

Directors' Report and Accounts

Black & Decker

27 September 1987

Ernst & Whinney

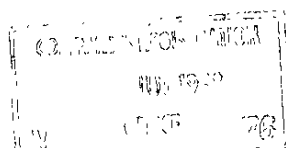
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Directors' Report and Accounts

BLACK & DECKER

27 September 1987

Ernst & Whinney



BLACK & DECKER

DIRECTORS' REPORT

Directors: R H Thomas (Chairman and Managing Director)
D G Fanthorpe
E T Jones

Secretary: R D P Green

Registered Office: Westpoint, The Grove, Slough, Berkshire SL1 1QQ

The directors present their report for the year ended 27 September 1987.

RESULTS AND DIVIDENDS

The trading results for the year are set out in the profit and loss account on page 4. Dividends were paid amounting to £6,001,000.

PRINCIPAL ACTIVITIES AND BUSINESS DEVELOPMENTS

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

FUTURE DEVELOPMENTS

The company will continue to develop its turnover and profit growth in all aspects of its business including progress in the sale of small domestic appliances.

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 were those set out above.

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.

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DIRECTORS' REPORT (continued)

TANGIBLE FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 14 on 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 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.

Ernst & Whinney

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 £7,905, including a political contribution of £5,000 to the Conservative Board of Finance.

AUDITORS

Ernst & Whinney 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

R. L. Green

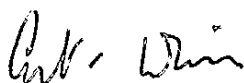
Secretary



REPORT OF THE AUDITORS TO THE MEMBERS OF BLACK & DECKER

We have audited the accounts set out on pages 4 to 20 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 27 September 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



Reading

15 January 1988

BLACK & DECKER

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 27 SEPTEMBER 1987


	Note	1987 £000	1986 £000
TURNOVER	1/2	258,076	211,699
Cost of sales		188,752	150,507
GROSS PROFIT		69,324	61,192
Selling and distribution costs	3	31,570	25,828
Administrative expenses	4	12,964	14,904
OPERATING PROFIT	5	24,790	20,460
Other income	9	2,509	6,239
Exceptional costs	10	(1,069)	(1,681)
		26,230	25,018
Interest payable	11	349	336
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		25,881	24,682
Tax charge/(credit) on profit on ordinary activities	12	(1,060)	1,048
PROFIT FOR THE FINANCIAL YEAR	13	26,941	23,634
Dividends		6,001	-
RETAINED PROFIT FOR THE YEAR		20,940	23,634

Movements on reserves are set out in note 22.

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CONSOLIDATED BALANCE SHEET - 27 SEPTEMBER 1987

	Note	1987 £000	1986 £000
FIXED ASSETS			
Tangible assets	14	43,585	41,572
Investments	15	15,145	13,785
		<u>58,730</u>	<u>55,458</u>
CURRENT ASSETS			
Stocks	16	38,569	32,012
Debtors	17	151,669	129,294
Cash at bank and in hand		3,294	1,375
		<u>193,532</u>	<u>162,681</u>
CREDITORS - amounts falling due within one year	18	52,324	33,969
		<u>141,208</u>	<u>128,712</u>
NET CURRENT ASSETS		<u>79,938</u>	<u>184,170</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS - amounts falling due after more than one year	19	7,251	6,817
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	20	8,586	10,302
		<u>184,101</u>	<u>167,051</u>
TOTAL ASSETS LESS LIABILITIES			
CAPITAL AND RESERVES			
Called-up share capital	21	26,600	26,600
Share premium account		12,640	12,640
Profit and loss account	22	144,861	127,811
		<u>184,101</u>	<u>167,051</u>



