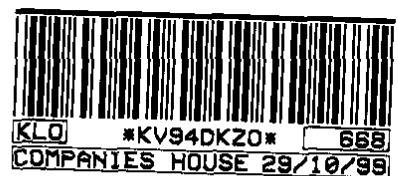


Black & Decker International

Report And Accounts

31 December 1998



ERNST & YOUNG

Black & Decker International

DIRECTORS

C B Powell-Smith	(Chairman)
C E Fenton	(Resigned 9 June 1998)
N R Judd	
A R Sanderson	(Resigned 31 July 1998)
C G Watson	
G Chakravarthi	
M Rothleitner	(Appointed 9 June 1998)

SECRETARY

C G Watson

AUDITORS

Ernst & Young
Apex Plaza
Reading
Berkshire
RG1 1YE

REGISTERED OFFICE

210 Bath Road
Slough
Berkshire
SL1 3YD

REGISTERED IN ENGLAND

209797

Black & Decker International

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The trading results for the year are set out in the profit and loss account on page 6. The group made a profit for the financial year available to members of £8,837,000 (1997 £47,894,000). Preference dividends of £420,000 (1997: £420,000) have been declared and paid. No ordinary dividend were paid or proposed during the year (1997 : £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.

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 UK is in excess of net book value.

EMPLOYEE CONSULTATION

The group places the greatest value on its employees and their involvement in all aspects of the group's business. The group has continued its established practice of keeping all employees fully informed on matters which affect them including the performance of the group. This is achieved through a variety of regular formal and informal meetings, briefings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. There is also a share purchase scheme under which all employees are able to participate in the shares of The Black & Decker Corporation, the company's ultimate holding company, which is listed on the New York stock exchange.

EMPLOYMENT OF DISABLED PERSONS

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

CHARITABLE AND POLITICAL DONATIONS

The group made contributions for political and charitable purposes during the year amounting to £15,852 (1997: £21,549) none of which included any political contributions.

Black & Decker International

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A corporate-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned and endorsed by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers (including computer bureaux) and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware software is not considered significant in the context of these financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

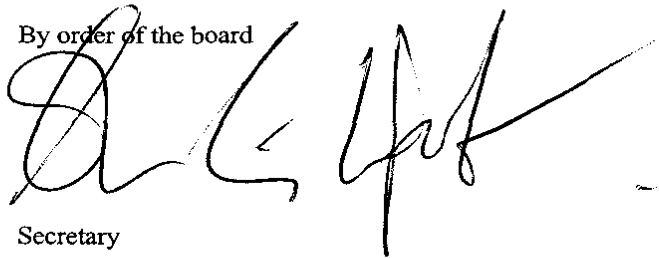
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Black & Decker International
DIRECTORS' REPORT

AUDITORS

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

By order of the board

A large, stylized handwritten signature in black ink, likely belonging to the Secretary, is written over the text "By order of the board".

Secretary

REPORT OF THE AUDITORS
to the members of Black & Decker International

We have audited the accounts on pages 6 to 33 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Registered Auditor
Reading

30 September 1999

Black & Decker International
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	<i>Note</i>	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
TURNOVER	2	513,350	570,116
Cost of sales		439,400	474,874
GROSS PROFIT		73,950	95,242
Selling and distribution costs	3	33,968	39,905
Administrative expenses		33,406	37,504
OPERATING PROFIT	4	6,576	17,833
Operating profit from interests in associated undertakings	9	3,439	2,420
		10,015	20,253
Exceptional items:			
Profit from change of interests in subsidiary undertakings	7	65	24,753
Share of loss from change of interests in associated undertakings		(283)	-
Profit on sale of fixed assets		5,016	-
Release of closure provisions: discontinued activity		2,035	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		16,848	45,006
Other income	8	8,851	16,968
Share of other income in associated undertakings		6,703	4,908
Interest payable	10	(18,216)	(15,750)
Share of interest payable in associated undertakings		(2,322)	(3,597)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,864	47,535
Tax charge/(credit) on profit on ordinary activities	11	873	(2,115)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		10,991	49,650
Minority interests - equity interests		(2,154)	(1,756)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	12	8,837	47,894
Dividends (including dividends on non-equity shares)	13	420	420
RETAINED PROFIT FOR THE YEAR	23	8,417	47,474

Black & Decker International

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1998

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Profit for the financial year excluding share of profits of associated undertakings	1,348	44,891
Share of associates' profits for the year	7,489	3,003
	<u>8,837</u>	<u>47,894</u>
Foreign currency translation - subsidiaries	168	(10,656)
- associates	(3,244)	185
Total recognised gains and losses relating to the year	<u>5,761</u>	<u>37,423</u>


