

Registered Number: 1808597

HALCYON FINANCE LIMITED
Report and Financial Statements
For the Financial Year Ended
3 February 2007

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Halcyon Finance Limited
Report and Financial Statements
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Halcyon Finance Limited
Directors and officers

DIRECTORS

N Folland (appointed 26 July 2007)
H M Jones (resigned 26 July 2007)
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 3 February 2007

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

The company is a wholly-owned subsidiary of Kingfisher plc. The review of the business of Kingfisher plc and its subsidiaries providing a comprehensive analysis of the main trends and factors likely to affect the development, performance and position of the business, and a description of the principal risks and uncertainties facing the business can be found on pages 2 to 33 of Kingfisher's Annual Report and Accounts 2007

Results and Dividends

The loss for the year, after taxation, amounted to £197,000 (2006 loss of £852,000). The directors do not recommend the payment of a dividend for the financial year (2006 £nil).

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an elective resolution whereby it would dispense with the holding of an annual general meeting until the election was revoked.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.

Halcyon Finance Limited

Directors' Report (continued)

Such commitments are always matched with commitments from Kingfisher group companies such that the company has no significant residual exposure

Financial Risk Management

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 3 February 2007, 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 (resigned 26 July 2007)
 N Folland (appointed 26 July 2007)
 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 the directors in the share capital of Kingfisher plc are as follows

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

	As at 28 Jan 2006	As at 3 Feb 2007
H M Jones	67,632	84,177

Options for Ordinary Shares of 15 5/7p each of Kingfisher plc (other than PSP and KIS Share Awards)

	As at 28 Jan 2006	Options Granted	Options Exercised	Options Lapsed	As at 3 Feb 2007
H M Jones	300,137	-	-	-	300,137

Halcyon Finance Limited
Directors and directors' interests (continued)

KIS Share awards

Contingent Awards

Name	Number of Contingent Shares at start of year	Number of Contingent Shares awarded in year	Price per share	Market price per share on date of award	Number of contingent Shares at end of year	Vesting date	Lapse date
H M Jones	52,615	-	288 5p	286p	52,615	05/04/2007	05/10/2007
	24,043	-	286 92p	285 5p	24,043	06/04/2008	06/10/2008

Multiplier Awards

Name	Multiplier Awards at start of year	Multiplier Awards granted in year	Price per share	Market price per share on date of award	Multiplier Awards at end of year	Vesting date	Lapse date
H M Jones	9,617	-	286 92p	285 5p	9,617	06/04/2008	06/10/2008

Once the KIS share contingent award is made in respect of the bonus earned, normally the only qualifying condition to receive the award is to be in the employment of the Company at the vesting date. In respect of bonuses paid in 2004, 2005 and 2006, an additional Multiplier Award of shares was potentially receivable. Following the introduction of the PSP, no further Multiplier Awards will be granted.

PSP Awards

Name	Number of Performance Shares at start of year	Number of Performance Shares awarded in year	Date of grant	Price per share	Dividend Roll-up shares ¹	Number of Performance Shares at end of year	Vesting date	Lapse date
H M Jones	-	32,672	28/06/2006	225 75p	519	33,191	28/06/2009	28/12/2009
	-	29,734	23/10/2006	255 50p	-	29,734	23/10/2009	23/04/2010

¹ The price used to calculate the Dividend Roll-up shares was 242p, being the market price on 20 September 2006.

Performance Shares will normally vest three years from the award date, provided that the director is still employed by the Group and Kingfisher plc's Total Shareholder Return (TSR) performance is above median for the FTSE 100 during the three-year performance period. Performance Shares also receive a dividend roll-up calculated on the basis of a notational purchase of shares on each relevant ex-dividend date using that day's closing mid-market price.

Halcyon Finance Limited
Directors and directors' interests (continued)

Further information regarding the KIS Share Awards, the Multiplier Awards and the PSP Awards can be found in the Kingfisher plc Annual Report and Accounts 2007 on pages 44 to 49

The market price of Kingfisher plc shares at 3 February 2007 was 252 5p and the range during the year was 218 75p to 273p

Auditors and disclosure of information to auditors

Each person who is a director at the date of approval of this report and financial statements confirms that so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

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



M.B. Chambers
Secretary
19 November 2007

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 AUDITORS' REPORT TO THE MEMBERS OF HALCYON FINANCE LIMITED

We have audited the financial statements of Halcyon Finance Limited for the year ended 3 February 2007 which comprise the Profit and Loss Account, 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALCYON FINANCE LIMITED (continued)

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 3 February 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

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PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

19 November 2007

Halcyon Finance Limited
Profit and Loss account
For the year ended 3 February 2007

	Notes	2007 £000	2006 £000
Net interest payable	5	(127)	(1,196)
Foreign exchange loss		(132)	(6)
Administrative expenses		(23)	(15)
Loss on ordinary activities before taxation	6	<u>(282)</u>	<u>(1,217)</u>
Taxation on loss on ordinary activities	7	85	365
Retained loss for the year	13	<u>(197)</u>	<u>(852)</u>

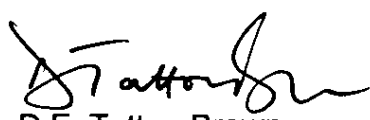
The result for the year arises solely from continuing operations

There is no difference between the losses on ordinary activities before taxation and the retained losses for the years stated above and their historical cost equivalents

Halcyon Finance Limited
Balance sheet
As at 3 February 2007

	Notes	2007 £000	2006 £000
Non-current assets			
Investments	8	32,112	32,112
Debtors due after more than one year	9	83,864	43,418
		115,976	75,530
Current assets			
Debtors due within one year	9	88,413	68,052
Cash at bank and in hand		53,424	47,843
Creditors: amounts falling due within one year	10	<u>(123,964)</u>	<u>(97,879)</u>
Net current assets		<u>133,849</u>	<u>93,546</u>
Provision for liabilities and charges	11	(2,752)	(3,058)
Creditors due in more than one year	10	<u>(83,864)</u>	<u>(43,058)</u>
Net assets		<u>47,233</u>	<u>47,430</u>
Capital and reserves			
Called up share capital	12	15,000	15,000
Profit and loss account	13	32,233	32,430
Equity shareholders' funds	14	<u>47,233</u>	<u>47,430</u>

The financial statements on pages 10 to 19 were approved by the Board of Directors and were signed on its behalf by -


D E Tatton-Brown
Director
19 November 2007

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. 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.