) Directors

 Approved by the Board on 15 January 1988

BLACK & DECKER

BALANCE SHEET - 27 SEPTEMBER 1987

	Note	1987 £000	1986 £000
FIXED ASSETS			
Tangible assets	14	31,211	29,625
Investments	15	42,054	58,517
		<u>73,265</u>	<u>88,142</u>
CURRENT ASSETS			
Stocks	16	35,564	28,862
Debtors	17	124,703	95,673
Cash at bank and in hand		146	79
		<u>160,413</u>	<u>124,614</u>
CREDITORS - amounts falling due within one year	18	47,430	37,085
		<u>112,983</u>	<u>87,529</u>
NET CURRENT ASSETS		<u>186,248</u>	<u>175,671</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS - amounts falling due after more than one year	19	6,799	6,570
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	20	8,586	10,302
		<u>170,863</u>	<u>158,799</u>
TOTAL ASSETS LESS LIABILITIES			
CAPITAL AND RESERVES			
Called-up share capital	21	26,600	26,600
Share premium account		12,640	12,640
Profit and loss account	22	131,623	119,559

Ernst & Wainney

) Directors

Approved by the Board on 15 January 1988

170,863158,799

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STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 27 SEPTEMBER 1987

	1987 £000	1986 £000
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	25,881	24,682
Items not involving the movement of funds:		
Depreciation of tangible fixed assets less amortisation of regional development grants	9,133	8,358
Loss on sale of tangible fixed assets	312	168
Exchange loss on retranslation of overseas subsidiaries and branches	(3,890)	(2,330)
Total generated from operations	31,436	30,878
OTHER SOURCES		
Proceeds from sale of tangible fixed assets	1,177	560
Total sources of funds	32,613	31,438
FUNDS APPLIED		
Dividends paid	6,001	-
Taxation payments	1,044	659
Purchase of tangible fixed assets less regional development grants received	12,535	11,506
	19,580	12,165
INCREASE IN WORKING CAPITAL	13,033	19,273
Arising from movements in:		
Stocks	6,557	(1,891)
Debtors	22,375	11,328
Investments	1,359	13,786
Trade and other creditors and accruals	(17,920)	(1,805)
Liquid funds	662	(2,145)
	13,033	19,273

Ernst & Whinney

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STATEMENT OF ACCOUNTING POLICIES - 27 SEPTEMBER 1987

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 27 September 1987.

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% - 20%
Transportation equipment	20% - 25%
Tooling	33 1/3%

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REGIONAL DEVELOPMENT GRANTS

Regional development grants are 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 profit and loss as incurred.

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.

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

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

	1987 £000	1986 £000
United Kingdom	123,549	111,026
Europe	62,269	44,685
Africa/Middle East	1,941	-
Australasia & Far East	7,458	5,186
Americas	62,859	48,877
	<u>258,076</u>	<u>211,699</u>

3 SELLING AND DISTRIBUTION COSTS

	1987 £000	1986 £000
Selling and warranty costs	23,661	20,079
Distribution costs	7,909	5,749
	<u>31,570</u>	<u>25,828</u>

4 ADMINISTRATIVE EXPENSES

	1987 £000	1986 £000
Administrative expenses	12,964	15,752
Management fees receivable from group companies	-	(848)
	<u>12,964</u>	<u>14,904</u>

5 OPERATING PROFIT is stated after charging:

	1987 £000	1986 £000
Depreciation of tangible fixed assets before amortisation of regional development grants amounting to £286,000 (1986 - £541,000)	9,735	9,052
Auditors' remuneration	100	104
Directors' emoluments	255	192
Hire of plant and machinery under operating leases	914	767
Other operating lease charges	2,298	2,247

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

6 STAFF COSTS

Employee costs during the year amounted to:

	1987 £000	1986 £000
Wages and salaries	33,000	29,294
Social security costs	3,737	3,238
Pension costs	-	10
	<u>36,737</u>	<u>32,542</u>

The average number of persons employed by the group in each week in the year was 4,509 (1986 - 3,506) and is broken down into the following categories:

	1987 Number	1986 Number
Manufacturing	3,553	2,640
Selling and distribution	660	576
Administration	296	290
	<u>4,509</u>	<u>3,506</u>

