



Black & Decker International

Consolidated Financial Statements for the year ended 31 December 2002

| Table of contents | Page |
|--|-------------|
| Directors and other information | 1 |
| Directors' report | 2 - 3 |
| Independent auditors' report | 4 |
| Group profit and loss account | 5 |
| Group statement of total recognised gains and losses | 6 |
| Group balance sheet | 7 |
| Company balance sheet | 8 |
| Notes to the consolidated accounts | 9 - 36 |

Black & Decker International

Consolidated Financial Statements for the year ended 31 December 2002

Directors

C B Powell-Smith (Chairman)
M Rothleitner
D A Watt (resigned 30 May 2003)
G H Johnston
M Crince
S Boelen (appointed 30 May 2003)

Secretary

J Coyne (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

Directors' report

The directors present herewith their report for the year ended 31 December 2002.

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 £9,582,000 (2001: profit of £43,657,000). Preference dividends of £420,000 (2001: £420,000) have been declared and paid. No ordinary dividend were paid or proposed during the year (2001: £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 and parts for the glass container making industry.

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

On 21 March, 2003 Tucker Fasteners Limited sold its Class A Quotas of Black & Decker GmbH to another Group company for Stg£81,804,000 and divided the sale proceeds to Black & Decker International. The dividend income and a corresponding write-down of the Tucker Fasteners Limited investment will be included in the 2003 accounts.

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. 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.

Directors' report - continued

Charitable and political donations

The group made contributions for political and charitable purposes during the year amounting to £24,227 (2001: £33,294) none of which included any political contributions.

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 22/12/2002



Secretary Director

Independent Auditors' report

To the members of Black & Decker International

We have audited the group's financial statements for the year ended 31 December 2002 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 28. 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 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 within it.

Basis of audit opinion

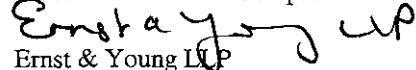
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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 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 2002 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

Registered Auditor
Reading

22 December 2004.

Black & Decker International

Group profit and loss account for the year ended 31 December 2002

| | Note | 2002 £'000 | 2001 £'000 |
|--|-------|---------------------|------------------|
| Turnover | 2 | 388,145 | 426,730 |
| Cost of sales | | <u>(312,419)</u> | <u>(358,393)</u> |
| Gross profit | | 75,726 | 68,337 |
| Selling and distribution costs | 3 | (30,878) | (26,514) |
| Administrative expenses | | <u>(28,785)</u> | <u>(27,945)</u> |
| Operating profit | 4 | 16,063 | 13,878 |
| Operating profit from interests in associated undertakings | 7 | 10,500 | 21,855 |
| Provision for diminution in value of investments | 16 | <u>(17,248)</u> | <u>1,150</u> |
| | | 9,315 | 36,883 |
| Exceptional items: | | | |
| Share of profit from change of interests in associated undertakings | 7 | (3,006) | 10,981 |
| Cost of restructuring | 8 | (5,970) | (5,862) |
| Gain/(loss) on disposal of subsidiary | | 270 | (3,834) |
| Provision for impairment of investment | | <u>-</u> | <u>208</u> |
| Profit on ordinary activity before investment income, interest and taxation | | 609 | 38,376 |
| Other income | 9 | 31,949 | 32,471 |
| Share of other income in associated undertakings | 7 | 20,849 | 21,314 |
| Interest payable | 10 | (27,419) | (33,964) |
| Share of interest payable in associated undertakings | 7 | <u>(10,968)</u> | <u>(9,986)</u> |
| Profit on ordinary activities before taxation | | 15,020 | 48,211 |
| Tax charge on profit on ordinary activities | 11 | <u>(5,431)</u> | <u>(4,547)</u> |
| Profit on ordinary activities after taxation | | 9,589 | 43,664 |
| 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 | 9,582 | 43,657 |
| Dividends (including dividends on non-equity shares) | 13,23 | <u>(420)</u> | <u>(420)</u> |
| Retained profit for the year | | <u>9,162</u> | <u>43,237</u> |

Black & Decker International

Group statement of total recognised gains and losses for the year ended 31 December 2002

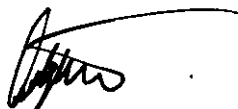
| | | 2002 £'000 | 2001 £'000 |
|--|----|--|---|
| Profit for the financial year excluding share of profits of associated undertakings | | (7,163) | 1,824 |
| Share of associates' profit for the year | 7 | <u>16,745</u> | <u>41,833</u> |
| | | 9,582 | 43,657 |
| Foreign currency translation - subsidiaries | | <div style="border: 1px solid black; padding: 2px;">(574)</div> | <div style="border: 1px solid black; padding: 2px;">(3,799)</div> |
| - associates | | <div style="border: 1px solid black; padding: 2px;">(6,986)</div> | <div style="border: 1px solid black; padding: 2px;">346</div> |
| | 23 | <u>(7,560)</u> | <u>(3,453)</u> |
| Total recognised gain relating to the year | | <u><u>2,022</u></u> | <u><u>40,204</u></u> |

