

Registered Number 1808597

HALCYON FINANCE LIMITED
Report and Financial Statements
For the Financial Year Ended
2 February 2008

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

DIRECTORS

N Folland
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 2 February 2008

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. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. The review of the business of Kingfisher plc and its subsidiaries which provide 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 31 of Kingfisher's Annual Report and Accounts 2008

Key performance indicators ("KPI's")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business. The KPI's for the Kingfisher plc can be found on pages 2 to 31 of the Kingfisher Annual Report and Accounts 2008

Results and Dividends

The profit for the year, after taxation, amounted to £1,322,000 (2007 loss of £197,000). The directors do not recommend the payment of a dividend for the financial year (2007 £nil). The retained profit for the year of £1,322,000 (2007 £197,000 loss) has been transferred to/from 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an elective resolution whereby it would dispense with the holding of an annual general meeting until the election was revoked.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

Halcyon Finance Limited
Directors' Report (continued)

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

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 2 February 2008, the directors believe that the Company's residual exposure to the above risks is at an acceptable level

Directors

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	

Qualifying third party indemnity provisions

As at the date of this report, indemnities that are 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006 are in force under which Kingfisher plc has agreed to indemnify Duncan Tatton-Brown to the extent permitted by law, in respect of all losses arising out of, or in connection with the execution of his powers, duties and responsibilities, as a director of Kingfisher plc or any of its subsidiaries. Such indemnities were also in force in respect of each person who was a director of Kingfisher plc at any time during the financial year ended 2 February 2008

Halcyon Finance Limited
Directors' Report (continued)

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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

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.

Halcyon Finance Limited
Directors' Report (continued)

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 responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 UK 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

N Folland
Director
1 October 2008



Halcyon Finance Limited

Independent auditors' report to the members of Halcyon Finance Limited

We have audited the financial statements of Halcyon Finance Limited for the year ended 2 February 2008 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

Halcyon Finance Limited

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 2 February 2008 and of its profit 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

1 October 2008

Halcyon Finance Limited
Profit and loss account
For the year ended 2 February 2008

	Notes	2008 £000	2007 £000
Net interest income/(expense)	4	1,164	(127)
Foreign exchange gain/(loss)		499	(132)
Administrative expenses		(16)	(23)
Profit/(loss) on ordinary activities before taxation	5	<u>1,647</u>	<u>(282)</u>
Taxation on profit/(loss) on ordinary activities	6	(325)	85
Retained profit/(loss) for the year	13	<u>1,322</u>	<u>(197)</u>

The result for the year arises solely from continuing operations

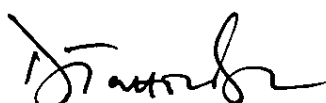
The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the years stated above and their historical cost equivalents

Halcyon Finance Limited
Balance sheet
as at 2 February 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Investments	7	<u>32,112</u>	<u>32,112</u>
		32,112	32,112
Current assets			
Debtors due within one year	8	88,687	88,413
Debtors due after more than one year	8	101,466	83,864
Cash at bank and in hand		<u>90,732</u>	<u>53,424</u>
		280,885	225,701
Creditors: amounts falling due within one year	9	<u>(160,713)</u>	<u>(123,964)</u>
Net current assets		<u>120,172</u>	<u>101,737</u>
		152,284	133,849
Provision for liabilities and charges	10	(2,263)	(2,752)
Creditors due in more than one year	9	(101,466)	(83,864)
Net assets		<u>48,555</u>	<u>47,233</u>
Capital and reserves			
Called up share capital	11	15,000	15,000
Profit and loss account	12	33,555	32,233
Equity shareholders' funds	13	<u>48,555</u>	<u>47,233</u>

The financial statements on pages 10 to 16 were approved by the Board of Directors and were signed on its behalf by -



D E Tatton-Brown
Director
1 October 2008

Halcyon Finance Limited
Notes to the financial statements
as at 2 February 2008

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 current financial year is the 52 weeks ended 2 February 2008. The comparative financial year is for the 53 weeks ended 3 February 2007.

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
as at 2 February 2008

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.