Black & Decker International

GROUP BALANCE SHEET

at 31 December 1998

	<i>Note</i>	<i>1998 £'000</i>	<i>1997 £'000</i>
FIXED ASSETS			
Intangible assets	14	33,238	-
Tangible assets	15	77,586	71,384
Investments	16	169,554	161,766
		<u>280,378</u>	<u>233,150</u>
CURRENT ASSETS			
Stocks	17	55,471	61,864
Debtors	18	357,941	311,089
Cash at bank and in hand		21,559	37,233
		<u>434,971</u>	<u>410,186</u>
CREDITORS: amounts falling due within one year	19	173,017	156,342
NET CURRENT ASSETS		<u>261,954</u>	<u>253,844</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		542,332	486,994
CREDITORS: amounts falling due after more than one year	20	278,316	183,806
PROVISIONS FOR LIABILITIES AND CHARGES	21	8,526	12,601
MINORITY INTERESTS - equity interests		-	40,438
TOTAL ASSETS LESS LIABILITIES		<u>255,490</u>	<u>250,149</u>
CAPITAL AND RESERVES			
Called up share capital	22	49,407	49,407
Share premium account	23	172,369	172,369
Reserves	23	33,714	28,373
TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)		<u>255,490</u>	<u>250,149</u>

Approved by the board on 30 September 1999

 } Directors

Black & Decker International

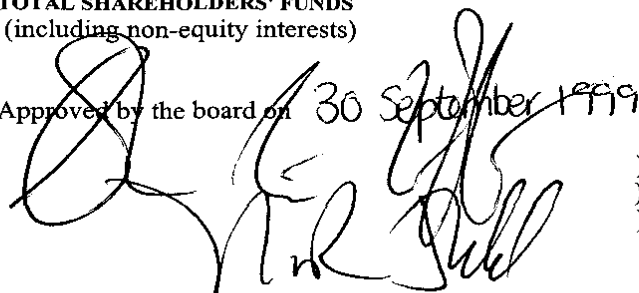
BALANCE SHEET

at 31 December 1998

	<i>Note</i>	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
FIXED ASSETS			
Tangible assets	15	446	432
Investments	16	595,541	446,626
		<u>595,987</u>	<u>447,058</u>
CURRENT ASSETS			
Stocks	17	1,584	1,484
Debtors: amounts falling due:	18		
- after one year		137,117	137,117
- within one year		49,995	36,573
Cash at bank and in hand		13	9,003
		<u>188,709</u>	<u>184,177</u>
CREDITORS: amounts falling due within one year	19	54,373	52,690
NET CURRENT ASSETS		<u>134,336</u>	<u>131,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>730,323</u>	<u>578,545</u>
CREDITORS: amounts falling due after more than one year	20	277,413	182,761
PROVISIONS FOR LIABILITIES AND CHARGES	21	12,008	12,008
TOTAL ASSETS LESS LIABILITIES		<u>440,902</u>	<u>383,776</u>
CAPITAL AND RESERVES			
Called up share capital	22	49,407	49,407
Share premium account	23	172,369	172,369
Reserves	23	219,126	162,000
TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)		<u>440,902</u>	<u>383,776</u>

Approved by the board on

30 September 1999



Directors

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings drawn up to 31 December 1998. No profit and loss is presented for Black & Decker International as permitted by Section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has a participating interest and 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 1998.

Goodwill

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

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

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.

Government grants

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

Deferred taxation

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

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

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES (CONTINUED)

Research and development

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

Foreign currencies

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

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

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

Stocks

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

Pensions

For UK group undertakings, pension costs are charged to the profit and loss account on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as is possible, to the service lives of the employees concerned. The regular pension cost is attributed to individual years, using the projected unit credit method. Variations on pension cost which are identified as a result of actuarial valuations are amortised over the average expected remaining working lives of current employees. Differences between the amounts funded and the amount charged to the profit and loss account are treated as either provisions or prepayments in the group balance sheet.

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

Leases

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

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

Provisions for liabilities and charges

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

Cash flow statement

A cash flow statement has not been prepared as the company is exempt under Financial Reporting Standard 1 (Revised).

