

NM

70 10553

# Black & Decker Investment Company

## Report and Financial Statements

31 December 2002

ERNST & YOUNG



## **Black & Decker Investment Company**

<b>Contents</b>	<b>Page</b>
Directors' and other information	1
Directors' report	2
Auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Balance sheet	5
Notes to the financial statements	6 - 10

**Black & Decker Investment Company**

**Directors and other information**

**Directors**

C. B. Powell-Smith (Chairman)  
M. Crince (President)  
G. H. Johnston (Treasurer)  
M. Rothleitner (Vice-Chairman)  
D.A. Watt (resigned 31 May 2003)  
I.R. Carter  
S Boelen (appointed 31 May 2003)

**Secretary**

J Coyne (resigned 2 October 2002)  
Mitre Secretaries Limited (appointed 2 October 2002)

**Registered office**

210 Bath Road  
Slough  
Berkshire  
SL1 3YD

**Auditors**

Ernst & Young LLP  
Apex Plaza  
Reading  
RG1 1YE

**Registered in England**

FC10558

## Black & Decker Investment Company

### Directors' Report

The directors present their report for the year ended 31 December 2002.

#### Results and dividends

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

Dividends amounting to £40,849,774 (2001 : £45,241,497) were declared in 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 arrangement entered into by the company in which any director is interested has subsisted during the year.

#### Fixed assets

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

#### Statement of directors' responsibilities in respect of the accounts

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:

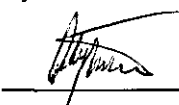
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

#### Auditors

Ernst & Young LLP, 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



Secretary  
Director

Date 20 October 2003

## **Independent Auditors' Report**

### **To the members of Black & Decker Investment Company**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise of the primary financial statements such as the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with your instructions. 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 United Kingdom accounting standards. 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 transactions with the company 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.

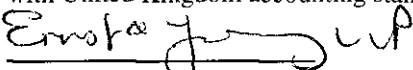
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 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 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 financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at the 31 December 2002 and its profit for the year then ended and have been properly prepared in accordance with United Kingdom accounting standards.



**Registered Auditor**  
**Reading**

# Black & Decker Investment Company

## Profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
<b>Operating costs</b>			
Administrative expenses		(11)	(32)
<b>Operating loss</b>	3	(11)	(32)
Other income	4	40,850	45,241
<b>Profit on ordinary activities</b>		40,839	45,209
Tax on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>		40,839	45,209
Dividends - equity and non-equity	6	(40,850)	(45,241)
<b>Retained loss for the year</b>	11	(11)	(32)

## Statement of total recognised gains and losses


		2002 £'000	2001 £'000
<b>Profit for the financial year</b>		40,839	45,209
Unrealised exchange (loss)/gain on US investment	7	(28,796)	681
Unrealised exchange gain/(loss) on preferred stock	10	27,335	(647)
<b>Total recognised gains relating to the year</b>		39,378	45,243

# Black & Decker Investment Company

## Balance sheet as at 31 December 2002

	Notes	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Investments in group undertakings	7	267,910	296,706
<b>Current assets</b>			
Debtors	8	1,271	1,368
<b>Creditors: amounts falling due within one year</b>	9	(1,415)	(1,501)
<b>Net current liabilities</b>		(144)	(133)
<b>Net assets</b>		267,766	296,573
<b>Capital and reserves</b>			
Called up share capital: equity and non equity	10	254,329	281,664
Share premium account	11	14,373	14,373
Profit and loss account	11	(936)	536
<b>Shareholders' funds</b>		267,766	296,573

Approved by the board on 20 October 2003

  
Director

**Notes to the financial statements for the year ended 31 December 2002**

**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**

**2.1. Accounting convention**

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

In preparing the financial statements for the current year, the group has adopted FRS 19 'Deferred Tax'. This change in accounting policy has resulted in no material adjustment to the accounts.

**2.2. Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Exchange differences arising on the translation of equity investments with no related borrowings are taken directly to reserves. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

**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).

**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.



# Black & Decker Investment Company

## Notes to the financial statements for the year ended 31 December 2002

<b>3. Operating loss</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>

Operating loss is stated after charging:

Auditors' remuneration

- audit	7	2
- other	-	1

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.