Black & Decker International

Group balance sheet at 31 December 2002

| | Note | 2002 £'000 | 2001 £'000 |
|--|------|-----------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 14 | 26,590 | 28,252 |
| Tangible assets | 15 | 63,382 | 79,405 |
| Investments | 16 | | |
| Share of net assets of associated undertaking | | 245,270 | 235,510 |
| Other investments | | 57,375 | 76,869 |
| | | <u>392,617</u> | <u>420,036</u> |
| Current assets | | | |
| Stocks | 17 | 47,113 | 44,377 |
| Debtors | 18 | 538,120 | 561,029 |
| Cash at bank and in hand | | 285,352 | 218,497 |
| | | <u>870,585</u> | <u>823,903</u> |
| Creditors: amount falling due within one year | 19 | <u>(794,550)</u> | <u>(775,724)</u> |
| Net current assets | | <u>76,035</u> | <u>48,179</u> |
| Total assets less current liabilities | | 468,652 | 468,215 |
| Creditors: amounts falling due after more than one year | 20 | (76,158) | (76,052) |
| Provision for liabilities and charges | 21 | <u>(17,633)</u> | <u>(18,904)</u> |
| Total assets less liabilities | | <u>374,861</u> | <u>373,259</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>140,413</u> | <u>138,811</u> |
| Total shareholders' funds (including non-equity interests) | | <u>374,861</u> | <u>373,259</u> |

Approved by the board on 22/12/2002.



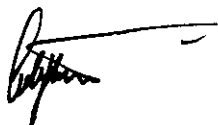
)
) Directors
)

Black & Decker International

Balance sheet at 31 December 2002

| | Note | 2002 £'000 | 2001 £'000 |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 15 | 252 | 192 |
| Investments | 16 | <u>672,585</u> | <u>677,256</u> |
| | | <u>672,837</u> | <u>677,448</u> |
| Current assets | | | |
| Stocks | 17 | 2,246 | 1,745 |
| Debtors | 18 | 256,237 | 228,785 |
| Cash at bank and in hand | | <u>997</u> | <u>1,235</u> |
| | | 259,480 | 231,765 |
| Creditors: amount falling due within one year | 19 | <u>(473,449)</u> | <u>(435,316)</u> |
| Net current liabilities | | <u>(213,969)</u> | <u>(203,551)</u> |
| Total assets less current liabilities | | 458,868 | 473,897 |
| Creditors: amounts falling due after more than one year | 20 | <u>(84,237)</u> | <u>(83,638)</u> |
| Total assets less liabilities | | <u>374,631</u> | <u>390,259</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 49,407 | 49,407 |
| Share premium account | 23 | 172,369 | 172,369 |
| Reserves | 23 | <u>152,855</u> | <u>168,483</u> |
| Total shareholders' funds (including non-equity interests) | | <u>374,631</u> | <u>390,259</u> |

Approved by the board on 22/12/2004.



)
)
)

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 2002. No profit and loss account 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 2002.

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 Financial Reporting Standard No. 10 "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 roll-over 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 Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantee are charged against profits when products are invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

1.13 Cash flow statement

A cash flow statement has not been prepared as the company is exempt under Financial Reporting Standard No. 1 "Cash Flow Statements" (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 | 2002 Total £'000 |
|--|------------------------------|---|--|------------------------|
| Turnover | | | | |
| Total sales | 34,193 | 330,096 | 25,044 | 389,333 |
| Intersegment sales | - | (1,188) | - | (1,188) |
| | <u>34,193</u> | <u>328,908</u> | <u>25,044</u> | <u>388,145</u> |
| Total turnover | | | | |
| Operating profit | | | | 16,063 |
| Income from interests in associated undertakings | | | | 20,381 |
| Profit from change of interests in associated undertakings | | | | (3,006) |
| Other income | | | | 23,395 |
| Gain on disposal of subsidiary | | | | 270 |
| Cost of restructuring | | | | (5,970) |
| Impairment of Investment | | | | (17,248) |
| Interest payable | | | | (18,865) |
| | | | | <u>15,020</u> |
| Profit on ordinary activities before taxation | | | | |
| Net assets | | | | |
| Net assets by segment | <u>82,102</u> | <u>(66,255)</u> | <u>113,744</u> | <u>129,591</u> |
| Net assets of associated undertakings | <u>245,270</u> | <u>-</u> | <u>-</u> | <u>245,270</u> |
| Total net assets | | | | <u>374,861</u> |

2001 comparatives are given overleaf.

