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# Black & Decker International

## Report And Accounts

31 December 1996



**DIRECTORS**

C B Powell-Smith	(Chairman)
C E Fenton	
W I B Freeman	(Resigned 19 December 1996)
R D P Green	(Resigned 31 December 1996)
B D Rivers	(Resigned 16 April 1996)
R A Whichelow	(Resigned 30 April 1997)
A M J van Schijndel (Alternate R D P Green)	(Resigned 15 February 1996)
N R Judd	(Appointed 4 April 1996)
A R Sanderson (Alternate J Holmes)	(Appointed 7 April 1997)
C G Watson	(Appointed 7 April 1997)
G Chakravarthi	(Appointed 7 April 1997)

**SECRETARY**

R D P Green	(Resigned 31 December 1996)
R A Whichelow	(Appointed 1 January 1997, resigned 30 April 1997)
C G Watson	(Appointed 1 May 1997)

**AUDITORS**

Ernst & Young  
Apex Plaza  
Reading  
Berkshire  
RG1 1YE

**REGISTERED OFFICE**

210 Bath Road  
Slough  
Berkshire  
SL1 3YD

**REGISTERED IN ENGLAND**

209797

The directors present their report for the year ended 31 December 1996.

#### RESULTS AND DIVIDENDS

The trading results 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 £3,691,000 (1995: £19,841,000). Ordinary dividends have been declared for the year amounting to £150,000,000 (1995: £31,808,000 paid) and preference dividends of £420,000 (1995: £420,000) have been declared and paid.

#### 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 and parts for the glass container making industry.

#### RESEARCH AND DEVELOPMENT

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

#### 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.

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

#### TANGIBLE FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 14 to the accounts. The directors are of the opinion that the aggregate market value of land and buildings situated in the UK 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. There is also a share purchase scheme under which all employees are able to participate in the shares of The Black & Decker Corporation, the company's ultimate holding company, which is listed on the New York stock exchange.

#### 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 £23,171 (1995: £23,913) none of which included political contributions (1995: £10,000 to the Conservative Board of Finance).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

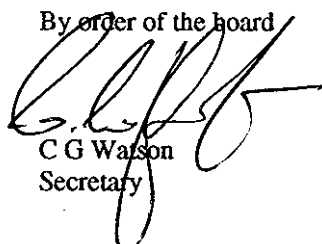
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 group and to enable them to ensure that the accounts comply with the Companies Act. 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 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



C G Watson  
Secretary

18 June 1997

## REPORT OF THE AUDITORS

to the members of Black & Decker International

We have audited the accounts on pages 5 to 31 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1996 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*

Chartered Accountants  
Registered Auditor  
Reading

*27 August 1997*

# Black & Decker International

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

	<i>Note</i>	<i>1996 £'000</i>	<i>1995 £'000</i>
<b>TURNOVER</b>	2	514,394	499,283
Cost of sales		408,608	404,278
<b>GROSS PROFIT</b>		105,786	95,005
Selling and distribution costs	3	45,873	48,657
Administrative expenses		43,079	39,954
<b>OPERATING PROFIT</b>	4	16,834	6,394
Exceptional items:			
- Loss on disposal of fixed assets	7	-	(4,119)
Other income	8	7,060	7,049
Income from interests in associated undertakings	9	(5,067)	31,117
		18,827	40,441
Interest payable	10	18,057	20,052
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		770	20,389
Tax (credit)/charge on profit on ordinary activities	11	(2,332)	1,390
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		3,102	18,999
Minority interests - equity interests		589	842
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	12	3,691	19,841
Dividends (including dividends on non-equity shares)	13	150,420	32,228
<b>RETAINED LOSS FOR THE YEAR</b>	22	(146,729)	(12,387)

Black & Decker International

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
for the year ended 31 December 1996

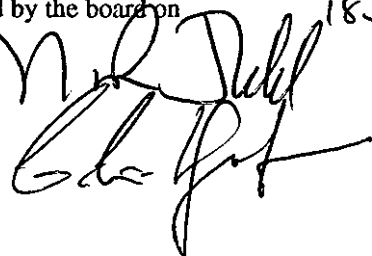
	<i>1996</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>
Profit for the financial year	3,691	19,841
Foreign currency translation	(19,637)	3,531
Total recognised gains and losses relating to the year	<u>(15,946)</u>	<u>23,372</u>

