

Registered Number: 1808597

HALCYON FINANCE LIMITED
Report and Financial Statements
For the Financial Year Ended
28 January 2006



A18
COMPANIES HOUSE

150
27/07/2006

Halcyon Finance Limited
Report and Financial Statements
Contents

	Page
Directors and officers	1
Directors' Report	2-4
Statement of the Directors' Responsibilities	5
Independent Auditors' Report to the members of Halcyon Finance Limited	6
Profit and Loss account	7
Statement of total recognised gains and losses	8
Balance sheet	9
Notes to the financial statements	10-17

Halcyon Finance Limited
Directors and officers

DIRECTORS

H.M. Jones
D.E. Tatton-Brown

SECRETARY

M.B. Chambers

REGISTERED OFFICE

3 Sheldon Square
Paddington
London
W2 6PX

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Halcyon Finance Limited

Directors' Report

The directors present their report and financial statements of the Company for the year ended 28 January 2006.

Principal activities and review of the business

The Company operates as a financial trading Company within the Kingfisher plc group and intends to continue to do so for the foreseeable future.

Results and Dividends

The loss for the year, after taxation, amounted to £852,000 (2005: profit of £1,877,000). The directors do not recommend the payment of a dividend for the financial year (2005: £nil). The retained loss for the year of £852,000 (2005: profit of £1,877,000) has been transferred to reserves.

Elective Resolution

On 7 November 1991 the Company passed an elective resolution whereby it would dispense with the holding of an annual general meeting until the election was revoked. Further elective resolutions were passed at the same time that the Company would dispense with :

- a) the laying of the annual report and financial statements before the Company in general meeting and
- b) the requirement to reappoint annually the auditors of the Company in general meeting.

Financial Risk Management

The Company operates as a financial trading Company within the Kingfisher plc group, and as such is exposed to a variety of financial risks, which include interest rate risk, credit risk and liquidity risk.

As part of the Kingfisher plc group these risks are managed centrally by the group treasury department, which has in place a risk management programme that ensures that the impact of such risks is minimised.

In the normal course of business the Company enters into short and long term interest rate and currency derivatives (such as interest rate swaps, cross currency swaps and foreign exchange contracts) with external counterparties to hedge external interest rate and foreign currency exposures of other Kingfisher group companies. Such commitments are always matched with commitments from Kingfisher group companies such that the company has no significant residual exposure.

Halcyon Finance Limited

Directors' Report

Financial Risk Management (continued)

Liquidity risk (the risk that cash is not available to meet obligations when they fall due) and credit risk (the risk that a counterparty will default on amounts due) exist to the extent that either party to a matched transaction defaults. These risks are managed by the group treasury team on a group basis by ensuring that a diversity of funding sources and debt maturities allows flexible liquidity management and by operating within counterparty credit limits set with reference to published credit ratings.

As at 28 January 2006, the directors believe that the Company's residual exposure to the above risks is at an acceptable level.

Directors and directors' interests

The directors of the Company, who served during the financial year, are:

H.M. Jones
D.E. Tatton-Brown

None of the directors have any beneficial interest in the shares of the Company. The interests of D.E. Tatton-Brown in the share capital of Kingfisher plc are shown in the financial statements of that company.

The interests of H.M. Jones in the share capital of Kingfisher plc are as follows:

Ordinary Shares of 15 5/7p each of Kingfisher plc:

	As at 29 Jan 2005	As at 28 Jan 2005
H.M. Jones	47,558	67,632

Options for 15 5/7p Ordinary Shares of Kingfisher plc (other than KIS Share awards):

	As at 29 Jan 2005	Options Granted	Options Exercised	Options Lapsed	As at 28 Jan 2006
H.M. Jones	300,832	5,324	6,019	-	300,137

Halcyon Finance Limited Directors' Report

Directors and directors' interests (continued)

KIS Share awards:

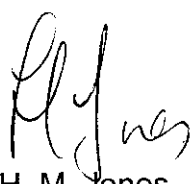
Name	Contingent shares held at start of year	Award price per share	Market price per share on date awarded	Number of contingent shares awarded in year – before TSR multiplier	Number of contingent shares held at end of year – before TSR multiplier	Number of contingent shares held at end of year – assuming maximum TSR multiplier achieved ¹	Vesting date	Lapse date
H. M. Jones	52,615	288.5p	286p	-	52,615	52,615	05/04/07	05/10/07
	-	286.92p	285.5p	24,043	24,043	33,660	06/04/08	06/10/08