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7 EMOLUMENTS OF DIRECTORS

	1987 £000	1986 £000
Fees	-	-
Other emoluments (including pension contributions)	255	192
	<u>255</u>	<u>192</u>

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

	1987 £000	1986 £000
Chairman and highest paid director	138	90

Number of directors

Other directors in the following ranges:

	1987	1986
£45,001 to 50,000	-	1
£50,001 to £55,000	1	1
£60,001 to £65,000	1	-

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

8 EMOLUMENTS OF HIGHER PAID EMPLOYEES

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

	1987	1986
	Number of employees	
£30,001 to £35,000	12	13
£35,001 to £40,000	11	9
£40,001 to £45,000	8	1
£45,001 to £50,000	3	-
£50,001 to £55,000	1	-
£55,001 to £60,000	1	-
£60,001 to £65,000		
£65,001 to £70,000		

9 OTHER INCOME/(EXPENSE)

	1987	1986
	£000	£000
Foreign currency losses	(4,809)	(1,214)
Interest receivable on bank deposits	2,363	1,936
Interest receivable from fellow subsidiaries	3,470	4,080
Preference dividend receivable from fellow subsidiary	1,621	-
Insurance claim	-	12
Profit on disposal of subsidiary	30	-
Profit on disposal of subsidiary	(288)	-
Loss on disposal of branch	300	1,590
Government grants	(178)	(165)
Other		
	<u>2,509</u>	<u>6,239</u>

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10 EXCEPTIONAL COSTS

	1987	1986
	£000	£000
Manufacturing and other reorganisation and redundancy costs	(1,069)	(1,681)
	<u>(1,069)</u>	<u>(1,681)</u>

11 INTEREST PAYABLE

On amounts repayable within 5 years:

Bank and other short term interest

1987	1986
£000	£000
349	336

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

12 TAX ON PROFIT ON ORDINARY ACTIVITIES

1987	1986
£000	£000

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

United Kingdom corporation tax at 35%
(1986 - 37.5%)
Double taxation relief

676	679
(144)	(251)

532	428
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Transfer (from)/to deferred taxation

(1,716)	359
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(1,184)	787
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124	261
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Overseas taxation

(1,060)	1,048
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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 £6,700,000 (1986 - £8,105,000) to be surrendered by fellow group companies for nil consideration.

The Inland Revenue have commenced an enquiry which may result in the Revenue seeking to reduce the amount of group relief available which has been allowed in computing provisions for taxation in the accounts in this and earlier years. The group has been advised that it has a good defence to any such claim by the Inland Revenue. Accordingly no additional provision has been made in respect of this matter.

13 PROFIT FOR THE FINANCIAL YEAR

£18,056,000 (1986 - £15,770,000) 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 ON THE ACCOUNTS - 27 SEPTEMBER 1987

14 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant, equipment and tooling £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Group					
Cost					
At 28 September 1986	15,441	46,356	3,813	254	65,864
Exchange adjustments	(210)	(985)	(3)	(7)	(1,205)
Additions during year	244	9,069	341	-	9,654
Grants received in year	605	495	-	-	1,100
Cost of disposals	(511)	(4,815)	(57)	(5)	(5,449)
Transfer from affiliates	207	7,216	-	-	7,423
At 27 September 1987	<u>15,776</u>	<u>57,336</u>	<u>4,094</u>	<u>181</u>	<u>77,387</u>
Depreciation					
At 28 September 1986	2,863	19,642	1,500	187	24,192
Exchange adjustments	(46)	(264)	(1)	(5)	(316)
Charge for year	784	8,202	715	34	9,735
Amortisation of grants relating to retirements during year	2	(288)	-	-	(286)
Transfer from affiliates	(276)	(3,577)	(56)	(51)	(3,960)
At 27 September 1987	<u>3,327</u>	<u>28,152</u>	<u>2,158</u>	<u>165</u>	<u>33,802</u>
Net book amounts at 27 September 1987	<u>12,449</u>	<u>29,184</u>	<u>1,936</u>	<u>16</u>	<u>43,585</u>
Net book amounts at 28 September 1986	<u>12,578</u>	<u>26,714</u>	<u>2,313</u>	<u>67</u>	<u>41,672</u>

At 27 September 1987 there were group commitments for future capital expenditure amounting to £3,286,000 (1986 - £2,046,000).