Black & Decker International  
CONSOLIDATED BALANCE SHEET  
at 31 December 1996

	Note	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Tangible assets	14	76,121	80,241
Investments	15	158,577	181,305
		<u>234,698</u>	<u>261,546</u>
<b>CURRENT ASSETS</b>			
Stocks	16	53,830	62,096
Debtors	17	259,670	277,530
Cash at bank and in hand		27,117	26,419
		<u>340,617</u>	<u>366,045</u>
<b>CREDITORS: amounts falling due within one year</b>	18	324,970	134,286
<b>NET CURRENT ASSETS</b>		<u>15,647</u>	<u>231,759</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>250,345</u>	<u>493,305</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	172,564	239,099
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	15,015	17,185
<b>MINORITY INTERESTS - equity interests</b>		6,068	9,555
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>56,698</u>	<u>227,466</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	39,406	39,406
Share premium account	22	26,240	26,240
Reserves	22	(8,948)	161,820
<b>TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)</b>		<u>56,698</u>	<u>227,466</u>

Approved by the board on

18 June 1997



) Directors



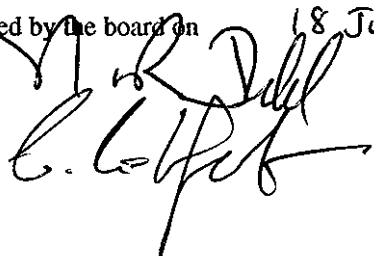
# Black & Decker International

## BALANCE SHEET at 31 December 1996

	Note	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Tangible assets	14	515	386
Investments	15	359,658	355,118
		<u>360,173</u>	<u>355,504</u>
<b>CURRENT ASSETS</b>			
Stocks	16	1,863	1,162
Debtors: amounts falling due:	17		
- after one year		137,132	137,117
- within one year		24,501	80,359
Cash at bank and in hand		10,452	1,537
		<u>173,948</u>	<u>220,175</u>
<b>CREDITORS: amounts falling due within one year</b>	18	201,472	23,757
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(27,524)</u>	<u>196,418</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		332,649	551,922
<b>CREDITORS: amounts falling due after more than one year</b>	19	171,150	237,599
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	12,008	12,008
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>149,491</u>	<u>302,315</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	39,406	39,406
Share premium account	22	26,240	26,240
Reserves	22	83,845	236,669
<b>TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)</b>		<u>149,491</u>	<u>302,315</u>

Approved by the board on

18 June 1997



)  
) Directors

1. ACCOUNTING POLICIES

*Accounting convention*

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

*Basis of consolidation*

The group accounts consolidate the accounts of the company and all its subsidiary undertakings drawn up to 31 December 1996. 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 an investment representing not less than 20% of the equity voting rights and over which it exerts 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 1996.

*Goodwill*

Goodwill arising on consolidation (representing the excess of the purchase consideration for subsidiary and associate undertakings over the fair value ascribed to their net tangible assets when acquired) is written off against distributable reserves on acquisition.

*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%

*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.

*Deferred taxation*

Deferred taxation, on timing differences between capital allowances and depreciation and on other short term timing differences, is provided for in full at the rate of tax applicable to the year in which the provisions are expected to crystallise (liability method), because the directors have concluded, on reasonable evidence, that there is likely to be a net reversal of these timing differences in the foreseeable future.

No deferred taxation is provided for on capital gains arising on the disposal of UK property that has been deferred under the roll-over provisions after deducting available capital losses or on earnings retained overseas.

*Research and development*

Costs associated with the development of new products and changes to existing products are charged to the profit and loss account as incurred.

1. ACCOUNTING POLICIES (continued)

*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.

*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.

*Pensions*

For UK group undertakings, 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 on pension cost 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 account are treated as either provisions or prepayments in the group balance sheet.

Outside the UK, locally engaged employees are covered by appropriate local arrangements for which the costs are charged to the profit and loss account as incurred.

*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.

*Provisions for liabilities and charges*

Provisions for the expected costs of maintenance under guarantee are charged against profits when products are invoiced.