¹ Once the contingent award is made in respect of the bonus earned, the only qualifying condition to receive the award before the application of the TSR Multiplier is to be in the employment of the Company at the vesting date. To receive further shares under the application of the TSR Multiplier the TSR over the three year period following the year for which the bonus was earned must be above the median for the comparator group (FTSE 100 index). Further information regarding the KIS Share awards scheme can be found in the Kingfisher plc accounts 2005 on page 37.

The market price of Kingfisher plc shares at 28 January 2006 was 242.5p and the range during the year was 201p to 312.25p.

Going concern

The directors confirm that, after making enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts.



H. M. Jones
Director

25 July 2006

Halcyon Finance Limited
Statement of directors' responsibilities

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for the year to that date. In preparing the financial statements the directors are required:

To ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

To take such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

To apply suitable accounting policies in a consistent manner and supported by reasonable and prudent judgements and estimates where necessary.

To comply with all applicable accounting standards (except where any departures from this requirement are explained in the Notes to the Financial Statements).

To prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

Independent auditor's report to the members of Halcyon Finance Limited

We have audited the financial statements of Halcyon Finance Limited for the year ended 28 January 2006 which comprise the Profit and Loss account, the Statement of recognized gains and losses, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the Companies Act 1985. 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 other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 financial statements 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 January 2006 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

25 July 2006

Halcyon Finance Limited
Profit and Loss account
For the year ended 28 January 2006

	Notes	2006 £000	2005 £000
Interest income from interest rate management		12,247	11,707
Interest expense from interest rate management		(12,328)	(9,107)
Net interest payable	5	(1,115)	(36)
Foreign exchange (loss)/gain		(6)	146
Administrative expenses		(15)	(29)
(Loss)/profit on ordinary activities before taxation	6	(1,217)	2,681
Taxation on (loss)/profit on ordinary activities	7	365	(804)
Retained (loss)/profit for the year	13	<u>(852)</u>	<u>1,877</u>

The result for the year arises solely from continuing operations.

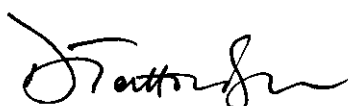
There is no difference between the profit on ordinary activities before taxation and the retained profits for the year stated above and their historical cost equivalents.

Halcyon Finance Limited
Statement of total recognised gains and losses
As at 28 January 2006

	Notes	2006 £000	2005 £000
(Loss)/profit for the financial year		(852)	1,877
First time adoption of FRS25 and FRS26 (net of deferred tax at 30%)	2	<u>7,136</u>	<u>-</u>
Total recognised income and expense for the year		<u>6,284</u>	<u>1,877</u>

Halcyon Finance Limited
Balance sheet
As at 28 January 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Investments	8	32,112	32,112
Current assets			
Debtors due within one year	9	111,470	26,321
Cash at bank and in hand		47,843	3,501
Creditors: amounts falling due within one year	10	<u>(140,937)</u>	<u>(8,060)</u>
Net current assets		<u>15,318</u>	<u>21,762</u>
Total assets less current liabilities		<u>47,430</u>	<u>53,874</u>
Creditors: amounts falling due after more than one year	11	-	(12,728)
Provision for liabilities and charges	12	(3,058)	-
Net assets		<u>47,430</u>	<u>41,146</u>
Capital and reserves			
Called up share capital	13	15,000	15,000
Profit and loss account	14	32,430	26,146
Equity shareholders' funds	15	<u>47,430</u>	<u>41,146</u>



D.E. Tatton-Brown
 Director
 25 July 2006

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

1 Accounting policies

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are made up to the nearest Saturday to 31 January, so as to coincide with its ultimate holding company.

The Company's ultimate holding company is Kingfisher plc and the cash flows of the Company are shown in the consolidated Cash Flow Statement of Kingfisher plc, which is publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

The financial statements contain information about Halcyon Finance Ltd as an individual company and do not contain consolidated financial statements as the parent of a group.

