

### **Directors' qualifying third party indemnity provisions**

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.

### **Events since the balance sheet date**

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 therein.

# Black & Decker Holdings, LLC

## Directors' Report

### 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 as it applies to overseas companies 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 as it applies to overseas companies. 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.

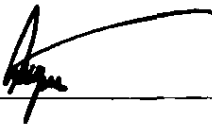
### Disclosure of information to the auditors

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'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

In accordance with Delaware law, there is no obligation to appoint auditors annually and accordingly Ernst & Young shall be deemed reappointed as auditors.

On behalf of the Board



Director

Date 19 July 2009

## **Independent auditors' report to the members of Black & Decker Holdings, LLC**

We have audited the accompanying financial statements (the "financial statements") of Black & Decker Holdings, LLC for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, a summary of significant accounting policies and notes 1 to 16.

This report is made solely to the company's shareholders, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **The Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation and presentation of these financial statements in accordance with the Company's accounting policies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The applicable company accounting policies adopted by the Company are described in Note 2 to the financial statements for the purposes of providing the shareholders sufficient information to show and explain the transactions of the Company and to disclose its financial position at the balance sheet date.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements of Black & Decker Holdings, LLC for the year ended 31 December 2008 have been properly prepared, in all material respects, in accordance with the applicable accounting policies of the Company described in Note 2.

### **Restriction on Distribution or Use of the Auditor's Report**

The financial statements have been prepared in accordance with the applicable accounting policies of the Company described in Note 2 for the purposes of providing the shareholders sufficient information to show and explain the transactions of the Company and to disclose its financial position at the balance sheet date. The financial statements may not be suitable for another purpose. Our report is intended solely for the Company and its shareholders and should not be distributed to or used by parties other than the Company or its shareholders.

  
Ernst & Young  
Chartered Accountants and Registered Auditors  
Cork

31 July 2009

# Black & Decker Holdings, LLC

## Profit & loss account

For the year ended 31 December 2008

	Note	2008 \$'000	2007 \$'000
Administrative expenses		(10,830)	(165)
<b>Operating loss</b>	<b>3</b>	<b>(10,830)</b>	<b>(165)</b>
Interest receivable and similar income	4	10,656	15,375
Interest payable and similar charges	5	(10,638)	(15,753)
Provision for diminution in value of investment	7	-	(71,307)
<b>Loss on ordinary activities before taxation</b>		<b>(10,812)</b>	<b>(71,850)</b>
Tax on loss on ordinary activities	6	811	-
<b>Loss for the financial year</b>	<b>13</b>	<b>(10,001)</b>	<b>(71,850)</b>

There are no recognised gains or losses other than the loss attributable to shareholders of the company of \$10,001,000 in the year ended 31 December 2008 (2007: loss of \$71,850,000).

# Black & Decker Holdings, LLC

## Balance sheet

As at 31 December 2008

	Notes	2008 \$'000	2007 \$'000
<b>Fixed assets</b>			
Investments in group undertakings	7	867,960	821,805
		<u>867,960</u>	<u>821,805</u>
<b>Current assets</b>			
Other debtors	8	165,536	175,603
<b>Creditors: amounts falling due within one year</b>	9	(5,319)	(5,449)
<b>Net current assets</b>		<u>160,217</u>	<u>170,154</u>
<b>Total assets less current liabilities</b>		<u>1,028,177</u>	<u>991,959</u>
<b>Creditors: amounts falling due after more than one year</b>			
Financial liabilities	10	(148,774)	(148,711)
		<u>(148,774)</u>	<u>(148,711)</u>
<b>Net assets</b>		<u>879,403</u>	<u>843,248</u>
<b>Capital and reserves</b>			
Share capital	12	153	148
Share premium account	13	205,804	159,653
Foreign exchange reserve	13	(17,935)	(17,935)
Other reserves	13	211,864	211,864
Profit and loss account	13	479,517	489,518
<b>Shareholders' funds</b>		<u>879,403</u>	<u>843,248</u>

Approved by the Board on 24 July 2009.