*Cash flow statement*

A cash flow statement has not been prepared as the company is exempt under Financial Reporting Standard 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 below:

*a) Continuing Activities*

	<i>Other activities</i> £'000	<i>Consumer &amp; home improvement products</i> £'000	<i>Commercial &amp; industrial products</i> £'000	<i>1996 Total</i> £'000
<b>Turnover</b>				
Total sales	-	452,680	75,274	527,954
Intersegment sales	-	(13,465)	(95)	(13,560)
<b>Total turnover</b>	-	439,215	75,179	514,394
<b>Operating profit</b>				16,834
Other income				7,060
Income from interests in associated undertakings				(5,067)
Interest payable				(18,057)
<b>Profit on ordinary activities before taxation</b>				770
<b>Net Assets</b>				
Net assets by segment	(180,966)	22,090	74,931	(83,945)
<b>Net assets of associated undertakings</b>	140,643	-	-	140,643
<b>Total net assets</b>				56,698

1995 comparatives are given overleaf.

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

	<i>Other activities</i>	<i>Consumer &amp; home improvement products</i>	<i>Commercial &amp; industrial products</i>	<i>1995 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>				
Total sales	-	441,453	66,165	507,618
Intersegment sales	-	(8,089)	(246)	(8,335)
Total turnover	-	433,364	65,919	499,283
<b>Operating profit</b>				6,394
Exceptional items				(4,119)
Other income				7,049
Income from interests in associated undertakings				31,117
Interest payable				(20,052)
Profit on ordinary activities before taxation				20,389
<b>Net Assets</b>				
Net assets by segment	(22,138)	20,645	67,790	66,297
Net assets of associated undertakings	161,169	-	-	161,169
Total net assets				227,466

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

#### (b) Geographical area

	UK £'000	Europe £'000	Africa/ Middle East £'000	Australasia £'000	America £'000	1996 Total £'000
<b>Turnover</b>						
Turnover by origin:						
Total sales	422,961	46,185	-	58,808	-	527,954
Intersegment sales	(13,415)	-	-	(145)	-	(13,560)
	<u>409,546</u>	<u>46,185</u>	<u>-</u>	<u>58,663</u>	<u>-</u>	<u>514,394</u>
 Turnover by destination:						
Sales to third parties	<u>152,386</u>	<u>230,456</u>	<u>6,364</u>	<u>69,346</u>	<u>55,842</u>	<u>514,394</u>
 <b>Operating profit</b>						16,834
Other income						7,060
Income from interests in associated undertakings						(5,067)
Interest payable						(18,057)
 Profit on ordinary activities before taxation						<u>770</u>
 <b>Net Assets</b>						
Net assets by origin	<u>(141,094)</u>	<u>4,449</u>	<u>-</u>	<u>52,700</u>	<u>-</u>	<u>(83,945)</u>
Net assets of associated undertakings	<u>-</u>	<u>140,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,643</u>
 <b>Total net assets</b>						<u>56,698</u>

1995 comparatives are given overleaf.

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

	UK £'000	Europe £'000	Africa/ Middle East £'000	Austra- lasia £'000	America £'000	1995 Total £'000
<b>Turnover</b>						
Turnover by origin:						
Total sales	415,878	38,362	-	53,878	-	507,618
Intersegment sales	(2,036)	(1,145)	-	(5,154)	-	(8,335)
Total turnover	413,842	37,217	-	48,224	-	499,283
Turnover by destination:						
Sales to third parties	154,392	228,534	7,156	62,213	46,988	499,283
<b>Operating profit</b>						6,394
Exceptional items						(4,119)
Other income						7,049
Income from interests in associated undertakings						31,117
Interest payable						(20,052)
Profit on ordinary activities before taxation						20,389
<b>Net Assets</b>						
Net assets by origin	(3,197)	6,111	-	63,383	-	66,297
Net assets of associated undertakings	-	161,169	-	-	-	161,169
<b>Total net assets</b>						227,466

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 3. SELLING AND DISTRIBUTION COSTS

	1996 £'000	1995 £'000
Selling and warranty costs	36,111	37,577
Distribution costs	9,762	11,080
	<u>45,873</u>	<u>48,657</u>

