

Black & Decker International

**Directors' Report and Consolidated
Financial Statements**

For the year ended 31 December 2001

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ERNST & YOUNG



Black & Decker International

Consolidated Financial Statements for the year ended 31 December 2001

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Black & Decker International

Consolidated Financial Statements for the year ended 31 December 2001

Directors

C B Powell-Smith (Chairman)
M Rothleitner
D A Watt (Resigned 31 May 2003)
G H Johnston
M Crince
S Boelen (Appointed 31 May 2003)

Secretary

J Coyne (Appointed 25 June 2001; Resigned 2 October 2002)
Mitre Secretaries Ltd (Appointed 2 October 2002)

Auditors


Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

Registered office

210 Bath Road
Slough
Berkshire
SL1 3YD

Registered in England

209797

 ERNST & YOUNG

Directors' report

The directors present herewith their report for the year ended 31 December 2001.

Results and dividends

The trading results of the group for the year are set out in the profit and loss account on page 5. The group made a profit for the financial year available to members of £43,657,000 (2000: £13,626,000). Preference dividends of £420,000 (2000: £420,000) have been declared and paid. No ordinary dividends were paid or proposed during the year (2000: £Nil).

Principal activities and business developments

The principal activities of the group during the year have been the manufacture, sale and servicing of power tools, industrial fasteners and machinery.

Research and development

During the year the group continued its commitment to research and development.

Directors

The directors who served during the year and to the date of this report are listed on page 1.

Directors' interests

No director had a beneficial interest in the company's shares or the shares of any subsidiary during the year. No contract or arrangement entered into by the company in which any director is interested has subsisted during the year.

Post Balance Sheet Events

During 2002 the investment in Black & Decker GmbH was sold realising a profit of £81,740,000.

During 2002 10,146,395 B shares in Black & Decker (Malaysia) Sdn. Bhd, reflecting the investment held indirectly through Black & Decker Europe, were sold to Black & Decker for £2,125,000. These shares were redeemed by Black & Decker (Malaysia) Sdn. Bhd during December 2002 for £2,125,000.

Tangible fixed assets

Information relating to changes in tangible fixed assets is given in note 15 to the accounts. The directors are of the opinion that the aggregate market value of land and buildings situated in the United Kingdom is in excess of net book value.

Employee consultation

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

Employment of disabled persons

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

Charitable and political donations

The group made contributions for political and charitable purposes during the year amounting to £33,294 (2000: £11,747) none of which included any political contributions.

Directors' report - continued

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and group and of the profit and loss of the group for that year. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board



Secretary Director

19 December 2003.

Independent Auditors' report

To the members of Black & Decker International

We have audited the group's financial statements for the year ended 31 December 2001, which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Total Recognised Gains and Losses, and the related notes 1 to 29. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Reading

22 December 2003

Black & Decker International

Group profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover	2	426,730	506,589
Cost of sales		<u>(358,393)</u>	<u>(425,831)</u>
Gross profit		68,337	80,758
Selling and distribution costs	3	26,514	28,221
Administrative expenses		<u>27,945</u>	<u>41,495</u>
Operating profit	4	13,878	11,042
Operating profit from interests in associated undertakings	7	21,855	7,284
Provision for diminution in value of investments	16	<u>1,150</u>	<u>(1,150)</u>
		36,883	17,176
Exceptional items:			
Share of profit from change of interests in associated undertakings	7	10,981	547
Cost of restructuring	8	(5,862)	(17,284)
Loss on disposal of subsidiary		(3,834)	-
Release of closure provisions: discontinued activity		<u>208</u>	<u>-</u>
Profit on ordinary activity before investment income, interest and taxation		38,376	439
Other income	9	32,471	26,707
Share of other income in associated undertakings	7	21,314	22,577
Interest payable	10	(33,964)	(30,708)
Share of interest payable in associated undertakings	7	<u>(9,986)</u>	<u>(6,537)</u>
Profit on ordinary activities before taxation		48,211	12,478
Tax charge/(credit) on profit on ordinary activities	11	<u>4,547</u>	<u>(1,155)</u>
Profit on ordinary activities after taxation		43,664	13,633
Minority interests – equity and non-equity interests		<u>(7)</u>	<u>(7)</u>
Profit for the financial year attributable to members of the parent company	23	43,657	13,626
Dividends (including dividends on non-equity shares)	13,23	<u>(420)</u>	<u>(420)</u>
Retained profit for the year		<u>43,237</u>	<u>13,206</u>

Black & Decker International**Group statement of total recognised gains and losses for the year ended 31 December 2001**

	2001 £'000	2000 £'000
Profit/(loss) for the financial year excluding share of profits of associated undertakings	1,824	(8,165)
Share of associates' profit for the year	41,833	21,791
	43,657	13,626
Foreign currency translation - subsidiaries	(3,799)	3,798
- associates	346	14,849
	(3,453)	18,647
Total recognised gains and losses relating to the year	40,204	32,273

