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FC 10518

Black & Decker Investment Company

Report and Accounts

31 December 1997



 **ERNST & YOUNG**

Black & Decker Investment Company

DIRECTORS

C B Powell-Smith	(Chairman)
C E Fenton	(Resigned 9 June 1998)
R A Whichelow	(Resigned 30 April 1997)
N R Judd	
A R Sanderson	(Appointed 7 April 1997)
C G Watson	(Appointed 7 April 1997)
J Holmes	(Appointed 7 April 1997, resigned 29 August 1997)
G Chakravarthi	(Appointed 7 April 1997)
M Rothleitner	(Appointed 9 June 1998)

SECRETARY

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

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

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

Dividends amounting to £38,817,000 (1996 - £39,285,000) 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.

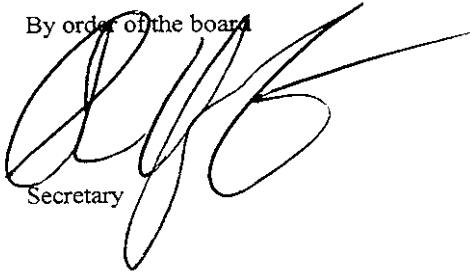
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Black & Decker Investment Company
DIRECTORS' REPORT

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



Secretary

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 1997 and of its loss for the year then ended.

Ernst & Young
Chartered Accountants
Registered Auditor
Reading

2 Aug 1998

Black & Decker Investment Company

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	<i>Note</i>	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Administrative expenses		25	93
OPERATING (LOSS)	3	(25)	(93)
Other income	4	38,817	39,304
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		38,792	39,211
Taxation	5	-	-
PROFIT FOR THE FINANCIAL YEAR		38,792	39,211
Dividends - equity and non equity	6	(38,817)	(39,285)
(LOSS) FOR THE FINANCIAL YEAR	11	(25)	(74)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Profit for the financial year		38,792	39,211
Net unrealised exchange (loss) on US dollar investments and preferred stock		(104)	(1,068)
Total recognised gains and losses relating to the year		38,688	38,143

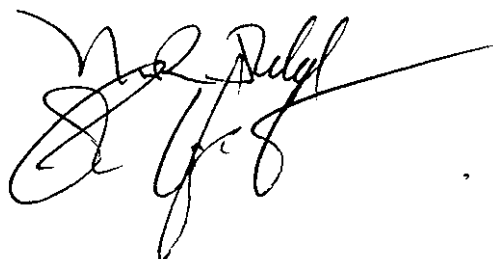
Black & Decker Investment Company

BALANCE SHEET

at 31 December 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Investments in group undertakings	7	254,582	256,628
CURRENT ASSETS			
Debtors	8	-	-
		-	-
CREDITORS: amounts falling due within one year	9	(55)	(30)
NET CURRENT (LIABILITIES)		(55)	(30)
TOTAL ASSETS LESS LIABILITIES		254,527	256,598
CAPITAL AND RESERVES			
Called up share capital - equity and non equity	10	241,679	243,621
Share premium account	11	14,373	14,373
Profit and loss account	11	(1,525)	(1,396)
		254,527	256,598

Approved by the board on 9 - JUL - 1998



)
) Directors
)

Black & Decker Investment Company

NOTES TO THE ACCOUNTS

at 31 December 1997

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:

	1997 £'000	1996 £'000
Auditors' remuneration		
Audit	2	2
Other	1	1
	<u> </u>	<u> </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 (1996: £Nil).

4. OTHER INCOME

	1997 £'000	1996 £'000
Dividends receivable from immediate holding undertaking	38,817	39,304
	<u> </u>	<u> </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 1997

6. DIVIDENDS

	1997 £'000	1996 £'000
Dividends were paid as follows:		
Common stock	4,006	4,037
Preference stock	34,811	35,248
	<u>38,817</u>	<u>39,285</u>

7. INVESTMENTS IN GROUP UNDERTAKINGS

	1997 £'000	1996 £'000
Shares at cost:		
Fellow group undertakings		
Black & Decker Holdings Inc.	254,540	256,586
Black & Decker (US) Inc.	42	42
	<u>254,582</u>	<u>256,628</u>

The decrease in investment cost during the year represents an unrealised exchange loss of £2,046,000 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.

	1997 £'000	1996 £'000
2,320,620 15.25% cumulative preferred stock of US\$100 each	137,047	138,149
164,700 15.25% series 'A' cumulative preferred stock of US\$100 each	9,727	9,805
750,000 15.25% series 'B' cumulative preferred stock of US\$100 each	44,292	44,648
131,000 15.25% series 'C' cumulative preferred stock of US\$100 each	7,736	7,799
195,500 15.25% series 'D' cumulative preferred stock of US\$100 each	11,546	11,638
300,000 15.25% series 'E' cumulative preferred stock of US\$100 each	17,717	17,859
448,300 15.25% series 'F' cumulative preferred stock of US\$100 each	26,475	26,688
	<u>254,540</u>	<u>256,586</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 1997

8. DEBTORS

	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Other debtors	-	-

9. CREDITORS: amounts falling due within one year

	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Accruals	38	30
Amounts owed to fellow subsidiary undertakings	17	-
	<u>55</u>	<u>30</u>

10. CALLED-UP SHARE CAPITAL

	<i>1997</i> <i>Number</i>	<i>1996</i> <i>Number</i>
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
	<u> </u>	<u> </u>
	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
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	241,609	243,551
	<u>241,679</u>	<u>243,621</u>

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 1997

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 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
Profit attributable to members of the company	-	-	38,792	38,792
Net foreign exchange movements	(1,942)	-	(104)	(2,046)
Dividends	-	-	(38,817)	(38,817)
Balance at 31 December 1997	241,679	14,373	(1,525)	254,527

Shareholders funds are attributable as follows:

	<i>1997 £'000</i>	<i>1996 £'000</i>
Equity interests	12,918	13,047
Non equity interests	241,609	243,551
	<u>254,527</u>	<u>256,598</u>

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.