  
Director

Date 24 July 2009



# Black & Decker Holdings, LLC

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## 1. THE COMPANY

The company is incorporated in the United States of America. The corporation was converted to a Delaware Limited Liability Company on 1 December 2006, and is registered in the United Kingdom as an overseas company under Part XXIII of the Companies Act, 1985.

## 2. ACCOUNTING POLICIES

### 2.1 Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the company's accounting policies based on United Kingdom Generally Accepted Accounting Practice. Financial information is presented about the company as an individual undertaking and not about its group.

### 2.2 Foreign currencies

The functional and reporting currency of the company is US dollars (\$) since it is an investment and treasury company acting on behalf of its ultimate controlling party, the Black & Decker Corporation.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. 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.

### 2.3 Investment income

Dividends from investments in group undertakings are credited to profit and loss account when declared. Interest on time deposits and loans to group undertakings is credited to the profit and loss on an accrual basis.

### 2.4 Cash flow statement

A cash flow statement has not been prepared as the company is exempt under Financial Reporting Standard No. 1 (revised), as its results are incorporated in the group results of Black & Decker Corporation which are publicly available.

### 2.5 Taxation

#### *Current tax*

The current taxation charge, including UK corporation tax, is calculated on the basis of tax laws enacted or substantially enacted at the balance sheet date.

#### *Deferred tax*

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;

## 2.5 Taxation (continued)

### *Deferred tax (continued)*

- 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.

## 2.6 Financial assets

### **Investments**

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

Financial assets in the scope of FRS26 are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets; as appropriate. The company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss account, directly attributable costs.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through the profit and loss account or available for sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The company has classified amounts due from group companies as loans and receivables.

## 2.7 Financial liabilities

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income and interest payable in the profit and loss account.

# Black & Decker Holdings, LLC

## 3. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2008 \$'000	2007 \$'000
Auditors' remuneration		
- Audit fees	5	131
- Other fees to auditors – taxation compliance	79	283
- Other fees to auditors – taxation advice	-	61
Foreign exchange loss/(gain)	3,276	(610)
Waiver of intercompany balances	7,426	-

The taxation compliance fees cover the costs of taxation services only for the company for 2008. Prior year taxation services include not only to the company but also to other companies in the Black & Decker UK group, together with non-company specific tax costs.

## 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 \$'000	2007 \$'000
Interest receivable on inter-company loan	10,656	15,375
	<u>10,656</u>	<u>15,375</u>

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 \$'000	2007 \$'000
Bond interest	10,638	15,647
Interest on inter-company loans	-	106
	<u>10,638</u>	<u>15,753</u>

The bond interest charged represents the coupon value of the bonds for the period. The coupon rate is shown in note 11. The effective bond interest rate 7.25% (2007: 6.77%).

# Black & Decker Holdings, LLC

## 6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2008 \$'000	2007 \$'000
(a) <i>Analysis of credit in period</i>		
<i>Current tax:</i>		
UK corporation tax on loss for the period	-	-
Tax over provided in prior years	(811)	-
	<u>(811)</u>	<u>-</u>
(b) <i>Factors affecting the current tax credit for the period</i>		
The tax charge for the period is different to the UK standard rate of corporation tax of 28.5% (2007: 30%). The differences are explained below.		
	2008 \$'000	2007 \$'000
Loss on ordinary activities before tax	(10,812)	(71,850)
	<u>                    </u>	<u>                    </u>
Loss on ordinary activities multiplied by the UK standard rate of corporation tax of 28.5% (2007: 30%)	(3,081)	(21,555)
<i>Effects of:</i>		
Provision for diminution in value of investment	-	21,392
Tax losses carried forward	83	163
Inter company loan waiver	2,998	-
Tax over provided in prior years	(811)	-
Current tax credit for the period (note 6a)	<u>(811)</u>	<u>-</u>
(c) <i>Deferred tax</i>		
<i>Deferred tax asset (not provided)</i>	2008 \$'000	2007 \$'000
Capital loss carried forward	1,419	1,953
Management expenses carried forward	169	-
	<u>1,588</u>	<u>1,953</u>

Capital losses may be recovered against future chargeable gains when they accrue. Management expenses may be recovered against future non trade profits. There is no other provided or unprovided deferred tax.