2. Turnover and segmental analysis (continued)

| | 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 |
| Income from interests in associated undertakings | | | | 33,183 |
| Profit from change of interests in associated undertakings | | | | 10,981 |
| Cost of restructuring | | | | (5,862) |
| Release for diminution in value of undertaking | | | | 1,150 |
| Other income | | | | 32,471 |
| Interest payable | | | | (33,964) |
| Loss on disposal of subsidiary | | | | (3,834) |
| Release of closure provisions: discontinued activity | | | | 208 |
| 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> |

2. Turnover and segmental analysis (continued)

(b) Geographical area

| | UK £'000 | Europe £'000 | Africa/ Middle East £'000 | Austral- asia £'000 | America £'000 | 2002 Total £'000 |
|--|----------------|-----------------|------------------------------------|---------------------------|------------------|------------------------|
| Turnover | | | | | | |
| <i>Turnover by origin:</i> | | | | | | |
| Total sales | 371,440 | 17,893 | - | - | - | 389,333 |
| Intersegment sales | (1,183) | (5) | - | - | - | (1,188) |
| Total turnover | <u>370,257</u> | <u>17,888</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>388,145</u> |
| <i>Turnover by destination:</i> | | | | | | |
| Sales to third parties | <u>145,114</u> | <u>204,746</u> | <u>3,314</u> | <u>5,353</u> | <u>29,618</u> | <u>388,145</u> |
| Operating profit | | | | | | 16,063 |
| Income from interests in associated undertakings | | | | | | 20,381 |
| Profit from change of interests in associated undertakings | | | | | | (3,006) |
| Other income | | | | | | 23,395 |
| Gain on disposal of subsidiary | | | | | | 270 |
| Cost of restructuring | | | | | | (5,970) |
| Impairment of investment | | | | | | (17,248) |
| Interest payable | | | | | | (18,865) |
| Cost of restructuring – impairment of fixed assets | | | | | | - |
| Profit on ordinary activities before taxation | | | | | | <u>15,020</u> |
| Net assets | | | | | | |
| Net assets by origin | <u>129,591</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>129,591</u> |
| Net assets of associated undertakings | <u>-</u> | <u>245,268</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>245,268</u> |
| Total net assets | | | | | | <u>374,861</u> |

2001 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 | 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 |
| Income from interests in associated undertakings | | | | | | 33,183 |
| Profit from change of interests in associated undertakings | | | | | | 10,981 |
| Other income | | | | | | 32,471 |
| Release of provision for diminution of value of undertaking | | | | | | 1,150 |
| Loss of disposal of subsidiary | | | | | | (3,834) |
| Cost of restructuring - impairment of fixed assets | | | | | | (5,862) |
| Release of closure provision: 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> |

3. Selling and distribution costs

| | 2002 £'000 | 2001 £'000 |
|----------------------------|---------------|---------------|
| Selling and warranty costs | 20,582 | 15,193 |
| Distribution costs | <u>10,296</u> | <u>11,321</u> |
| | <u>30,878</u> | <u>26,514</u> |

4. Operating profit

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Operating profit is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 19,009 | 23,375 |
| Amortisation of intangible fixed assets | 1,662 | 1,662 |
| Auditors' remuneration | | |
| - audit | 252 | 189 |
| - non audit | 185 | 217 |
| Directors' emoluments (see note 6) | 413 | 657 |
| Hire of plant and machinery under operating leases | 1,294 | 1,087 |
| Other operating lease charges | 1,612 | 2,670 |
| Research and development expenditure | 661 | 809 |
| (Loss)/gain on disposal of fixed assets | 21 | (183) |
| Government grant released | (560) | (1,300) |

5. Staff costs

Employee costs during the year amounted to:

| | 2002 £'000 | 2001 £'000 |
|------------------------------|---------------|---------------|
| Wages and salaries | 49,577 | 57,165 |
| Social security costs | 3,657 | 4,550 |
| Pension charge (see note 24) | 6,104 | 6,504 |
| Other pension costs | - | 436 |
| | <u>59,338</u> | <u>68,655</u> |

The average number of persons employed by the group during the year was 2,217 (2001: 2,305) and is broken down into the following categories:

| | 2002 Number | 2001 Number |
|---------------|----------------|----------------|
| Manufacturing | 1,645 | 1,638 |
| Other | <u>572</u> | <u>667</u> |
| | <u>2,217</u> | <u>2,305</u> |

6. Emoluments of directors

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Other emoluments (including pension contributions) | 413 | 642 |
| Compensation for loss of office | - | 15 |
| | <u>413</u> | <u>657</u> |

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

| | 2002 £'000 | 2001 £'000 |
|------------------|---------------|---------------|
| Other emoluments | <u>257</u> | <u>251</u> |

The number of directors who were members of the group defined benefit pension scheme during the year was 3 (2001: 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 | |
|---|--|----------------|
| | 2002 £'000 | 2001 £'000 |
| Group share of: | | |
| Turnover | <u>143,875</u> | <u>139,905</u> |
| Operating profit | 10,500 | 21,855 |
| Share of (loss)/profit from change of interests in associated undertakings | (3,006) | 10,981 |
| Other income | 20,849 | 21,314 |
| Interest payable | <u>(10,968)</u> | <u>(9,986)</u> |
| Profit before tax | 17,375 | 44,164 |
| Taxation | <u>(630)</u> | <u>(2,331)</u> |
| Profit after tax | <u>16,745</u> | <u>41,833</u> |

