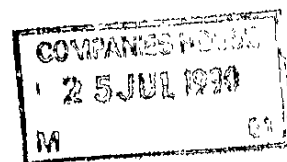


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Ernst & Young

REPORT AND ACCOUNTS

Black & Decker

SEPTEMBER 24, 1989

Ernst & Young

Black & Decker

DIRECTORS' REPORT

DIRECTORS

R H Thomas (Chairman)
E T Jones (Managing Director)
D C Fanthorpe

SECRETARY

R D P Green

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

REGISTERED OFFICE

Westpoint
The Grove
Slough
Berkshire
SL1 1QQ

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Black & Decker

1988 - 1989 ACCOUNTS

The directors present their report for the year ended September 24, 1989.

RESULTS AND DIVIDENDS

The trading results for the year are set out in the profit and loss account on page 5. Dividends were paid during the year amounting to £11,298,000 (1988 - £20,801,000) and the directors propose a final dividend of £17,000,000 (1988 - Nil).

PRINCIPAL ACTIVITIES AND BUSINESS DEVELOPMENTS

The principal activities of the company were the manufacture and sale of power tools and small domestic appliances.

Turnover of the group increased 1% to £308,965,000 and operating profit by 9% to £33,825,000 during the year.

FUTURE DEVELOPMENTS

The company will continue to develop its turnover and profit growth in all aspects of its business.

RESEARCH AND DEVELOPMENT

The company has increased its level of resource committed 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 an 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.

TANGIBLE FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 12 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.

Black & Decker

DIRECTORS' REPORT

EMPLOYEE CONSULTATION

The company places the greatest value on its employees and their involvement in all aspects of the company's business. The company has continued its established practice of keeping all employees fully informed on matters which affect them including the performance of the company. This is achieved through a variety of regular formal and informal meetings, briefings, newsletters and a company magazine which includes a special edition covering the annual financial results. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Further involvement is being encouraged through the continuing development of Quality Circles and Total Customer Service working groups. 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 company'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 company made contributions for political and charitable purposes during the year amounting to £12,226 including a political contribution of £8,000 to the Conservative Board of Finance.

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on September 1, 1989 and now practise in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. 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



Secretary

Ernst & Young

Ernst & Young

REPORT OF THE AUDITORS to the members of Black & Decker

We have audited the accounts on pages 5 to 24 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at September 24, 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Reading

22 January 1990

Black & Decker

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended September 24, 1989

	Note	1989 £'000	1988 £'000
1/2		308,965	305,275
TURNOVER			
Cost of sales		222,345	224,835
		<u>86,620</u>	<u>80,440</u>
GROSS PROFIT			
Selling and distribution costs	3	38,415	34,639
Administrative expenses		14,380	14,859
	4	<u>33,825</u>	<u>30,942</u>
OPERATING PROFIT			
Other income	8	16,383	8,970
		<u>50,208</u>	<u>39,912</u>
	9	429	321
Interest payable		<u>49,779</u>	<u>39,591</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax (credit)/charge	10	(5,014)	2,322
	11	<u>54,793</u>	<u>37,269</u>
PROFIT FOR THE FINANCIAL YEAR			
Dividends ordinary shares		28,298	20,801
		<u>26,495</u>	<u>16,468</u>
RETAINED PROFIT FOR THE YEAR			

Movements on reserves are set out in note 20.

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Black & Decker

CONSOLIDATED BALANCE SHEET at September 24, 1989

	Note	1989 £'000	1988 £'000
FIXED ASSETS			
Tangible assets	12	45,859	42,418
Investments	13	17,563	15,119
		<u>63,422</u>	<u>57,537</u>
CURRENT ASSETS			
Stocks	14	46,158	43,335
Debtors	15	207,264	173,201
Cash at bank and in hand		2,512	1,057
		<u>255,934</u>	<u>217,593</u>
CREDITORS - amounts falling due within one year	16	75,764	59,015
NET CURRENT ASSETS		<u>180,170</u>	<u>158,578</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		243,592	216,115
CREDITORS - amounts falling due after more than one year	17	6,739	6,804
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	5,261	10,860
TOTAL ASSETS LESS LIABILITIES		<u>231,592</u>	<u>198,451</u>
CAPITAL AND RESERVES			
Called-up share capital	19	26,600	26,600
Share premium account		12,640	12,640
Profit and loss account	20	192,352	159,211
		<u>231,592</u>	<u>198,451</u>