## Black & Decker Holdings, LLC

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### 7. INVESTMENTS IN GROUP UNDERTAKINGS

	\$'000
Cost	
At 1 January 2008	893,112
Additional investment in Black & Decker Finance	<u>46,155</u>
At 31 December 2008	<u>939,267</u>
Provision for diminution in value	
At 1 January 2008	(71,307)
Provision	<u>-</u>
At 31 December 2008	<u>(71,307)</u>
Net book value	
At 31 December 2008	<u>867,960</u>
At 31 December 2007	<u>821,805</u>

The directors undertook a review of the investments held in both 2008 and 2007 and as a result of the review in 2007 provided for a diminution as noted above. As a result of this review the directors believe the fair value of the investments held in subsidiary undertakings is at least equal to their closing book value.

In 2008 an additional investment was made in Black & Decker Finance where the company increased its shareholding. This was financed by Black & Decker Group LLC, which owns the ordinary shares in Black & Decker Holding LLC, increasing its investment in the company.

# Black & Decker Holdings, LLC

## 7. INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Details of principal subsidiary undertakings:

Subsidiary undertaking	Country of registration or incorporation	Nature of business	Proportion of Shares held
<i>Directly held</i>			
Black & Decker Finance	England	Finance	100%
Black & Decker Investment Company LLC	USA	Investment Company	100%
<i>Indirectly held</i>			
Black & Decker International	England	Group holding company	100%
Emhart International Limited	England	Group holding company	100%
Tucker Fasteners Limited	England	Manufacturer of industrial fastening systems	100%
Black & Decker Europe	England	Provision of administrative and marketing support to affiliated companies	100%
Aven Tools Limited	England	Investment company	100%
Bandhart Overseas	England	Group holding company	100%
Bandhart	England	Investment company	100%
Black & Decker	England	Power tool manufacturer	100%
Black & Decker Pension Trustee	England	Pension management	100%
Tucker Products Limited	England	Investment company	100%
Dewalt Power Tools Limited	England	Investment company	100%

Consolidated accounts have not been prepared as, in the opinion of the directors, they would be of no value to the members. The financial statements therefore present information about the company as an individual undertaking and not about its group. Only investments in respect of undertakings significant to the company are disclosed.

8. OTHER DEBTORS	2008 \$'000	2007 \$'000
Amounts owed by group undertakings	164,725	175,603
Corporate tax	811	-
	<u>165,536</u>	<u>175,603</u>

The amounts owed by group undertakings include demand loans whereby the loans can be repaid in full or portion at any time as agreed by both the lender and borrower.

9. CREDITORS: amounts falling due within one year	2008 \$'000	2007 \$'000
Accruals and deferred income	5,319	5,449
	<u>5,319</u>	<u>5,449</u>

# Black & Decker Holdings, LLC

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## 10. FINANCIAL LIABILITIES

	2008 \$'000	2007 \$'000
Amounts due after more than one year		
Not wholly payable within five years	<u>148,774</u>	<u>148,711</u>

The loan note is guaranteed by The Black & Decker Corporation, the ultimate holding company.

The loan note relates to one \$150,000,000 issue of a Senior Loan Note due in 2028. The loan note carries an interest rate of 7.05% per annum. The note is redeemable in whole or part at the option of the company at any time and is listed on the Luxembourg Stock Exchange.

The fair values of the loan notes as at 31 December 2008 and 2007 respectively, were:

	2008 \$'000	2007 \$'000
Beyond five years	<u>146,743</u>	<u>154,392</u>

# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS

An explanation of the company's financial instrument risk management objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the company in its activities can be found on page 2. The disclosures below include short-term debtors and creditors.