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

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

	<i>Other activities</i>	<i>Consumer & home improvement products</i>	<i>Commercial & industrial products</i>	<i>1998 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover				
Total sales	-	462,507	68,356	530,863
Intersegment sales	-	(5,142)	(12,371)	(17,513)
Total turnover	-	457,365	55,985	513,350
Operating profit				6,576
Income from interests in associated undertakings				7,537
Profit from change of interests in subsidiary undertakings				65
Profit on sale of fixed assets				5,016
Release of closure provisions: discontinued activity				2,035
Other income				8,851
Interest payable				(18,216)
Profit on ordinary activities before taxation				11,864
Net Assets				
Net assets by segment	(113,379)	(103,302)	324,094	107,413
Net assets of associated undertakings	148,077	-	-	148,077
Total net assets				255,490

1997 comparatives are given overleaf.

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

	<i>Other activities</i>	<i>Consumer & home improvement products</i>	<i>Commercial & industrial products</i>	<i>1997 Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover				
Total sales	-	513,609	77,733	591,342
Intersegment sales	-	(10,517)	(10,709)	(21,226)
Total turnover	-	503,092	67,024	570,116
Operating profit				17,833
Income from interests in associated undertakings				3,731
Profit from change of interests in subsidiary undertakings				24,753
Other income				16,968
Interest payable				(15,750)
Profit on ordinary activities before taxation				47,535
Net Assets				
Net assets by segment	(28,115)	(45,469)	179,901	106,317
Net assets of associated undertakings	143,832	-	-	143,832
Total net assets				250,149

Black & Decker International
NOTES TO THE ACCOUNTS
at 31 December 1998

2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

(b) Geographical area

	<i>UK</i> <i>£'000</i>	<i>Europe</i> <i>£'000</i>	<i>Africa/ Middle East</i> <i>£'000</i>	<i>Australasia</i> <i>£'000</i>	<i>America</i> <i>£'000</i>	<i>1998 Total</i> <i>£'000</i>
Turnover						
Turnover by origin:						
Total sales	499,938	15,204	-	15,721	-	530,863
Intersegment sales	(17,474)	-	-	(39)	-	(17,513)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total turnover	<u>482,464</u>	<u>15,204</u>	<u>-</u>	<u>15,682</u>	<u>-</u>	<u>513,350</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Turnover by destination:						
Sales to third parties	<u>165,240</u>	<u>285,676</u>	<u>7,817</u>	<u>17,898</u>	<u>36,719</u>	<u>513,350</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit						6,576
Income from interests in associated undertakings						7,537
Profit from change of interests in subsidiary undertakings						65
Profit on sale of fixed assets						5,016
Release of closure provisions: discontinued activity						2,035
Other income						8,851
Interest payable						(18,216)
						<u> </u>
Profit on ordinary activities before taxation						<u>11,864</u>
						<u> </u>
Net Assets						
Net assets by origin	<u>50,327</u>	<u>(1,642)</u>	<u>-</u>	<u>58,728</u>	<u>-</u>	<u>107,413</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets of associated undertakings	<u>-</u>	<u>148,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,077</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets						<u>255,490</u>
						<u> </u>

1997 comparatives are given overleaf.

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

2. TURNOVER AND SEGMENTAL ANALYSIS (CONTINUED)

	<i>UK</i> <i>£'000</i>	<i>Europe</i> <i>£'000</i>	<i>Africa/ Middle East</i> <i>£'000</i>	<i>Austra- lasia</i> <i>£'000</i>	<i>America</i> <i>£'000</i>	<i>1997 Total</i> <i>£'000</i>
Turnover						
Turnover by origin:						
Total sales	518,753	14,038	-	58,551	-	591,342
Intersegment sales	(21,080)	-	-	(146)	-	(21,226)
Total turnover	497,673	14,038	-	58,405	-	570,116
Turnover by destination:						
Sales to third parties	162,565	305,382	7,994	60,344	33,831	570,116
Operating profit						17,833
Income from interests in associated undertakings						3,731
Profit from change of interests in subsidiary undertakings						24,753
Other income						16,968
Interest payable						(15,750)
Profit on ordinary activities before taxation						47,535
Net Assets						
Net assets by origin	44,673	(865)	-	62,509	-	106,317
Net assets of associated undertakings	-	143,832	-	-	-	143,832
Total net assets						250,149

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

3. SELLING AND DISTRIBUTION COSTS

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Selling and warranty costs	25,406	30,401
Distribution costs	8,562	9,504
	<u>33,968</u>	<u>39,905</u>