Black & Decker International

Group balance sheet at 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	14	28,252	29,914
Tangible assets	15	79,405	90,310
Investments	16		
Share of net assets of associated undertaking		235,510	204,072
Other investments		76,869	63,169
		<u>420,036</u>	<u>387,465</u>
Current assets			
Stocks	17	44,377	58,451
Debtors	18	561,029	530,542
Cash at bank and in hand		218,497	54,826
		<u>823,903</u>	<u>643,819</u>
Creditors: amount falling due within one year	19	<u>775,724</u>	<u>371,995</u>
Net current assets		<u>48,179</u>	<u>271,824</u>
Total assets less current liabilities		<u>468,215</u>	<u>659,289</u>
Creditors: amounts falling due after more than one year	20	76,052	302,271
Provision for liabilities and charges	21	<u>18,904</u>	<u>23,543</u>
Total assets less liabilities		<u>373,259</u>	<u>333,475</u>
Capital and reserves			
Called up share capital	22	49,407	49,407
Share premium account	23	172,369	172,369
Other Reserves	23	12,672	12,672
Reserves	23	<u>138,811</u>	<u>99,027</u>
Total shareholders' funds (including non-equity interests)		<u>373,259</u>	<u>333,475</u>

Approved by the board on 14/12/2003



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Directors

Black & Decker International

Balance sheet at 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	15	192	302
Investments	16	677,256	646,504
		<u>677,448</u>	<u>646,806</u>
Current assets			
Stocks	17	1,745	2,294
Debtors	18	228,785	220,149
Cash at bank and in hand		1,235	3,239
		<u>231,765</u>	<u>225,682</u>
Creditors: amount falling due within one year	19	<u>435,316</u>	<u>160,719</u>
Net current (liabilities)/assets		<u>(203,551)</u>	<u>64,963</u>
Total assets less current liabilities		<u>473,897</u>	<u>711,769</u>
Creditors: amounts falling due after more than one year	20	<u>83,638</u>	<u>309,349</u>
Total assets less liabilities		<u>390,259</u>	<u>402,420</u>
Capital and reserves			
Called up share capital	22	49,407	49,407
Share premium account	23	172,369	172,369
Reserves	23	168,483	180,644
Total shareholders' funds (including non-equity interests)		<u>390,259</u>	<u>402,420</u>

Approved by the board on 14/12/2005



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Directors

1. Accounting policies

1.1 Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings drawn up to 31 December 2001. No profit and loss is presented for Black & Decker International as permitted by Section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has a participating interest or joint ventures over which the group exercises a significant influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and net assets based on accounts to 31 December 2001.

1.3 Goodwill

Goodwill arising on the acquisition of subsidiary and associate undertakings prior to 1 January 1998, where the consideration exceeded the fair value of identifiable net tangible assets acquired, has been written off directly to reserves on acquisition.

Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10 "Goodwill and Intangible Assets". Positive goodwill arising on acquisitions from 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

1.4 Depreciation of tangible fixed assets

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

Freehold buildings	2% - 7%
Leasehold buildings	Over the term of the lease
Machinery and equipment	12.5% - 20%
Furniture and fixtures	10% - 50%
Transportation equipment	20% - 25%
Tooling	20% - 100%

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

1.5 Government grants

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

1.6 Deferred taxation

Deferred taxation, on timing differences is provided for at the rate of corporation tax applicable to the period in which timing differences are expected to crystallise (liability method). No deferred taxation is provided for on capital gains arising on the disposal of property that has been deferred under the rollover provisions after deducting available capital losses.

1. Accounting policies (continued)

1.7 Research and development

Costs associated with the development of products are charged to the profit and loss accounts as incurred.

1.8 Foreign currencies

On consolidation, assets and liabilities of overseas subsidiary and associated undertakings are translated into sterling at rates of exchange ruling at the year-end. Profit and loss accounts are translated at average rates of exchange.

Exchange differences resulting from the retranslation at closing rates of exchange of net investments at the beginning of the year in the overseas subsidiary and associated undertakings together with differences between profit and loss accounts translated at average and year end rates of exchange, are dealt with in reserves.

All other exchange gains and losses on the settlement or translation of monetary assets and liabilities at rates of exchange ruling at the year end or specified in related forward contracts are reported as part of the profit for the year. Premiums on forward currency contracts which hedge currency advances to fellow group undertakings are amortised over their repayment terms.

1.9 Stocks

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

1.10 Pensions

Pension costs are charged to the profit and loss account on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. The regular pension cost is attributed to individual years, using the projected unit credit method.

Variations in pension cost (including the actuarial surplus at the time the current accounting policy was adopted), which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of current employees. Differences between the amounts funded and the amount charged to the profit and loss accounts are treated as prepayments in the balance sheet.

1.11 Leases

Rentals paid under operating leases are charged to income on a straight-line basis over the terms of the lease.

Amounts received in respect of capital contributions from the lessor are credited to income on a straight-line basis over the period to the first break point under the terms of the lease.

1.12 Cash flow statement

A cash flow statement has not been prepared as the company is exempt under Financial Reporting Standard No. 1 (Revised).

2. Turnover and segmental analysis

Turnover comprises the invoice value of sales to third parties and fellow group undertakings exclusive of discounts and value added tax.

