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Registered number FC010559

BLACK & DECKER HOLDINGS LLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 2 JANUARY 2016



BLACK & DECKER HOLDINGS LLC

COMPANY INFORMATION

DIRECTORS

C Ennis
A Sood
S Stubbs
M Smiley (appointed 8 January 2015)
J Cowley (resigned 8 January 2015)
T Davison (resigned 1 September 2015)

COMPANY SECRETARY Mitre Secretaries Limited

REGISTERED NUMBER FC010559

REGISTERED OFFICE

2711 Centerville Road
Suite 400
Wilmington
Newcastle
Delaware
19808 United States

MAIN PLACE OF BUSINESS

210 Bath Road
Slough
Berkshire
SL1 3YD
United Kingdom

AUDITOR

Ernst & Young
Chartered Accountants
City Quarter
Lapps Quay
Cork
Ireland

BLACK & DECKER HOLDINGS LLC

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Income statement	5
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Notes to the financial statements	8 - 22

BLACK & DECKER HOLDINGS LLC

STRATEGIC REPORT FOR THE YEAR ENDED 2 JANUARY 2016

BUSINESS REVIEW

There was no change in the company's activities during the year and the results for the year ended 2 January 2016 are in line with directors' expectations. The company has a loan receivable with a fellow group undertaking, of which the interest rate is fixed and thus interest receivable for the year is consistent with prior year at \$10.6 million. The company's fixed interest commitment on the Loan Note, is hedged using an interest rate swap and consistent with prior year has resulted in a gain on the interest rate swap of approx \$3.4 million and thus has reduced the interest payable to a net payable of \$7.2 million. Management has performed a review of the carrying value of investment in subsidiaries at year end, which resulted in an impairment charge of \$22.8 million (2014 \$47.1 million) being recorded.

During the year the company made changes to its accounting policies. The change in accounting policies resulted in changes to how the company accounted for financial instruments and comparative amounts have been restated to conform with the current year treatment. The effect of this change on the comparatives is set out in note 19 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company arise from the holding of financial instruments which can be subject to interest rate, liquidity and credit risk. The receivable loan is held with a fellow group company and the interest rate and terms are subject to agreement between the parties. In addition, the company holds investments in subsidiary undertakings, the value of these investments may be adversely affected by changes in the underlying businesses of these companies. Management performs an annual review to determine if any indicators of impairment exist. 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 longer term borrowings from group undertakings and the use of longer-term loans from capital markets. The main risks arising from the company's financial instruments are interest rate, liquidity and credit risk. These risks, and policies to manage them, are summarized below.

Credit risk

The company's credit risk relates to the intercompany receivable loan. The risk is minimised in that the loan is with Black & Decker Inc, a company with significant assets sufficient to cover the receivable due.

Liquidity risk

The company's objective is to produce continuity of funding at a reasonable cost which is expected to be achieved primarily through intergroup funding. To do this it seeks to arrange committed funding from intergroup resources.

Market and Interest rate risk

The company entered into interest rate swaps with notional values which equalled the company's \$150 million bond due in 2028. These interest rate swaps effectively converted the company's fixed rate debt to floating rate debt based on LIBOR, thereby hedging the fluctuation in fair value resulting from changes in interest rates. By this action the directors expect to minimise the impact of significant changes in interest rates to the income statement over the period.

BLACK & DECKER HOLDINGS LLC

**STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 2 JANUARY 2016**

This report was approved by the board and signed on its behalf



A. Sood
Director

Date 3 October 2016

BLACK & DECKER HOLDINGS LLC

DIRECTORS' REPORT FOR THE YEAR ENDED 2 JANUARY 2016

The directors present their report and the financial statements for the year ended 2 January 2016

PRINCIPAL ACTIVITY

The company acts as an intermediate holding company for Stanley Black & Decker group subsidiaries in the United Kingdom. Its activities include the financing of Stanley Black & Decker subsidiaries.

The company is incorporated in the United States and is registered in the United Kingdom as an overseas company under section 1044 of the Companies Act 2006.

RESULTS

The loss for the year, after taxation, amounted to \$17,374,000 (2014 loss \$24,548,000).

DIVIDENDS

The directors do not propose a dividend in the current year (2014 \$Nil).

DIRECTORS

The directors who served during the year were

C. Ennis
A. Sood
S. Stubbs
M. Smiley (appointed 8 January 2015)
J. Cowley (resigned 8 January 2015)
T. Davison (resigned 1 September 2015)

FUTURE DEVELOPMENTS

The directors aim to maintain current management policies and do not expect any significant changes to the principal activity and operations of the company in the foreseeable future.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

FINANCIAL INSTRUMENTS

Details of financial instruments are provided in the Strategic Report.