4. OPERATING PROFIT is stated after charging:

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Depreciation of tangible fixed assets before amortisation of government grants amounting to £Nil (1997: £8,000)	16,743	18,857
Auditors' remuneration		
- audit	244	251
- non audit	4,376	222
Directors' emoluments (see note 6)	877	702
Hire of plant and machinery under operating leases	1,912	2,019
Other operating lease charges	2,495	3,100
Research and development expenditure	12,035	11,328

5. STAFF COSTS

Employee costs during the year amounted to:

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Wages and salaries	58,498	66,925
Social security costs	4,704	5,966
Pension charge (see note 24)	3,210	1,230
Other pension costs	1,380	1,189
	<u>67,792</u>	<u>75,310</u>

The average number of persons employed by the group during the year was 2,965 (1997: 3,269) and is broken down into the following categories:

	<i>1998</i> <i>Number</i>	<i>1997</i> <i>Number</i>
Manufacturing	2,088	2,178
Other	877	1,091
	<u>2,965</u>	<u>3,269</u>

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

6. EMOLUMENTS OF DIRECTORS

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Fees	9	6
Other emoluments (including pension contributions)	581	531
Compensation for loss of office	287	165
	<u>877</u>	<u>702</u>

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

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Other emoluments	202	167
Accumulated pension entitlement	48	-
	<u>250</u>	<u>167</u>

The number of directors who were members of the group defined benefit pension scheme during the year was 2 (1997: 3).

7. PROFIT FROM CHANGE OF INTERESTS IN SUBSIDIARY UNDERTAKINGS

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Profit on dilution of interest in subsidiary undertaking	-	24,753
Profit on sale of subsidiary undertaking	65	-
	<u>65</u>	<u>24,753</u>

8. OTHER INCOME

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Interest receivable on bank deposits	780	892
Interest receivable from fellow group undertakings	8,372	6,721
Foreign currency (losses)/gains	(452)	9,195
Other income	151	160
	<u>8,851</u>	<u>16,968</u>

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

9. 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:

	<i>Black & Decker International Holdings BV</i>	
	<i>group</i>	<i>group</i>
	<i>1998</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>
Group share of:		
Turnover	100,790	51,394
Profit before tax	7,537	3,731
Taxation	48	728
Profit after tax	7,489	3,003

10. INTEREST PAYABLE

	<i>1998</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>
Bank and other loans repayable within five years	1,658	1,551
Interest payable to other group undertakings:		
- repayable within five years	16,558	14,199
	18,216	15,750

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<i>1998</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>
United Kingdom corporation tax	279	833
Double taxation relief	(326)	(520)
Adjustment from prior years	(253)	(265)
	(300)	48
Transfer from deferred taxation	(366)	(2,363)
	(666)	(2,315)
Overseas taxation	1,491	(528)
Associated undertakings	48	728
	873	(2,115)

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

12. PROFIT FOR THE FINANCIAL YEAR

Profits of £57,606,000 (1997: profit £78,490,000) for the financial year are dealt with in the accounts of the holding company.

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

13. DIVIDENDS

	1998 £'000	1997 £'000
Dividends paid on non-equity shares:		
Preference shares	420	420

14. INTANGIBLE FIXED ASSETS

	1998 £'000	Group 1997 £'000
Goodwill - at cost	33,238	-

On 31 December 1998 the group acquired the remaining minority interest in Tuckers Fasteners Limited for a consideration of £75,815,000 satisfied by a promissory note issued in favour of a fellow subsidiary company, Emhart International Limited (note 20).

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

	Book and Fair Values £'000	Share Acquired 35.86% £'000
Tangible fixed assets	11,977	4,295
Investments	17,934	6,431
Stock	5,161	1,851
Debtors	75,607	27,113
Cash	14,556	5,220
Creditors due within one year	(5,592)	(2,006)
Creditors due after one year	(129)	(46)
Deferred taxation	(784)	(281)
	118,730	42,577
Net Assets		
Goodwill arising on acquisition		33,238
		75,815
Discharged by:		
Fair value of promissory note issued (see note 16)		75,815