8. Exceptional items

| | 2002 £'000 | 2001 £'000 |
|---|---------------|---------------|
| Cost of restructuring – release of provision on impairment of fixed assets | (2,979) | - |
| - severance costs | 14,076 | 5,862 |
| Intercompany loan forgiven | (5,127) | - |
| Tax effect | - | - |
| | <u>5,970</u> | <u>5,862</u> |

9. Other income

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Interest receivable on bank deposits | 454 | 1,487 |
| Interest receivable from fellow group undertakings | 28,431 | 25,980 |
| Foreign currency gains | 3,092 | 4,860 |
| Other income | (28) | 144 |
| | <u>31,949</u> | <u>32,471</u> |

10. Interest payable

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Bank and other loans repayable within five years | 252 | 966 |
| Interest payable to other group undertakings: - repayable within five years | 27,167 | 32,998 |
| | <u>27,419</u> | <u>33,964</u> |

11. Tax on profit on ordinary activities

The tax charge based on the profit for the year comprises:

| | 2002 £'000 | 2001 £'000 |
|---|----------------|---------------|
| <i>(a) Tax on profit on ordinary activities</i> | | |
| <i>Current tax</i> | | |
| Corporation tax on profits of the period | 3,625 | 7,820 |
| Double taxation relief | (306) | (7,784) |
| Associates share of tax | 630 | 2,331 |
| Adjustments in respect of prior periods | 2,504 | 1,803 |
| | <u>6,453</u> | <u>4,170</u> |
| Foreign tax | 324 | 267 |
| | <u>6,777</u> | <u>4,437</u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | (1,346) | 110 |
| Total deferred tax | <u>(1,346)</u> | <u>110</u> |
| <i>Tax on profit on ordinary activities</i> | <u>5,431</u> | <u>4,547</u> |

11. Tax on profit on ordinary activities - continued*(b) Factors affecting tax charge for the period*

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| The tax assessed for the period is the standard rate of Corporation tax in the UK of 30%. The differences are Explained below. | | |
| Profit/(loss) on ordinary activities before tax | 15,020 | 48,211 |
| Profit on ordinary activities multiplied by the rate of Corporation tax in the UK | 4,505 | 14,463 |
| <i>Effects of</i> | | |
| Short term timing differences | 736 | 479 |
| Double taxation relief | (306) | (7,784) |
| Foreign tax | 324 | 267 |
| Goodwill | 499 | 499 |
| Disallowed expenses and non-taxable income | 3,395 | 4,559 |
| Capital allowances in excess of depreciation | (841) | 121 |
| Group relief utilised | (1,831) | (2,198) |
| Adjustment in respect of prior periods | 2,504 | 1,803 |
| Associates' share of profits | (5,212) | (13,248) |
| Associates' share of tax | 630 | 2,331 |
| Provision for diminution in value of investments | 5,174 | 345 |
| Tax losses brought forward utilised | (2,800) | - |
| Tax losses carried forward | - | 2,800 |
| | <u>6,777</u> | <u>4,437</u> |

(c) Deferred tax

| | | |
|--|-----------|--------------|
| Capital allowances in advance of depreciation | 441 | (4,003) |
| Pension costs | 1,199 | 1,628 |
| Short-term timing differences | (1,557) | 3,804 |
| | <u>83</u> | <u>1,429</u> |
| At 1 January 2002 | 1,429 | - |
| Profit and loss account movement during the year | (1,346) | - |
| At 31 December 2002 | <u>83</u> | <u>-</u> |

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 £14,634,000 (2001: loss of £11,824,000) for the financial year are dealt with in the accounts of the holding company (Refer Note 23).

13. Dividends

| | 2002 £'000 | 2001 £'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 2002

33,238

At 31 December 2002

33,238**Amortisation**

At 1 January 2002

4,986

Amortisation for year

1,662

At 31 December 2002

6,648**Net book value**

At 31 December 2002

26,590

At 31 December 2001

28,252

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 2002 | 21,492 | 218,347 | 6,974 | 246,813 |
| Additions during year | 20 | 10,446 | 89 | 10,555 |
| Transfer to group undertakings | - | (3,629) | - | (3,629) |
| Disposals | (226) | (27,057) | - | (27,283) |
| Exchange adjustments | - | 19 | 23 | 42 |
| At 31 December 2002 | 21,286 | 198,126 | 7,086 | 226,498 |
| Depreciation | | | | |
| At 1 January 2002 | 9,424 | 151,292 | 6,692 | 167,408 |
| Charge for year | 530 | 18,371 | 108 | 19,009 |
| Transfer to group undertakings | - | (3,565) | - | (3,565) |
| Disposals | (163) | (19,600) | - | (19,763) |
| Exchange adjustments | - | 11 | 16 | 27 |
| At 31 December 2002 | 9,791 | 146,509 | 6,816 | 163,116 |
| Net book value | | | | |
| At 31 December 2002 | 11,495 | 51,617 | 270 | 63,382 |
| At 31 December 2001 | 12,068 | 67,055 | 282 | 79,405 |

An analysis of land and buildings is given on page 21.