### 4. OPERATING PROFIT is stated after charging:

	1996 £'000	1995 £'000
Depreciation of tangible fixed assets before amortisation of government grants amounting to £19,000 (1995: £21,000)	19,147	15,000
Auditors' remuneration		
- audit	268	291
- non audit	192	262
Directors' emoluments (see note 6)	1,654	574
Hire of plant and machinery under operating leases	2,507	2,055
Other operating lease charges	3,459	3,708
Research and development expenditure	8,626	8,669
	<u></u>	<u></u>

### 5. STAFF COSTS

Employee costs during the year amounted to:

	1996 £'000	1995 £'000
Wages and salaries	68,390	74,932
Social security costs	6,993	7,686
Pension charge (see note 23)	549	3,094
Other pension costs	1,024	3,608
	<u>76,956</u>	<u>89,320</u>

The average number of persons employed by the group during the year was 3,571 (1995: 4,140) and is broken down into the following categories:

	1996 Number	1995 Number
Manufacturing	2,240	2,778
Other	1,331	1,362
	<u>3,571</u>	<u>4,140</u>



**6. EMOLUMENTS OF DIRECTORS**

	<i>1996</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>
Fees	7	6
Other emoluments (including pension contributions)	467	568
Compensation for loss of office	1,180	-
	<u>1,654</u>	<u>574</u>

The emoluments of directors shown above (excluding pension contributions and ex-gratia payments) include:

	<i>1996</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>
Chairman	7	6
Highest paid director	108	212

All directors in the following ranges:

	<i>Number of directors</i>	
	<i>1996</i>	<i>1995</i>
Nil to £5,000	1	1
£ 5,001 to £10,000	1	1
£30,001 to £35,000	1	-
£ 65,001 to £70,000	-	1
£ 70,001 to £75,000	1	1
£ 75,001 to £80,000	1	1
£ 80,001 to £85,000	1	-
£90,001 to £95,000	1	-
£105,001 to £110,000	1	-
£130,001 to £135,000	-	1
£210,001 to £215,000	-	1

**7. EXCEPTIONAL ITEMS****(a) Exceptional items within operating profit**

	<i>1996</i> <i>£'000</i>	<i>1995</i> <i>£'000</i>
Consumer and home improvements division: Rationalisation and reorganisation costs	-	(5,307)
Commercial and industrial products division: Pension credits on reorganisation of pension scheme (see note 23)	-	2,075
	<u>-</u>	<u>(3,232)</u>

The above amounts are included within administrative expenses.

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 7. EXCEPTIONAL ITEMS (continued)

#### (b) Exceptional items below operating profit

Loss on disposal of fixed assets	-	(5,904)
Profit on dilution of interest in subsidiary undertaking	-	1,785
	-	(4,119)

### 8. OTHER INCOME

	1996 £'000	1995 £'000
Interest receivable on bank deposits	291	1,434
Interest receivable from fellow group undertakings	6,623	4,514
Foreign currency (losses)/gains	(435)	435
Other income	581	666
	7,060	7,049

### 9. INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS

The associates total turnover and results for the year are given below, of which a loss of £5,067,000 (1995: profit £31,117,000) represents the group's share of results before tax.

	<i>Black &amp; Decker International Holdings BV group</i>	
	1996 £'000	1995 £'000
Turnover	140,769	133,319
(Loss)/Profit before tax	(14,092)	83,840
Group share of (loss)/profit before tax	(5,067)	31,117

### 10. INTEREST PAYABLE

	1996 £'000	1995 £'000
Bank and other loans repayable within five years	958	2,127
Interest payable to other group undertakings: - repayable within five years	17,099	17,925
	18,057	20,052

**11. TAX ON PROFIT ON ORDINARY ACTIVITIES**

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

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995: 33%)	1,711	1,146
Double taxation relief	(393)	(170)
Adjustment from prior years	(2,026)	(234)
	(708)	742
Transfer (from) deferred taxation	(2,300)	(1,586)
	(3,008)	(844)
Overseas taxation	158	43
Associated undertakings	518	2,191
	(2,332)	1,390

The UK 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.

The 1995 tax charge was unaffected by the exceptional items recognised below operating profit for that year.

**12. PROFIT FOR THE FINANCIAL YEAR**

Losses of £2,450,000 (1995: Profit £48,475,000) for the financial year are dealt with in the accounts of the holding company.