The directors received no remuneration during the year

(2001 : £Nil)

<b>4. Other income</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>

Dividends receivable from immediate holding undertaking

40,850 45,241

### 5. Taxation

There is no tax charge for the year (2001: nil).

#### *Factors affecting tax charge for the period*

The tax assessed for the period is the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below.

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	40,839	45,209
Profit on ordinary activities multiplied by the rate of corporation tax in the United Kingdom	12,252	13,563

*Effects of:*

UK dividend income	(12,252)	(13,563)
--------------------	----------	----------

There is no provided or unprovided deferred tax in the accounts.

<b>6. Dividends</b>	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>

Common stock

Paid	4,216	4,528
Proposed	-	141

Preference stock

Paid	36,634	39,345
Proposed	-	1,227

40,850 45,241

# Black & Decker Investment Company

## Notes to the financial statements for the year ended 31 December 2002

### 7. Investments in group undertakings

	2002 £'000	2001 £'000
Shares at cost:		
Fellow group undertakings		
Black & Decker Holdings Inc	267,868	296,664
Black & Decker (US) Inc	42	42
	<u>267,910</u>	<u>296,706</u>

The decrease in investment cost during the year represents an unrealised exchange gain of £28,796,000 on retranslating US dollar denominated preferred stock investments at year end rates of exchange. The exchange gain has been taken to reserves as it is substantially hedged by an unrealised exchange loss on the company's issued US dollar preferred stock (see note 10).

Investments comprise:

	2002 £'000	2001 £'000
Black & Decker Holdings Inc		
2,320,620 15.25% cumulative preferred stock of US\$100 each	144,223	159,728
164,700 15.25% series 'A' cumulative preferred stock of US\$100 each	10,236	11,336
750,000 15.25% series 'B' cumulative preferred stock of US\$100 each	46,611	51,622
131,000 15.25% series 'C' cumulative preferred stock of US\$100 each	8,141	9,017
195,500 15.25% series 'D' cumulative preferred stock of US\$100 each	12,150	13,456
300,000 15.25% series 'E' cumulative preferred stock of US\$100 each	18,645	20,649
448,300 15.25% series 'F' cumulative preferred stock of US\$100 each	27,862	30,856
	<u>267,868</u>	<u>296,664</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.

### 8. Debtors

	2002 £'000	2001 £'000
Amounts owed by group undertakings	<u>1,271</u>	<u>1,368</u>

# Black & Decker Investment Company

## Notes to the financial statements for the year ended 31 December 2002

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

	2002 £'000	2001 £'000
Amounts owed to fellow subsidiary undertaking	1,409	105
Accruals	6	28
Dividend proposed	-	1,368
	<u>1,415</u>	<u>1,501</u>

### 10. Share capital

	2002 No.	2001 No.
<b>Authorised equity</b>		
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>£'000</u>	<u>£'000</u>
<b>Allotted, called up and fully paid equity</b>		
2,415,800 15.25% Cumulative preferred stock of US\$160 each	254,259	281,594
12,801 Common stock shares of US\$10 each	70	70
	<u>254,329</u>	<u>281,664</u>

The decrease in sterling value of preferred stock arises from retranslation of US dollar stock using year end rates of exchange. The resulting unrealised exchange loss 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).

### 11. Reconciliation of movements in shareholders' funds and movements on reserve

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2001	281,017	14,373	534	295,924
Net foreign exchange movements	647	-	34	681
Profit attributable to members of the company	-	-	45,209	45,209
Dividends	-	-	(45,241)	(45,241)
Balance at 31 December 2001	<u>281,664</u>	<u>14,373</u>	<u>536</u>	<u>296,573</u>
Net foreign exchange movements	(27,335)	-	(1,461)	(28,796)
Profit attributable to members of the company	-	-	40,839	40,839
Dividends	-	-	(40,850)	(40,850)
<b>Balance at 31 December 2002</b>	<u>254,329</u>	<u>14,373</u>	<u>(936)</u>	<u>267,766</u>

Shareholders funds are attributable as follows:

	2002 £'000	2001 £'000
Equity interests	13,507	14,979
Non-equity interests	254,259	281,594
	<u>267,766</u>	<u>296,573</u>

## **Black & Decker Investment Company**

### **12. 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.

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

### **13. Ultimate holding company**

The company's ultimate holding company 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.