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

15. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings £'000</i>	<i>Plant equipment and tooling £'000</i>	<i>Fixtures, fittings and motor vehicles £'000</i>	<i>Total £'000</i>
Cost				
At 1 January 1998	29,136	156,074	13,940	199,150
Additions during year	359	14,014	2,141	16,514
Transfers from group undertakings	-	21,015	-	21,015
Disposals	(6,004)	(18,058)	(2,951)	(27,013)
Reclassifications	-	154	(154)	-
Exchange adjustments	26	44	32	102
At 31 December 1998	23,517	173,243	13,008	209,768
Depreciation				
At 1 January 1998	12,208	105,640	9,918	127,766
Charge for year	976	14,583	1,184	16,743
Transfers from group undertakings	-	6,351	-	6,351
Disposals	(3,999)	(13,542)	(1,180)	(18,721)
Reclassifications	-	48	(48)	-
Exchange adjustments	17	16	10	43
At 31 December 1998	9,202	113,096	9,884	132,182
Net book value				
At 31 December 1998	14,315	60,147	3,124	77,586
At 31 December 1997	16,928	50,434	4,022	71,384

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

At 31 December 1998 there were group commitments for future capital expenditure amounting to £9,259,000 (1997: £5,647,000).

Black & Decker International
 NOTES TO THE ACCOUNTS
 at 31 December 1998

15. TANGIBLE FIXED ASSETS (CONTINUED)

<i>Group</i>	<i>Freehold land and buildings £'000</i>	<i>Long leasehold £'000</i>	<i>Leasehold improvements £'000</i>	<i>Total £'000</i>
Cost				
At 1 January 1998	22,266	5,986	884	29,136
Additions	345	14	-	359
Disposals	(3)	(6,001)	-	(6,004)
Exchange adjustments	-	26	-	26
At 31 December 1998	22,608	25	884	23,517
Depreciation				
At 1 January 1998	7,819	4,043	346	12,208
Charge for year	872	81	23	976
Disposals	-	(3,999)	-	(3,999)
Reclassifications	135	(135)	-	-
Exchange adjustments	-	17	-	17
At 31 December 1998	8,826	7	369	9,202
Net book value				
At 31 December 1998	13,782	18	515	14,315
At 31 December 1997	14,447	1,943	538	16,928

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

15. TANGIBLE FIXED ASSETS (CONTINUED)

<i>Company</i>	<i>Plant equipment and tooling £'000</i>	<i>Fixtures, fittings and motor vehicles £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 1998	360	418	778
Additions during year	26	38	64
Disposals	(66)	(63)	(129)
Exchange adjustments	17	19	36
At 31 December 1998	337	412	749
Depreciation			
At 1 January 1998	176	170	346
Charge for year	18	46	64
Disposals	(63)	(58)	(121)
Exchange adjustments	8	6	14
At 31 December 1998	139	164	303
Net book value			
At 31 December 1998	198	248	446
At 31 December 1997	184	248	432

At 31 December 1998 there were no company commitments for future capital expenditure (1997: £Nil).

Black & Decker International
NOTES TO THE ACCOUNTS
at 31 December 1998

16. FIXED ASSET INVESTMENTS

Group £'000

(i) Associated undertakings
Share of net assets

At 1 January 1998	143,832
Exchange adjustments	(3,244)
Share of profit after tax	7,489
At 31 December 1998	<u>148,077</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

	1998 £'000	1997 £'000
Fixed assets	17,136	10,293
Current assets	224,215	215,874
Share of gross assets	<u>241,351</u>	<u>226,167</u>
Liabilities due within one year	68,921	67,943
Liabilities due after more than one year	24,353	14,392
Share of gross liabilities	<u>93,274</u>	<u>82,335</u>
Share of net assets	<u>148,077</u>	<u>143,832</u>

(ii) Investments in fellow group undertakings
Shares at cost

£'000

At 1 January 1998	17,934
Additions	3,543
At 31 December 1998	<u>21,477</u>
Total investments	
At 31 December 1998	<u>169,554</u>
At 31 December 1997	<u>161,766</u>

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

16. FIXED ASSET INVESTMENTS (CONTINUED)

<i>Company</i>			
(i) <i>Subsidiary undertakings</i>	<i>Cost of shares £'000</i>	<i>Capital contribution £'000</i>	<i>Total £'000</i>
At 1 January 1998 written down value	445,982	644	446,626
Additions	151,719	-	151,719
Disposals	(4,100)	-	(4,100)
At 31 December 1998	593,601	644	594,245
(a) On 22 December 1998, the company acquired the remaining 36% minority interest in Tucker Fasteners Limited from Emhart International Limited, a fellow subsidiary undertaking, in exchange for the issuance by the company to Emhart International Limited of a promissory note of principal value £75,815,000 (see notes 14 and 20).			
(b) Also, on 22 December 1998, the company was allotted a further 75,903,546 ordinary shares of £1 each at par by Black & Decker Europe, the consideration for which was satisfied by both the transfer of convertible equity notes owed by group undertakings to the company with an aggregate principal value of £47,682,098 and the payment of £28,221,448 in cash.			
(c) During September the company sold its interest in the shares of Emhart (UK) Limited to Emhart International Limited, a fellow subsidiary undertaking for £3,500,000.			
(ii) <i>Other fellow group undertakings</i>	<i>Cost of shares £'000</i>	<i>Capital contribution £'000</i>	<i>Total £'000</i>
At 1 January 1998	-	-	-
Additions	1,296	-	1,296
At 31 December 1998	1,296	-	1,296
Total investments			
At 31 December 1998	594,897	644	595,541
At 31 December 1997	445,982	644	446,626