**13. DIVIDENDS PAID**

	1996 £'000	1995 £'000
Dividends paid on equity shares:		
Ordinary		
- final paid	-	31,808
- proposed	150,000	-
Dividends paid on non-equity shares:		
Preference paid	420	420
	150,420	32,228

## NOTES TO THE ACCOUNTS

at 31 December 1996

## 14. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings £'000</i>	<i>Plant equipment and tooling £'000</i>	<i>Fixtures, fittings and motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 January 1996	29,771	136,624	19,792	186,187
Additions during year	231	14,842	1,388	16,461
Disposals	(991)	(5,997)	(1,770)	(8,758)
Reclassifications	1,107	4,797	(5,904)	-
Exchange adjustments	(476)	(160)	(746)	(1,382)
At 31 December 1996	29,642	150,106	12,760	192,508
<b>Depreciation</b>				
At 1 January 1996	11,734	84,204	10,008	105,946
Charge for year	1,162	16,743	1,242	19,147
Amortisation of grants	(19)	-	-	(19)
Disposals	(767)	(5,656)	(1,570)	(7,993)
Reclassifications	(183)	236	(53)	-
Exchange adjustments	(173)	(354)	(167)	(694)
At 31 December 1996	11,754	95,173	9,460	116,387
<b>Net book value</b>				
At 31 December 1996	17,888	54,933	3,300	76,121
At 31 December 1995	18,037	52,420	9,784	80,241

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

At 31 December 1996 there were group commitments for future capital expenditure amounting to £1,443,000 (1995: £3,830,000).

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 14. TANGIBLE FIXED ASSETS (continued)

<i>Group</i>	<i>Freehold land and buildings £'000</i>	<i>Long leasehold £'000</i>	<i>Leasehold improvements £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 January 1996	23,463	5,985	323	29,771
Additions	77	154	-	231
Disposals	(991)	-	-	(991)
Reclassifications	-	1,107	-	1,107
Exchange adjustments	-	(476)	-	(476)
At 31 December 1996	22,549	6,770	323	29,642
<b>Depreciation</b>				
At 1 January 1996	7,159	4,252	323	11,734
Charge for year	810	352	-	1,162
Amortisation of grants	(19)	-	-	(19)
Disposals	(767)	-	-	(767)
Reclassifications	-	(183)	-	(183)
Exchange adjustments	-	(173)	-	(173)
At 31 December 1996	7,183	4,248	323	11,754
<b>Net book value</b>				
At 31 December 1996	15,366	2,522	-	17,888
At 31 December 1995	16,304	1,733	-	18,037

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 14. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Plant equipment and tooling £'000</i>	<i>Fixtures, fittings and motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 1996	339	554	893
Additions during year	46	67	113
Disposals	(3)	(66)	(69)
Exchange adjustments	(43)	(71)	(114)
At 31 December 1996	339	484	823
<b>Depreciation</b>			
At 1 January 1996	160	347	507
Charge for year	40	58	98
Disposals	(3)	(221)	(224)
Exchange adjustments	(24)	(49)	(73)
At 31 December 1996	173	135	308
<b>Net book value</b>			
At 31 December 1996	166	349	515
At 31 December 1995	179	207	386

At 31 December 1996 there were no company commitments for future capital expenditure (1995: £Nil).

### 15. FIXED ASSET INVESTMENTS

<i>Group</i>	<i>£'000</i>
(i) <i>Associated undertakings</i>	
<i>Share of net assets</i>	
At 1 January 1996	161,169
Exchange adjustments	(14,941)
Share of loss after tax	(5,585)
At 31 December 1996	140,643

## NOTES TO THE ACCOUNTS

at 31 December 1996

## 15. FIXED ASSET INVESTMENTS (continued)

(ii) Investments in fellow subsidiary undertakings	£'000
Shares at cost	
At 1 January 1996	20,136
Disposals	(2,202)
At 31 December 1996	17,934
<b>Total investments</b>	
At 31 December 1996	158,577
At 31 December 1995	181,305

The group's share of post acquisition profits retained by associated undertakings at 31 December 1996 is £16,281,000 (1995: £36,807,000).

