

BLACK & DECKER EUROPE

STRATEGIC REPORT, ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



BLACK & DECKER EUROPE

COMPANY INFORMATION

Directors	A Sood (resigned 9 May 2018) E L Brennan (appointed 9 May 2018) M Smiley
Company secretary	Mitre Secretaries Limited
Registered number	01842628
Registered office	210 Bath Road Slough Berkshire SL1 3YD United Kingdom
Independent auditors	Ernst & Young LLP Bridgewater Place Water Lane Leeds LS11 5QR

BLACK & DECKER EUROPE

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Business review

The directors consider the operating results for the year to be satisfactory in view of changing market conditions and they expect trading to continue at similar levels for 2018.

The company's key financial performance indicators during the year were as follows:

	2017 £000	2016 £000
Turnover	34,281	27,752
Operating profit	1,589	1,664
Profit/(loss) after tax	(8,197)	8,171

Operating margin has decreased due to an increase in the cost of the UURBS pension scheme.

The directors' review of the company's investments held at the 2017 year end resulted in impairments of £10,381,000 (2016: £3,546,000 reversal) which is reflected in the loss for the year.

Principal risks and uncertainties

As the principal activity of the company is to provide services due to other group companies, if the activities in other companies decline, this will have a corresponding impact on the turnover and operating profit of Black & Decker Europe.

Interest and Liquidity Risk

The Company's exposure to interest rate risk is low and the company does not contract into any financial instruments to manage the effect of movements in interest rates. The Company's policy is to maintain sufficient cash and borrowing facilities as required to support the operating activities of the business.

Credit risk

The Directors consider that the credit risk exposure is limited as any loans are with fellow group companies.

Liquidity and refinancing risk

The company's exposure to interest rate risk is low and the company does not contract into any financial instruments to manage the effect of movements in interest rates. The company's policy is to maintain sufficient cash and borrowing facilities as required to support the operating activities of the business.

Market and interest rate risk

The company does not use hedging instruments to hedge interest rate risk as the Directors consider that they will be able to renegotiate borrowing and loan portfolios within an acceptable timescale so as to minimise the impact of significant changes in market interest rates.

BLACK & DECKER EUROPE

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Going concern

The company has significant net current assets and also participates in a group cash pool which provides available funds to meet any immediate liabilities that may arise. The company also has the support of its ultimate parent company.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

This report was approved by the board on 20 September 2018 and signed on its behalf.



E L Brennan
Director

BLACK & DECKER EUROPE

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The company provides marketing, IT and administrative support to affiliated group companies.

Results and dividends

The loss for the year, after taxation, amounted to £8,197,000 (2016 - profit £8,171,000).

There were no dividends paid or proposed in the year under review (2016: £Nil).

Directors

The directors who served during the year were:

A Sood (resigned 9 May 2018)

M Smiley

Future developments

The directors do not envisage any significant changes to the operation of the company.

Financial instruments

Details of financial instruments are provided in the Strategic Report.

Qualifying third party indemnity provisions

The company benefits from a global indemnity policy which protects its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

there have been no significant post balance sheet events.

This report was approved by the board on 20 September 2018 and signed on its behalf.



E L Brennan
Director

BLACK & DECKER EUROPE

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACK & DECKER EUROPE

Opinion

We have audited the financial statements of Black & Decker Europe for the year ended 31 December 2017 which comprise Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACK & DECKER EUROPE - CONTINUED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACK & DECKER EUROPE -
CONTINUED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.



Eddie Diamond (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
24 September 2018

BLACK & DECKER EUROPE

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	34,281	27,752
Cost of sales		(32,692)	(26,088)
Operating profit		1,589	1,664
Investment impairment reversal/(write off)	14	(10,381)	3,546
Interest receivable and similar income	9	2,108	3,589
Interest payable and similar expenses	10	(1,875)	(3,036)
Profit/(loss) before tax		(8,559)	5,763
Tax on profit/(loss)	11	362	2,408
Profit/(loss) for the financial year		(8,197)	8,171

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Profit/(loss) for the financial year		(8,197)	8,171
Other comprehensive income			
Actuarial gain/(loss) on defined benefit schemes	20	6	(439)
Other comprehensive income/(expense) for the year		6	(439)
Total comprehensive income/(expense) for the year		(8,191)	7,732