The following table sets out the carrying amount, by maturity, of the company's financial instruments that are exposed to interest rate risk as at 31 December 2008:

2008	Within 1 year \$ 000	1-2 years \$ 000	2-5 years \$ 000	More Than 5 years \$ 000	Total \$ 000
<b>Fixed Rate</b>					
30yr Bond (a)	-	-	-	(150,000)	(150,000)
30yr Bond – issue cost	-	-	-	1,067	1,067
30yr Bond – debt discount	-	-	-	159	159
30yr Bond – accrued interest	-	-	-	(5,289)	(5,289)
Sub-total	-	-	-	(154,063)	(154,063)
<b>Floating rate</b>					
Amounts owed by group undertakings	5,783	-	-	-	5,783
Amounts owed by group undertakings (b)	158,941	-	-	-	158,941
Accruals	(30)	-	-	-	(30)
Sub total	164,694	-	-	-	164,694
Total	164,694	-	-	(154,063)	10,631

The other financial instruments of the company that are not included in the above table are non-interest bearing and therefore are not subject to interest rate risk.

The interest rates effective for the financial assets and liabilities of the company as at 31 December 2008 are shown below:

Year 2008	Within 1 year %	1-2 years %	2-5 years %	More Than 5 years %
<b>Fixed Rate</b>				
30yr Bond (a)	-	-	-	7.05
<b>Floating rate</b>				
Amounts owed by group undertakings (b)	Range 4.74-6.70	-	-	-



# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS (continued)

The following table sets out the carrying amount, by maturity, of the company's financial instruments that are exposed to interest rate risk as at 31 December 2007:

2007	Within 1 year \$ 000	1-2 years \$ 000	2-5 years \$ 000	More Than 5 years \$ 000	Total \$ 000
<b>Fixed Rate</b>					
30yr Bond (b)	-	-	-	(150,000)	(150,000)
30yr Bond – issue cost	-	-	-	1,122	1,122
30yr Bond – debt discount	-	-	-	167	167
30yr Bond – accrued interest	-	-	-	(5,289)	(5,289)
Sub-total	-	-	-	(154,000)	(154,000)
<b>Floating rate</b>					
Amounts owed by group undertakings	18,139	-	-	-	18,139
Amounts owed by group undertakings (b)	157,464	-	-	-	157,464
Accruals	(160)	-	-	-	(160)
Sub-total	175,443	-	-	-	175,443
Total	175,443	-	-	(154,000)	21,443

The interest rates effective for the financial assets and liabilities of the company as at 31 December 2007 are shown below:

2007	Within 1 year %	1-2 years %	2-5 years %	More Than 5 years %
<b>Fixed Rate</b>				
30yr Bond (a)	-	-	-	7.05
<b>Floating rate</b>				
Amounts owed by group undertakings (b)	Range 5.15-8.25	-	-	-

# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS (continued)

### Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of the company's financial instruments.

	Book value		Fair value	
	2008	2007	2008	2007
	\$ 000	\$ 000	\$ 000	\$ 000
<b>Financial assets</b>				
Cash	-	-	-	-
Amounts owed by group undertakings	164,725	175,603	164,725	175,603
<b>Financial liabilities</b>				
Bonds	(148,774)	(148,711)	(146,743)	(154,392)
Amounts owed to group undertakings - LT	-	-	-	-
Amounts owed to group undertakings - ST	-	-	-	-
Accruals	(30)	(160)	(30)	(160)
Bonds accrued interest payable	(5,289)	(5,289)	(5,289)	(5,289)
Sub-total	<u>10,632</u>	<u>21,443</u>	<u>12,663</u>	<u>15,762</u>

The fair value of short-term assets, short-term creditors and short-term borrowings approximate book value.

The fair value of long-term borrowings is estimated based on quoted market prices for the same or similar issues.

The fair value of all other items have been calculated by discounting the expected future cash flows at the prevailing yield for BBB rated industrial companies.

### Foreign exchange risks

The company has the majority of its operating costs, assets and liabilities denominated in its functional currency and therefore there is no material foreign exchange risk.