- (a) During the year, the company invested £1,296,000 in acquiring a 10% interest in Black & Decker Limited LLC, a fellow subsidiary undertaking incorporated in the USA.

Group

The principal associated undertakings at 31 December 1998 were:-

<i>Principal associated undertakings</i>	<i>Country of incorporation or registration</i>	<i>Principal activities</i>	<i>Entitlement to earnings</i>
Black & Decker International Holdings BV	Luxembourg	Investment holding company	39% (i) *

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

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:

Black & Decker Overseas Holdings BV	Netherlands	Investment Holding Company	39% (ii) *
Black & Decker Nederland BV	Netherlands	Marketing of consumer products	39% (ii) *
Nemef BV	Netherlands	Production and marketing of security related products	39% (iii) *
Black & Decker Iberica	Spain	Marketing of consumer products	39% (iii) *
Black & Decker Holdings (Canada) Inc	Canada	Group Holding Company	39% (ix) *
Black & Decker (Norge) AS	Norway	Marketing of consumer products	39% (ix) *
Sjong Fasteners AS	Norway	Marketing and distribution of mechanical fasteners	39% (iv) *
Black & Decker (Belgium) NV	Belgium	Marketing of consumer products	39% (ix) *
Belco Investments Co	Ireland	Group Holding Company	39% (vi) *
Black & Decker (Hellas) SA	Greece	Marketing of consumer products	39% (vi) *
Black & Decker Turkey Ltd	Turkey	Marketing of consumer products	39% (ix) *
Black & Decker (Suzhou) Power Tools Pty Limited	China	Manufacture and marketing of power tools and small domestic appliances	39% (ix) *
Fasteners and Tools Limited	Japan	Manufacture of industrial fastening systems	39% (vii) *

Black & Decker International
NOTES TO THE ACCOUNTS
at 31 December 1998

16. FIXED ASSET INVESTMENTS (CONTINUED)

Nippon Pop Rivets and Fasteners Limited	Japan	Manufacture of industrial fastening systems	39% (ix) *
Black & Decker Italia SpA	Italy	Marketing and Manufacture of power tools	39% (ii)*

Investments in fellow subsidiary undertakings

The fellow subsidiary undertakings at 31 December 1998 in which the group has an interest in excess of 20% of the nominal value of any class of share capital comprise:

<i>Name of company</i>	<i>Country of incorporation or registration</i>	<i>Principal activities</i>	<i>Holding</i>
Black & Decker GmbH	Germany	Marketing of Consumer products	100% (v) 23.7% (capped) cumulative preference shares
Black & Decker (Malaysia) Sdn.Bhd	Malaysia	Marketing of Consumer products	100% (viii) 9% cumulative class B common shares

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

*The class of shares held by Bandhart Overseas in Black & Decker International Holdings BV, representing 25% of the nominal share capital, entitle the group to an average of 39% of earnings for the year ended 31 December 1998.

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

16. FIXED ASSET INVESTMENTS (CONTINUED)

Company

The principal subsidiaries at 31 December 1998 were:-

<i>Principal subsidiaries</i>	<i>Country of incorporation or registration</i>	<i>Principal activities</i>	<i>Proportion of ordinary shares held</i>
Black & Decker	England	Manufacture and sale of power tools and small domestic appliances	100%
Black & Decker Asia Pacific Pte Ltd	Singapore	Manufacture of small domestic electrical appliances, consumer goods and glass manufacturing equipment	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)
Emhart (Colchester) Limited	England	Maintenance and service of capital equipment	100% (ii)
United Marketing (Leicester)	England	Group holding company	100%

(i) Shares held indirectly through Bandhart Overseas.

(ii) Shares held indirectly through Black & Decker.