At 31 December 2002 there were group commitments for future capital expenditure amounting to £4,235,000 (2001: £5,307,000).

15. Tangible fixed assets (continued)

| Group | Freehold land and buildings £'000 | Long leasehold £'000 | Leasehold improve- ments £'000 | Total £'000 |
|-----------------------|--|----------------------------|---|----------------|
| Cost | | | | |
| At 1 January 2002 | 20,090 | 841 | 561 | 21,492 |
| Additions during year | 20 | - | - | 20 |
| Disposals | (226) | - | - | (226) |
| At 31 December 2002 | 19,884 | 841 | 561 | 21,286 |
| Depreciation | | | | |
| At 1 January 2002 | 8,414 | 665 | 345 | 9,424 |
| Charge for year | 404 | - | 126 | 530 |
| Disposals | (163) | - | - | (163) |
| At 31 December 2002 | 8,655 | 665 | 471 | 9,791 |
| Net book value | | | | |
| At 31 December 2002 | 11,229 | 176 | 90 | 11,495 |
| At 31 December 2001 | 11,676 | 176 | 216 | 12,068 |

15. Tangible fixed assets (continued)

| Company | Plant equipment and tooling £'000 | Fixtures, fittings and motor vehicles £'000 | Total £'000 |
|-----------------------|---|---|----------------|
| Cost | | | |
| At 1 January 2002 | 251 | 301 | 552 |
| Additions during year | - | 89 | 89 |
| Exchange adjustments | 19 | 23 | 42 |
| At 31 December 2002 | 270 | 413 | 683 |
| Depreciation | | | |
| At 1 January 2002 | 153 | 207 | 360 |
| Charge for year | 22 | 22 | 44 |
| Exchange adjustments | 11 | 16 | 27 |
| At 31 December 2002 | 186 | 245 | 431 |
| Net book value | | | |
| At 31 December 2002 | 84 | 168 | 252 |
| At 31 December 2001 | 98 | 94 | 192 |

At 31 December 2002 there were no company commitments for future capital expenditure (2001: £Nil).

16. Fixed asset investments

Group

£'000

(i) Associated undertakings

Share of net assets

| | |
|---|----------------|
| At 1 January 2002 | 235,510 |
| Exchange adjustments | (6,986) |
| Share of loss from change of interests in associated undertakings | (3,006) |
| Share of profit after tax | 19,751 |
| Dividend received | - |
| At 31 December 2002 | <u>245,270</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 | |
|--|--|----------------|
| | 2002 | 2001 |
| | £'000 | £'000 |
| Fixed assets | 304,652 | 280,080 |
| Current assets | <u>270,452</u> | <u>303,662</u> |
| Share of gross assets | <u>575,104</u> | <u>583,742</u> |
| Liabilities due within one year | 188,192 | 194,435 |
| Liabilities due after more than one year | <u>141,642</u> | <u>153,797</u> |
| Share of gross liabilities | <u>329,834</u> | <u>348,232</u> |
| Share of net assets | <u>245,270</u> | <u>235,510</u> |

16. Fixed asset investments (continued)

(ii) Investments in fellow group undertakings
Cost

£'000

At 1 January 2002

76,869

Disposals

(2,246)

At 31 December 2002

74,623

Provision for diminution in value of investments

At 1 January 2002

-

Provision for the year

(17,248)

At 31 December 2002

(17,248)

Net book value

At 31 December 2002

57,375

At 31 December 2001

76,869

Total investments

At 31 December 2002

302,645

At 31 December 2001

312,379

Company

(i) Subsidiary undertakings

| | Cost of shares £'000 | Capital contribution £'000 | Total £'000 |
|--|----------------------------|----------------------------------|----------------|
| <i>Cost</i> | | | |
| At 1 January 2002 | 662,914 | 644 | 663,558 |
| Additions | (6,599) | - | (6,599) |
| At 31 December 2002 | <u>656,315</u> | <u>644</u> | <u>656,959</u> |
| <i>Provision for diminution in value</i> | | | |
| At 1 January 2002 | 42,991 | - | 42,991 |
| Provision for the year | (1,928) | - | (1,928) |
| At 31 December 2002 | <u>41,063</u> | <u>-</u> | <u>41,063</u> |
| <i>Net book value</i> | | | |
| At 31 December 2002 | <u>615,252</u> | <u>644</u> | <u>615,896</u> |
| At 31 December 2001 | <u>619,923</u> | <u>644</u> | <u>620,567</u> |