BLACK & DECKER EUROPE
REGISTERED NUMBER: 01842628

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		2017 £000	2016 £000
Fixed assets			
Intangible assets	12	5,177	4,699
Tangible assets	13	129	339
Investments	14	397,985	267,170
		<u>403,291</u>	<u>272,208</u>
Current assets			
Debtors: amounts falling due within one year	15	927,356	963,556
		<u>927,356</u>	<u>963,556</u>
Creditors: amounts falling due within one year	16	(654,223)	(632,758)
		<u>273,133</u>	<u>330,798</u>
Net current assets			
		<u>676,424</u>	<u>603,006</u>
Total assets less current liabilities			
Pension liability	20	(1,745)	(1,708)
		<u>674,679</u>	<u>601,298</u>
Net assets			
		<u>674,679</u>	<u>601,298</u>
Capital and reserves			
Called up share capital	18	386,478	304,906
Share premium account	19	339,863	339,863
Other reserves	19	13,132	13,132
Profit and loss account	19	(64,794)	(56,603)
		<u>674,679</u>	<u>601,298</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 September 2018.


E L Brennan
Director

BLACK & DECKER EUROPE

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	304,906	339,863	13,132	(56,603)	601,298
Comprehensive income for the year					
Loss for the year	-	-	-	(8,197)	(8,197)
Actuarial gains on pension scheme	-	-	-	6	6
Other comprehensive income for the year	-	-	-	6	6
Total comprehensive income for the year	-	-	-	(8,191)	(8,191)
Shares issued during the year	81,572	-	-	-	81,572
At 31 December 2017	386,478	339,863	13,132	(64,794)	674,679

BLACK & DECKER EUROPE

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 3 January 2016	304,906	339,863	13,132	(64,335)	593,566
Comprehensive income for the year					
Profit for the year	-	-	-	8,171	8,171
Actuarial losses on pension scheme	-	-	-	(439)	(439)
Other comprehensive income for the year	-	-	-	(439)	(439)
Total comprehensive income for the year	-	-	-	7,732	7,732
At 31 December 2016	304,906	339,863	13,132	(56,603)	601,298

The notes on pages 12 to 30 form part of these financial statements.

BLACK & DECKER EUROPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Black & Decker Europe is a Private Unlimited Company incorporated and domiciled in England and Wales. The registered office is 210 Bath Road, Slough, Berkshire, SL1 3YD. The financial statements are prepared in Pounds Sterling which is the presentational currency of the company and rounded to the nearest £'000.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Stanley Black & Decker Inc. as at 30 December 2017 and these financial statements may be obtained from Stanley Black & Decker Inc., 1000 Stanley Drive, New Britain, CT 06053, United States..

2.3 Going concern

The financial statements have been prepared on the going concern basis. The company's participation in a group cash pool provides available funds to meet any immediate liabilities that may arise. The company also has significant net current assets to cover any liabilities for the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.4 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover comprises the recharge to affiliated group companies, in the Stanley Black and Decker Consumer Global Tools and Storage group, of all costs that have been incurred by the company during the year, inclusive of a mark-up.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	4-5 years
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2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- 3 years
Computer equipment	- 3-4 years
Office furniture	- 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.7 Valuation of investments

The company carries its investments at cost less accumulated impairment. Management performs an annual review to determine if any indicators of impairment exist. This review uses net assets and a discounted cash flow model as the valuation technique as there is a lack of comparable market data due of the nature of the investment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

BLACK & DECKER EUROPE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating income'.

2.12 Share based payments

The company participates in a share option plan as part of a remuneration package for senior employees. Senior employees are awarded two types of share option, restricted options which grant the recipient shares in the ultimate parent company and non-qualified options which allow the recipient to either buy shares or sell their options and receive a cash benefit. In both scenarios the company incurs a cost for these options by way of a charge from its ultimate parent. The company does not issue any of its own shares. Consequently, the company accrues a liability on the balance sheet for any options issued but not yet exercised based on the fair value of the options and recognises a cost in its profit and loss on an accruals basis over the period which the options are earned.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)**2.13 Pensions****Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

Group pension plan

The company participates in a funded group defined benefit scheme which closed to new entrants and to future accrual. It is not possible to identify the company's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 102 Section 28.38 (group plans), the company accounts for the scheme as if it were a defined contribution scheme.