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

14 TANGIBLE FIXED ASSETS (continued)

	Freehold land and buildings £000	Plant, equipment and tooling £000	Fixtures and fittings £000	No. of vehicles £000	Total £000
Company					
Cost					49,566
At 28 September 1986	12,027	33,593	3,810	136	(6)
Exchange adjustments	(1)	(5)	-	-	4,366
Additions during year	213	3,800	353	-	1,100
Grants received in year	605	495	-	-	(3,146)
Cost of disposals	(489)	(2,532)	(56)	(69)	7,408
Transfers from affiliates	207	7,201	-	-	
At 27 September 1987	12,562	42,552	4,107	67	59,288
Depreciation					19,941
At 28 September 1986	2,187	16,141	1,499	114	(3)
Exchange adjustments	(1)	(2)	-	-	6,878
Charge for year	511	5,630	731	6	(286)
Amortisation of grants	2	(288)	-	-	(2,890)
Relating to retirements	(271)	(2,511)	(55)	(53)	4,437
during year					
Transfers from	-	4,437	-	-	28,077
affiliates					
At 27 September 1987	2,428	23,407	2,175	67	
Net book amounts at					31,211
27 September 1987	10,134	19,145	1,932	-	
Net book amounts at					29,625
28 September 1986	9,840	17,452	2,311	22	

At 27 September 1987 there was company commitments for future capital expenditure amounted to £2,948,000 (1986 -£1,698,000).

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

15 FIXED ASSET INVESTMENTS

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Subsidiaries				
Cost of shares				
At 28 September 1986	-	-	58,517	44,318
Additions	-	-	-	14,199
Amount reclassified	-	-	1	-
Capital repayments (a)	-	-	(8,000)	-
Disposals (b)	-	-	(1)	-
Dividend receivable out of pre acquisition reserves	-	-	(8,463)	-
	<u>-</u>	<u>-</u>	<u>42,054</u>	<u>58,517</u>
At 27 September 1987	-	-	42,054	58,517
Fellow subsidiaries				
Cost of shares				
At 28 September 1986	13,786	-	-	-
Additions	1,621	13,786	-	-
Exchange adjustments	(262)	-	-	-
	<u>15,145</u>	<u>13,786</u>	<u>-</u>	<u>-</u>
At 27 September 1987	15,145	13,786	-	-
Total investments at 27 September 1987	<u>15,145</u>	<u>13,786</u>	<u>42,054</u>	<u>58,517</u>

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- (a) A capital repayment of £8,000,000 was made by Black & Decker Eastern Hemisphere in March 1987.
- (b) During the year, Band International Limited was transferred to the holding company, Black & Decker Holdings Inc. by way of a dividend equivalent to the book value of the investment.
- (c) The principal subsidiaries at 27 September 1987 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 consumer products	*49.99%
Black & Decker Eastern Hemisphere	England	Provision of group management services and sale of Industrial know-how and technology rights	100%
Black & Decker Holdings (Canada) Inc.	Canada	Group holding company	100%

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

15 FIXED ASSET INVESTMENTS (continued)

* This company is treated for accounts purposes as wholly-owned since Black & Decker had an option, exercisable at any time on or before 31 December 1989, 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.

16 STOCKS

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Raw materials and work in progress	13,925	12,407	10,923	9,502
Finished goods	24,644	19,605	24,641	19,360
	<u>38,569</u>	<u>32,012</u>	<u>35,564</u>	<u>28,862</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.