) Directors

E. T. Jones

Approved by the Board on 22 January 1990

Black & Decker

BALANCE SHEET at September 24, 1989

	Note	1989 £'000	1988 £'000
FIXED ASSETS			
Tangible assets	12	31,872	30,024
Investments	13	43,682	42,100
		<u>75,554</u>	<u>72,124</u>
CURRENT ASSETS			
Stocks	14	40,293	38,804
Debtors	15	152,606	134,727
Cash at bank and in hand		688	146
		<u>193,587</u>	<u>173,677</u>
CREDITORS - amounts falling due within one year	16	62,972	50,658
NET CURRENT ASSETS		<u>130,615</u>	<u>123,019</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>206,169</u>	<u>195,143</u>
CREDITORS - amounts falling due after more than one year	17	6,542	6,514
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	5,261	10,860
TOTAL ASSETS LESS LIABILITIES		<u>194,366</u>	<u>177,769</u>
CAPITAL AND RESERVES			
Called-up share capital	19	26,600	26,600
Share premium account		12,640	12,640
Profit and loss account	20	155,126	138,529

Ernst & Young



) Directors

Approved by the Board on 22 January 1990

194,366 177,769

Black & Decker

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the year ended September 24, 1989

	1989 £'000	1988 £'000
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	49,779	39,591
Items not involving the movement of funds:		
Depreciation of tangible fixed assets less amortisation of regional development grants	11,136	10,257
(Profit)/loss on sale of tangible fixed assets	(25)	272
Exchange gain/(loss) on retranslation of overseas subsidiaries and branches	2,987	(1,320)
Total generated from operations	63,877	48,800
OTHER SOURCES		
Proceeds from sale of tangible fixed assets	48	132
Total sources of funds	63,925	48,932
FUNDS APPLIED		
Purchase of shares in non-consolidated subsidiary	-	46
Dividends paid	11,298	20,801
Taxation payments	397	422
Purchase of tangible fixed assets less regional development grants received	13,573	10,220
	25,268	31,489
INCREASE IN WORKING CAPITAL	38,657	17,443
Arising from movements in:		
Stocks	2,823	4,766
Debtors	34,063	21,532
Trade and other creditors and accruals	316	(6,678)
Liquid funds	1,455	(2,177)
	38,657	17,443

Ernst & Young

STATEMENT OF ACCOUNTING POLICIES
for the year ended September 24, 1989

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The group accounts consolidate the accounts of the company and of each of its subsidiaries for the year ended September 24, 1989.

Goodwill arising on consolidation (representing the excess of the purchase consideration for subsidiary companies 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%
Machinery and equipment	12.5% - 20%
Furniture and fixtures	10% - 50%
Transportation equipment	20% - 25%
Tooling	33 1/3%

REGIONAL DEVELOPMENT GRANTS

Regional development grants have been deducted from the cost of related tangible fixed assets and are amortised over the estimated economic life of the relevant assets.

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 corporation tax applicable to the period 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 property that has been deferred under the roll-over provisions 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 as incurred.

Black & Decker

STATEMENT OF ACCOUNTING POLICIES (continued) for the year ended September 24, 1989

FOREIGN CURRENCIES

On consolidation, assets and liabilities of overseas subsidiaries and branches 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 (or later acquisition) in the overseas subsidiaries and branches 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 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 group companies 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 fixed and variable overheads. The allocation of manufacturing fixed overheads is based on normal levels of activity.

PENSIONS

Pension costs are recognised 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. This is a change in accounting policy in the current year, the effects of which are included in note 21 to the accounts.