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 section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

BLACK & DECKER HOLDINGS LLC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 2 JANUARY 2016**

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE

There have been no significant events affecting the company since the year end

DIRECTORS' RESPONSIBILITIES STATEMENT


The directors are responsible for preparing the financial statements in accordance with applicable law and regulations. Under those regulations the directors have elected to prepare overseas company individual accounts in accordance with applicable accounting policies of the company. In preparing those financial statements, the directors are responsible for

- selecting suitable accounting policies and then applying them consistently,
- making judgments and estimates that are reasonable and prudent,
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

AUDITORS

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

This report was approved by the board and signed on its behalf



A Sood
Director

Date 3 October 2016

BLACK & DECKER HOLDINGS LLC

**INCOME STATEMENT
FOR THE YEAR ENDED 2 JANUARY 2016**

		2015	As restated
	Note	\$000	2014
			\$000
Administrative expenses		(14)	(193)
Amounts written off investments		(22,784)	(47,127)
Interest receivable and similar income	7	10,603	10,621
Interest payable and similar charges	8	(7,239)	(7,220)
Other finance income		2,060	19,371
		<u> </u>	<u> </u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(17,374)	(24,548)
Taxation on loss on ordinary activities	10	-	-
		<u> </u>	<u> </u>
LOSS FOR THE FINANCIAL YEAR		(17,374)	(24,548)
		<u> </u>	<u> </u>

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 2 JANUARY 2016**


		2015	As restated
	Note	\$000	2014
			\$000
Loss for the year		(17,374)	(24,548)
		<u> </u>	<u> </u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		(17,374)	(24,548)
		<u> </u>	<u> </u>

BLACK & DECKER HOLDINGS LLC
REGISTERED NUMBER FC010559

STATEMENT OF FINANCIAL POSITION
AS AT 2 JANUARY 2016

	Note	2 January 2016 \$000	3 January 2015 \$000
FIXED ASSETS			
Investments	11	532,908	555,692
		<u>532,908</u>	<u>555,692</u>
CURRENT ASSETS			
Debtors amounts falling due after more than one year	12	158,312	158,398
Debtors amounts falling due within one year	12	27,718	16,262
Cash at bank and in hand		82	86
		<u>186,112</u>	<u>174,746</u>
Creditors amounts falling due within one year	13	(5,991)	(98)
NET CURRENT ASSETS		<u>180,121</u>	<u>174,648</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>713,029</u>	<u>730,340</u>
Creditors amounts falling due after more than one year	14	(149,214)	(149,151)
NET ASSETS		<u><u>563,815</u></u>	<u><u>581,189</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	153	153
Share premium account	17	205,804	205,804
Foreign exchange reserve	17	(17,935)	(17,935)
Other reserves	17	211,864	211,864
Profit and loss account	17	163,929	181,303
		<u>563,815</u>	<u>581,189</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 October 2016


A. Sood
Director

The notes on pages 8 to 22 form part of these financial statements

BLACK & DECKER HOLDINGS LLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 2 JANUARY 2016**

	Share capital \$000	Share premium \$000	Foreign exchange reserve \$000	Other reserves \$000	Profit and loss account \$000	Total equity \$000
At 4 January 2015	153	205,804	(17,935)	211,864	181,303	581,189
Comprehensive expense for the year						
Loss for the year	-	-	-	-	(17,374)	(17,374)
At 2 January 2016	153	205,804	(17,935)	211,864	163,929	563,815

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 3 JANUARY 2015**

	Share capital \$000	Share premium \$000	Foreign exchange reserve \$000	Other reserves \$000	Profit and loss account \$000	Total equity \$000
At 29 December 2013 as restated	153	205,804	(17,935)	211,864	205,851	605,737
Comprehensive expense for the year as restated						
Loss for the year	-	-	-	-	(24,548)	(24,548)
At 3 January 2015	153	205,804	(17,935)	211,864	181,303	581,189

BLACK & DECKER HOLDINGS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 2 JANUARY 2016

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

Black & Decker Holdings LLC is a limited liability company incorporated in the United States and also registered in the United Kingdom as an overseas company under section 1044 of the Companies Act 2006. The registered office is 2711 Centerville Road, Suite 400, Wilmington, Newcastle, Delaware, 19808 United States. The financial statements are prepared in USD which is the presentational currency of the company and rounded to the nearest \$'000.