	2008	2007
	US\$'000	US\$'000
Amounts receivable from group undertakings		
- GBP	-	10,523

The foreign exchange loss included in general and administration expenses of US\$ 3,262,000 (2007: Gain US\$ 610,000) relates to the change in foreign exchange rates applied to the amounts receivable from group undertakings held over the period.

# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS (continued)

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate exposure arise from loan notes and amount owed by group undertakings.

The following table demonstrates management's best estimate of the sensitivity of income to reasonably possible change in interest rates, with all other variables held constant. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

The sensitivity of net interest income in the profit and loss account is the effect of the assumed changes in interest rates for one year.

Sensitivity of net assets							
Currency	Increase in basis points 2008	Sensitivity of net interest income 2008	0 to 6 months 2008	6 months to 1 year 2008	1 year to 5 years 2008	More than 5 years 2008	Total 2008
		\$000	\$000	\$000	\$000	\$000	\$000
USD	+10	3	2	-	1	-	3

Sensitivity of net assets							
Currency	Increase in basis points 2007	Sensitivity of net interest income 2007	0 to 6 months 2007	6 months to 1 year 2007	1 year to 5 years 2007	More than 5 years 2007	Total 2007
		\$000	\$000	\$000	\$000	\$000	\$000
USD	+10	46	45	-	1	-	46

# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS (continued)

### Concentration of interest rate risk

The table below analyses the Company's concentration of interest rate risk by fixed and variable interest rate.

2008	Interest rate %	Less than 1 year \$000	1-2 years \$000	2 -5 years \$000	More than 5 years \$000	Total \$000
Variable interest rate instruments						
Black & Decker Finance	5.15	-	29	-	-	29
Black & Decker Inc	3.64	-	55	-	-	55
Fixed interest rate instruments						
Black & Decker Inc	6.70	-	-	-	10,568	10,568
Bond interest	7.05	(10,638)	-	-	-	(10,638)
Total		(10,638)	84	-	10,568	14

### Concentration of interest rate risk

2007	Interest rate %	Less than 1 year \$000	1-2 years \$000	2 -5 years \$000	More than 5 years \$000	Total \$000
Variable interest rate instruments						
Black & Decker Finance	5.15	-	29	-	-	29
Black & Decker Inc.	5.20	-	2,118	-	-	2,118
Black & Decker Corporation	5.25	(92)	-	-	-	(92)
Black & Decker Corporation	5.52	(14)	-	-	-	(14)
Fixed interest rate instruments						
Black & Decker Inc.	8.25	-	-	-	13,228	13,228
Bond interest	7.05	(15,647)	-	-	-	(15,647)
Total		(15,753)	2,147	-	13,228	(378)

# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS (continued)

### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The majority of the company's assets and liabilities are denominated in US Dollar (\$) therefore there is no foreign currency risk.

The movements in currency exchange rates will have no material effect on the company's income statement.

### *Liquidity risk*

Liquidity risk is defined as the risk that the company may not be able to settle or meet its obligations on time or at a reasonable price.

The directors consider that the company does not have a liquidity risk as they manage the funding from a variety of sources and balance the needs of the company accordingly so as to meet its obligations as they occur.

The table below analyses the company's financial liabilities into relevant maturity groupings based on periods remaining at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equate to their carrying balance as the impact of discounting has been deemed not to be significant.

	Due on Demand	Due within 1 year	Due Between 1-3 years	Due Between than 3-5 years	Due more than 5 years
	\$000	\$000	\$000	\$000	\$000
Financial liabilities as at 31 December 2008					
Loan note	-	5,289	-		148,774
Accruals	30	-	-		-
Total financial liabilities	30	5,289	-		148,774

	Due on Demand	Due within 1 year	Due Between 1-3 years	Due Between than 3-5 years	Due more than 5 years
Financial liabilities as at 31 December 2007					
Loan note	-	5,289	-	-	148,711
Accruals	160	-	-	-	-
Total financial liabilities	160	5,289	-	-	148,711

# Black & Decker Holdings, LLC

## 11. FINANCIAL INSTRUMENTS (continued)

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. It is the company's policy to enter into financial instruments with a range of reputable counterparties. Therefore, the company does not expect to incur material credit losses on its financial instruments.