Turnover, group profit on ordinary activities before tax and net assets are analysed by business segment below:

a) Continuing activities

	Other activities £'000	Consumer & home improve- ment products £'000	Commer- cial & industrial products £'000	2001 Total £'000
Turnover				
Total sales	34,149	367,435	27,109	428,693
Intersegment sales	-	(1,963)	-	(1,963)
Total turnover	<u>34,149</u>	<u>365,472</u>	<u>27,109</u>	<u>426,730</u>
Operating profit				13,878
Release of provision for diminution in value of undertaking				1,150
Income from interests in associated undertakings				33,183
Profit from change of interests in associated undertakings				10,981
Other income				32,471
Loss on disposal of subsidiary				(3,834)
Cost of restructuring				(5,862)
Release of closure provisions: discontinued activity				208
Interest payable				<u>(33,964)</u>
Profit on ordinary activities before taxation				<u>48,211</u>
Net assets				
Net assets by segment	<u>203,550</u>	<u>(199,048)</u>	<u>133,247</u>	<u>137,749</u>
Net assets of associated undertakings	<u>235,510</u>	<u>-</u>	<u>-</u>	<u>235,510</u>
Total net assets				<u>373,259</u>

2000 comparatives are given overleaf.

2. Turnover and segmental analysis (continued)

	Other activities £'000	Consumer & home improve- ment products £'000	Commer- cial & industrial products £'000	2000 Total £'000
Turnover				
Total sales	35,600	445,992	27,703	509,295
Intersegment sales	-	(2,662)	(44)	(2,706)
Total turnover	<u>35,600</u>	<u>443,330</u>	<u>27,659</u>	<u>506,589</u>
Operating profit				11,042
Income from interests in associated undertakings				23,324
Profit from change of interests in associated undertakings				547
Cost of restructuring				(17,284)
Provision for diminution in value of investment				(1,150)
Other income				26,707
Interest payable				(30,708)
Profit on ordinary activities before taxation				<u>12,478</u>
Net assets				
Net assets by segment	<u>105,780</u>	<u>(109,962)</u>	<u>133,585</u>	<u>129,403</u>
Net assets of associated undertakings	<u>204,072</u>	<u>-</u>	<u>-</u>	<u>204,072</u>
Total net assets				<u>333,475</u>

2. Turnover and segmental analysis (continued)

(b) Geographical area

	UK £'000	Europe £'000	Africa/ Middle East £'000	Austral- asia £'000	America £'000	2001 Total £'000
Turnover						
<i>Turnover by origin:</i>						
Total sales	402,279	15,638	-	10,776	-	428,693
Intersegment sales	(1,952)	(11)	-	-	-	(1,963)
Total turnover	<u>400,327</u>	<u>15,627</u>	<u>-</u>	<u>10,776</u>	<u>-</u>	<u>426,730</u>
<i>Turnover by destination:</i>						
Sales to third parties	<u>153,706</u>	<u>207,566</u>	<u>5,150</u>	<u>15,195</u>	<u>45,113</u>	<u>426,730</u>
Operating profit						13,878
Release of provision for diminution in value of undertaking						1,150
Income from interests in associated undertakings						33,183
Profit from change of interests in associated undertakings						10,981
Other income						32,471
Loss on disposal of subsidiary						(3,834)
Cost of restructuring - impairment of fixed assets						(5,862)
Release of closure provisions: discontinued activity						208
Interest payable						(33,964)
Profit on ordinary activities before taxation						<u>48,211</u>
Net assets						
Net assets by origin	<u>137,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,749</u>
Net assets of associated undertakings	<u>-</u>	<u>235,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,510</u>
Total net assets						<u>373,259</u>

2000 comparatives are given overleaf.

2. Turnover and segmental analysis (continued)

(b) Geographical area

	UK £'000	Europe £'000	Africa/ Middle East £'000	Austral- asia £'000	America £'000	2000 Total £'000
Turnover						
<i>Turnover by origin:</i>						
Total sales	482,354	17,295	-	9,646	-	509,295
Intersegment sales	(2,536)	(168)	-	(2)	-	(2,706)
Total turnover	<u>479,818</u>	<u>17,127</u>	<u>-</u>	<u>9,644</u>	<u>-</u>	<u>506,589</u>
<i>Turnover by destination:</i>						
Sales to third parties	<u>168,877</u>	<u>262,837</u>	<u>5,011</u>	<u>16,904</u>	<u>52,960</u>	<u>506,589</u>
Operating profit						11,042
Income from interests in associated undertakings						23,324
Profit from change of interests in associated undertakings						547
Cost of restructuring - impairment of fixed assets						(17,284)
Provision for diminution in value of investment						(1,150)
Other income						26,707
Interest payable						(30,708)
Profit on ordinary activities before taxation						<u>12,478</u>
Net assets						
Net assets by origin	<u>55,366</u>	<u>-</u>	<u>-</u>	<u>74,037</u>	<u>-</u>	<u>129,403</u>
Net assets of associated undertakings	<u>-</u>	<u>204,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,072</u>
Total net assets						<u>333,475</u>

3. Selling and distribution costs

	2001 £'000	2000 £'000
Selling and warranty costs	15,193	16,808
Distribution costs	<u>11,321</u>	<u>11,413</u>
	<u>26,514</u>	<u>28,221</u>

Black & Decker International

Notes to the accounts at 31 December 2001

4. Operating profit

	2001 £'000	2000 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	23,375	23,521
Amortisation of intangible fixed assets	1,662	1,662
Auditors' remuneration		
- audit	189	212
- non audit	217	93
Directors' emoluments (see note 6)	657	1,271
Other operating leases	1,087	1,186
Land and building lease charges	2,670	3,000
Research and development expenditure	809	896
Gain on disposal of fixed assets	(183)	(2)
Government grant released	(1,300)	-

