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# Black & Decker Investment Company

## Report And Accounts

31 December 1996



# Black & Decker Investment Company

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## **DIRECTORS**

C B Powell-Smith	(Chairman)
C E Fenton	
W I B Freeman	(Resigned 19 December 1996)
R D P Green	(Resigned 31 December 1996)
B D Rivers	(Resigned 16 April 1996)
A M J van Schijndel	(Resigned 15 February 1996)
R A Whichelow	(Resigned 30 April 1997)
N R Judd	(Appointed 4 April 1996)
A R Sanderson	(Appointed 7 April 1997)
C G Watson	(Appointed 7 April 1997)
J Holmes	(Appointed 7 April 1997)
G Chakravarthi	(Appointed 7 April 1997)

## **SECRETARY**

R D P Green	(Resigned 31 December 1996)
R A Whichelow	(Appointed 1 January 1997, resigned 30 April 1997)
C G Watson	(Appointed 1 May 1997)

## **AUDITORS**

Ernst & Young  
Apex Plaza  
Reading  
RG1 1YE

## **REGISTERED OFFICE**

210 Bath Road  
Slough  
Berkshire  
SL1 3YD

## **REGISTERED IN ENGLAND**

FC10558

# Black & Decker Investment Company

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## DIRECTORS' REPORT

The directors present their report for the year ended 31 December 1996.

### RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5.

Dividends amounting to £39,285,000 (1995 - £42,774,000) were declared in the year.

### ACTIVITIES 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.

### FIXED ASSETS

Fixed assets are dealt with in note 7 to the accounts.

### 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 arrangement entered into by the company in which any director is interested has subsisted during the year.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. 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.

Black & Decker Investment Company

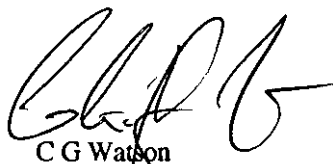
DIRECTORS' REPORT

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**AUDITORS**

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

By order of the board



C G Watson  
Secretary

18 June 1997

**REPORT OF THE AUDITORS**

to the members of Black & Decker Investment Company

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

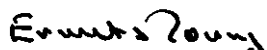
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended.



Chartered Accountants  
Registered Auditor  
Reading

27 August 1997

# Black & Decker Investment Company

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

	<i>Note</i>	<i>1996 £'000</i>	<i>1995 £'000</i>
Administrative expenses		93	24
<b>OPERATING (LOSS)</b>	<b>3</b>	<b>(93)</b>	<b>(24)</b>
Other income	4	39,304	42,793
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>39,211</b>	<b>42,769</b>
Taxation	5	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>39,211</b>	<b>42,769</b>
Dividends - equity and non equity	6	(39,285)	(42,774)
<b>(LOSS) FOR THE FINANCIAL YEAR</b>	<b>11</b>	<b>(74)</b>	<b>(5)</b>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
Profit for the financial year		39,211	42,769
Net unrealised exchange (loss)/gain on US dollar investments and preferred stock		(1,068)	94
<b>Total recognised gains and losses relating to the year</b>		<b>38,143</b>	<b>42,863</b>

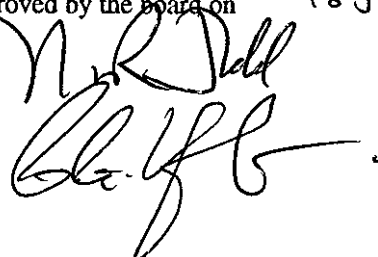
# Black & Decker Investment Company

## BALANCE SHEET at 31 December 1996

	Note	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Investments in group undertakings	7	256,628	277,649
<b>CURRENT ASSETS</b>			
Debtors	8	-	70
		-	70
<b>CREDITORS: amounts falling due within one year</b>	9	(30)	(26)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(30)	44
<b>TOTAL ASSETS LESS LIABILITIES</b>		256,598	277,693
<b>CAPITAL AND RESERVES</b>			
Called up share capital - equity and non equity	10	243,621	263,574
Share premium account	11	14,373	14,373
Profit and loss account	11	(1,396)	(254)
		256,598	277,693

Approved by the board on

18 June 1997



)  
) Directors  
)

# Black & Decker Investment Company

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 1. THE COMPANY

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.

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

### 2. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Foreign currencies*

Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at rates of exchange ruling at the year end. All differences are taken to the profit and loss account with the exception of the difference arising on US dollar denominated preferred stock, used to provide a hedge against US dollar denominated investments, which is taken directly to reserves together with the exchange difference arising on the carrying amount of the related investments.