The financial statements have been prepared under the historical cost convention and in accordance with section 396 ("overseas companies individual accounts") of the Companies Act 2006 as applied by the Overseas Companies Regulations 2009 and with the applicable accounting policies of the company.

During the year the company made changes to its accounting policies. The change in accounting policies resulted in changes to how the company accounted for financial instruments and comparative amounts have been restated to conform with the current year treatment. The effect of this change on the comparatives is set out in note 19 to the financial statements.

The accounts have been audited in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Financial information is presented about the company as an individual undertaking and not about its group.

1.2 Valuation of investments

The company carries its investments at cost less accumulated impairment. Management performs an annual review to determine if any indicators of impairment exist. Where an indicator of impairment is noted, management assesses the value in use of the investments in subsidiaries by using a net assets model and a discounted cash flow model for trading entities as the valuation techniques as there is a lack of comparable market data due to the nature of the investments.

1.3 Debtors

Amounts owed by group companies due after more than one year are measured at amortised cost using the effective interest method. Amounts owed by group companies due within one year are measured at the undiscounted amount of the cash or other consideration expected to be received.

Other receivables due within one year relate to the interest rate swaps which are measured at fair value.

1.4 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

1. ACCOUNTING POLICIES (continued)

1.5 Financial instruments

The company has a complex financial instrument that is accounted for at fair value through profit and loss. This is a policy change from prior year when the swaps were accounted for on a cash basis (refer to note 19 for impact of accounting policy change)

The company's criteria for interest rate swaps are

- the instrument must be related to an asset or a liability, and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

The value of the swaps will be based on the accrued interest in the swap, as the company has floating rate interest payments, and the present value of the market expectations of future changes in rates

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are revalued to fair value and shown on the statement of financial position at the year end. If they are terminated early, the gain / loss is spread over the remaining maturity of the original instrument.

1.6 Creditors

Creditors (including amounts due on the fixed bond interest, due within one year) are measured at the undiscounted amount of the cash or other consideration expected to be paid. Other creditors due are measured at fair value, net of transaction costs.

The creditor due after more than one year is measured at amortised cost.

1.7 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is US Dollar (USD)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

BLACK & DECKER HOLDINGS LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 2 JANUARY 2016

1. ACCOUNTING POLICIES (continued)

1.8 Interest income

Interest income is recognised in the Income Statement using the effective interest method

1.9 Taxation

Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income

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. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements

Valuation of investments

The company carries its investments at cost less accumulated impairment. Management performs an annual review to determine if any indicators of impairment exist. Where an indicator of impairment is noted, management assesses the value in use of the investments in subsidiaries by using a net assets model and a discounted cash flow model for trading entities as the valuation techniques as there is a lack of comparable market data due to the nature of the investments. The assumptions and future cash flows used in the discounted cash flow model, includes a level of judgement and estimation by management.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effects of future tax planning strategies

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

3. ADMINISTRATIVE EXPENSES

The administrative expenses are stated after (crediting)/charging

	2015 \$000	2014 \$000
Exchange (gain)/loss	(10)	8
Write off of intercompany balance	-	144
	<u>-</u>	<u>144</u>

4. AUDITOR'S REMUNERATION

	2015 \$000	2014 \$000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	14	11
	<u>14</u>	<u>11</u>

FEEs PAYABLE TO THE COMPANY'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF

Other services relating to taxation	9	28
	<u>9</u>	<u>28</u>

5. EMPLOYEES

The company does not employ any staff, the business and administration of the company being carried out by staff of other group undertakings

6 DIRECTORS' REMUNERATION

Directors' remuneration was paid by fellow group companies as the directors of the company are also directors of other group undertakings

Although they carried out qualifying services for each company, the directors do not believe that it is practical to apportion their remuneration between companies. The aggregate directors emoluments in respect of qualifying services for the year were \$891,000 (2014 \$1,090,000)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 \$000	As restated 2014 \$000
Interest receivable from group companies	10,603	10,621
	<u>10,603</u>	<u>10,621</u>

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 \$000	2014 \$000
Interest payable on senior loan note	10,638	10,638
Gain on interest rate swap	(3,399)	(3,418)
	<u>7,239</u>	<u>7,220</u>

9. OTHER FINANCE INCOME

	2015 \$000	2014 \$000
Net gain on financial instruments at fair value through profit and loss	2,060	19,371
	<u>2,060</u>	<u>19,371</u>