Unfunded pension scheme

The company operates an unfunded unapproved retirement benefit scheme (UURBS) for a number of former senior executives. The scheme operates to provide a pension based on the excess of the uncapped salary over capped salary whereby the capped portion is paid under the Black & Decker UURBS as reported in the company's accounts. The scheme uses the projected unit cost method to determine the present value of the defined benefit obligation and has been accounted for in accordance with FRS102 and is included in note 20 in the financial statements.

2.14 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Valuation of investments

The company carries its investments at cost less accumulated impairment. Management performs an annual review to determine if any indicators of impairment exist. Where an indicator of impairment is noted, management assess the value in use of the investments in subsidiaries by using a net assets model and a discounted cash flow model for trading entities as the valuation techniques as there is a lack of comparable market data due of the nature of the investments.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effects of future tax planning strategies.

Unfunded pension scheme

The company operates an 'unfunded pension scheme' for a number of former directors. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to uncertainty.

BLACK & DECKER EUROPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

Turnover is comprised of fees receivable from group undertakings, exclusive of VAT. Turnover is attributable to one continuing activity:

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	32,954	26,428
Rest of the world	1,327	1,324
	<u>34,281</u>	<u>27,752</u>

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	133	142
Amortisation of intangible assets	1,927	1,572
Foreign exchange (gain)/loss	(2)	91
	<u></u>	<u></u>

6. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	22	35
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	4	11
	<u>4</u>	<u>11</u>

BLACK & DECKER EUROPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	12,265	11,810
Social security costs	1,531	1,318
Cost of defined contribution scheme	2,391	2,295
	<u>16,187</u>	<u>15,423</u>

Not included in these figures is a charge in respect of the UURBS of £43,000 (2016; £289,000 credit).

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Management & administration	<u>172</u>	<u>143</u>

8. Directors' remuneration

Directors' remuneration was paid by fellow group companies as the Directors of the company are also directors of other group undertakings.

Although they carried out qualifying services for each company, the Directors do not believe that it is practical to apportion their remuneration between companies.

Aggregate emoluments in respect of qualifying services for the year were £497,000 (2016 - £625,000).

During the year retirement benefits were accruing to 2 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £343,000 (2016 - 228,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,000 (2016 - £16,000).

9. Interest receivable

	2017 £000	2016 £000
Interest receivable from group companies	2,108	3,589
	<u>2,108</u>	<u>3,589</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest payable and similar charges

	2017 £000	2016 £000
Interest payable to group companies	1,875	3,036
	1,875	3,036

11. Taxation

	2017 £000	2016 £000
Deferred tax	(362)	(2,408)
Total deferred tax	(362)	(2,408)
Taxation on profit/(loss) on ordinary activities	(362)	(2,408)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before tax	(8,559)	5,763
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(1,648)	1,153
Effects of:		
Expenses not deductible for tax purposes	11	3
Group relief for nil consideration	44	59
Investment impairment write off/(reversal)	1,999	(710)
Recognition of deferred tax in the year	-	(3,338)
Adjustment due to rate change	(47)	425
Prior year adjustment	(721)	-
Total tax (credit)/charge for the year	(362)	(2,408)

Factors that may affect future tax charges

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. Taxation (continued)

The Finance Act 2016 obtained Royal Assent on 15 September 2016 and stated that the corporation tax rate will be reduced to 17% with effect from 1 April 2020.

The company has an unrecognised deferred tax asset of £297,000 (2016: £290,000), which is calculated at 17% (2016: 17%). The deferred tax asset has not been recognised as there is insufficient evidence that it will be recoverable in the foreseeable future.

