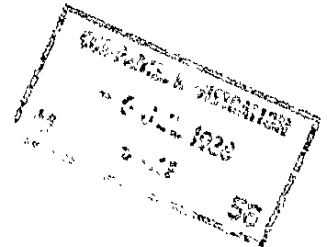


Directors' Report and Accounts

Black & Decker Investment Company

27 September 1987




Ernst & Whinney

Directors' Report and
Financial Statements

BLACK & DECKER INVESTMENT COMPANY

27 September 1987

 Ernst & Whinney

BLACK & DECKER INVESTMENT COMPANY

DIRECTORS' REPORT

Directors: J C Broome (Chairman)
 J E Bolton
 R P Brace
 D A Brown
 E T Jones
 S F Page
 C B Powell-Smith
 R H Thomas

Secretary: R D P Green

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

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

RESULTS AND DIVIDENDS

The trading results for the year are set out in the profit and loss account on page 4.

Dividends amounting to £83,231,000 (1986 £17,542,000) were declared and paid in the year of which £50,408,000 (1986 - Nil) was paid out of share premium.

ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

Until April 1987 the principal activities of the company included the financing of subsidiaries of the Black & Decker group and the management of an investment portfolio.

In April the group implemented a restructuring programme which resulted in the immediate holding company, Black & Decker Holdings Inc., assuming the financing role for Black & Decker subsidiaries. This was achieved by the novation of bank loans of £242m to Black & Decker Holdings Inc. in exchange for 2,415,800 newly issued preferred stock in Black & Decker Investment Company at a par value of \$160 (£100) per share on 1 April 1987.

The company is incorporated in the United States of America and is registered in the United Kingdom as an overseas company under Part XXIII of the Companies Act 1985.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year ended 27 September 1987 were those listed above.

The directors have no beneficial interests in the shares of the company. No material contract or arrangement entered into by the company in which any director is interested has subsisted during the year.

BLACK & DECKER INVESTMENT COMPANY


DIRECTORS' REPORT (continued)

AUDITORS

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

By order of the board

R. P. Gunn
Secretary.

 Ernst & Whinney



REPORT OF THE AUDITORS TO THE MEMBERS OF BLACK & DECKER INVESTMENT COMPANY

We have audited the financial statements set out on pages 4 to 10 in accordance with approved auditing standards. The financial statements have been prepared under the historical cost convention.

In our opinion the financial statements give a true and fair view of the financial position of the company at 27 September 1987 and of the profit, statement of accumulated losses and source and application of funds for the year then ended.

C. W. Whinney
Ernst & Whinney

15 January 1988

BLACK & DECKER INVESTMENT COMPANY

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 27 SEPTEMBER 1987

	Note	1987 £000	1986 £000
Administrative expenses		146	195
OPERATING LOSS	3	(146)	(195)
Other income	4	31,355	35,771
		31,209	35,576
Interest payable	5	16,039	20,344
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,170	15,232
Taxation	6	-	-
PROFIT FOR THE FINANCIAL YEAR		15,170	15,232
Retained profit at 28 September 1986		9,300	11,610
		24,470	26,842
Dividends	7	32,823	17,542
Retained profit/accumulated (loss) at 27 September 1987		(8,353)	9,300

Ernst & Whinney

BLACK & DECKER INVESTMENT COMPANY

BALANCE SHEET - 27 SEPTEMBER 1987

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28

	Note	1987 £000	1986 £000
FIXED ASSETS			
Investments-shares in group companies	9	247,638	246,878
CURRENT ASSETS			
Debtors	10	103	9,545
Investments	11	-	2,142
Cash at bank including short term time deposits		2	-
		<u>105</u>	<u>11,687</u>
CREDITORS - amounts falling due within one year			
Bank loans and overdrafts	12	-	44,212
Accruals		73	202
		<u>73</u>	<u>44,414</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>32</u>	<u>(32,727)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		247,670	214,151
CREDITORS - amounts falling due after more than one year			
Bank loans	12	-	140,000
		<u>-</u>	<u>140,000</u>
TOTAL ASSETS LESS LIABILITIES		<u>247,670</u>	<u>74,151</u>
CAPITAL AND RESERVES			
Called-up share capital	13	241,650	70
Share premium account	14	14,373	64,781
Profit and loss account		(8,353)	9,300

Ernst & Whinney

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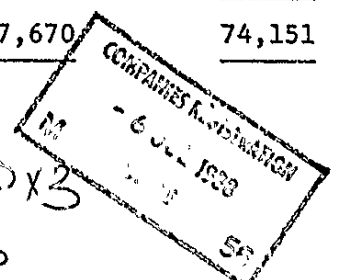
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) Directors

Approved by the Board on 15 January 1988.

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BLACK & DECKER INVESTMENT COMPANY

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

	1987 £000	1986 £000
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	15,170	15,232
Less: Items not involving the movement of funds		
Profit on sale of shares in fellow subsidiary	-	3,153
	<u>15,170</u>	<u>12,079</u>
OTHER SOURCES		
Proceeds from issue of share capital	241,580	9,520
Proceeds from sale of shares in fellow subsidiary	-	20,717
	<u>256,750</u>	<u>42,316</u>
Total sources of funds	256,750	42,316
FUNDS APPLIED		
Additional investment in group companies	760	50,686
Dividends paid	83,231	17,742
Novation of long-term bank loans	140,000	-
	<u>223,991</u>	<u>68,428</u>
INCREASE/(DECREASE) IN WORKING CAPITAL	<u>32,759</u>	<u>(26,112)</u>
Arising from movements in:		
Debtors	(9,442)	6,638
Short term investments	(2,142)	(471)
Creditors	129	85
Liquid funds	44,214	(32,364)
	<u>32,759</u>	<u>(26,112)</u>

Ernst & Whinney

BLACK & DECKER INVESTMENT COMPANY

NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

1 THE COMPANY

The company is incorporated in the USA and is registered in the United Kingdom as an overseas company under Part XXIII of the Companies Act 1985.

