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FC 10558

Black & Decker Investment Company, LLC

Report and Financial Statements

Year ended 31 December 2005



Black & Decker Investment Company, LLC

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Black & Decker Investment Company, LLC

Registered No FC10558

Directors and other information

Directors

C B Powell-Smith (Chairman)
G H Johnston (President)
M Rothleitner (Vice-Chairman)
S Boelen (resigned 7 November 2006)
M Allan
L Ireland

Secretary

Y Nicholson

Registered office

Corporation Trust Center
1209 Orange Street
Wilmington
County of New Castle
Delaware 19801
USA

Main place of business

210 Bath Road
Slough
Berkshire
SL1 3YD

Auditors

Ernst & Young LLP
Apex Plaza
Reading
RG1 1YE

Registered No FC10558

Directors' report

The directors present their report for the year ended 31 December 2005

Results and dividends

The results for the year are set out in the profit and loss account on page 5 Dividends amounting to \$Nil (2004 \$65,729,000) were declared and paid during the year

Principal activity and review of business developments

The principal activity of the company during the year was the ownership of preference stock in the immediate holding undertaking

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

The directors who served during the year and to the date of this report are listed on page 1

Directors' interests

The directors have no beneficial interests in the shares of the company No material contract or arrangements has been entered into by the company during the year in which any director has had an interest

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the directors'

Fixed asset investments

Fixed asset investments are dealt with in note 7 in the accounts

Reporting and functional currency

In 2005 the company changed its functional and reporting currency from pounds sterling (£) to US dollars (\$)

The accounting policies adopted are consistent with those of the previous financial year except that the company has adopted FRS23 "The Effects of Changes in Foreign Exchange Rates", FRS25 "Financial Instruments Disclosure and Presentation" and FRS26 "Financial Instruments Measurement" Due to the introduction of FRS23, the functional currency of the company was deemed to be US dollars (\$) since it is an investment company acting on behalf of its ultimate controlling party, Black and Decker Corporation

All periods presented have been restated accordingly As a result of the change in currency, a foreign exchange reserve was generated and any foreign exchange gains and losses arising from the change of functional currency are transferred into the foreign exchange reserve

The basis of translation used in the Profit & Loss account is the average annual exchange rate for pounds sterling denominated transactions and the actual dollar value for dollar denominated transactions The Balance Sheet records sterling transactions at the closing exchange rate applicable and the dollar denominated transactions at their actual dollar value The fixed asset investments have been recorded at their original dollar cost, these investments are held for investment purpose and will not be disposed in the foreseeable future

Directors' Report (continued)

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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

- select suitable accounting policies and 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Post balance sheet event

In December 2006 Black & Decker Holding Inc redeemed its preference shares that Black & Decker Investment Company, LLC had held as an investment. Black & Decker Investment Company, LLC used the cash generated from the sale to redeem its preference stock that was held by Black & Decker Finance.

Auditors

In accordance with Delaware law, there is no obligation to appoint auditors annually, and accordingly Ernst & Young LLP shall be deemed reappointed as auditors.

By order of the Board



Director

Date: 14th May 2007.

Independent Auditors' Report

To the shareholders of Black & Decker Investment Company, LLC

We have audited the company's financial statements for the year ended 31 December 2005 which comprise of the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered auditor

Reading

Date 14 May 2007

Profit & Loss account

For the year ended 31 December 2005

	Notes	2005 \$'000	2004 \$'000
Operating costs			
Administrative income / (expenses)		1	(85)
Operating profit / (loss)	3	<u>1</u>	<u>(85)</u>
Other income	4	-	65,729
Profit on disposal of investment	4	-	25
Profit on ordinary activities before interest and tax		<u>1</u>	<u>65,669</u>
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	10	<u>1</u>	<u>65,669</u>

Statement of total recognised gains and losses

For the year ended 31 December 2005

Profit for the financial year	<u>1</u>	<u>65,669</u>
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Balance sheet

As at 31 December 2005

	Notes	2005 \$'000	2004 \$'000
Fixed assets			
Investments in group undertakings	7	431,012	431,012
Current assets			
Cash at bank and in hand		89	98
Creditors: amounts falling due within one year	8	(372)	(382)
Net current liabilities		(283)	(284)
Net assets		430,729	430,728
Capital and reserves			
Called up share capital	9	386,656	386,656
Share premium account	10	24,000	24,000
Revaluation Reserve	10	(11)	(11)
Profit and loss account	10	20,084	20,083
Shareholders' funds		430,729	430,728

Approved by the board on 14th May 2007.