12. Intangible assets

	Software £000
Cost	
At 1 January 2017	11,751
Additions	3,330
Transfers from tangible fixed assets	94
Disposals	(1,177)
At 31 December 2017	<u>13,998</u>
Amortisation	
At 1 January 2017	7,052
Charge for the year	1,927
On disposals	(158)
At 31 December 2017	<u>8,821</u>
Net book value	
At 31 December 2017	<u>5,177</u>
At 31 December 2016	<u>4,699</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Tangible fixed assets

	Leasehold improvements £000	Motor vehicles £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 January 2017	380	221	8,677	9,278
Additions	-	-	64	64
Disposals	-	(160)	-	(160)
Transfers to intangible fixed assets	-	-	(94)	(94)
At 31 December 2017	380	61	8,647	9,088
Depreciation				
At 1 January 2017	380	128	8,431	8,939
Charge for the year on owned assets	-	15	118	133
Disposals	-	(113)	-	(113)
At 31 December 2017	380	30	8,549	8,959
Net book value				
At 31 December 2017	-	31	98	129
At 31 December 2016	-	93	246	339

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2017	390,917
Additions	141,196
At 31 December 2017	532,113
Impairment	
At 1 January 2017	123,747
Charge for the period	10,381
At 31 December 2017	134,128
Net book value	
At 31 December 2017	397,985
At 31 December 2016	267,170

Subsidiary undertakings

* Indirectly held through Black & Decker.

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Black & Decker	Ordinary	100 %	Provision of research and development services
Tucker Fasteners Limited	Ordinary	100 %	Finance activities
Aven Tools Limited*	Ordinary	100 %	Finance activities
Bandhart Overseas*	Ordinary	100 %	Finance and investment activities
Dewalt Industrial Power Tool Company Limited*	Ordinary	100 %	Finance activities

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Fixed asset investments (continued)

Name	Registered office
Black & Decker	210 Bath Road, Slough, Berkshire, SL1 3YD
Tucker Fasteners Limited	3 Europa Court, Sheffield Airport Business Park, Sheffield, S9 1XE
Aven Tools Limited*	3 Europa Court, Sheffield Airport Business Park, Sheffield, S9 1XE
Bandhart Overseas*	210 Bath Road, Slough, Berkshire, SL1 3YD
Dewalt Industrial Power Tool Company Limited*	6 Queens Road, Aberdeen, AB15 4ZT

The directors undertake a review of the investments held each year. The value in use of the investments in subsidiaries has been based on a net asset basis for holding companies and a discounted cash flow basis for trading entities using a discounted rate of 9.6% and a flat growth rate. Cash flows have been based on projection for a 5 year period on which a terminal growth multiple of 10.42 is applied to the cash flows at the end of the 5 year period.

15. Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	923,580	960,324
Other debtors	580	25
Prepayments and accrued income	426	799
Deferred taxation	2,770	2,408
	<u>927,356</u>	<u>963,556</u>

16. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank overdrafts	-	6
Loans from group undertakings	169,767	168,569
Trade creditors	2,171	1,818
Amounts owed to group undertakings	476,572	458,994
Accruals and deferred income	5,713	3,371
	<u>654,223</u>	<u>632,758</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Deferred taxation

	2017 £000
At beginning of year	2,408
Credited to profit or loss	362
At end of year	2,770

The deferred tax asset is made up as follows:

	2017 £000
Accelerated capital allowances	2,770
	2,770

18. Share capital

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
336,478,107 (2016 - 254,905,681) Ordinary shares of £1 each	336,478	254,906
50,000,000 A Ordinary shares of £1 each	50,000	50,000
	386,478	304,906

The 'A' ordinary shares constitute a separate class of shares to the existing ordinary shares of £1 each of the company, but otherwise rank pari passu in all respects with the existing ordinary shares of £1 each.

During the year the company allotted 81,572,426 £1 Ordinary shares at par.

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19. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other reserves

Other reserves consist of a capital contribution from the company's immediate parent company in 2003, which consisted of a contribution of a loan note receivable amounting to £13,131,698.

Profit and loss account

This reserve records any accumulated distributable profits less dividends paid since the inception of this company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Pension commitments**Defined contribution pension plan**

The company operates a defined contribution plan for its employees. The defined contribution pension charge for the year amounts to £717,000 (2016: £623,000) of which £Nil (2016: £Nil) is included in accruals at year end.