The accounting records of the company are maintained in pounds sterling.

2 ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared under the historical cost convention.

(b) Foreign currencies

Called-up share capital, investments in group companies and other investments held at cost are translated into sterling at exchange rates ruling at the date of relevant transactions. All other assets and liabilities in foreign currencies are translated at rates of exchange ruling at the year end.

Foreign currency income and expenses are converted at approximate rates of exchange ruling on the date of individual transactions.

All foreign exchange differences are charged or credited to the profit and loss account.

(c) Investment income

Dividend income is credited to profit and loss account when declared. Interest on short term time deposits is accounted for on an accruals basis.

3 OPERATING LOSS is stated after charging:

	1987 £000	1986 £000
Auditors' remuneration	2	2
Directors' emoluments (note 8)	-	-
	—	—

The company does not employ any staff, the business and administration of the company being carried out by staff of another group company for a management charge which is included in administrative expenses.

BLACK & DECKER INVESTMENT COMPANY

NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

4 OTHER INCOME

	1987 £000	1986 £000
Interest on bank deposits and dividends on short term investments	296	301
Foreign exchange gain/(loss)	1	(8)
Dividends receivable from immediate holding company	30,512	32,039
Realised capital (loss)/gain		
Overseas investment portfolio	(15)	286
Redemption of shares in Black & Decker (US) Inc.	-	3,153
Interest on loans to group company	561	-
	<u>31,355</u>	<u>35,771</u>

5 INTEREST PAYABLE

	1987 £000	1986 £000
Bank loans and overdraft		
Repayable within 5 years	16,039	16,953
Bank loans		
Repayable after 5 years	-	3,391
	<u>16,039</u>	<u>20,344</u>

6 TAXATION

The company has incurred a loss for tax purposes in the year ended 27 September 1987, which will be surrendered to other group companies for nil consideration.

7 DIVIDENDS

	1987 £000	1986 £000
Dividends were paid as follows:		
(a) Common stock	70,199	17,542
(b) Preference stock	13,032	-
	<u>83,231</u>	<u>17,542</u>
Payable out of share premium (note 14)	(50,408)	-
Payable out of profit and loss account	<u>32,823</u>	<u>17,542</u>

BLACK & DECKER INVESTMENT COMPANY

9

NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

8 DIRECTORS' EMOLUMENTS

	1987 £000	1986 £000
Fees	-	-

The emoluments of directors excluding pension contributions are detailed as follows:

Chairman	£ -	£ -
Other directors in scale:		
Nil - £5,000	7	7

9 INVESTMENTS - SHARES IN GROUP COMPANIES

	1987 £000	1986 £000
Shares at cost:		
Fellow group companies		
Black & Decker Holdings Inc.	247,596	246,836
Black & Decker (US) Inc.	42	42
	<u>247,638</u>	<u>246,878</u>

Black & Decker Holdings Inc.

The holding represents 2,320,620 12%, 164,700 14% Series 'A', 750,000 13.5% Series 'B', 131,000 10.5% Series 'C', 195,500 10.5% Series 'D', 300,000 10% Series 'E' and 448,300 (of which 11000 were issued in October 1986) 8.25% Series 'F' cumulative preference stock, at par value US\$100 each, issued by Black & Decker Holdings Inc., the immediate parent company.

Black & Decker (US) Inc.

The shares in Black & Decker (US) Inc. are 1,000 class B (non voting) common stock, par value US\$100 each.

10 DEBTORS

	1987 £000	1986 £000
Due within one year - other debtors	103	116
- prepayments	-	9,429
	<u>103</u>	<u>9,545</u>

NOTES ON THE ACCOUNTS - 27 SEPTEMBER 1987

11 INVESTMENTS

Current investments, which comprised a portfolio of preferred stock listed on the New York stock exchange with a market value of £2,556,411 at 28 September 1986, were sold during the year.

12 BANK LOANS

	1987 £000	1986 £000
Bank loans are repayable as follows:		
Within one year	-	44,212
Between two and five years	-	120,000
In five years or more	-	20,000
	<u>-</u>	<u>184,212</u>

The bank loans were novated to Black & Decker Holdings Inc. in April 1987.

13 CALLED-UP SHARE CAPITAL

Authorised share capital at 27 September 1987 was 15,000 (1986 - 15,000) common stock shares of par value US\$10 per share.

	1987 £000	1986 £000
Allotted, called up and fully paid		
12,801 (1986 - 12,801) common stock		
shares of US\$10 each	70	70
Preferred stock	241,580	-
	<u>241,650</u>	<u>70</u>

2,415,800 preferred stock shares of US\$160 (£100) each were issued on 1 April 1987.

14 SHARE PREMIUM ACCOUNT

	1987 £000	1986 £000
Balance at 28 September 1986	64,781	55,271
Surplus on issue of 1500 common stock shares		
at US \$9,200 per share	-	9,510
Dividend	50,408	-
	<u>14,373</u>	<u>64,781</u>
Balance at 27 September 1987		

15 ULTIMATE HOLDING COMPANY

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