The table below analyses the company's maximum exposure to credit risk for the component of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements at reporting date.

	2008	2007
	\$000	\$000
Investment in group undertakings	867,960	821,805
Other debtors – amounts owed to group undertakings	164,725	175,603
Corporation tax	811	-
Total credit risk exposure	<u>1,033,496</u>	<u>997,408</u>

### *Credit Quality of financial assets*

The directors consider that the credit risk exposure is limited, as the fair value of the investments held are at least equal to the closing book value.

### *Risk concentration of maximum exposure to credit risk*

The risk held by the company is mainly concentrated in the UK group of companies. The UK group comprises of both trading and investment companies, with investments held both within the UK and overseas. The overseas investments provide a spread of the risk so that exposure is reduced to trading conditions in more than one geographic trading and investment area.

## 12. CALLED-UP SHARE CAPITAL

	2008	2007
	No.	No.
<b>Authorised</b>		
Cumulative preferred shares of US\$100 each	4,500,000	4,500,000
Common shares of US\$10 each	40,000	40,000
	<u>          </u>	<u>          </u>
	2008	2007
	\$'000	\$'000
<b>Allotted, called-up and fully paid</b>		
15,285 (2007: 14,785) Common shares of US\$10 each	153	148
	<u>153</u>	<u>148</u>

On November 2008, Black & Decker Holding LLC issued 500 new shares to Black & Decker Group, its parent company. The monies from the share issue together with the additional share premium were used to purchase additional ordinary shares in Black & Decker Finance.

The cumulative preferred shares carry a dividend, payable annually in arrears.

## Black & Decker Holdings, LLC

### 12. CALLED-UP SHARE CAPITAL (continued)

Any or all of the outstanding preferred shares may be redeemed at any time at the option of the company, by the payment of \$100 per share together with the amount of any accrued but unpaid dividends as of the time of redemption.

The holders of the preferred shares have no voting rights except to the extent required by the law of the State of Delaware.

On a winding up of the company, the holders of the preferred shares have a right to receive, in preference to any payments to the common shareholders, \$100 per share together with the amount of any accrued but unpaid dividend. The remaining assets and funds shall be distributed solely among the holders of the common stock.

The preferred shares are ranked pari passu as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up of the company.

Subject to the rights of the holders of the preferred shares the common stockholder shall have one vote per share on each matter on which stockholders are entitled to vote, shall be entitled to receive dividends and other distributions authorised by the Board of Directors.

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital \$'000	Share premium \$'000	Foreign exchange reserves \$'000	Other reserves \$'000	Profit and loss account \$'000	Total share- holders funds \$'000
At 1 January 2007	138	12,092	(17,935)	211,864	561,368	767,527
Loss attributable to members of the company	-	-	-	-	(71,850)	(71,850)
Issue of ordinary shares	10	147,561	-	-	-	147,571
At 31 December 2007	148	159,653	(17,935)	211,864	489,518	843,248
Loss attributable to members of the company	-	-	-	-	(10,001)	(10,001)
Issue of ordinary shares	5	46,151	-	-	-	46,156
At 31 December 2008	153	205,804	(17,935)	211,864	479,517	879,403

On November 2008, Black & Decker Holding LLC issued 500 new shares to Black & Decker Group, its parent company. The monies from the share issue together with the additional share premium were used to purchase additional ordinary shares in Black & Decker Finance.

# **Black & Decker Holdings, LLC**

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## **14. 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.

## **15. ULTIMATE HOLDING COMPANY**

The company's ultimate holding company and controlling party is The Black & Decker Corporation, a company incorporated in the United States of America. The results of the company are consolidated in the group headed by The Black & Decker Corporation. These accounts are available from:

The Black & Decker Corporation  
701 East Joppa Road  
Towson  
Maryland 21286  
United States of America

## **16. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 29 July 2009.