17 DEBTORS

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	13,212	17,934	13,159	17,447
Amounts owed by subsidiaries	-	-	-	165
Amounts owed by other group companies	136,566	108,917	110,529	76,803
Other debtors	1,391	1,729	578	632
Prepayments and accrued income	500	714	437	626
	<u>151,669</u>	<u>129,294</u>	<u>124,703</u>	<u>95,673</u>

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NOTES TO THE ACCOUNTS - 27 SEPTEMBER 1987

18 CREDITORS - amounts falling due within one year:

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Bank loans and overdrafts	2,064	1,331	1,248	836
Trade creditors	17,556	11,137	15,296	9,206
Amounts owed to other group companies	17,621	8,142	18,652	15,612
Taxation on profits - UK	137	408	137	387
- Overseas	151	268	151	268
Other taxation and social security	437	1,825	321	1,712
Accruals and deferred income	14,358	10,858	11,625	9,064
	<u>52,324</u>	<u>33,969</u>	<u>47,430</u>	<u>37,085</u>

19 CREDITORS amounts falling due after more than one year

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Bank loans repayable by instalments:				-
- Repayable within five years	771	247	646	-
Amounts owed to other group companies	5,872	5,872	5,872	5,872
Other creditors	608	698	281	698
	<u>7,251</u>	<u>6,817</u>	<u>6,799</u>	<u>6,570</u>

Bank loans with repayment instalments beyond five years were at an interest rate of 11.25%.

20 DEFERRED TAXATION

	Group and Company	
	1987 £000	1986 £000
Deferred taxation comprises:		
Accelerated capital allowances	2,193	4,314
Short-term timing differences	6,393	5,983
	<u>8,586</u>	<u>10,302</u>

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NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

20 DEFERRED TAXATION (continued)

The movement on deferred taxation comprises:

	Group and Company	
	1987	1986
	£000	£000
At 28 September 1986	10,302	9,914
Charged to profit and loss - Taxation	(1,716)	359
Transfers from taxation payable	-	29
At 27 September 1987	<u>8,586</u>	<u>10,302</u>

Deferred taxation has been calculated at 35% (1986 - 35%).

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

	Group and Company	
	1987	1986
	£000	£000
Accelerated capital allowances	2,193	4,314
Short-term timing differences	6,393	5,988
	<u>8,586</u>	<u>10,302</u>
Capital gains deferred under the roll-over provisions	2,625	2,250
	<u>11,211</u>	<u>12,552</u>

21 CALLED UP SHARE CAPITAL

	1987	1986
	£000	£000
Authorised:		
10,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued, subscribed and fully paid		
26,600,1 Ordinary shares of £1 each	<u>26,600</u>	<u>26,600</u>

BLACK & DECKER

NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

22 PROFIT AND LOSS ACCOUNT

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Balance 28 September 1986	127,811	106,507	119,559	103,776
Retained profit for the year	20,940	23,634	12,055	15,770
Foreign currency translation	(3,890)	(2,330)	9	13
Balance 27 September 1987	<u>144,861</u>	<u>127,811</u>	<u>131,623</u>	<u>119,559</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 and branches.

23 PENSION OBLIGATIONS

The company's policy is to fund pension costs as they accrue. As of the latest valuation date, 6 April 1987, the actuaries' report stated that the market value of the pension scheme assets exceeded the actuarially computed vested benefits by some £23,825,000 (6 April 1986 - £22,859,000). In recognition of the continuing surplus, the employer approved a one year contribution "holiday" for both employer and employees from 1 October 1986 and 1 November 1986 respectively. Subsequently, the employer has extended the contribution "holiday" for a further year for both employer and employees.

24 OPERATING LEASES

Operating leases amounting to £2,922,000 (1986 £2,318,000) are committed to be made during the next year and are analysed as follows:-

	Land and buildings £000	Other £000	Total £000
Leases expiring in:			
1988	1,437	1,485	2,922
1989-93	6,993	1,969	8,962
Beyond	15,809	327	16,136
	<u>24,239</u>	<u>3,781</u>	<u>28,020</u>

25 ULTIMATE HOLDING COMPANY

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