17. STOCKS

	<i>1998 £'000</i>	<i>Group 1997 £'000</i>	<i>1998 £'000</i>	<i>Company 1997 £'000</i>
Raw materials and work in progress	13,280	14,572	-	-
Finished goods	42,191	47,292	1,584	1,484
	<u>55,471</u>	<u>61,864</u>	<u>1,584</u>	<u>1,484</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.

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

18. DEBTORS

	1998 £'000	Group 1997 £'000	1998 £'000	Company 1997 £'000
Trade debtors	32,437	39,033	5,513	4,883
Amounts owed by group undertakings	250,292	211,635	181,262	168,373
Amounts owed by associate undertakings	55,492	39,237	-	-
Other debtors	3,035	4,720	219	272
Prepayments and accrued income	16,685	16,464	118	162
	<u>357,941</u>	<u>311,089</u>	<u>187,112</u>	<u>173,690</u>

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

	1998 £'000	Group 1997 £'000	1998 £'000	Company 1997 £'000
Amounts owed by group undertakings	-	838	137,117	137,117
Other debtors	-	35	-	-
Prepayments and accrued income	5,829	9,457	-	-
	<u>5,829</u>	<u>10,330</u>	<u>137,117</u>	<u>137,117</u>

Amounts owed to the company by group undertakings comprise ten convertible equity notes. 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

	1998 £'000	Group 1997 £'000	1998 £'000	Company 1997 £'000
Bank loans and overdrafts	23,582	40,399	524	381
Trade creditors	41,389	40,358	103	60
Amounts owed to group undertakings	51,733	33,214	53,142	51,334
Amounts owed to associate undertakings	5,891	526	-	-
Taxation on profits				
- UK	591	1,114	-	-
- Overseas	443	408	-	-
Other taxation and social security	2,724	2,027	-	-
Accruals and deferred income	45,107	35,393	604	915
Other creditors	1,557	2,903	-	-
	<u>173,017</u>	<u>156,342</u>	<u>54,373</u>	<u>52,690</u>

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

20. CREDITORS: amounts falling due after more than one year

	<i>1998</i>	<i>Group</i>	<i>1998</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1997</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts owed to group undertakings	277,413	182,761	277,413	182,761
Other creditors	129	200	-	-
Accruals and deferred income	774	845	-	-
	<u>278,316</u>	<u>183,806</u>	<u>277,413</u>	<u>182,761</u>

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

21. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>1998</i>	<i>Group</i>	<i>1998</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1997</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Warranties	2,712	3,901	-	-
Deferred tax	3,784	4,150	-	-
Emhart (Colchester) Ltd run down costs	2,030	4,550	-	-
Provision for support to other group undertakings (see note 27)	-	-	12,008	12,008
	<u>8,526</u>	<u>12,601</u>	<u>12,008</u>	<u>12,008</u>

An analysis of the major provisions is given below:

	<i>1998</i>	<i>Group</i>	<i>1998</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1997</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Warranties:</i>				
At 1 January 1998	3,901	3,489	-	-
Increase in year	1,189	412	-	-
At 31 December 1998	<u>2,712</u>	<u>3,901</u>	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>				
	<i>1998</i>	<i>Group</i>	<i>1998</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>	<i>1997</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Accelerated capital allowances	481	825	-	-
Short-term timing differences	3,077	2,081	-	-
Pension credit prepayment	1,795	2,913	-	-
Other	(1,569)	(1,669)	-	-
	<u>3,784</u>	<u>4,150</u>	<u>-</u>	<u>-</u>

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

21. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

The movement in deferred tax during the year comprises:

	<i>Group</i> <i>£'000</i>	<i>Company</i> <i>£'000</i>
At 1 January 1998	4,150	-
Release to profit and loss	(366)	-
At 31 December 1998	<u>3,784</u>	<u>-</u>

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

	<i>1998</i> <i>£'000</i>	<i>Group</i> <i>1997</i> <i>£'000</i>
Accelerated capital allowances	(1,194)	857
Short-term timing differences	1,691	2,193
Pension credit prepayment	1,589	2,913
Other	(1,569)	(1,669)
	<u>517</u>	<u>4,294</u>
Capital gains deferred under the roll-over provisions	567	490
	<u>1,084</u>	<u>4,784</u>

Reorganisation costs:

	<i>1998</i> <i>£'000</i>	<i>Group</i> <i>1997</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>Company</i> <i>1997</i> <i>£'000</i>
At 1 January 1998	4,550	5,013	12,008	12,008
Provision utilised in the year	(485)	(463)	-	-
Provision released	(2035)	-	-	-
At 31 December 1998	<u>2,030</u>	<u>4,550</u>	<u>12,008</u>	<u>12,008</u>