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

1 Accounting policies (continued)

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

Hedging

Under FRS 26, derivative financial instruments that meet the 'fair value' hedging requirements are recognised in the balance sheet at fair value with corresponding fair value movements recognised in the profit and loss account. For an effective fair value hedge, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the profit and loss account. To the extent that the designated hedge relationship is fully effective, the amounts in the profit and loss account offset each other. As a result, only the ineffective element of any designated hedging relationship impacts the loss or gain on financial instruments line in the profit and loss account.

The FRS25 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.

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

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

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

2 Employees

The Company had no employees during the financial year (2006 Nil)

3 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 3 February 2007 (2006 £Nil)

5 Net interest and similar charges

	2007	2006
	£000	£000
Interest income from interest rate management	10,499	12,247
Interest income from inflation management	40	-
Interest expense from interest rate management	(8,630)	(12,328)
Bank loans and overdrafts	(133)	(49)
Interest receivable from Group companies	247	155
Interest payable to Group companies	(2,150)	(1,221)
	<u>(127)</u>	<u>(1,196)</u>

6 Profit on ordinary activities before taxation

Auditors' remuneration is borne by the parent company

7 Taxation

	2007	2006
	£000	£000
Current tax charge/(credit) on income for the period	226	(365)
Adjustment in respect of prior periods	(5)	-
Total current tax	<u>221</u>	<u>(365)</u>
Deferred tax	(306)	-
Total tax credit for the year	<u>(85)</u>	<u>(365)</u>

Factors affecting the tax charge for the period

Loss on ordinary activities before taxation	<u>(282)</u>	<u>(1,217)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(85)	(365)
Timing differences	306	-
Other disallowed expenses	5	-
Adjustment in respect of prior periods	(5)	-
Total tax charge/(credit) for the year	<u>(221)</u>	<u>(365)</u>

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

8 Investments

	Investments in group undertakings £000
Cost	
At 28 January 2006	32,112
At 3 February 2007	<u>32,112</u>

The Company holds 100% of the A ordinary share capital of Budle Finance Limited, a company incorporated in England and Wales. Budle Finance Limited's main activity is investment.

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

	2007 £000	2006 £000
Due within one year		
Amounts owed by Group undertakings	69,408	67,330
Corporation Tax	-	291
Other interest receivable	19,005	431
	<u>88,413</u>	<u>68,052</u>
Due after more than one year		
Derivative assets held with Group undertakings	45,914	9,464
Derivative assets held with third parties	37,950	33,954
	<u>83,864</u>	<u>43,418</u>

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
- £250m swapped from 5.625% to €355 at 3 month EURIBOR plus a margin, maturing in 2014

Foreign exchange forwards:

The Company has entered into forward foreign exchange contracts. At 3 February 2007 the Sterling notional equivalent amount of such contracts was £279m.

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

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

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

10 Creditors:

	2007	2006
	£000	£000
Amounts falling due within one year		
Bank loans and overdrafts	51,315	48,392
Corporation tax	234	-
Amounts owed to Group undertakings	53,179	49,049
Interest payable on financial instruments	91	-
Other interest payable	19,100	438
Accruals and deferred income	45	-
	<u>123,964</u>	<u>97,879</u>
Amounts falling due in more than one year		
Derivative liabilities held with Group undertakings	37,950	33,594
Derivative liabilities held with third parties	45,914	9,464
	<u>83,864</u>	<u>43,058</u>

Interest payable on financial instruments is included in the value of derivative liabilities for the year ending 3 February 2007

Derivative liabilities at 3 February 2007 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
- €200m swapped from 4 50% to pay 3 month EURIBOR plus a margin, maturing in 2010
- €330m swapped from 3 month EURIBOR plus a margin to £226m at 3 month LIBOR plus a margin, maturing in 2009
- \$466 5m swapped from 6 4% to 6 month LIBOR plus a margin.

Foreign exchange forwards

The Company has entered into forward foreign exchange contracts. At 3 February 2007 the Sterling notional equivalent amount of such contracts was £37m

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

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

11 Provision for liabilities and charges

	Deferred taxation
	£000
At start of year	3,058
Credit to profit and loss account	(306)
At end of year	<u>2,752</u>

12 Share capital

	2007 £000	2006 £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>

13 Profit and loss account

	2007 £000	2006 £000
At start of year	32,430	26,146
First time adoption of FRS 25/26	<u>-</u>	<u>7,136</u>
At start of year as restated	32,430	33,282
Retained loss for the financial year	<u>(197)</u>	<u>(852)</u>
At end of year	<u>32,223</u>	<u>32,430</u>

Halcyon Finance Limited
Notes to the financial statements
at 3 February 2007

14 Reconciliation of movements in shareholders' funds

	2007	2006
	£000	£000
Loss for the financial year	(197)	(852)
First time adoption of FRS 25/26	-	7,136
	(197)	6,284
Opening shareholders' funds	47,430	41,146
Closing shareholders' funds	47,233	47,430

15 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.