5. Staff costs

Employee costs during the year amounted to:

	2001 £'000	2000 £'000
Wages and salaries	57,165	65,378
Social security costs	4,550	4,479
Pension charge (see note 24)	6,504	5,017
Other pension costs	436	455
	<u>68,655</u>	<u>75,329</u>

The average number of persons employed by the group during the year was 2,305 (2000: 3,019) and is broken down into the following categories:

	2001 Number	2000 Number
Manufacturing	1,638	2,227
Other	667	792
	<u>2,305</u>	<u>3,019</u>

6. Emoluments of directors

	2001 £'000	2000 £'000
Other emoluments (including pension contributions)	642	1,271
Compensation for loss of office	15	-
	<u>657</u>	<u>1,271</u>

The emoluments of the highest paid director (excluding pension contributions and compensation for loss of office) are as follows:

	2001 £'000	2000 £'000
Other emoluments	<u>251</u>	<u>342</u>

The number of directors who were members of the group defined benefit pension scheme during the year was 3 (2000: 3).

7. Income from interests in associated undertakings

Disclosures are given in respect of the associated undertaking, which exceeds certain thresholds under "Financial Reporting Standard No. 9 Associates and Joint Ventures" as follows:

	Black & Decker International Holdings BV group	
	2001 £'000	2000 £'000
Group share of:		
Turnover	<u>139,905</u>	<u>132,924</u>
Operating profit	21,855	7,284
Share of profit from change of interests in associated undertakings	10,981	547
Other income	21,314	22,577
Interest payable	<u>(9,986)</u>	<u>(6,537)</u>
Profit before tax	44,164	23,871
Taxation	<u>(2,331)</u>	<u>(2,080)</u>
Profit after tax	<u>41,833</u>	<u>21,791</u>

Black & Decker International

Notes to the accounts at 31 December 2001

8. Exceptional items

	2001 £'000	2000 £'000
Cost of restructuring - impairment of fixed assets	-	17,284
- severance costs	5,862	-
Tax effect	-	-
	<u>5,862</u>	<u>17,284</u>

9. Other income

	2001 £'000	2000 £'000
Interest receivable on bank deposits	1,487	619
Interest receivable from fellow group undertakings	25,980	22,876
Foreign currency gains	4,860	3,017
Other income	144	195
	<u>32,471</u>	<u>26,707</u>

10. Interest payable

	2001 £'000	2000 £'000
Bank and other loans repayable within five years	966	606
Interest payable to other group undertakings:		
- repayable within five years	32,998	30,102
	<u>33,964</u>	<u>30,708</u>

11. Tax on profit on ordinary activities

The tax charge/(credit) based on the profit for the year comprises:

	2001 £'000	2000 £'000
United Kingdom corporation tax	7,820	79
Double taxation relief	(7,784)	(177)
Adjustment from prior years	1,803	173
	<u>1,839</u>	<u>75</u>
Deferred taxation	110	(2,927)
Deferred taxation overprovided in respect of previous years	-	(628)
	<u>1,949</u>	<u>(3,480)</u>
Overseas taxation	267	245
Associated undertakings	2,331	2,080
	<u>4,547</u>	<u>(1,155)</u>

Black & Decker International

Notes to the accounts at 31 December 2001

11. Tax on profit on ordinary activities - continued

The United Kingdom tax charge based on the profit for the year is substantially lower than the effective rate of tax due to losses to be surrendered by fellow group undertakings for nil consideration.

12. Loss for the financial year

Loss of £11,824,000 (2000: profit of £4,972,000) for the financial year are dealt with in the accounts of the holding company (Refer note 23).

13. Dividends

	2001 £'000	2000 £'000
Dividends paid on non-equity shares:		
Preference shares	<u>420</u>	<u>420</u>

14. Intangible fixed assets

Group

Goodwill (capitalised)

£'000

Cost

At 1 January 2001

33,238

At 31 December 2001

33,238

Amortisation

At 1 January 2001

3,324

Amortisation for year

1,662

At 31 December 2001

4,986

Net book value

At 31 December 2001

28,252

At 31 December 2000

29,914

Goodwill arising on acquisition has been capitalised and is to be amortised over the directors' estimate of its useful economic life of 20 years.

15. Tangible fixed assets

	Land and buildings £'000	Plant equipment and tooling £'000	Fixtures, fittings and motor vehicles £'000	Total £'000
Group				
Cost				
At 1 January 2001	21,527	217,833	7,936	247,296
Additions during year	85	15,203	339	15,627
Transfer to group undertakings	-	(3,707)	-	(3,707)
Disposals	(97)	(10,586)	(840)	(11,523)
Disposal of subsidiary company	(21)	(507)	(304)	(832)
Reclassifications	-	140	(140)	-
Exchange adjustments	(2)	(29)	(17)	(48)
At 31 December 2001	21,492	218,347	6,974	246,813
Depreciation				
At 1 January 2001	8,769	140,789	7,428	156,986
Charge for year	741	22,184	450	23,375
Transfer to group undertakings	-	(4,270)	-	(4,270)
Disposals	(71)	(6,850)	(785)	(7,706)
Disposal of subsidiary company	(13)	(720)	(210)	(943)
Reclassifications	-	182	(182)	-
Exchange adjustments	(2)	(23)	(9)	(34)
At 31 December 2001	9,424	151,292	6,692	167,408
Net book value				
At 31 December 2001	12,068	67,055	282	79,405
At 31 December 2000	12,758	77,044	508	90,310

An analysis of land and buildings is given on page 20.