The initial excess of the actuarial assessment of the market value of assets over the actuarial assessment of liabilities of the principal pension scheme and variations in pension cost arising from future actuarial assessments are amortised over the average remaining working lives of current employees. Differences between the amortised surplus and amounts funded are treated as a prepayment in the balance sheets.

Black & Decker

NOTES TO THE ACCOUNTS at September 24, 1989

1 TURNOVER

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

2 ANALYSIS OF TURNOVER BY GEOGRAPHICAL AREA

	1989 £'000	1988 £'000
United Kingdom	150,255	143,913
Europe	81,065	89,889
Africa/Middle East	4,355	1,619
Australasia & Far East	7,744	10,177
Americas	65,546	59,677
	<u>308,965</u>	<u>305,275</u>

3 SELLING AND DISTRIBUTION COSTS

	1989 £'000	1988 £'000
Selling and warranty costs	28,747	25,900
Distribution costs	9,668	8,739
	<u>38,415</u>	<u>34,639</u>

4 OPERATING PROFIT is stated after charging:

	1989 £'000	1988 £'000
Depreciation of tangible fixed assets before amortisation of regional development grants amounting to £351,000 (1988 - £344,000)	11,487	10,601
Auditors' remuneration	118	106
Directors' emoluments	415	296
Hire of plant and machinery under operating leases	869	890
Other operating lease charges	2,940	2,574
	<u>15,829</u>	<u>14,367</u>

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NOTES TO THE ACCOUNTS at September 24, 1989

5 STAFF COSTS

Employee costs during the year amounted to:

	1989 £'000	1988 £'000
Wages and salaries	42,782	40,017
Social security costs	3,214	3,260
Pension credit (see note 21)	(2,542)	-
	<u>43,454</u>	<u>43,277</u>

The average number of persons employed by the group in each week in the year was 4,817 (1988 - 5,199) and is broken down into the following categories:

	1989 Number	1988 Number
Manufacturing	3,869	4,236
Selling and distribution	623	659
Administration	325	304
	<u>4,817</u>	<u>5,199</u>

6 EMOLUMENTS OF DIRECTORS

	1989 £'000	1988 £'000
Fees	-	-
Other emoluments (including pension contributions)	415	296
	<u>415</u>	<u>296</u>

The emoluments of directors shown above
(excluding pension contributions) include:

	1989 £'000	1988 £'000
Chairman and highest paid director	218	142

Number of directors

Other directors in the following ranges:

£70,001 to £75,000	-	1
£80,001 to £85,000	-	1
£85,001 to £90,000	1	-
£105,001 to £110,000	1	-

NOTES TO THE ACCOUNTS

at September 24, 1989

7 EMOLUMENTS OF HIGHER PAID EMPLOYEES

The number of UK employees of the group who received remuneration in excess of £30,000 was as follows:

	1989	1988
	<i>Number of employees</i>	
£30,001 to £35,000	24	16
£35,001 to £40,000	16	13
£40,001 to £45,000	4	9
£45,001 to £50,000	6	3
£50,001 to £55,000	2	4
£55,001 to £60,000	2	-
£60,001 to £65,000	4	2
£65,001 to £70,000	2	1
£70,001 to £75,000	-	2
£80,001 to £85,000	-	2
£85,001 to £90,000	-	1
£95,001 to £100,000	1	-
£105,001 to £110,000	1	-
£120,001 to £125,000	1	-

8 OTHER INCOME

	1989	1988
	<i>£'000</i>	<i>£'000</i>
Foreign currency losses	67	(173)
Interest receivable on bank deposits	7,138	4,685
Interest receivable from fellow subsidiaries	7,785	3,451
Preference dividend receivable from fellow subsidiary	1,434	1,017
Other	(41)	(10)
	<u>16,383</u>	<u>8,970</u>

9 INTEREST PAYABLE

On amounts repayable within 5 years:

	1989	1988
	<i>£'000</i>	<i>£'000</i>
Bank and other short term interest	429	321
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

at September 24, 1988

10 TAX ON PROFIT FROM ORDINARY ACTIVITIES

	1989 £	1988 £
The tax (credit)/charge based on the profit for the year comprises:		
United Kingdom corporation tax at 35% (1988 - 35%)	585 (468)	221 (221)
Double taxation relief	117	-
Transfer (from)/to deferred taxation	(5,599)	2,274
	(5,482)	2,274
Overseas taxation	468	260
Adjustment of current taxation in respect of prior years	-	(212)
	(5,014)	2,322

The UK tax based on the profit for the year is substantially lower than the effective rate of tax. This is due mainly to losses, at the effective rate of tax, of £25,678,000 (1988 - £11,326,000) to be surrendered by fellow group companies for nil consideration.

Settlement has been reached with the Inland Revenue in respect of the enquiry which they have been conducting over the last two years. No material additional provision for tax was required.

11 PROFIT FOR THE FINANCIAL YEAR

£44,898,000 (1988 - £27,779,000) of the profit for the financial year is dealt with in the accounts of the holding company. In accordance with the exemption allowed by section 228(7) of the Companies Act 1985 the company has not presented its own profit and loss account.

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NOTES TO THE ACCOUNTS at September 24, 1989

12 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £'000</i>	<i>Plant equipment and tooling £'000</i>	<i>Fixtures, fittings and motor vehicles £'000</i>	<i>Total £'000</i>
Group				
Cost				
At September 26, 1988	15,728	62,799	4,354	82,881
Exchange adjustments	231	1,600	8	1,839
Additions during year	236	12,298	1,039	13,573
Cost of disposals	-	(5,914)	(250)	(6,164)
At September 24, 1989	16,195	70,783	5,151	92,129
Depreciation				
At September 26, 1988	4,117	33,575	2,771	40,463
Exchange adjustments	65	613	7	685
Charge for year	497	10,098	892	11,487
Amortisation of grants	-	(351)	-	(351)
Relating to retirements during year	-	(5,764)	(250)	(6,014)
At September 24, 1989	4,679	38,171	3,420	46,270
Net book amounts at September 24, 1989	11,516	32,612	1,731	45,859
September 25, 1988	11,611	29,224	1,583	42,418

At September 24, 1989 there were group commitments for future capital expenditure amounting to £6,442,000 (1988 - £8,356,000).

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NOTES TO THE ACCOUNTS at September 24, 1989

12 TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings £'000	Plant equipment and tooling £'000	Fixtures, Fittings and motor vehicles £'000	Total £,000
<i>Company</i>				
Cost				
At September 26, 1988	12,708	46,153	4,250	63,111
Exchange adjustments	-	(7)	-	(7)
Additions during year	236	8,140	929	9,305
Cost of disposals		(5,548)	(250)	(5,798)
At September 24, 1989	12,944	48,738	4,929	66,611
Depreciation				
At September 26, 1988	3,076	27,354	2,657	33,087
Exchange adjustments	-	(3)	-	(3)
Charge for year	497	6,409	874	7,780
Amortisation of grants	-	(351)	-	(351)
Relating to retirements during year	-	(5,524)	(250)	(5,774)
At September 24, 1989	3,573	27,885	3,281	34,739
Net book amounts at September 24, 1989	9,371	20,853	1,648	31,872
September 25, 1988	9,632	18,799	1,593	30,024

At September 24, 1989 there were company commitments for future capital expenditure amounting to £6,073,000 (1988 -£7,837,000).