10. TAXATION

	2015 \$000	2014 \$000
TOTAL CURRENT TAX	<u>-</u>	<u>-</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR/PERIOD

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.25% (2015 - 21.5%). The differences are explained below

	2015 \$000	As restated 2014 \$000
Loss on ordinary activities before tax	(17,374)	(24,548)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2015 - 21.5%)	(3,518)	(5,278)

EFFECTS OF

Expenses not deductible for tax purposes	4,612	10,273
Non-taxable income	(417)	(4,172)
Effect of change in accounting policy	391	(45)
Group relief claimed for \$nil consideration	(1,068)	(778)
TOTAL TAX CHARGE FOR THE YEAR	<u>-</u>	<u>-</u>

BLACK & DECKER HOLDINGS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016

10. TAXATION (continued)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

During the year changes to corporation tax rates were enacted which will have an impact on the future tax charge of the company. The corporation tax rate was reduced from 20% to 19% effective from 1 April 2017 and from 19% to 18% effective from 1 April 2020.

Furthermore, on 16 March 2016 the Chancellor of the Exchequer announced that the UK main rate of corporation tax would reduce to 17% effective 1 April 2020, replacing the 18% rate currently enacted. This charge is not expected to have a material impact on the company's unrecognised deferred tax asset.

DEFERRED TAX

The company has an unrecognised deferred tax asset of \$243,000 (2014 \$1,076,000). This consists of a deferred tax asset of \$930,000 (2014 \$1,076,000) relating to capital losses, and a deferred tax liability of \$687,000 (2014 \$nil) relating to fair value adjustments on derivative contracts. The deferred tax has been calculated at the 18% (2014 20%) corporation tax rate that was substantively enacted at the year end date.

11. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies \$000
COST	
At 4 January 2015	939,267
At 2 January 2016	939,267
IMPAIRMENT	
At 4 January 2015	383,575
Charge for the year	22,784
At 2 January 2016	383,575
NET BOOK VALUE	
At 2 January 2016	532,908
At 3 January 2015	555,692

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

11. FIXED ASSET INVESTMENTS (continued)

SUBSIDIARY UNDERTAKINGS

The following were direct and indirect (*) subsidiary undertakings of the company

Name	Country of incorporation	Class of shares	Holding	Principal activity
Black & Decker Finance	England	Common	100 %	Finance and investment activities
Black & Decker Investment Company, LLC	US	Common	100 %	Finance and investment activities
Black & Decker International*	England	Ordinary	100 %	Finance and investment activities
Emhart International Limited*	England	Ordinary	100 %	Finance and investment activities
Tucker Fasteners Limited*	England	Ordinary	100 %	Distributor of industrial fastening systems
Black & Decker Europe*	England	Ordinary	100 %	Provision of marketing, IT and administrative support to affiliated companies
Aven Tools Limited*	England	Ordinary	100 %	Finance activities
Bandhart Overseas*	England	Ordinary	100 %	Finance and investment activities
Bandhart*	England	Ordinary	100 %	Finance and investment activities
Black & Decker*	England	Ordinary	100 %	Provision of research and development services
Black & Decker Pension Trustees Limited*	England	Ordinary	100 %	Dormant company
Tucker Products Limited*	England	Ordinary	100 %	Dormant company
Dewalt Industrial Power Tool Company Limited	Scotland	Ordinary	100 %	Finance activities
PIH Holdings Limited*	England	Ordinary	100 %	Finance and investment activities
Pipeline Induction Heat Limited*	England	Ordinary	100 %	Provision of specialist coating services to the oil and gas pipeline industry
PIH Services Limited*	England	Ordinary	100 %	Provision of non-destructive testing & heat treatment services
Universal Inspection Systems Limited*	England	Ordinary	100 %	Provision of non-destructive testing services
Societe Miniere et Commerciale SA*	France	Ordinary	100 %	Sales agent for CRC Evans Group

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

11. FIXED ASSET INVESTMENTS (continued)

The directors undertake a review of the investments held each year. The value in use of the investments in subsidiaries has been based on a net asset basis for holding companies and a discounted cash flow basis for trading entities using a discounted rate of 8.5% and a flat growth rate. Cash flows have been based on projections for a 5 year period on which a terminal growth multiple of 11.76 is applied to the cash flows at the end of that 5 year period.