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
as at 2 February 2008

2 Employees

The Company had no employees during the financial year (2007 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 2 February 2008 (2007 £Nil)

4 Net interest and similar charges

	2008	2007
	£000	£000
Interest income from interest rate management	14,455	10,499
Interest income from inflation management	87	40
Bank Interest Income	523	-
Interest receivable from Group companies	339	247
Interest expense from interest rate management	(11,811)	(8,630)
Bank loans and overdrafts	-	(133)
Interest payable to Group companies	(2,429)	(2,150)
	<u>1,164</u>	<u>(127)</u>

5 Profit on ordinary activities before taxation

Auditors' remuneration is borne by the parent company

Halcyon Finance Limited
Notes to the financial statements
as at 2 February 2008

6 Taxation

	2008	2007
	£000	£000
Current tax charge/(credit) on income for the period	814	226
Adjustment in respect of prior periods	-	(5)
Total current tax	814	221
Deferred tax charge/(credit) for the year (note 10)	(305)	(306)
Adjustment to deferred tax due to change in corporation taxation rate (note 10)	(184)	-
Total tax charge/(credit) for the year	<u>325</u>	<u>(85)</u>

Factors affecting the tax charge for the period

Profit/(loss) on ordinary activities before taxation	<u>1,647</u>	<u>(282)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 30%)	494	(85)
Effect of		
Timing differences provided for	305	306
Expenses not deductible for tax purposes	15	5
Adjustment in respect of prior periods	-	(5)
Total current tax charge/(credit) for the year	<u>814</u>	<u>221</u>
Deferred tax charge/(credit) for the year	(305)	(306)
Adjustment due to change in corporation taxation rate	(184)	-
Total tax charge/(credit) for the year	<u>325</u>	<u>(85)</u>

7 Investments

**Investments in
group
undertakings
£000**

Cost

At 3 February 2007 and 2 February 2008	<u>32,112</u>
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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.

Halcyon Finance Limited
Notes to the financial statements
as at 2 February 2008

8 Debtors: amounts falling due within one year

	2008	2007
	£000	£000
Due within one year		
Amounts owed by Group undertakings	67,791	69,408
Other interest receivable	20,896	19,005
	<u>88,687</u>	<u>88,413</u>
Due after more than one year		
Derivative assets held with Group undertakings	46,396	45,914
Derivative assets held with third parties	55,070	37,950
	<u>101,466</u>	<u>83,864</u>
Total debtors	<u>190,153</u>	<u>172,277</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
- €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
- £10m on which interest is received at 3 month LIBOR, initially set at 4 60%

Foreign exchange forwards

The Company has entered into forward foreign exchange contracts. At 2 February 2008 the Sterling notional equivalent amount of such contracts was £469m

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

Halcyon Finance Limited
Notes to the financial statements
as at 2 February 2008

9 Creditors

	2008	2007
	£000	£000
Amounts falling due within one year		
Bank loans and overdrafts	68,721	51,315
Corporation tax	685	234
Amounts owed to Group undertakings	70,523	53,179
Interest payable on financial instruments	-	91
Other interest payable	20,739	19,100
Accruals and deferred income	45	45
	<u>160,713</u>	<u>123,964</u>
Amounts falling due in more than one year		
Derivative liabilities held with Group undertakings	55,070	37,950
Derivative liabilities held with third parties	46,396	45,914
	<u>101,466</u>	<u>83,864</u>

Interest payable on financial instruments is included in the value of derivative liabilities for the year ending 2 February 2008

Derivative liabilities at 2 February 2008 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
- £250m swapped from 5 625% to €355m at 3 month EURIBOR plus a margin, maturing in 2014
- £10m on which interest of 4 22% is paid, maturing in 2011

Foreign exchange forwards

The Company has entered into forward foreign exchange contracts. At 2 February 2008 the Sterling notional equivalent amount of such contracts was £16m

Derivative liabilities held with Group undertakings are matched with derivative assets held with third parties (see note 8)

Halcyon Finance Limited
Notes to the financial statements
as at 2 February 2008

10 Provision for liabilities and charges

Deferred
taxation

£000

At start of year	2,752
Credit to profit and loss account	(305)
Adjustment due to change in corporate taxation rate	(184)
At end of year	<u>2,263</u>

11 Share capital

2008

2007

£000

£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>

12 Profit and loss account

2008

2007

£000

£000

At start of year	32,233	32,430
Retained profit/(loss) for the financial year	<u>1,322</u>	<u>(197)</u>
At end of year	<u>33,555</u>	<u>32,233</u>

13 Reconciliation of movements in shareholders' funds

2008

2007

£000

£000

Profit/(loss) for the financial year	1,322	(197)
Opening shareholders' funds	<u>47,233</u>	<u>47,430</u>
Closing shareholders' funds	<u>48,555</u>	<u>47,233</u>

14 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.