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NOTES TO THE ACCOUNTS at September 24, 1989

13 FIXED ASSET INVESTMENTS

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Subsidiaries				
Cost of shares		-	42,100	42,054
At September 26, 1988	46	46	1,582	46
Additions	-	-	-	-
Amount reclassified (see note (a))	(46)	-	-	-
	<u>-</u>	<u>46</u>	<u>43,682</u>	<u>42,100</u>
Fellow subsidiaries				
Cost of shares			-	-
At September 26, 1988	15,073	15,145	-	-
Additions	1,540	-	-	-
Exchange adjustments	950	(72)	-	-
At September 24, 1989	<u>17,563</u>	<u>15,073</u>	<u>-</u>	<u>-</u>
Total investments at September 24, 1989	<u>17,563</u>	<u>15,119</u>	<u>42</u>	<u>42,100</u>

(a) *Reclassification*

The accounts of Aven Tools Limited have been consolidated into this year's group accounts from the date of acquisition on June 17, 1988. In last year's group accounts, Aven Tools Limited was included at investment cost as its results and net assets were immaterial to the group and to avoid expense out of proportion to the value to the members.

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NOTES TO THE ACCOUNTS at September 24, 1989

13 FIXED ASSET INVESTMENTS (continued)

(b) The principal subsidiaries at September 24, 1989 were:-

Principal subsidiaries	Country of incorporation or registration	Principal activities	Proportion of ordinary shares held
Black & Decker Housewares Pte. Ltd	Singapore	Manufacturer of small domestic electrical appliances and consumer goods	*49.99%
Black & Decker Europe	England	Provision of group management services and sales of industrial know-how and technology rights	100%
Black & Decker Holdings (Canada) Inc.	Canada	Group holding company	100%
Aven Tools Limited	England	Manufacturer of circular saw blades, hand tools and milled blades	100%
Band International Limited	England	Importation and distribution of consumer goods	100%

- * This company is treated for accounts purposes as wholly-owned since Black & Decker has an option, exercisable at any time on or before December 31, 1990, to acquire the remaining issued shares from the General Electric Company and under a management agreement Black & Decker has been assigned all rights attached and accruing to those shares while owned by the General Electric Company.

Black & Decker

NOTES TO THE ACCOUNTS at September 24, 1989

14 STOCKS

	Group		Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Raw materials and work in progress	15,136	14,487	9,434	10,027
Finished goods	31,022	28,848	30,359	28,777
	<u>46,158</u>	<u>43,335</u>	<u>40,293</u>	<u>38,804</u>

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

15 DEBTORS

	Group		Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Amounts falling due within one year				
Trade debtors	15,028	13,851	14,127	13,409
Amounts owed by:		2,115		2,115
non-consolidated subsidiary	-	155,187	134,082	117,776
other group companies	186,625	1,488	1,086	914
Other debtors	1,487			
Prepayments and accrued income	4,124	560	3,311	513
	<u>207,264</u>	<u>173,201</u>	<u>152,676</u>	<u>134,727</u>

NOTES TO THE ACCOUNTS

at September 24, 1989

16 CREDITORS - Amounts falling due within one year:

	Group		Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Bank loans and overdrafts	687	1,341	-	619
Trade creditors	19,426	21,365	14,067	15,490
Amounts owed to other group companies	32,557	15,963	30,501	16,400
Taxation on profits - UK	(107)	(211)	(107)	(211)
- Overseas	213	129	213	129
Other taxation and social security	1,265	409	1,198	276
Accruals and deferred income	21,723	20,019	17,100	16,955
	<u>75,764</u>	<u>59,015</u>	<u>62,972</u>	<u>50,658</u>

17 CREDITORS - Amounts falling due after more than one year:

	Group		Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Bank loans repayable by instalments:				
- Repayable within five years	19	49	-	-
Amounts owed to other group companies	5,901	5,872	5,901	5,872
Other creditors	819	883	641	642
	<u>6,739</u>	<u>6,804</u>	<u>6,542</u>	<u>6,514</u>

NOTES TO THE ACCOUNTS

at September 24, 1989

13 DEFERRED TAXATION

Deferred taxation comprises:

	<i>Group and Company</i>	
	<i>1989</i>	<i>1988</i>
	<i>£'000</i>	<i>£'000</i>
Accelerated capital allowances	2,195	2,250
Short-term timing differences	3,066	8,610
	<u>5,261</u>	<u>10,860</u>

	<i>Group and Company</i>	
	<i>1989</i>	<i>1988</i>
	<i>£'000</i>	<i>£'000</i>
At September 26, 1988	10,860	8,586
(Credit)/charge to profit and loss - taxation	(5,599)	2,274
At September 24, 1989	<u>5,261</u>	<u>10,860</u>

Deferred taxation has been calculated at 35% (1988 - 35%).

