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# Black & Decker Investment Company, LLC

## Report and Financial Statements

Year ended 31 December 2007

# Black & Decker Investment Company, LLC

**Contents** **Page**

## Directors and other information

**Directors**
C B Powell-Smith (Chairman)
G H Johnston (President)
E Dolce (appointed 10 May 2007) (Vice-Chairman)
M Rothleitner (resigned 10 May 2007)
L H Ireland (resigned 15 April 2008)
J Wyatt (appointed 2 May 2008)
M Allan

**Secretary**
Mitre Secretaries Limited

**Bankers**
Bank of America
Bank of America NA
26 Elmfield Road
Bromley, Kent
BR1 1WA
UK

**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
UK

**Auditors**
Ernst & Young
Chartered Accountants
City Quarter
Lapps Quay
Cork
Ireland

**Registered in England**
FC010558

## Directors' Report

The directors present their report and financial statements for the year ended 31 December 2007

**Principal activity and review of business developments**
The principal activity of the company during the period to December 2007 was the provision of finance to other group companies During the period to December 2006 the principal activity of the company 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

**Principal risks and uncertainties**
The principal risks and uncertainties facing the company arise from the holding of financial instruments, which can be subject to liquidity risk, foreign currency risk and interest rate risk These are described in further detail below under treasury policy

**Treasury policy**
The company is an investment company which provides finance to its group undertakings The company finances its operations by equity funding from its immediate parent

The main risks arising from the company's financial instruments are liquidity and interest rate risk These risks, and the policies to manage them, are summarized below These policies have remained unchanged since the beginning of 1999 except save that the company ceased hedging foreign currency and, as a result, the functional currency of the company changed from GBP to US Dollars in 2005

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

***Liquidity and refinancing risk***
The company's objective is to produce continuity of funding at a reasonable cost To do this it seeks to arrange committed funding where necessary from its immediate parent company or other group undertakings

**Results and dividends**
The results for the year are set out in the profit and loss account on page 5 There were no dividends declared or paid in 2007 (2006 $Nil)

**Directors**
The current directors of Black & Decker Investment Company, LLC are listed on page 1

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

The company benefits from a global indemnity policy which protects 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' report

**Future developments**
The directors aim to maintain current management policies

## Directors' Report (continued)

**Post balance sheet events**
From financial year 2008, the UK corporation tax rate will reduce from 30% to 28% Aside from this the directors are not aware of any significant events since the balance sheet date which would have an effect on the financial statements or require disclosure therein

**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 law and regulations

Company law as it applies to oversea companies 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 those financial statements, 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 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 proper accounting records that 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 1985 as it applies to oversea companies 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

**Disclosure of information to the auditors**
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

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

By order of the Board

**Director**

**Date** 29 August 2008.

ERNST & YOUNG

# Independent Auditors' Report

**To the shareholders of Black & Decker Investment Company, LLC**

We have audited the accompanying financial statements (the "financial statements") of Black & Decker Investment Company, LLC for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet, a summary of significant accounting policies and notes 1 to 12

This report is made solely to the shareholders, in accordance with the terms of our engagement Our audit work has been undertaken so that we might state to the shareholders those matters that 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed

**The Directors' Responsibility for the Financial Statements**
The Directors are responsible for the preparation and presentation of these financial statements in accordance with the Company's accounting policies This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances The applicable company accounting policies adopted by the Company are described in Note 2 to the financial statements for the purposes of providing the shareholders sufficient information to show and explain the transactions of the Company and to disclose its financial position at the balance sheet date

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

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

**Opinion**
In our opinion, the financial statements of Black & Decker Investment Company, LLC for the year ended 31 December 2007 have been properly prepared, in all material respects, in accordance with the applicable accounting policies of the Company described in Note 2

**Restriction on Distribution or Use of the Auditor's Report**
The financial statements have been prepared in accordance with the applicable accounting policies of the Company described in Note 2 for the purposes of providing the shareholders sufficient information to show and explain the transactions of the Company and to disclose its financial position at the balance sheet date The financial statements may not be suitable for another purpose Our report is intended solely for the Company and its shareholders and should not be distributed to or used by parties other than the Company or its shareholders

Ernst & Young

Ernst & Young
**Chartered Accountants & Registered Auditors**
**Cork**

**4 September 2008**

# Profit and loss account

**For the year ended 31 December 2007**

| | Notes | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| Administrative (expense)/credit | | (16) | 3 |
| **Operating (loss)/profit** | 3 | (16) | 3 |
| Interest receivable and similar income | 4 | 2,313 | 171 |
| **Profit on ordinary activities before tax** | | 2,297 | 174 |
| Tax on profit on ordinary activities | 5 | - | - |
| **Profit for the financial year** | 9 | 2,297 | 174 |

There are no recognised gains or losses other than the profit attributable to shareholders of the company of $2,297,000 for the year ended 31 December 2007 (2006 $174,000)

# Balance Sheet

**At 31 December 2007**

| | Notes | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Debtors | 6 | **46,968** | 44,655 |
| Cash at bank and in hand | | **12** | 12 |
| | | **46,980** | 44,667 |
| **Creditors: amounts falling due within one year** | 7 | **(308)** | (292) |
| **Net current assets/(liabilities)** | | **46,672** | 44,375 |
| **Net assets** | | **46,672** | 44,375 |
| **Capital and reserves** | | | |
| Called up share capital | 8 | **128** | 128 |
| Share premium account | 9 | **24,000** | 24,000 |
| Revaluation reserve | 9 | **(11)** | (11) |
| Profit and loss account | 9 | **22,555** | 20,258 |
| | | **46,672** | 44,375 |