12. DEBTORS

	2 January 2016 \$000	As restated 3 January 2015 \$000
DUE AFTER MORE THAN ONE YEAR		
Amounts owed by group undertakings	158,312	158,398
	158,312	158,398
	2 January 2016 \$000	As restated 3 January 2015 \$000
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings	18,554	14,466
Derivative financial instruments (Note 15)	3,818	1,757
Receivable on interest rate swap	5,346	39
	27,718	16,262

The amounts owed by group undertakings include a loan which has a maturity date of 28 March 2027 but may be paid with one day's notice by the borrower. The loan bears interest at an annual rate of 6.85%.

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

13. CREDITORS Amounts falling due within one year

	2 January 2016 \$000	As restated 3 January 2015 \$000
Accruals and deferred income	5,991	98
	<u>5,991</u>	<u>98</u>

14. CREDITORS Amounts falling due after more than one year

	2 January 2016 \$000	3 January 2015 \$000
Loan note	149,214	149,151
	<u>149,214</u>	<u>149,151</u>

Secured loans

The loan note is guaranteed by The Black & Decker Corporation

The loan note relates to one \$150,000,000 issue of a Senior Loan Note due in 2028. The loan note carries a coupon 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 value of the loan note, as at 2 January 2016 and 3 January 2015 respectively, was

	2 January 2016 \$000	3 January 2015 \$000
Beyond five years	187,947	196,719
	<u>187,947</u>	<u>196,719</u>

The fair value provides a comparison to the historical amortised cost and is derived from a quoted price as at 2 January 2016 (the value is based on the quoted market price with a principal of \$150,000,000 as at year end 2015).

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

15 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 1. The disclosures below include amounts owed by group undertakings, amounts owed to group undertakings and the senior loan note (note 14).

Fair values of financial assets and financial liabilities

A comparison of the carrying amounts and fair values of the company's loan note is set out in note 14. The fair value of long-term borrowings is estimated based on quoted market prices for the same or similar issues. These provide a basis of comparison that reflects the historical values to current market values and the effect the instrument would have to the net assets of the company.

Interest rate swap

In January 2012, the company entered into interest rate swaps with notional values which equalled the company's \$150 million 7.05% note due in 2028. These interest rate swaps effectively converted the company's fixed rate debt to floating rate debt based on LIBOR, thereby hedging the fluctuation in fair value resulting from changes in interest rates. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are an asset of \$3,818,000 (2014: net asset of \$1,757,000).

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 arises from amounts owed by group undertakings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of amounts owed by group undertakings.

	Change in basis points	Effect on profit before tax \$000	Effect on equity \$000
2015			
Intercompany loan	+50	778	778
	-50	(778)	(778)
Swap interest rate	+50	750	750
	-50	(750)	(750)
2014			
Intercompany loan	+50	778	778
	-50	(778)	(778)
Swap interest rate	+50	750	750
	-50	(750)	(750)

The receivable loan noted above has an agreed interest rate between the parties but may be amended by agreement in writing by both parties. The loan may be repaid with one days notice by the borrower. The loan maturity date is 28 March 2027.

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 is not subject to material 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.

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

15 FINANCIAL INSTRUMENTS (continued)

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. The company has arranged an interest rate swap whereby the fixed interest expense is paid by the other party with Black & Decker Holdings LLC reimbursing a value based on a LIBOR adjusted rate. Ultimately, should there be a default, Black & Decker Holdings LLC is liable to cover the bond interest and principal as and when due.

	Due on demand \$000	Due within 1 year \$000	Due between 2-3 year \$000	Due between 4-5 years \$000	Due more than 5 years \$000
Financial liabilities as at 2 January 2016					
Loan note	-	10,575	21,150	21,150	234,600
Total financial liabilities	-	10,575	21,150	21,150	234,600
Financial liabilities as at 3 January 2015					
Loan note	-	10,575	21,150	21,150	245,175
Total financial liabilities	-	10,575	21,150	21,150	245,175

Credit risk

The amount included in the balance sheet bests reflects the maximum exposure to credit risk at the end of the reporting period. 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.

Credit quality of financial assets

The directors consider that the credit risk exposure is limited, as the loan is with a fellow group company.

Risk concentration of maximum exposure to credit risk

The exposure risk by the company is concentrated in the receivable loan and the interest income from that loan required to finance the long term payable loan interest as and when due. The receivable loan is due from one fellow group company, Black & Decker Inc.

Capital management

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes within net debt the senior loan note and amounts due to group companies less cash.