At 31 December 2001 there were group commitments for future capital expenditure amounting to £5,307,000 (2000: £5,536,000).

15. Tangible fixed assets (continued)

Group	Freehold land and buildings £'000	Long leasehold £'000	Leasehold improve- ments £'000	Total £'000
Cost				
At 1 January 2001	20,040	926	561	21,527
Additions during year	85	-	-	85
Disposals	(35)	(62)	-	(97)
Disposal of subsidiary company	-	(21)	-	(21)
Exchange adjustments	-	(2)	-	(2)
At 31 December 2001	20,090	841	561	21,492
Depreciation				
At 1 January 2001	7,876	674	219	8,769
Charge for year	550	65	126	741
Disposals	(12)	(59)	-	(71)
Disposal of subsidiary company	-	(13)	-	(13)
Exchange adjustments	-	(2)	-	(2)
At 31 December 2001	8,414	665	345	9,424
Net book value				
At 31 December 2001	11,676	176	216	12,068
At 31 December 2000	12,164	252	342	12,758

15. Tangible fixed assets (continued)

Company	Plant equipment and tooling £'000	Fixtures, fittings and motor vehicles £'000	Total £'000
Cost			
At 1 January 2001	254	285	539
Additions during year	1	23	24
Disposals	-	(2)	(2)
Exchange adjustments	(4)	(5)	(9)
At 31 December 2001	251	301	552
Depreciation			
At 1 January 2001	120	117	237
Charge for year	35	91	126
Disposals	-	(1)	(1)
Exchange adjustments	(2)	-	(2)
At 31 December 2001	153	207	360
Net book value			
At 31 December 2001	98	94	192
At 31 December 2000	134	168	302

At 31 December 2001 there were no company commitments for future capital expenditure (2000: £Nil).

Black & Decker International

Notes to the accounts at 31 December 2001

16. Fixed asset investments

Group

£'000

(i) Associated undertakings Share of net assets

At 1 January 2001	204,072
Exchange adjustments	346
Share of profit from change of interests in associated undertakings	10,981
Share of profit after tax	30,852
Dividend received	(10,741)
At 31 December 2001	<u>235,510</u>

Additional disclosures are given in respect of the associated undertaking, which exceeds certain thresholds under "Financial Reporting Standard No. 9 Associates and Joint Ventures" as follows:

	Black & Decker International Holdings BV Group	
	2001 £'000	2000 £'000
Fixed assets	280,080	305,284
Current assets	<u>303,662</u>	<u>245,108</u>
Share of gross assets	<u>583,742</u>	<u>550,392</u>
Liabilities due within one year	194,435	243,141
Liabilities due after more than one year	<u>153,797</u>	<u>103,179</u>
Share of gross liabilities	<u>348,232</u>	<u>346,320</u>
Share of net assets	<u>235,510</u>	<u>204,072</u>

Black & Decker International

Notes to the accounts at 31 December 2001

16. Fixed asset investments (continued)

(ii) Investments in fellow group undertakings:

<i>Cost</i>	£'000
At 1 January 2001	64,319
Additions	12,550
At 31 December 2001	76,869
<i>Provision for diminution in value of investments</i>	
At 1 January 2001	1,150
Release of provision	(1,150)
At 31 December 2001	-
<i>Net book value</i>	
At 31 December 2001	76,869
At 31 December 2000	63,169
Total investments	
At 31 December 2001	312,379
At 31 December 2000	267,241

(i) Company Subsidiary undertakings

	Cost of shares £'000	Capital Contribution £'000	Total £'000
<i>Cost</i>			
At 1 January 2001	644,714	644	645,358
Additions	18,200	-	18,200
At 31 December 2001	662,914	644	663,558
<i>Provision for diminution in value</i>			
At 1 January 2001	42,991	-	42,991
Provision for the year	-	-	-
At 31 December 2001	42,991	-	42,991
<i>Net book value</i>			
At 31 December 2001	619,923	644	620,567
At 31 December 2000	601,723	644	602,367

Black & Decker International

Notes to the accounts at 31 December 2001

16. Fixed asset investments (continued)

(ii) Other fellow group undertakings

	Cost of shares £'000	Capital contribution £'000	Total £'000
At 1 January 2001	44,137	-	44,137
Additions	12,552	-	12,552
At 31 December 2001	<u>56,689</u>	<u>-</u>	<u>56,689</u>
Total investments			
At 31 December 2001	<u>676,612</u>	<u>644</u>	<u>677,256</u>
At 31 December 2000	<u>645,860</u>	<u>644</u>	<u>646,504</u>

The principal associated undertakings at 31 December 2001 were:

Principal associated undertakings	Country of incorporation or registration	Principal activities	Entitlement to earnings
Black & Decker International Holdings BV	Luxembourg	Investment holding company	39% (i) *
Black & Decker Overseas Holdings BV	Netherlands	Investment holding company	39% (ii) *
Black & Decker Nederland BV	Netherlands	Marketing of consumer products	39% (ii) *
Nemef BV	Netherlands	Production and marketing of security related products	39% (iii) *
Black & Decker Iberica	Spain	Marketing of consumer products	39% (iii) *