The Company is exempt under Section 228 of the Companies Act 1985 from publishing consolidated financial statements as it is included by full consolidation in the consolidated financial statements of its parent, Kingfisher plc which is registered in England and Wales.

The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities where 90% or more of the voting rights are controlled within the Kingfisher plc group (the "Group").

Interest receivable is accrued on a daily basis. Dividend income is recognised when declared.

Fixed asset investments are stated at cost except when there has been a permanent diminution in their value when they are stated at net realisable value.

Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate prevailing on the date of the transaction or, for practical reasons, at average monthly rates where exchange rates do not fluctuate significantly.

Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into sterling at year end exchange rates. Exchange differences on monetary items are taken to the profit and loss account.

Interest income from Interest rate management

Where floating interest rates have been fixed under interest rate swap agreements the net accrued income or expense is taken to the profit and loss account.

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

1 Accounting policies (continued)

Deferred Taxation

Provision is made for deferred taxation using the incremental provision approach and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date

Deferred tax is recognised in respect of timing differences that have originated but not reversed by the balance sheet date subject to the following:

- Deferred tax is not recognised on the revaluation of non-monetary assets such as property unless a binding sale agreement exists at the balance sheet date. Where rollover relief is available on an asset then deferred tax is in any case not recognised.
- Deferred tax is recognised on unremitted earnings of overseas subsidiaries, associates and joint ventures only where dividends are accrued as receivable or there is an intention to remit these in the foreseeable future.
- Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as 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 not recognised on permanent differences.

Adoption of new policies

The company has adopted FRS 21 'Events after balance sheet date', FRS 23 'The effects of changes in foreign exchange rates', FRS 25 'Financial instruments: Disclosure and Presentation', FRS 26 'Financial Instruments: Measurement' and FRS 28 'Corresponding amounts', in these financial statements. The effect of the adoption of FRS25 and FRS26 is detailed in Note 2. The adoption of the remaining standards represents a change in accounting policy but has no effect on the current year figures or comparative figures.

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

2 Adoption of FRS 25 and FRS 26

The Company has decided to adopt FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement' for the year ending 28 January 2006, in accordance with the provisions prescribed in these standards. The adoption of each of these standards represents a change in accounting policy. In accordance with FRS25 paragraph 108D, comparative information for financial instruments for the year ended 29 January 2005 has not been restated to comply with FRS25 and FRS26 and the impact of these standards on the Company's opening balance sheet is shown below.

The principal impact of FRS 25 and FRS 26 on the Company's financial statements relates to the recognition of derivative financial instruments at fair value. Financial assets and financial liabilities that arise on derivatives that do not qualify for hedge accounting are held on the balance sheet at fair value with the changes in value reflected through the income statement. The fair value of derivatives is calculated by discounting future cash flows arising from the instrument using market rates.

The FRS 25 disclosures are not provided in these accounts as the Company is a wholly owned subsidiary of Kingfisher plc whose accounts are publicly available and include disclosures that comply with the standard.

The adjustments to the opening balance sheet at 30 January 2005 are as follows:

	Balance sheet at 30 January 2005	Effect of adoption of FRS 25 and FRS 26	Restated opening position at 30 January 2005
Current assets			
Debtors due within one year	26,321	28,989	55,310
Creditors			
Amounts falling within one year	(8,060)	(34,581)	(42,641)
Amounts falling after more than one year	(12,728)	12,728	-
Impact on net assets		7,136	
Profit and loss account	26,146	7,136	33,282
Impact on equity shareholders' funds		7,136	

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

3 Employees

The Company had no employees during the financial year (2005: Nil).

4 Directors' remuneration

None of the directors received any emoluments from the Company or from any of its subsidiaries in respect of the financial year ended 28 January 2006 (2005: £Nil).

5 Net interest and similar charges

	2006 £000	2005 £000
Bank loans and overdrafts	(49)	(23)
Interest receivable from Group companies	155	57
Interest payable to Group companies	<u>(1,221)</u>	<u>(70)</u>
	<u>(1,115)</u>	<u>(36)</u>

6 Profit on ordinary activities before taxation

Auditors' remuneration is borne by the parent company.