	2 January 2016 \$000	As restated 3 January 2015 \$000
Loan note	149,214	149,151
Less - cash	(82)	(86)
Net debt	149,132	149,065
Shareholders' funds	563,815	581,189
Capital and net debt	712,947	730,254
Gearing ratio	20.9%	20.4%

BLACK & DECKER HOLDINGS LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016

16. SHARE CAPITAL

	2 January 2016 \$000	3 January 2015 \$000
Allotted, called up and fully paid		
100 Units (2014 - 15,285 common shares of \$10 each)	153	153

On the 11 December 2015 the company changed the share structure from common stock to units. The 15,285 common stock of \$10 each, which had been allotted and called up, have been redenominated into 100 Units

17. RESERVES

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs

Foreign exchange reserve

In 2003 the company changed its reporting currency from Pounds Sterling (£) to US Dollars (\$) As a result of the change in currency, a foreign exchange reserve was generated and any foreign exchange gains and losses arising from the change of reporting currency were transferred into the exchange reserve

Other reserves

Other reserves relate to the value ascribed to the gift of the investment in Emhart International Limited from Black & Decker Group, LLC (formerly Black & Decker Group Inc). This investment in Emhart International Limited was subsequently transferred to Black & Decker Finance as part of a group restructure during 2004

Profit and loss account

This reserve records any accumulated distributable profits less dividends paid since the inception of the company

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

18. CONTROLLING PARTY

The company is a wholly owned subsidiary of Black & Decker Group, LLC, a company incorporated in the United States and registered in the United Kingdom as an overseas company under section 1044 of the Companies Act 2006

The ultimate parent company is Stanley Black & Decker Inc, a company incorporated in the United States

The largest and smallest group in which the results of the company are consolidated is that of Stanley Black & Decker Inc

Consolidated accounts are available from Stanley Black & Decker Inc at the address below

Stanley Black & Decker Inc
1000 Stanley Drive
New Britain
CT 06053
United States

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

19. EFFECT OF CHANGE IN ACCOUNTING POLICY

	As previously stated 29 December 2013 \$000	Effect of change 29 December 2013 \$000	As restated 29 December 2013 \$000	As previously stated 3 January 2015 \$000	Effect of change 3 January 2015 \$000	As restated 3 January 2015 \$000
Fixed assets	602,819	-	602,819	555,692	-	555,692
Current assets	173,333	2,203	175,536	171,059	3,687	174,746
Creditors amounts falling due within one year	(5,916)	(17,614)	(23,530)	(98)	-	(98)
NET CURRENT ASSETS	167,417	(15,411)	152,006	170,961	3,687	174,648
TOTAL ASSETS LESS CURRENT LIABILITIES	770,236	(15,411)	754,825	726,653	3,687	730,340
Creditors amounts falling due after more than one year	(149,088)	-	(149,088)	(149,151)	-	(149,151)
NET ASSETS	621,148	(15,411)	605,737	577,502	3,687	581,189
Capital and reserves	621,148	(15,411)	605,737	577,502	3,687	581,189

BLACK & DECKER HOLDINGS LLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 2 JANUARY 2016**

19. EFFECT OF CHANGE IN ACCOUNTING POLICY (continued)

		As previously stated 3 January 2015 \$000	Effect of change 3 January 2015 \$000	As restated 3 January 2015 \$000
	Note			
Amounts written off investments		(47,127)	-	(47,127)
Administrative expenses		(193)	-	(193)
Interest receivable and similar income	2	10,894	(273)	10,621
Interest payable and similar charges		(7,220)	-	(7,220)
Other finance income	1	-	19,371	19,371
LOSS FOR THE FINANCIAL YEAR		(43,646)	19,098	(24,548)

As noted previously the company has made changes to its accounting policies during the year. The key changes relevant to the company were in respect of accounting treatment over financial instruments. The effects of these changes are shown above and are described below:

- 1 Interest rate swaps are recorded on the balance sheet at fair value and accounted for as fair value through profit and loss. Previously these were not re-valued to fair value or shown on the balance sheet at year end. This change resulted in the recognition of a derivative financial instrument asset of \$3,818,000 in the current year (2014: \$1,757,000) and a net gain on financial instruments at fair value through profit or loss in the current year of \$2,060,000 (2014: \$19,371,000).
- 2 Long term loans, which are basic financial instruments, are now initially recorded at the present value of future payments discounted at a rate of interest for a similar loan. Subsequently they are measured at amortised cost using the effective interest method. This has resulted in a change in measurement of one long term loan receivable resulting in an increase in the amortised cost of the loan in the prior year of \$1,930,000 and a decrease in the interest receivable recognised in the income statement of \$273,000.