Black & Decker International

Notes to the accounts at 31 December 2001

16. Fixed asset investments (continued)

Black & Decker International Holdings BV hold either directly or indirectly 100% of the nominal share capital of the following undertakings:

Principal associated undertakings	Country of incorporation or registration	Principal activities	Entitlement to earnings
Black & Decker Holdings (Canada) Inc	Canada	Group holding company	39% (ix) *
Black & Decker (Norge) AS	Norway	Marketing of consumer products	39% (ix) *
Sjong Fasteners AS	Norway	Marketing and distribution of mechanical fasteners	39% (iv) *
Black & Decker (Belgium) NV	Belgium	Marketing of consumer products	39% (ix) *
Belco Investments Co	Ireland	Group holding company	39% (vi) *
Black & Decker (Hellas) SA	Greece	Marketing of consumer products	39% (vi) *
Black & Decker Turkey Ltd	Turkey	Marketing of consumer products	39% (ix) *
Black & Decker (Suzhou) Power Tools Pty Limited	China	Manufacture and marketing of power tools and small domestic appliances	39% (ix) *
Fasteners and Tools Limited	Japan	Manufacture of industrial fastening systems	39% (vii) *
Nippon Pop Rivets and Fasteners Limited	Japan	Manufacture of industrial fastening systems	39% (ix) *
Chesapeake Falls Holdings Company	Ireland	Investment holding company	39% (ii) *
Cheasepeake Investments Company S.a.r.l.	Luxembourg	Investment holding company	39% (x) *
Chesapeake Factoring Company	Ireland	Factoring of receivables	39% (x) *
Black & Decker Aktiebolag	Sweden	Manufacture and sale of tools and accessories	39% (ii) *
Emhart Teknik AB	Sweden	Sales of fasteners and machines	39% (xi) *
Black & Decker (Ireland)	Ireland	Distributes and services of power tools	39% (xi) *

16. Fixed asset investments (continued)*Investments in fellow subsidiary undertakings*

The fellow subsidiary undertakings at 31 December 2001 in which the group has an interest in excess of 20% of the nominal value of any class of share capital comprise:

Name of company	Country of incorporation or registration	Principal activities	Entitlement to earnings
Black & Decker GmbH	Germany	Marketing of consumer products	100% (v)** 23.7% (capped) cumulative preference shares
Black & Decker (Malaysia) Sdn. Bhd.	Malaysia	Marketing of consumer products	100% (viii) 9%*** cumulative class B common shares

- (i) Shares held indirectly through Bandhart Overseas
- (ii) Shares held indirectly through Black & Decker International Holdings BV.
- (iii) Shares held indirectly through Black & Decker Nederland BV.
- (iv) Shares held indirectly through Black & Decker (Norge) AS.
- (v) Shares held indirectly through Tucker Fasteners Limited.
- (vi) Shares held indirectly through Black & Decker Belgium.
- (vii) Shares held indirectly through Nippon Pop Rivets and Fasteners Limited.
- (viii) Shares held indirectly through Black & Decker Europe.
- (ix) Shares held indirectly through Black & Decker Overseas Holdings BV.
- (x) Shares held indirectly through Chesapeake Falls Holdings Company.
- (xi) Shares held indirectly through Black & Decker Aktiebolag.

* The class of shares held by Bandhart Overseas in Black & Decker International Holdings BV, representing 25% of the nominal share capital, entitle the group to an average of 39% of earnings for the year ended 31 December 2001.

** During 2002 the investment in Black & Decker GmbH was sold realising a profit of £81,740,000.

*** During 2002 10,146,395 B shares in Black & Decker (Malaysia) Sdn. Bhd, reflecting the investment held indirectly through Black & Decker Europe, were sold to Black & Decker for £2,125,000. These shares were redeemed by Black & Decker (Malaysia) Sdn. Bhd during December 2002 for £2,125,000.

16. Fixed asset investments (continued)

Company

The principal subsidiaries at 31 December 2001 were:

Principal subsidiaries	Country of incorporation or registration	Principal activities	Proportion of ordinary shares held
Black & Decker	England	Manufacture and sale of power tools and small domestic appliances	100%
Black & Decker Europe	England	Provision of group management services and sales of industrial know-how and technology rights	100%
Tucker Fasteners Limited	England	Manufacture of industrial fastening systems	100%
Bandhart Overseas	England	Holding company	(ii) 100%
Aven Tools Limited (<i>formerly known as Emhart (Colchester) Limited</i>)	England	Maintenance and service of capital equipment	(ii) 100%
United Marketing (Leicester)	England	Group holding company	100%
(i) Shares held indirectly through Bandhart Overseas.			
(ii) Shares held indirectly through Black & Decker.			

17. Stocks

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Raw materials and work in progress	14,485	15,992	-	-
Finished goods	29,892	42,459	1,745	2,294
	<u>44,377</u>	<u>58,451</u>	<u>1,745</u>	<u>2,294</u>

The directors are of the opinion that the replacement cost of stocks for the group and company is not materially different to their historical balance sheet value.