(i) <i>Company</i>			
<i>Subsidiary undertakings</i>	<i>Cost of shares</i>	<i>Capital contribution</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 1996 written down value	322,924	644	323,568
Additions	6,742	-	6,742
Provisions charged in year	-	-	-
At 31 December 1996	329,666	644	330,310
(ii) <i>Other</i>	<i>Cost of shares</i>	<i>Capital contribution</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 1996	31,550	-	31,550
Disposals	(2,202)	-	(2,202)
At 31 December 1996	29,348	-	29,348
<b>Total investments</b>			
At 31 December 1996	359,014	644	359,658
At 31 December 1995	354,474	644	355,118

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 15. FIXED ASSET INVESTMENTS (continued)

#### Group

The principal associated undertakings at 31 December 1996 were:-

<i>Principal associated undertakings</i>	<i>Country of incorporation or registration</i>	<i>Principal activities</i>	<i>Entitlement to earnings</i>
Black & Decker International Holdings BV	Netherlands	Investment holding company	38% (i) *

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

Black & Decker Nederland BV	Netherlands	Marketing of consumer products	38% (ii) *
Nemef BV	Netherlands	Production and marketing of security related products	38% (iii) *
Black & Decker Iberica	Spain	Marketing of consumer products	38% (iii) *
Black & Decker Holdings (Canada) Inc	Canada	Group Holding Company	38% (ii) *
Black & Decker (Norge) AS	Norway	Marketing of consumer products	38% (ii) *
Sjong Fasteners AS	Norway	Marketing and distribution of mechanical fasteners	38% (iv) *
Black & Decker (Belgium) NV	Belgium	Marketing of consumer products	38% (ii) *
Belco Investments Co	Ireland	Group Holding Company	38% (vi) *
Black & Decker (Hellas) SA	Greece	Marketing of consumer products	38% (vi) *
Black & Decker Turkey Ltd	Turkey	Marketing of consumer products	38% (ii) *



# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 15. FIXED ASSET INVESTMENTS (continued)

#### *Investments in fellow subsidiary undertakings*

The fellow subsidiary investments at 31 December 1996 in which the group has an interest in excess of 20% of the nominal value of any class of share capital comprise:

<i>Name of company</i>	<i>Country of incorporation or registration</i>	<i>Principal activities</i>	<i>Holding</i>
Black & Decker GmbH	Germany	Marketing of Consumer products	100% (v) 23.7% (capped) cumulative preference shares

- (i) Shares held indirectly through Bandhart Overseas (formerly Futuretense Limited).
- (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.

\*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 38% of earnings for the year ended 31 December 1996.

#### *Company*

The principal subsidiaries at 31 December 1996 were:-

<i>Principal subsidiaries</i>	<i>Country of incorporation or registration</i>	<i>Principal activities</i>	<i>Proportion of ordinary shares held</i>
Black & Decker	England	Manufacture and sale of power tools and small domestic appliances	100%
Black & Decker Asia Pacific Pte Ltd	Singapore	Manufacture of small domestic electrical appliances, consumer goods and glass manufacturing equipment	90% (i)
Black & Decker Europe	England	Provision of group management services and sales of industrial know-how and technology rights	100%

## NOTES TO THE ACCOUNTS

at 31 December 1996

## 15. FIXED ASSET INVESTMENTS (continued)

Aven Tools Limited	England	Manufacture of circular saw blades, hand tools and mill blades	100%
Tucker Fasteners Limited	England	Manufacture of industrial fastening systems	100%
Emhart (UK) Limited	England	Distribution of machinery for glass container business	100%
Bandhart Overseas	England	Holding company	100% (ii)
Emhart (Colchester) Limited	England	Maintenance and service of capital equipment	100% (ii)
United Marketing (Leicester)	England	Group holding company	100%

(i) Shares held indirectly through Bandhart Overseas.

(ii) Shares held indirectly through Black &amp; Decker.

## 16. STOCKS

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Raw materials and work in progress	18,186	21,738	-	-
Finished goods	35,644	40,358	1,863	1,162
	<u>53,830</u>	<u>62,096</u>	<u>1,863</u>	<u>1,162</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.