22. CALLED UP SHARE CAPITAL

	<i>1998</i> <i>£'000</i>	<i>Authorised</i> <i>1997</i> <i>£'000</i>	<i>Allotted, called up</i> <i>and fully paid</i> <i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
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>

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

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

<i>Group</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Other reserves £'000</i>	<i>Profit and loss £'000</i>	<i>Total shareholders' funds £'000</i>
Balance at 1 January 1997	39,406	26,240	12,354	(21,302)	56,698
Profit attributable to members of the group	-	-	-	47,894	47,894
Foreign currency translation	-	-	-	(10,471)	(10,471)
Capital reserve	-	-	318	-	318
Share issues	10,001	146,129	-	-	156,130
Dividends	-	-	-	(420)	(420)
Balance at 31 December 1997	49,407	172,369	12,672	15,701	250,149
Profit attributable to members of the group	-	-	-	8,837	8,837
Foreign currency translation	-	-	-	(3,076)	(3,076)
Dividends	-	-	-	(420)	(420)
Balance at 31 December 1998	49,407	172,369	12,672	21,042	255,490

<i>Company</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit & loss £'000</i>	<i>Total shareholders' funds £'000</i>
Balance at 1 January 1997	39,406	26,240	83,845	149,491
Profit attributable to members of the company	-	-	78,490	78,490
Share issues	10,001	146,129	-	156,130
Foreign currency translation	-	-	85	85
Dividends	-	-	(420)	(420)
Balance at 31 December 1997	49,407	172,369	162,000	383,776
Profit attributable to members of the company	-	-	57,606	57,606
Foreign currency translation	-	-	(60)	(60)
Dividends	-	-	(420)	(420)
Balance at 31 December 1998	49,407	172,369	219,126	440,902

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

The cumulative amount of goodwill written off at 31 December 1998, net of goodwill relating to undertakings disposed of, is £101,079,000 (1997: £101,079,000).

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

24. PENSION OBLIGATIONS

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

The most recent actuarial assessment of the Black & Decker 1995 Pension Scheme was carried out as at 31 December 1998. It showed that the assets of the Scheme were sufficient to meet its liabilities at that date.

The latest full actuarial valuation of the Scheme took place as at 5 April 1997.

Actuarial assessments for accounting purposes are carried out each year by qualified actuaries using the projected unit credit method. The results of the most recent review showed the market value of the Scheme's assets to be £257million and that the actuarial value of those investments was more than 100% of the value of projected benefits accrued to the members at that date.

The principal assumptions used for the assessment were:

Return on investments	8.5%
Annual pay increases	6.5%
Post-retirement increases	2.5%

Discretionary post-retirement pension increases were allowed as above other than statutory increases for Guaranteed Minimum Pensions.

The group pension cost in the profit and loss account was £3,210,000 (1997: £1,230,000).

Prepayments include £6,317,000 (1997: £9,449,000), being the excess of amounts funded over accumulated net pension costs charged to the profit and loss account.

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

25. OPERATING LEASES

Group operating lease payments amounting to £5,447,000 (1997: £13,777,000) are committed to be made during the next year and are analysed as follows:-

	<i>Land and buildings</i>		<i>Other</i>		<i>Total</i>
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1997</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Leases expiring:					
within one year	-	304	1,226	2,127	2,431
within two to five years	73	759	1,223	2,189	2,948
thereafter	2,692	8,126	223	272	8,398
	<u>2,765</u>	<u>9,189</u>	<u>2,683</u>	<u>4,588</u>	<u>13,777</u>

26. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in Financial Reporting Standard 8 not to disclose related party transactions with group undertakings as the ultimate holding undertaking publishes consolidated financial statements.

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

Black & Decker International

NOTES TO THE ACCOUNTS

at 31 December 1998

27. CONTINGENT LIABILITIES

(a) Emhart (Colchester) Limited

Black & Decker International irrevocably undertakes to each holder of the class 'B' ordinary shares of Emhart (Colchester) Limited, that if at any time any class 'B' ordinary shares are due to be redeemed in accordance with their terms and such redemption cannot be lawfully effected on the due date, it shall subscribe for such number of shares in the capital of Emhart (Colchester) Limited or further shares in the capital of Emhart (Colchester) Limited at a subscription price of £1 per share as will enable the redemption to be effected on such date. The maximum liability to the company is £12,008,000. This is fully provided (see note 21).

(b) Bank guarantees

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

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