7 Taxation

	2006 £000	2005 £000
Current taxation on profits of the period at 30% (2005: 30%)	<u>(365)</u>	<u>804</u>

Factors affecting the tax charge for the period

(Loss)/profit on ordinary activities before taxation	<u>(1,217)</u>	<u>2,681</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	<u>(365)</u>	<u>804</u>
Total tax (credit)/charge for the period	<u>(365)</u>	<u>804</u>

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

8 Investments

	Investments in group undertakings £000
Cost	
At 29 January 2005	32,112
Additions	-
At 28 January 2006	<u>32,112</u>

In the opinion of the directors the aggregate value of the investment in subsidiaries is not less than the amount stated in the Company's balance sheet.

9 Debtors: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed by Group undertakings	67,330	12,860
Corporation Tax	291	-
Interest receivable on financial instruments	-	10,669
Other interest receivable	431	51
Prepayments and accrued income	-	2,741
Derivative assets held with Group undertakings	9,464	-
Derivative assets held with third parties	33,954	-
	<u>111,470</u>	<u>26,321</u>

Interest receivable on financial instruments is included in the value of derivative assets for the year ending 28 January 2006.

Derivative assets held with third parties comprise the following interest rate swaps:

- £150m swapped from 6.875% to 3 month LIBOR plus a margin, maturing in 2010.
- €200m swapped from 4.50% to pay 3 month EURIBOR plus a margin, maturing in 2010.
- £250m swapped from 5.625% to €355 at 3 month EURIBOR plus a margin, maturing in 2014.

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

9 Debtors: amounts falling due within one year (continued)

The Company has entered into forward foreign exchange contracts. At 28 January 2006 the Sterling notional equivalent amount of such contracts was £175m.

Derivative assets held with Group undertakings are matched with derivative liabilities held with third parties (see note 10).

10 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Bank loans and overdrafts	48,392	309
Corporation tax	-	399
Amounts owed to Group undertakings	49,049	4,492
Interest payable on financial instruments	-	2,658
Other interest payable	438	52
Accruals and deferred income	-	150
Derivative liabilities held with Group undertakings	33,594	-
Derivative liabilities held with third parties	9,464	-
	<u>140,937</u>	<u>8,060</u>

Interest payable on financial instruments is included in the value of derivative liabilities for the year ending 28 January 2006.

Derivative liabilities held with third parties comprise the following interest rate swaps

- €550m swapped from 4.125% to 3 month EURIBOR plus a margin, maturing in 2012.
- €330m swapped from 3 month EURIBOR plus a margin to £226m at 3 month LIBOR plus a margin, maturing in 2009.

The Company has entered into forward foreign exchange contracts. At 28 January 2006 the Sterling notional equivalent amount of such contracts was £205m.

Derivative liabilities held with Group undertakings are matched with derivative assets held with third parties (see note 9).

11 Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Accruals and deferred income	<u>-</u>	<u>12,728</u>

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

12 Provision for liabilities and charges

	Deferred taxation £000
At start of year	-
First time adoption of FRS25/26	<u>3,058</u>
At start of year as restated	<u>3,058</u>
At end of year	<u><u>3,058</u></u>
	2006 £000
Deferred taxation with respect to adoption of FRS25/26	<u>3,058</u>
	<u><u>3,058</u></u>

13 Share capital

	2006 £000	2005 £000
Authorised:		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted and fully paid:		
15,000,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

14 Profit and loss account

	2006 £000	2005 £000
At start of year	26,146	24,269
First time adoption of FRS 25/26	<u>7,136</u>	<u>-</u>
At start of year as restated	33,282	24,269
Retained (loss)/profit for the financial year	<u>(852)</u>	<u>1,877</u>
At end of year	<u><u>32,430</u></u>	<u><u>26,146</u></u>

Halcyon Finance Limited
Notes to the financial statements
at 28 January 2006

15 Reconciliation of movements in shareholders' funds

	2006	2005
	£000	£000
(Loss)/profit for the financial year	(852)	1,877
First time adoption of FRS 25/26	7,136	-
	<u>6,284</u>	<u>1,877</u>
Opening shareholders' funds	41,146	39,269
Closing shareholders' funds	<u>47,430</u>	<u>41,146</u>

16 Ultimate holding company

The immediate and ultimate parent company is Kingfisher plc incorporated in England and Wales. A copy of the Annual Report and Financial Statements of the ultimate parent company can be obtained from The Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London W2 6PX.