## 17. DEBTORS

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Trade debtors	37,115	37,139	5,667	6,736
Amounts owed by group undertakings	206,801	224,518	-	-
Amounts owed by parent and fellow subsidiary undertakings	-	-	65	16,885
Amounts owed by subsidiary undertakings	-	-	155,320	193,391
Other debtors	3,189	3,739	437	318
Prepayments and accrued income	12,565	12,134	144	146
	<u>259,670</u>	<u>277,530</u>	<u>161,633</u>	<u>217,476</u>

# Black & Decker International

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 17. DEBTORS (continued)

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

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Amounts owed by group undertakings	981	5,468	-	-
Amounts owed by subsidiary undertakings	-	-	137,132	137,117
Other debtors	35	35	-	-
Prepayments and accrued income	10,146	7,763	-	-
	<u>11,162</u>	<u>13,266</u>	<u>137,132</u>	<u>137,117</u>

The amounts owed by subsidiary undertakings comprise ten convertible equity notes. 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.

### 18. CREDITORS: amounts falling due within one year

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Bank loans and overdrafts	16,651	18,658	256	-
Trade creditors	40,269	42,708	43	62
Amounts owed to parent and fellow subsidiary undertakings	231,531	36,647	198,353	3,899
Amounts owed to subsidiary undertakings	-	-	2,282	19,549
Taxation on profit				
- UK	1,546	1,425	-	-
- Overseas	193	460	-	(97)
Other taxation and social security	1,564	2,788	-	-
Accruals and deferred income	31,114	30,375	538	344
Other creditors	2,102	1,225	-	-
	<u>324,970</u>	<u>134,286</u>	<u>201,472</u>	<u>23,757</u>

### 19. CREDITORS: amounts falling due after more than one year

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Amounts owed to fellow subsidiary undertakings	171,150	237,599	171,150	237,599
Other creditors	200	211	-	-
Accruals and deferred income	1,214	1,289	-	-
	<u>172,564</u>	<u>239,099</u>	<u>171,150</u>	<u>237,599</u>

Black & Decker International  
NOTES TO THE ACCOUNTS  
at 31 December 1996

20. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
Warranties	3,489	2,767	-	-
Deferred tax	6,513	8,813	-	-
Emhart (Colchester) run down costs	5,013	5,605	-	-
Provision for support to other group undertakings (see note 28)	-	-	12,008	12,008
	<u>15,015</u>	<u>17,185</u>	<u>12,008</u>	<u>12,008</u>

An analysis of the major provisions is given below:

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
<i>Warranties:</i>				
At 1 January 1996	2,767	1,153	-	-
Increase in year	722	1,614	-	-
At 31 December 1996	<u>3,489</u>	<u>2,767</u>	<u>-</u>	<u>-</u>

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
<i>Deferred tax:</i>				
Accelerated capital allowances	2,201	4,178	-	-
Short-term timing differences	2,506	2,544	-	-
Pension credit prepayment	2,917	3,337	-	-
Other	(1,111)	(1,246)	-	-
	<u>6,513</u>	<u>8,813</u>	<u>-</u>	<u>-</u>

The movement in deferred tax during the year comprises:

	Group £'000	Company £'000
At 1 January 1996	8,813	-
Release to profit and loss	(2,300)	-
At 31 December 1996	<u>6,513</u>	<u>-</u>

## NOTES TO THE ACCOUNTS

at 31 December 1996

**20. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

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

	1996 £'000	Group 1995 £'000
Accelerated capital allowances	2,812	4,665
Short-term timing differences	2,448	2,469
Pension credit prepayment	2,917	3,337
Other	(1,111)	(1,246)
	<u>7,066</u>	<u>9,225</u>
Capital gains deferred under the roll-over provisions	584	584
	<u>7,650</u>	<u>9,809</u>

*Reorganisation costs:*

	1996 £'000	Group 1995 £'000	1996 £'000	Company 1995 £'000
At 1 January 1996	5,605	6,990	12,008	12,008
Provision utilized in the year	(592)	(1,385)	-	-
At 31 December 1996	<u>5,013</u>	<u>5,605</u>	<u>12,008</u>	<u>12,008</u>

**21. CALLED UP SHARE CAPITAL**

	1996 £'000	Authorised 1995 £'000	Allotted, called up and fully paid 1996 £'000	1995 £'000
Equity share capital:				
Ordinary shares of £1 each	46,500	46,500	35,906	35,906
Non-equity share capital:				
12% cumulative preferred shares of £1 each	3,500	3,500	3,500	3,500
	<u>50,000</u>	<u>50,000</u>	<u>39,406</u>	<u>39,406</u>