Notes to the accounts at 31 December 2001

18. Debtors

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Trade debtors	28,959	30,817	5,223	5,478
Amounts owed by group undertakings	430,431	390,497	222,445	213,510
Amounts owed by associate undertakings	91,643	97,036	295	132
Other debtors	2,648	2,455	169	734
Prepayments and accrued income	7,348	9,737	653	295
	561,029	530,542	228,785	220,149

Amounts falling due after more than one year included in the above are:

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Amounts owed by group undertakings	114,145	183,385	140,067	140,067
Other debtors	73	73	38	38
Prepayments and accrued income	4,795	5,425	-	-
	119,013	188,883	140,105	140,105

Amounts owed to the company by group undertakings include ten convertible equity notes with an aggregate principal value of £137,117,000 (2000: £137,117,000). The notes are convertible on or before 15 December 2092 into an equivalent nominal value of ordinary £1 shares in the capital of Black & Decker at the option of Black & Decker International. The notes are redeemable at par on 15 December 2092. Interest is calculated at 9.25% per annum.

19. Creditors: amounts falling due within one year

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Bank loans and overdrafts	218,024	42,312	79,677	33,379
Trade creditors	30,827	35,603	230	167
Amounts owed to group undertakings	437,547	163,723	353,441	125,907
Amounts owed to associate undertakings	35,247	73,073	295	239
Taxation on profits				
- UK	1,764	1,807	-	-
- Overseas	-	574	14	-
Other taxation and social security	216	2,162	-	-
Accruals and deferred income	51,615	46,423	-	-
Other creditors	484	6,318	1,659	1,027
	775,724	371,995	435,316	160,719

Black & Decker International

Notes to the accounts at 31 December 2001

20. Creditors: amounts falling after more than one year

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Amounts owed to group undertakings	75,815	301,661	83,638	309,349
Other creditors	105	109	-	-
Accruals and deferred income	132	501	-	-
	<u>76,052</u>	<u>302,271</u>	<u>83,638</u>	<u>309,349</u>

Amounts owed to group undertakings include a promissory note of principal value £75,815,000 repayable on 22 December 2028 or such later date as agreed with the holder. The promissory note carries interest at 7½% per annum and may be prepaid in whole or in part at any time without penalty or premium.

21. Provisions for liabilities and charges

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Warranties	3,863	4,711	-	-
Deferred tax	1,429	1,319	-	-
Provision for reorganisation costs	13,612	17,513	-	-
	<u>18,904</u>	<u>23,543</u>	<u>-</u>	<u>-</u>

An analysis of the major provision is given below:

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
<i>Warranties:</i>				
At 1 January 2001	4,711	4,190	-	-
Increase in provision	-	8,137	-	-
Utilisation of provision	(153)	(7,616)	-	-
Disposal of subsidiary	(695)	-	-	-
	<u>3,863</u>	<u>4,711</u>	<u>-</u>	<u>-</u>
At 31 December 2001				

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

21. Provisions for liabilities and charges (continued)

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
<i>Deferred tax:</i>				
Accelerated capital allowances	(4,003)	(2,607)	-	-
Short-term timing differences	3,804	2,298	-	-
Pension credit prepayment	1,628	1,628	-	-
	<u>1,429</u>	<u>1,319</u>	<u>-</u>	<u>-</u>

The movement in deferred tax during the year comprises:

	Group £'000	Company £'000
At 1 January 2001	1,319	-
Charge to profit and loss	110	-
At 31 December 2001	<u>1,429</u>	<u>-</u>

The full potential amount of deferred taxation on all timing differences is as follows:

	2001 £'000	Group 2000 £'000
<i>Provided</i>		
Accelerated capital allowances	(4,003)	(2,607)
Short-term timing differences	3,804	2,298
Pension credit prepayment	1,628	1,628
Other	-	-
	<u>1,429</u>	<u>1,319</u>
<i>Unprovided</i>		
Accelerated capital allowances	(871)	(397)
Tax losses	(1,649)	(859)
Short-term timing differences	100	-
Pension credit prepayment	(3,079)	(1,497)
Capital gains deferred under the roll-over provisions	455	461
	<u>(3,615)</u>	<u>(973)</u>

Reorganisation costs:

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
At 1 January 2001	17,513	235	-	-
Provision for the year		17,284		
Provision utilised in the year	(22)	-	-	-
Provision released	(3,879)	(6)	-	-
At 31 December 2001	<u>13,612</u>	<u>17,513</u>	<u>-</u>	<u>-</u>

The provision will be released during 2002 on completion of the restructuring programme.

22. Called up share capital

	2001 £'000	Authorised 2000 £'000	Allotted, called up and fully paid 2001 £'000	2000 £'000
Equity share capital:				
"A" Ordinary shares of £1 each	46,500	46,500	35,907	35,907
"B" Ordinary shares of £1 each	10,000	10,000	10,000	10,000
Non-equity share capital:				
12% cumulative preferred shares of £1 each	3,500	3,500	3,500	3,500
	<u>60,000</u>	<u>60,000</u>	<u>49,407</u>	<u>49,407</u>

Ordinary shares class "A" and class "B" has equal rights in all aspects except for voting rights. Every holder of "A" shares has one vote on a show of hands when voting in person or by proxy while on a poll, each "A" share have one vote. However, every holder of "B" shares has two votes on a show of hands when voting in person or by proxy while on poll, each "B" share also has two votes.