Group pension plan

The group funded defined benefit scheme is closed to new employees and to future accrual. It is not possible to identify the company's share of assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 102 Section 28.38 (group plans), the company accounts for the scheme as if it were a defined contribution scheme. The group funded defined benefit pension contribution for the year amounted to £1,674,000 (2016: £1,629,000).

Full disclosure in relation to the pension scheme can be found in the accounts of the most significant participant, Black & Decker. The valuation of the group defined benefit scheme shows a deficit of £29,500,000 (2016: deficit £37,719,000). The valuation used has been based on the most recent actuarial valuation at 1 January 2015 and updated at 31 December 2017 for the purposes of Section 28 of FRS 102 accounting and disclosure in the 2017 accounts. Scheme assets are stated at their market value at the respective year end dates. Liabilities and service cost are computed using the projected unit cost method.

For the purposes of these financial statements, these figures are illustrative only and do not impact the results or the statement of financial position of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the deficit which relates solely to Black & Decker Europe.

The measurement basis required by FRS102 is likely to give rise to significant fluctuations in the reported amounts of the defined benefit scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme which are recommended by the independent actuaries based on the expected long term rate of return on the scheme assets.

Unfunded benefit scheme

The company also runs an unfunded pension arrangement for former senior executives. The scheme is managed with the advice of independent qualified actuaries, Willis Towers Watson, using the projected unit credit method. An actuarial valuation was carried out at 31 December 2017 for the purposes of FRS102. For each member in the scheme as of 31 December 2017, the pension payable on retirement will be based on an uncapped salary being paid into the scheme.

The company accounts for this scheme as a Defined Benefit Pension Scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2017 £000	2016 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	1,708	1,558
Interest cost	43	58
Actuarial loss/(gain)	(6)	439
Gain on settlement or curtailment	-	(347)
At the end of the year	1,745	1,708

	2017 £000	2016 £000
Present value of plan liabilities	(1,745)	(1,708)
Net pension scheme liability	(1,745)	(1,708)

The amounts recognised in profit or loss are as follows:

	2017 £000	2016 £000
Interest cost	43	58
Gains on curtailments and settlements	-	(347)
Total	43	(289)

The cumulative amount of actuarial gains and (losses) recognised in the Statement of Comprehensive Income was £6,000 (2016 - £(439,000)).

BLACK & DECKER EUROPE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Pension commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2017	2016
	%	%
Discount rate	2.50	3.70
Price inflation (RPI)	3.25	3.00
Price inflation (CPI)	2.25	2.00
Pension increase for deferred benefits	2.25	2.00
Pension increases for in-payment benefits		
-increase at RPI subject to maximum of 5%	3.00	2.85
-increase at RPI subject to maximum of 2.5%	1.95	1.90

21. Share based payments

The company participates in the Stanley Black & Decker Inc. stock option plan for its employees as part of its employee remuneration package for senior employees.

Stock Option Plan: Stock options are granted at fair market value at the date of grant and have a 10 year term. Generally, stock option grants vest rateably over four years from the date of grant.

Restricted stock: Stock options are granted at fair market value at the date of grant and have a 4 year term depending on the option criteria. The stock will be issued on achievement of pre-set performance of key company performance indicators over the target 4 year plan.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

22. Related party transactions

During the year the company entered into transactions with fellow group companies giving rise to balances outstanding to and from the company. Balances outstanding at 31 December are as follow;

	2017 £000	2016 £000
Amounts owed by parent undertakings	239,878	319,003
Amount owed by subsidiary undertakings	444,848	259,987
Owed by other group companies	238,854	381,334
Amount owed to subsidiary undertakings	(645,727)	(529,066)
Amounts owed by other group undertakings	(612)	(98,497)

23. Controlling party

The company is a wholly owned subsidiary of Black & Decker International, a company incorporated in the United Kingdom. The ultimate parent undertaking and controlling party is Stanley Black & Decker Inc., a company incorporated in the United States.

The largest and smallest group in which the results of the company are consolidated is that of Stanley Black & Decker Inc. Consolidated accounts are available from Stanley Black & Decker Inc. at the address below:

Stanley Black & Decker Inc.
1000 Stanley Drive
New Britain
CT 06053
United States