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Black & Decker Investment Company

Report and Financial Statements

Year ended 31 December 2004



Black & Decker Investment Company

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Black & Decker Investment Company

Registered No: FC10558

Directors' and other information

Directors

C. B. Powell-Smith (Chairman)
G. H. Johnston (President)
M. Rothleitner (Vice-Chairman)
S. Boelen
M. Allan (appointed 31 December 2004)
L. Ireland (appointed 31 December 2004)
M. Crince (resigned 31 December 2004)
I.R. Carter (resigned 31 December 2004)

Secretary

Y. Nicholson

Registered office

210 Bath Road
Slough
Berkshire
SL1 3YD

Auditors

Ernst & Young LLP
Apex Plaza
Reading
RG1 1YE

Directors' Report

The directors present their report for the year ended 31 December 2004.

Results and dividends

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

Dividends amounting to £34,689,323 were declared and paid in the year (2003 : £37,611,198).

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



Director

Date 28 July 2005.

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 2004 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 12. 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 on page 2 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 2004 and its profit for the year then ended and have been properly prepared in accordance with United Kingdom accounting standards.



Ernst & Young LLP
Registered Auditor,
Reading

29 July 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Operating costs			
Administrative expenses		(32)	(26)
Operating loss	3	(32)	(26)
Other income	4	34,699	37,611
Profit on ordinary activities		34,667	37,585
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	10	34,667	37,585
Dividends - equity and non-equity	6, 10	(34,689)	(37,611)
Retained loss for the year		(22)	(26)

Statement of total recognised gains and losses

		2004 £'000	2003 £'000
Profit for the financial year		34,667	37,585
Unrealised exchange loss on US investment	7	(19,160)	(21,237)
Unrealised exchange gain on share capital and premium	10	18,249	20,040
Sub total	10	(911)	(1,197)
Total recognised gains relating to the year		33,756	36,388

Balance sheet

As at 31 December 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Investments in group undertakings	7	227,471	246,673
Current assets			
Cash at bank and in hand		52	-
Creditors: amounts falling due within one year	8	(202)	(170)
Net current liabilities		(150)	(170)
Net assets		227,321	246,503
Capital and reserves			
Called up share capital: equity and non equity	9	204,062	221,244
Share premium account	10	12,666	13,733
Profit and loss account	10	10,593	11,526
Shareholders' funds		227,321	246,503

Approved by the board on 28 July 2005



Director

Notes to the accounts

At 31 December 2004

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.

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.

Notes to the accounts

At 31 December 2004

2. Accounting Policies (continued)

2.5. Deferred taxation (continued)

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.

3. Operating loss	2004 £'000	2003 £'000
Operating loss is stated after charging:		
Auditors' remuneration		
- audit	1	7
- other	-	19

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 (2003 : £Nil).

4. Other income	2004 £'000	2003 £'000
Dividends receivable from immediate holding undertaking	34,689	37,611
Gain on foreign exchange transactions	10	-
	<u>34,699</u>	<u>37,611</u>

5. Taxation

There is no tax charge for the year (2003: nil).

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%. (2003: 30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	34,667	37,585
Profit on ordinary activities multiplied by the UK standard rate of corporation tax	10,400	11,276
<i>Effects of:</i>		
UK dividend income not taxable	(10,400)	(11,276)
Total Current tax	<u>-</u>	<u>-</u>

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

Notes to the accounts

At 31 December 2004

6. Dividends	2004 £'000	2003 £'000
Common stock		
Paid	3,580	3,882
Preference stock		
Paid	31,109	33,729
	<u>34,689</u>	<u>37,611</u>

7. Investments in group undertakings	2004 £'000	2003 £'000
Shares at cost:		
Black & Decker Holdings Inc.	227,471	246,631
Black & Decker (US) Inc.	-	42
	<u>227,471</u>	<u>246,673</u>

The decrease in investment cost during the year represents an unrealised exchange loss of £19,160,000 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 9).

Investments in group undertakings comprise:

	2004 £'000	2003 £'000
<i>Black & Decker Holdings Inc.</i>		
2,320,620 15.25% cumulative preferred stock of US\$100 each	122,473	132,789
164,700 15.25% series 'A' cumulative preferred stock of US\$100 each	8,692	9,424
750,000 15.25% series 'B' cumulative preferred stock of US\$100 each	39,582	42,916
131,000 15.25% series 'C' cumulative preferred stock of US\$100 each	6,914	7,496
195,500 15.25% series 'D' cumulative preferred stock of US\$100 each	10,318	11,187
300,000 15.25% series 'E' cumulative preferred stock of US\$100 each	15,833	17,167
448,300 15.25% series 'F' cumulative preferred stock of US\$100 each	23,659	25,652
	<u>227,471</u>	<u>246,631</u>

Black & Decker (US) Inc.

The shares in Black & Decker (US) Inc., representing 1,000 class B (non voting) common stock, par value US\$100 each, was disposed of to Black & Decker International during the financial year.

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

Notes to the accounts

At 31 December 2004

8. Creditors: amounts falling due within one year	2004	2003
	£'000	£'000
Amounts owed to fellow subsidiary undertaking	191	166
Accruals	11	4
	<u>202</u>	<u>170</u>
9. Share capital	2004	2003
	No.	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>£'000</u>	<u>£'000</u>
Allotted, called up and fully paid equity		
2,415,800 15.25% Cumulative preferred stock of US\$160 each	203,994	221,171
12,801 Common stock shares of US\$10 each	68	73
	<u>204,062</u>	<u>221,244</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).

Notes to the accounts

At 31 December 2004

10. 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 2003	240,113	14,904	12,749	267,766
Net foreign exchange movements	(18,869)	(1,171)	(1,197)	(21,237)
Profit attributable to members of the company	-	-	37,585	37,585
Dividends	-	-	(37,611)	(37,611)
Balance at 31 December 2003	221,244	13,733	11,526	246,503
Net foreign exchange movements	(17,182)	(1,067)	(911)	(19,160)
Profit attributable to members of the company	-	-	34,667	34,667
Dividends	-	-	(34,689)	(34,689)
Balance at 31 December 2004	204,062	12,666	10,593	227,321

Shareholders funds are attributable as follows:

	2004 £'000	2003 £'000
Equity interests	23,327	25,332
Non-equity interests	203,994	221,171
	227,321	246,503

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.

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

12. 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.