Director

Notes to the accounts

At 31 December 2005

1. Basis of Presentation

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

In 2005 the company changed its functional and reporting currency from pounds sterling (£) to US dollars (\$)

The accounting policies adopted are consistent with those of the previous financial year except that the company has adopted FRS23 "The Effects of Changes in Foreign Exchange Rates", FRS25 "Financial Instruments Disclosure and Presentation" and FRS26 "Financial Instruments Measurement" Due to the introduction of FRS23, the functional currency of the company was deemed to be US dollars (\$) since it is an investment company acting on behalf of its ultimate controlling party, Black and Decker Corporation

All periods presented have been restated accordingly As a result of the change in reporting currency, a foreign exchange reserve was generated and any foreign exchange gains and losses arising from the change of functional currency are transferred into the foreign exchange reserve

The basis of translation used in the Profit & Loss account is the average annual exchange rate for pounds sterling denominated transactions and the actual dollar value for dollar denominated transactions The Balance Sheet records sterling transactions at the closing exchange rate applicable and the dollar denominated transactions at their actual dollar value The fixed asset investments have been recorded at their original dollar cost, these investments are held for investment purpose and will not be disposed in the foreseeable future

There is no significant impact on the Company's statutory accounts of implementing FRS25 and FRS26

On 1 December 2006 Black & Decker Investment Company converted to a Limited Liability Company with a change in registered office address to Delaware, USA (see page 1)

2. Accounting Policies

2.1. Accounting convention

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

2.2. Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the income statement, except where hedge accounting is applied Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

2.3. Investment income

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

2.4. Cash flow statement

A cash flow statement has not been prepared as the company is exempt under Financial Reporting Standard No 1 (Revised)

Notes to the accounts

At 31 December 2005

2. Accounting Policies (continued)

2.5. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2.6 Financial assets

Financial assets in the scope of FRS26 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Notes to the accounts

At 31 December 2005

2.7 Derivative financial instruments

The company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. From 1 January 2005, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. The documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken into the income statement. The treatment of gains and losses arising for revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain and loss the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit and loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the profit and loss.

Notes to the accounts

At 31 December 2005

3. Operating profit / (loss)	2005	2004
	\$'000	\$'000
Operating profit / (loss) is stated after charging / (crediting)		
Auditors' remuneration		
- audit	0	1
Foreign exchange (gains) / losses	(1)	27
	<hr/>	<hr/>

The company does not employ any staff, the business and administration of the company being carried out by staff of another group undertaking in return for a management charge which is included in administrative expenses. No management charge was incurred in 2005.
The directors received no remuneration during the year (2004: \$Nil).

4. Other income	2005	2004
	\$'000	\$'000
Dividends receivable from immediate holding undertaking	-	65,729
Profit on disposal of investment	-	25
	<hr/>	<hr/>
	-	65,754
	<hr/>	<hr/>

- 5. Taxation**
There is no tax charge for the year (2004: nil)

(a) Factors affecting the current tax charge for the period

The tax assessed for the period is lower than the UK standard rate of corporation tax of 30% (2004: 30%). The differences are explained below:

	2005	2004
	\$'000	\$'000
Profit on ordinary activities before tax	1	65,669
Profit on ordinary activities multiplied by the UK standard rate of corporation tax	-	19,701
<i>Effects of</i>		
UK dividend income not taxable	-	(19,719)
Losses carried forward	-	25
Non-chargeable profit on disposal	-	(7)
	<hr/>	<hr/>
Total Current tax	-	-
	<hr/>	<hr/>

(b) Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of approximately \$170,000 (2004: \$171,000), relating to excess management expenses.