16. Fixed asset investments (continued)

(ii) Other fellow group undertakings

| | Cost of shares £'000 | Capital contribution £'000 | Total £'000 |
|--------------------------|----------------------------|----------------------------------|----------------|
| At 1 January 2002 | 56,689 | - | 56,689 |
| Additions | - | - | - |
| At 31 December 2002 | <u>56,689</u> | <u>-</u> | <u>56,689</u> |
| Total investments | | | |
| At 31 December 2002 | <u>671,941</u> | <u>644</u> | <u>672,585</u> |
| At 31 December 2001 | <u>676,612</u> | <u>644</u> | <u>677,256</u> |

The principal associated undertakings at 31 December 2002 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) * |

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% (viii) * |
| Black & Decker (Norge) AS | Norway | Marketing of consumer products | 39% (viii) * |
| Sjong Fasteners AS | Norway | Marketing and distribution of mechanical fasteners | 39% (iv) * |
| Black & Decker (Belgium) NV | Belgium | Marketing of consumer products | 39% (viii) * |
| 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% (viii) * |
| Black & Decker (Suzhou) Power Tools Pty Limited | China | Manufacture and marketing of power tools and small domestic appliances | 39% (viii) * |
| 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% (viii) * |
| Chesapeake Falls Holdings Company | Ireland | Investment holding company | 39% (ii) * |
| Chesapeake Investments Company S.a.r.l. | Luxembourg | Investment holding company | 39% (ix) * |
| Chesapeake Factoring Company | Ireland | Factoring of receivables | 39% (ix) * |
| Black & Decker Aktiebolag | Sweden | Manufacture and sale of tools and accessories | 39% (ii) * |
| Emhart Teknik AB | Sweden | Sales of fasteners and machines | 39% (x) * |

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

The fellow subsidiary undertakings at 31 December 2002 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 |

- (i) Shares held indirectly through Bandhart Overseas and Black & Decker.
- (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 Overseas Holdings BV.
- (ix) Shares held indirectly through Chesapeake Falls Holdings Company.
- (x) Shares held indirectly through Black & Decker Aktiebolag.

* The class of shares held by Bandhart Overseas and Black & Decker 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 2002.

16. Fixed asset investments (continued)

Company

The principal subsidiaries at 31 December 2002 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% (i) |
| 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 | 100% (ii) |
| Aven Tools Limited | England | Maintenance and service of capital equipment | 100% (ii) |
| United Marketing (Leicester) | England | Group holding company | 100% |

(i) Shares held indirectly through Black & Decker Europe.

(ii) Shares held indirectly through Black & Decker.

17. Stocks

| | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|------------------------------------|---------------|------------------------|---------------|--------------------------|
| Raw materials and work in progress | 13,697 | 14,485 | - | - |
| Finished goods | 33,416 | 29,892 | 2,246 | 1,745 |
| | <u>47,113</u> | <u>44,377</u> | <u>2,246</u> | <u>1,745</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.

18. Debtors

| | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|--|----------------|------------------------|----------------|--------------------------|
| Trade debtors | 26,063 | 28,959 | 6,018 | 5,223 |
| Amounts owed by group undertakings | 411,781 | 430,431 | 250,147 | 222,445 |
| Amounts owed by associate undertakings | 93,102 | 91,643 | - | 295 |
| Other debtors | 816 | 2,648 | 51 | 169 |
| Prepayments and accrued income | 6,358 | 7,348 | 21 | 653 |
| | <u>538,120</u> | <u>561,029</u> | <u>256,237</u> | <u>228,785</u> |

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

| | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|------------------------------------|----------------|------------------------|----------------|--------------------------|
| Amounts owed by group undertakings | 111,385 | 114,145 | 140,067 | 140,067 |
| Other debtors | 28 | 73 | 3 | 38 |
| Prepayments and accrued income | 2,606 | 4,795 | - | - |
| | <u>114,019</u> | <u>119,013</u> | <u>140,070</u> | <u>140,105</u> |

Amounts owed to the company by group undertakings include ten convertible equity notes with an aggregate principal value of £137,117,000 (2001: £137,117,000). The notes are convertible on or before 15 December 2002 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 2002. Interest is calculated at 9.25% per annum.