Approved by the Board on 29 August 2008

Director

# Notes to the financial statements

**At 31 December 2007**

## 1. The company

The company is incorporated in the United States of America The corporation was converted to a Delaware Limited Liability company on 1 December 2006 and is registered in the United Kingdom as an oversea company under Part XXIII of the Companies Act, 1985

## 2 Accounting policies

### 2.1 Accounting convention

These financial statements are prepared under the historical cost convention and in accordance with the company's accounting policies based on United Kingdom Generally Accepted Accounting Practice Financial information is presented about the company as an individual undertaking and not about its group

### 2.2 Foreign currencies

The functional currency of the company is deemed to be US dollars ($) since it is an investment company acting on behalf of its ultimate controlling party, Black & Decker Corporation

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 translated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the income statement 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 Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount

### 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)

### 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,

# Notes to the financial statements

**At 31 December 2007**

**2.5 Deferred taxation (continued)**

- 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 Revenue Recognition**

*Interest income*

Revenue is recognised as interest accrues using the effective interest method

## 3. Operating (loss)/profit

| | **2007** | 2006 |
|---|---|---|
| | **$'000** | $'000 |
| Operating profit is stated after charging/(crediting) | | |
| Auditors' remuneration | | |
| -Audit | **-** | - |
| Foreign exchange translation loss/(gain) | **16** | (3) |

The company does not employ any staff, the business and administration of the company being carried out by staff of another group undertaking, Black & Decker Holdings, LLC

The directors received no remuneration during the year (2006 $ Nil)

Auditors' Remuneration is borne by another Black & Decker group company

## 4. Interest receivable and similar income

| | **2007** | 2006 |
|---|---|---|
| | **$'000** | $'000 |
| Interest receivable from group undertaking | **2,313** | 171 |
| | **2,313** | 171 |

# Notes to the financial statements

**At 31 December 2007**

## 5 Taxation

There is no tax charge for the year (2006 $Nil)

*(a) Factors affecting the current tax charge for the year*

The tax assessed for the year is lower than the UK standard rate of corporation tax of 30% (2006 30%) The differences are explained below

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Profit on ordinary activities before tax | **2,297** | 174 |
| Profit on ordinary activities multiplied by the UK standard rate of corporation tax | **689** | 52 |
| *Effects of* | | |
| Utilisation of management expenses brought forward | **(117)** | (52) |
| Group relief claimed for nil consideration | **(572)** | - |
| **Total current tax** | **-** | - |

*(b) Deferred tax*

The company has an unrecognised deferred tax asset of approximately US$Nil (2006 $112,000) relating to excess management expenses

The company has an unrecognised deferred tax asset of approximately US$1,747,000 (2006 $Nil) relating to connected party capital losses

*(c) Factors affecting future tax charges*

From financial year 2008, the UK corporation tax rate will reduce from 30% to 28%

## 6 Debtors

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Loan to group undertaking | **44,490** | 44,490 |
| Interest receivable from group undertakings | **2,478** | 165 |
| | **46,968** | 44,655 |

The loan to group undertaking is with Black & Decker Inc for $44,490,000 with an interest rate of 5 2% per annum The loan can be repaid by agreement of both sides at any time without penalty The loan interest rate can be reset when necessary by the company without formal documentation

# Notes to the financial statements

**At 31 December 2007**

## 7 Creditors: amounts falling due within one year

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Amounts owed to fellow subsidiary undertaking | 308 | 292 |
| | 308 | 292 |

## 8 Share capital

| | 2007 No. | 2006 No |
|---|---|---|
| **Authorised equity** | | |
| Cumulative 15 25% preferred share membership of US$160 each | 5,000,000 | 5,000,000 |
| Common share membership of US$10 each | 15,000 | 15,000 |
| | $'000 | $'000 |
| **Allotted, called up and fully paid equity** | | |
| 12,801 Common share membership of US$10 each | 128 | 128 |
| | 128 | 128 |

The holders of the preference shares shall be entitled to dividends when and as declared by the board of directors at the rate 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 company shall have the right to redeem at any time any or all of the issued and outstanding shares of preferred stock in the Company by paying to the holders of each share 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 Company, the holders of preferred shares shall be entitled to receive out of the net assets of the Company the paid-in value of the 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 company are insufficient for this purpose, the rateable portion of the paid-in value of the 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

In determining the voting powers, designations, preferences, rights and qualifications, limitations and restriction of each class of shares, the DGCL and the common law interpreting the DGCL shall apply as if such Preferred Shares were shares of preferred stock of a Delaware corporation and if such Common Shares were shares of common stock of a Delaware corporation

# Notes to the financial statements

**At 31 December 2007**

## 9 Reconciliation of movements in shareholders' funds and movements on reserves

| | Share capital $'000 | Foreign exchange reserve $'000 | Share premium account $'000 | Profit and loss account $'000 | Total $'000 |
|---|---|---|---|---|---|
| At 1 January 2006 | 386,656 | (11) | 24,000 | 20,084 | 430,729 |
| Profit attributable to members of the company | - | - | - | 174 | 174 |
| Redemption of Preference shares | (386,528) | - | - | - | (386,528) |
| At 31 December 2006 | 128 | (11) | 24,000 | 20,258 | 44,375 |
| Profit attributable to members of the company | - | - | - | 2,297 | 2,297 |
| At 31 December 2007 | 128 | (11) | 24,000 | 22,555 | 46,672 |

## 10 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

## 11 Ultimate holding company

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

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

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

## 12 Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 29 August 2008