The preference shares represent the only non-equity interest in shareholders' funds.

23. Reconciliation of movements in shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss £'000	Total share- holders' funds £'000
Group					
Balance at 1 January 2000	49,407	172,369	12,672	67,174	301,622
Profit attributable to members of the group	-	-	-	13,626	13,626
Foreign currency translation	-	-	-	18,647	18,647
Dividends	-	-	-	(420)	(420)
Balance at 31 December 2000	49,407	172,369	12,672	99,027	333,475
Profit attributable to members of the group	-	-	-	43,657	43,657
Foreign currency translation	-	-	-	(3,453)	(3,453)
Dividends	-	-	-	(420)	(420)
Balance at 31 December 2001	<u>49,407</u>	<u>172,369</u>	<u>12,672</u>	<u>138,811</u>	<u>373,259</u>

The cumulative amount of goodwill written off at 31 December 2001, net of goodwill relating to undertakings disposed of, is £84,378,000 (2000: £104,403,000).

23. Reconciliation of movements in shareholders' funds and movements on reserves (continued)

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total share- holders' funds £'000
Company				
Balance at 1 January 2000	49,407	172,369	176,114	397,890
Profit attributable to members of the company	-	-	4,972	4,972
Foreign currency translation	-	-	(22)	(22)
Dividends	-	-	(420)	(420)
Balance at 31 December 2000	49,407	172,369	180,644	402,420
Profit attributable to members of the company	-	-	(11,824)	(11,824)
Foreign currency translation	-	-	83	83
Dividends	-	-	(420)	(420)
Balance at 31 December 2001	49,407	172,369	168,483	390,259

No provision is made for taxation that would be payable in the event of a distribution being made out of profits retained in the overseas subsidiaries, branches and associates.

24. Pension obligations

The group operates defined benefit pension plan arrangements for all United Kingdom employees of the Black & Decker Group providing benefits based on final pensionable earnings. The assets of the pension plans are held in separate trustee administered funds.

The most recent actuarial assessment of the Black & Decker 1995 Pension Scheme was carried out as at 5 April 2001, by qualified actuaries using the projected unit credit method. The assumptions, which have the most significant effect on the results of the actuarial assessment, are those relating to the rate of return on the investments and the rate of increases in salaries. It was assumed that the investment returns would average 7.5% per annum and salary increases would average 5.5% per annum. Discretionary post-retirement pension increases were allowed for at 2.0%-3.0% per annum other than statutory increases for Guaranteed Minimum Pensions.

The actuarial assessment at 5 April 2001 for accounting purposes showed that the market related value of the Scheme's assets was £263 million and that the actuarial value of those investments was more than 100% of the value of projected benefits accrued to the members at that date.

The group pension cost in the profit and loss account was £6,504,000 (2000: £5,017,000).

Accruals include £8,432,000 (2000: £1,987,000), being the shortfall of amounts funded over accumulated net pension costs charged to the profit and loss account.

There are several schemes operated by overseas subsidiaries. In these cases employees are covered by local arrangements for which the appropriate costs are charged to the profit and loss account as incurred.

Notes to the accounts at 31 December 2001

24. Pension obligations (continued)

The last full actuarial valuation upon which the Financial Reporting Standard No. 17 "Retirement Benefits" ("FRS 17") figures have been based was at 5th April 2000 and the disclosures required under FRS 17 are as follows:

	31 December 2001
Price inflation	2.5%
Rate of increase in pay	4.0%
Rate of increase of pensions in payment:	
- post 5 April 1997	2.5%
- pre 6 April 1997	1.7%
Discount Rate	6.0%

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

	Long term rate of return expected on 31 December 2001	Value at 31 December 2001 £million
Equities	8.0%	180.2
Bonds	5.6%	55.5
Property	6.8%	9.7
Cash	4.0%	6.2
		<u>251.6</u>
Present value of the scheme liabilities		(261.0)
Deficit of the scheme		<u>(9.4)</u>
Related deferred tax asset		2.8
Net pension liability		<u>(6.6)</u>

25. Operating leases

Group operating lease payments amounting to £3,566,000 (2000: £3,022,000) are committed to be made during the next year and are analysed as follows:

	Land and buildings		Other		Total	
	2001	2000	2001	2000	2001	2000
	£'000	£'000	£'000	£'000	£'000	£'000
Leases expiring:						
within one year	94	203	192	732	286	935
within two to five years	202	623	741	1,077	943	1,700
thereafter	<u>2,337</u>	<u>379</u>	<u>-</u>	<u>8</u>	<u>2,337</u>	<u>387</u>
	<u>2,633</u>	<u>1,205</u>	<u>933</u>	<u>1,817</u>	<u>3,566</u>	<u>3,022</u>

26. 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 undertaking publishes consolidated financial statements.

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

27. Contingent liabilities

Bank guarantees

Under cash pooling arrangements the company together with certain of its subsidiaries has given unlimited cross guarantees in respect of bank borrowings of certain United Kingdom Black & Decker companies.

28. Ultimate holding company

The ultimate holding company is The Black & Decker Corporation, a company which is incorporated in the United States of America.

The smallest and largest group in which the results of the company are consolidated is that headed by The Black & Decker Corporation. The consolidated accounts are available from:

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

29. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £5,307,000 (2000: £5,336,000) in relation to subsidiary undertakings.