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

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

<i>Group</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Other reserves £'000</i>	<i>Profit shareholders' and loss £'000</i>	<i>Total funds £'000</i>
Balance at 1 January 1995	39,406	26,240	12,354	158,322	236,322
Profit attributable to members of the group	-	-	-	19,841	19,841
Foreign currency translation	-	-	-	3,531	3,531
Dividends	-	-	-	(32,228)	(32,228)
Balance at 31 December 1995	39,406	26,240	12,354	149,466	227,466
Profit attributable to members of the group	-	-	-	3,691	3,691
Foreign currency translation	-	-	-	(19,637)	(19,637)
Goodwill write off	-	-	-	(4,402)	(4,402)
Dividends	-	-	-	(150,420)	(150,420)
Balance at 31 December 1996	39,406	26,240	12,354	(21,302)	56,698

<i>Company</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit &amp; loss £'000</i>	<i>Total shareholders' funds £'000</i>
Balance at 1 January 1995	39,406	26,240	220,397	286,043
Profit attributable to members of the company	-	-	48,475	48,475
Foreign currency translation	-	-	25	25
Dividends	-	-	(32,228)	(32,228)
Balance at 31 December 1995	39,406	26,240	236,669	302,315
Profit attributable to members of the company	-	-	(2,450)	(2,450)
Foreign currency translation	-	-	46	46
Dividends	-	-	(150,420)	(150,420)
Balance at 31 December 1996	39,406	26,240	83,845	149,491

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.

The cumulative amount of goodwill written off at 31 December 1996, net of goodwill relating to undertakings disposed of, is £101,397,000 (1995: £96,995,000).

**23. PENSION OBLIGATIONS**

The group operates defined benefit pension plan arrangements for all UK 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.

On 7 October 1995 the assets and liabilities of the Black & Decker 1973 Pension Plan were transferred to the Einhart International Limited Pension Fund. This Fund was then renamed the Black & Decker 1995 Pension Scheme. This new Scheme now provides pension benefits for the majority of UK group employees. Subsequently the Black & Decker 1973 Pension Plan was wound up.

The most recent actuarial assessment of the Black & Decker 1995 Pension Scheme was carried out as at 31 December 1996. It showed that the assets of the Scheme were sufficient to meet its liabilities at that date.

The first full actuarial valuation of the combined Scheme is taking place as at 5 April 1996.

Actuarial assessments for accounting purposes are carried out each year by qualified actuaries using the projected unit credit method. The results of the most recent review showed the market value of the Scheme's assets to be £195m 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 principal assumptions used for the assessment were:

Return on investments	9.5%
Annual pay increases	7.5%
Post-retirement increases	3%

For the scheme, discretionary post-retirement pension increases were allowed for at 3% per annum other than statutory increases for Guaranteed Minimum Pensions.

The group pension cost in the profit and loss account was £549,000 (1995: £3,094,000).

Prepayments include £11,128,000 (1995: £10,550,000), being the excess 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.

**24. OPERATING LEASES**

Group operating lease payments amounting to £7,988,000 (1994: £8,510,000) are committed to be made during the next year and are analysed as follows:-

	<i>Land and buildings</i>		<i>Other</i>		<i>Total</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Leases expiring:						
within one year	398	422	644	890	1,042	1,312
within two to five						
years	213	68	2,106	3,666	2,319	4,534
thereafter	4,627	2,661	-	3	4,627	2,664
	<u>5,238</u>	<u>3,951</u>	<u>2,750</u>	<u>4,559</u>	<u>7,988</u>	<u>8,510</u>

**27. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions in Financial Reporting Standard 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.

**28. CONTINGENT LIABILITIES**

**(a) Emhart (Colchester) Limited**

Black & Decker International irrevocably undertakes to each holder of the class 'B' ordinary shares of Emhart (Colchester) Limited, that if at any time any class 'B' ordinary shares are due to be redeemed in accordance with their terms and such redemption cannot be lawfully effected on the due date, it shall subscribe for such number of shares in the capital of Emhart (Colchester) Limited or further shares in the capital of Emhart (Colchester) Limited at a subscription price of £1 per share as will enable the redemption to be effected on such date. The maximum liability to the company is £12,008,000. This is fully provided (see note 20).

**(b) 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 UK Black & Decker companies.

**29. 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, 701 East Joppa Road, Towson, Maryland 21286, USA.