Notes to the accounts

At 31 December 2005

6. Dividends	2005	2004
	\$'000	\$'000
Common stock		
Paid	-	6,784
Preference stock		
Paid	-	58,945
	<u>-</u>	<u>65,729</u>
7. Investments in group undertakings	2005	2004
	\$'000	\$'000
Shares at cost		
Black & Decker Holdings Inc	431,012	431,012
	<u>431,012</u>	<u>431,012</u>
Investments in group undertakings comprise	2005	2004
	\$'000	\$'000
<i>Black & Decker Holdings LLC</i>		
2,320,620 15 25% cumulative preferred stock of US\$100 each	232,062	232,062
164,700 15 25% series 'A' cumulative preferred stock of US\$100 each	16,470	16,470
750,000 15 25% series 'B' cumulative preferred stock of US\$100 each	75,000	75,000
131,000 15 25% series 'C' cumulative preferred stock of US\$100 each	13,100	13,100
195,500 15 25% series 'D' cumulative preferred stock of US\$100 each	19,550	19,550
300,000 15 25% series 'E' cumulative preferred stock of US\$100 each	30,000	30,000
448,300 15 25% series 'F' cumulative preferred stock of US\$100 each	44,830	44,830
	<u>431,012</u>	<u>431,012</u>

Black and Decker Holdings LLC has capital and reserves of \$432,354,000 (2004 \$139,111,000), with profits after tax of \$293,243,000 (2004 \$21,343,000)

In 2004 the Company sold 100 class 'B' shares held in Black & Decker Inc for \$98,000, realising a profit on disposal of \$25,000

The directors believe the market value of investments is not less than their stated cost

8. Creditors' amounts falling due within one year	2005	2004
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Notes to the accounts

At 31 December 2005

	\$'000	\$'000
Amounts owed to fellow subsidiary undertaking	365	362
Fair value of forward contract	7	-
Accruals	-	20
	<u>372</u>	<u>382</u>

The forward contract covers GBP 160,000 of the balances with group undertakings that are held in creditors. The forward contract commenced on 9 December 2005 and matures on 22 March 2006.

9. Share capital	2005 No.	2004 No.
Authorised equity		
Cumulative preferred stock of US\$160 each	5,000,000	5,000,000
Common stock shares of US\$10 each	15,000	15,000
	<u></u>	<u></u>
	\$'000	\$'000
Allotted, called up and fully paid equity		
2,415,800 15 25% Cumulative preferred stock of US\$160 each	386,528	386,528
12,801 Common stock shares of US\$10 each	128	128
	<u>386,656</u>	<u>386,656</u>

The holders of the preference shares shall be entitled to dividends when and as declared by the board of directors at the rate of twenty-two dollars and forty cents per preferred share each year. Dividends on the preferred shares shall be cumulative. The holders of the preference shares shall have no voting rights except to the extent required by the law of Delaware.

The corporation shall have the right to redeem at any time any or all of the issued and outstanding shares of preferred stock in the Corporation by paying to the holders of such shares the paid-in value of the shares in dollars, together with the amount of any dividends as may be payable at the time of redemption to the holders of such shares.

In the event of and upon liquidation, dissolution or a distribution of all the assets of the Corporation, the holders of preferred shares shall be entitled to receive out of the net assets of the Corporation the paid-in value of their shares together with the amount of any dividends as may then be payable to the holders of such shares, or if the net assets of the Corporation are insufficient for this purpose, the rateable portion of the paid-in value of their shares. After such payment to the holders of the preferred shares, the remaining assets and funds shall be distributed among the holders of the common stock.

Notes to the accounts

At 31 December 2005

10. Reconciliation of movements in shareholders' funds and movements on reserve

	Share capital \$'000	Foreign Exchange Reserve \$'000	Share premium account \$'000	Profit and loss account \$'000	Total \$'000
Balance at 31 December 2003	386,656	(11)	24,000	20,143	430,788
Profit attributable to members of the company				65,669	65,669
Dividends	-	-	-	(65,729)	(65,729)
Balance at 31 December 2004	386,656	(11)	24,000	20,083	430,728
Profit attributable to members of the company	-	-	-	1	1
Balance at 31 December 2005	<u>386,656</u>	<u>(11)</u>	<u>24,000</u>	<u>20,084</u>	<u>430,729</u>

11. Related party transactions

The company has taken advantage of the exemptions in Financial Reporting Standard No 8 not to disclose related party transactions with group undertakings as the ultimate holding company publishes consolidated accounts

12. Ultimate holding company

The company's ultimate holding company and controlling party is The Black & Decker Corporation, a company incorporated in the United States of America

The largest group in which the results of the company are consolidated is that headed by The Black & Decker Corporation and accounts are available from The Black & Decker Corporation, 701 East Joppa Road, Towson, Maryland 21286, USA

13. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 12 July 2006