19. Creditors: amounts falling due within one year

| | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|--|----------------|------------------------|----------------|--------------------------|
| Bank loans and overdrafts | 265,383 | 218,024 | 110,114 | 79,677 |
| Trade creditors | 26,594 | 30,827 | 294 | 230 |
| Amounts owed to group undertakings | 410,758 | 437,547 | 360,532 | 353,441 |
| Amounts owed to associate undertakings | 24,074 | 35,247 | - | 295 |
| Taxation on profits | | | | |
| - UK | 7,616 | 1,804 | - | - |
| - Overseas | 14 | (40) | 14 | 14 |
| Other taxation and social security | 3,447 | 216 | - | - |
| Accruals and deferred income | 56,204 | 51,615 | - | - |
| Other creditors | 460 | 484 | 2,495 | 1,659 |
| | <u>794,550</u> | <u>775,724</u> | <u>473,449</u> | <u>435,316</u> |

20. Creditors: amounts falling after more than one year

| | 2002 | Group | 2002 | Company |
|------------------------------------|---------------|---------------|---------------|----------------|
| | £'000 | 2001 | £'000 | 2001 |
| | | £'000 | | £'000 |
| Amounts owed to group undertakings | 75,815 | 75,815 | 84,237 | 83,638 |
| Other creditors | 107 | 105 | - | - |
| Accruals and deferred income | 236 | 132 | - | - |
| | <u>76,158</u> | <u>76,052</u> | <u>84,237</u> | <u>83,638</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 7 ½% per annum and may be prepaid in whole or in part at any time without penalty or premium.

21. Provisions for liabilities and charges

| | 2002 | Group | 2002 | Company |
|------------------------------------|---------------|---------------|--------------|----------------|
| | £'000 | 2001 | £'000 | 2001 |
| | | £'000 | | £'000 |
| Warranties | 3,863 | 3,863 | - | - |
| Deferred tax | 83 | 1,429 | - | - |
| Provision for reorganisation costs | 13,687 | 13,612 | - | - |
| | <u>17,633</u> | <u>18,904</u> | <u>-</u> | <u>-</u> |

An analysis of the major provision is given below:

| | 2002 | Group | 2002 | Company |
|--------------------------|--------------|--------------|--------------|----------------|
| | £'000 | 2001 | £'000 | 2001 |
| | | £'000 | | £'000 |
| <i>Warranties:</i> | | | | |
| At 1 January 2002 | 3,863 | 4,711 | - | - |
| Increase in provision | - | - | - | - |
| Utilisation of provision | - | (153) | - | - |
| Disposal of subsidiary | - | (695) | - | - |
| | <u>3,863</u> | <u>3,863</u> | <u>-</u> | <u>-</u> |
| At 31 December 2002 | | | | |

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)

| | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|---|---------------|------------------------|---------------|--------------------------|
| <i>Deferred tax:</i> | | | | |
| Accelerated capital allowances | 441 | (4,003) | - | - |
| Short-term timing differences | (1,557) | 3,804 | - | - |
| Pension credit prepayment | 1,199 | 1,628 | - | - |
| Capital gains deferred under the roll-over provisions | - | - | - | - |
| Other | - | - | - | - |
| | <u>83</u> | <u>1,429</u> | <u>-</u> | <u>-</u> |

The movement in deferred tax during the year comprises:

| | Group £'000 | Company £'000 |
|----------------------------|----------------|------------------|
| At 1 January 2002 | 1,429 | - |
| Release to profit and loss | <u>(1,346)</u> | <u>-</u> |
| At 31 December 2002 | <u>83</u> | <u>-</u> |

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

| | 2002 £'000 | Group 2001 £'000 |
|---|-----------------|------------------------|
| <i>Provided</i> | | |
| Accelerated capital allowances | 441 | (4,003) |
| Short-term timing differences | (1,557) | 3,804 |
| Pension credit prepayment | 1,199 | 1,628 |
| Other | - | - |
| | <u>83</u> | <u>1,429</u> |
| <i>Unprovided</i> | | |
| Accelerated capital allowances | (7,280) | (871) |
| Tax losses | - | (1,649) |
| Short-term timing differences | (232) | 100 |
| Pension credit prepayment | (5,090) | (3,079) |
| Capital gains deferred under the roll-over provisions | - | 461 |
| | <u>(12,519)</u> | <u>(3,615)</u> |

| | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|--------------------------------|----------------|------------------------|---------------|--------------------------|
| <i>Reorganisation costs:</i> | | | | |
| At 1 January 2002 | 13,612 | 17,513 | - | - |
| Provision for the year | 10,217 | - | - | - |
| Provision utilised in the year | (7,163) | (22) | - | - |
| Provision released | <u>(2,979)</u> | <u>(3,879)</u> | <u>-</u> | <u>-</u> |
| At 31 December 2002 | <u>13,687</u> | <u>13,612</u> | <u>-</u> | <u>-</u> |

The provision will be released during 2003 on completion of the restructuring programme.

22. Called up share capital

| | 2002 £'000 | Authorised 2001 £'000 | Allotted, called up and fully paid 2002 £'000 | 2001 £'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 2001 | 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 | 49,407 | 172,369 | 12,672 | 138,811 | 373,259 |
| Profit attributable to members of the group | - | - | - | 9,582 | 9,582 |
| Foreign currency translation | - | - | - | (7,560) | (7,560) |
| Dividends | - | - | - | (420) | (420) |
| Balance at 31 December 2002 | <u>49,407</u> | <u>172,369</u> | <u>12,672</u> | <u>140,413</u> | <u>374,861</u> |

The cumulative amount of goodwill written off at 31 December 2002, net of goodwill relating to undertakings disposed of, is £86,040,000 (2001: £84,378,000).