#### *Investment income*

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

#### *Cash flow statement*

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

### 3. OPERATING LOSS is stated after charging:

	1996 £'000	1995 £'000
Auditors' remuneration		
Audit	2	2
Other	1	2
	<u>3</u>	<u>4</u>

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

The directors received no remuneration during the year (1995: £Nil).

### 4. OTHER INCOME

	1996 £'000	1995 £'000
Dividends receivable from immediate holding undertaking	39,304	42,793
	<u>39,304</u>	<u>42,793</u>

### 5. TAXATION

There is no tax liability for the year. Management expenses in the year will be carried forward to set off against future profits.



# Black & Decker Investment Company

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 6. DIVIDENDS

	1996 £'000	1995 £'000
Dividends were paid as follows:		
Common stock	4,037	2,156
Preference stock	35,248	40,618
	<u>39,285</u>	<u>42,774</u>

### 7. INVESTMENTS IN GROUP UNDERTAKINGS

	1996 £'000	1995 £'000
Shares at cost:		
Fellow group undertakings		
Black & Decker Holdings Inc.	256,586	277,607
Black & Decker (US) Inc.	42	42
	<u>256,628</u>	<u>277,649</u>

The decrease in investment cost during the year represents an unrealised exchange loss of £21,021,000 on retranslating US dollar denominated preferred stock investments at year end rates of exchange. The exchange loss has been taken to reserves as it is substantially hedged by an unrealised exchange gain on the company's issued US dollar preferred stock (see note 10).

Investments comprises:

Black & Decker Holdings Inc.

	1996 £'000	1995 £'000
2,320,620 15.25% cumulative preferred stock of US\$100 each	138,149	149,468
164,700 15.25% series 'A' cumulative preferred stock of US\$100 each	9,805	10,607
750,000 15.25% series 'B' cumulative preferred stock of US\$100 each	44,648	48,306
131,000 15.25% series 'C' cumulative preferred stock of US\$100 each	7,799	8,437
195,500 15.25% series 'D' cumulative preferred stock of US\$100 each	11,638	12,592
300,000 15.25% series 'E' cumulative preferred stock of US\$100 each	17,859	19,323
448,300 15.25% series 'F' cumulative preferred stock of US\$100 each	26,688	28,874
	<u>256,586</u>	<u>277,607</u>

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.

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

# Black & Decker Investment Company

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 8. DEBTORS

	1996 £'000	1995 £'000
Other debtors	-	70

### 9. CREDITORS: amounts falling due within one year

	1996 £'000	1995 £'000
Accruals	30	25
Amounts owed to fellow subsidiary undertakings	-	1
	30	26

### 10. CALLED-UP SHARE CAPITAL

	1996 Number	1995 Number
Authorised:		
Cumulative preferred stock of US\$160 each	5,000,000	5,000,000
Common stock shares of US\$10 each	15,000	15,000
	1996 £'000	1995 £'000
Allotted, called up and fully paid:		
12,801 common stock shares of US\$10 each	70	70
2,415,800 15.25% cumulative preferred stock of US\$160 each	243,551	263,504
	243,621	263,574

The decrease in sterling value of preferred stock arises from the retranslation of US dollar stock using year end rates of exchange. The resulting unrealised exchange gain has been taken to reserves as it represents a hedge against substantially all the US dollar preferred stock investment in Black & Decker Holdings Inc (see note 7).

# Black & Decker Investment Company

## NOTES TO THE ACCOUNTS

at 31 December 1996

### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Profit and Loss £'000</i>	<i>Total shareholders' Funds £'000</i>
Balance at 31 December 1994	261,820	14,373	(343)	275,850
Profit attributable to members of the company	-	-	42,769	42,769
Net foreign exchange movements	1,754	-	94	1,848
Dividends	-	-	(42,774)	(42,774)
Balance at 31 December 1995	263,574	14,373	(254)	277,693
Profit attributable to members of the company	-	-	39,211	39,211
Net foreign exchange movements	(19,953)	-	(1,068)	(21,021)
Dividends	-	-	(39,285)	(39,285)
Balance at 31 December 1996	243,621	14,373	(1,396)	256,598

Shareholders funds are attributable as follows:

	<i>1996 £'000</i>	<i>1995 £'000</i>
Equity interests	13,047	14,189
Non equity interests	243,551	263,504
	256,598	277,693

### 12. RELATED PARTY TRANSACTIONS

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

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

### 13. ULTIMATE HOLDING UNDERTAKING

The company's ultimate holding undertaking is The Black & Decker Corporation, 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.