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

	<i>Group and Company</i>	
	<i>1989</i>	<i>1988</i>
	<i>£'000</i>	<i>£'000</i>
Accelerated capital allowances	2,195	2,250
Short-term timing differences	3,066	8,610
	<u>5,261</u>	<u>10,860</u>
Capital gains deferred under the roll-over provisions	1,313	1,313
Pension credit prepayment	910	-
	<u>7,484</u>	<u>12,173</u>

Black & Decker

NOTES TO THE ACCOUNTS at September 24, 1989

19 CALLED UP SHARE CAPITAL

	1989 £'000	1988 £'000
Authorised:		
50,000,000 Ordinary shares of £1 each	50,000	50,000
	—	—
Allotted and fully paid		
26,600,147 Ordinary shares of £1 each	26,600	26,600
	—	—

20 PROFIT AND LOSS ACCOUNT

	Group		Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Balance September 26, 1988	159,211	144,861	138,529	131,623
Retained profit for the year	26,495	16,468	16,600	6,978
Foreign currency translation	6,646	(2,118)	(3)	(72)
Balance September 24, 1989	192,352	159,211	155,126	138,529

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 and branches.

NOTES TO THE ACCOUNTS

a. September 24, 1989

21. PENSION OBLIGATIONS

The group operates a pension scheme for substantially all UK employees providing benefits based on final pensionable earnings. There is also a second small defined benefit pension scheme which operates at one UK subsidiary. The assets of the UK pension schemes are held in separate trustee administered funds. Outside the UK, locally engaged employees are covered by appropriate local government arrangements for which the costs are charged to the profit and loss account as incurred.

The most recent actuarial assessment of the principal UK Pension Plan for accounting purposes was carried out as at September 24, 1989, by a qualified actuary 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 investments and the rate of increases in salaries. It was assumed that the investment returns would average 12% per annum and salary increases would average 7.5% per annum. No post-retirement pension increases were included. As the assessment was done primarily for accounting purposes, the assumptions adopted differ from those in the actuarial valuation used by the Trustees of the Pension Plan.

The actuarial assessment at September 24, 1989 for accounting purposes showed that the market value of the Plan's assets was £58.2m representing 166% of the value of projected benefits to members at that date. In recognition of the continuing surplus, the company has approved the continuation of the existing contribution 'holiday' for a further year to October 31, 1990 for both employer and employees.

The group net pension credit in the profit and loss account for the year was £2,542,000 (1988 - nil). This amount includes a credit of £2,600,000 in respect of the principal UK Pension Plan of which £1,129,000 relates to the amortisation of the initial valuation surplus over 14 years, being the average remaining service lives of current employees on adoption of the new accounting policy. Prepayments include £2,600,000 (1989 - nil), being the excess of accumulated net pension costs charged to profit and loss and the amount funded.

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NOTES TO THE ACCOUNTS at September 24, 1989

22 OPERATING LEASES

Operating lease payments amounting to £3,576,000 (1988 - £3,201,000) are committed to be made during the next year and are analyzed as follows:-

	<i>Land and buildings</i>		<i>Other</i>		<i>Total</i>	
	<i>1989</i>	<i>1988</i>	<i>1989</i>	<i>1988</i>	<i>1989</i>	<i>1988</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Leases expiring in:						
1990	5	7	609	486	614	493
1991-94	116	42	1,484	1,285	1,600	1,327
Beyond	1,361	1,380	1	1	1,362	1,381
	<u>1,482</u>	<u>1,429</u>	<u>2,094</u>	<u>1,772</u>	<u>3,576</u>	<u>3,201</u>

23 ULTIMATE HOLDING COMPANY

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