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 2001 | 49,407 | 172,369 | 180,644 | 402,420 |
| Loss 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 |
| Loss attributable to members of the company | - | - | (14,634) | (14,634) |
| Foreign currency translation | - | - | (574) | (574) |
| Dividends | - | - | (420) | (420) |
| Balance at 31 December 2002 | <u>49,407</u> | <u>172,369</u> | <u>152,855</u> | <u>374,631</u> |

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 £6,104,000 (2001: £6,504,000).

Accruals include £881,000 (2001: £8,432,000), 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.

24. Pension obligations (continued)

The disclosures required under Financial Reporting Standard No. 17 "Retirement Benefits" are as follows:

| | 31 December 2002 | 31 December 2001 |
|----------------------------------|-----------------------|-----------------------|
| Valuation Method | Projected unit method | Projected unit method |
| Inflation Rate | 2.3% | 2.5% |
| Salary Increases | 3.8% | 4.0% |
| Increase for pension in payments | | |
| - post 5 April 1997 | 2.3% | 2.5% |
| - pre 6 April 1997 | 1.5% | 1.7% |
| Discount Rate | 5.6% | 6.0% |

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

| | Long term rate of return expected at 31/12/2002 | Valued at 31/12/2002 £ million | Long term rate of return expected at 31/12/2001 | Valued at 31/12/2001 £ million |
|---|---|--------------------------------------|---|--------------------------------------|
| Equities | 8.3% | 131.5 | 8.0% | 180.2 |
| Bonds | 5.2% | 54.4 | 5.6% | 55.5 |
| Property | 6.7% | 11.5 | 6.8% | 9.7 |
| Cash | 4.5% | 5.0 | 4.0% | 6.2 |
| Total market value of assets | | 202.4 | | 251.6 |
| Actuarial value of the scheme liabilities | | (279.3) | | (261.0) |
| Deficit in the scheme | | (76.9) | | (9.4) |
| Related deferred tax asset | | 23.1 | | 2.8 |
| Net pension liability | | (53.8) | | (6.6) |

Analysis of the amount that would be charged to operating profit:

| | 2002 £ million |
|----------------------------------|-------------------|
| Current service cost | 6.3 |
| Past service cost | 0.2 |
| Total charge to operating profit | 6.5 |

Analysis of the amount to be included as other finance charge:

| | 2002 £ million |
|--|-------------------|
| Expected return on pension scheme assets | (18.0) |
| Interest on pension scheme liabilities | 15.3 |
| Net credit to other finance income | (2.7) |

24. Pension obligations (continued)

Analysis of amounts to be recognised in statement of total recognised gains and losses:

| | 2002 £ million |
|---|-------------------|
| Actual return less expected return on pension scheme assets | 55.4 |
| Experience gain arising on the scheme liabilities | (1.0) |
| Changes in the assumptions underlying (financial and demographic) | 9.5 |
| Actuarial loss recognised in the statement of total recognised gains and losses | <u>63.9</u> |

Movement in deficit during the year:

| | 2002 £ million |
|-----------------------------|-------------------|
| Deficit at 1 January 2002 | (9.4) |
| Current service cost | (6.5) |
| Contributions paid | 0.2 |
| Other finance income | 2.7 |
| Actuarial loss | (63.9) |
| Deficit at 31 December 2002 | <u>(76.9)</u> |

History of experience gains and losses:

| | 2002 £ million |
|--|-------------------|
| Difference between the expected and actual return on scheme assets: | |
| - amount | 55.4 |
| - percentage of scheme assets at year end | 27.4% |
| Experience gains arising on the scheme liabilities: | |
| - amount | (1.0) |
| - percentage of the present value of scheme liabilities at year end | (0.4%) |
| Total actuarial loss recognised in the statement of total recognised gains and losses: | |
| - amount | 63.9 |
| - percentage of the present value of scheme liabilities at year end | (22.9%) |

25. Operating leases

Group operating lease payments amounting to £3,269,000 (2001: £3,566,000) are committed to be made during the next year and are analysed as follows:-

| | Land and buildings | | Other | | Total |
|--------------------------|---------------------------|--------------|--------------|--------------|--------------|
| | 2002 | 2001 | 2002 | 2001 | 2001 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Leases expiring: | | | | | |
| within one year | - | 94 | 160 | 192 | 286 |
| within two to five years | 76 | 202 | 866 | 741 | 943 |
| thereafter | <u>2,167</u> | <u>2,337</u> | <u>-</u> | <u>-</u> | <u>2,337</u> |
| | <u>2,243</u> | <u>2,633</u> | <u>1,026</u> | <u>933</u> | <u>3,566</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, USA.