

Registered Number: 1808597

HALCYON FINANCE LIMITED
Report and Financial Statements
For the Financial Year Ended
28 January 2012

WEDNESDAY



L1DF27DD

LD3 18/07/2012 #59
COMPANIES HOUSE

Halcyon Finance Limited
Report and Financial Statements
Contents

	Pages
Directors and officers	1
Directors' report	2-4
Independent auditor's report to the sole member of Halcyon Finance Limited	5-6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9-15

Halcyon Finance Limited
Directors and officers

DIRECTORS

D Paramor
R Wardle

SECRETARY

K Hudson (appointed 1 June 2012)

REGISTERED OFFICE

3 Sheldon Square
Paddington
London
W2 6PX

AUDITOR

Deloitte LLP
Chartered Accountants
London

Halcyon Finance Limited
Directors' report

The directors present their report and financial statements of Halcyon Finance Limited (the "Company") for the year ended 28 January 2012.

Principal activities and review of the business

The Company operates as a financial trading company within the Kingfisher plc group (the "Group"). The Directors currently envisage the Company will continue these operations for the foreseeable future.

Principal risks and uncertainties

The Company is a wholly-owned subsidiary of Kingfisher plc. From the perspective of the directors, 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 18 to 20 of the Kingfisher plc Annual Report and Accounts 2012.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs for the Kingfisher plc Group can be found on pages 4 and 5 of the Kingfisher plc Annual Report and Accounts 2012.

Results and dividends

The profit for the year, after taxation, amounted to £390,000 (2011 profit of £445,000). The directors do not recommend the payment of a dividend for the financial year (2011: £nil). The retained profit for the year of £390,000 (2011: £445,000) has been transferred to reserves.

Directors

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

D Paramor
N Folland (resigned 1 June 2012)
R Wardle (appointed 1 June 2012)

Halcyon Finance Limited
Directors' report (continued)

Financial risk management

The Company operates as a financial trading Company within the Group, and as such is exposed to a variety of financial risks, which include interest and foreign exchange risk, liquidity and credit risk

As part of the Group these risks are managed centrally by the group treasury department, which has in place a board approved treasury policy and a risk management programme that ensures that the impact of such risks is minimised. Further information on the Group's financial risk management policies can be found in note 24 of the Kingfisher plc Annual Report and Accounts 2012.

Interest and foreign exchange risk

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

Liquidity and credit risk

Liquidity risk is the risk that cash is not available to meet obligations when they fall due. Credit risk is the risk that a counterparty will default on amounts due. These risks 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 2012, the directors believe that the Company's residual exposure to the above risks is at an acceptable level.

Auditor and disclosure of information to auditor

Each person who is a director at the date of approval of this report and financial statements confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each director has taken all steps that he or she ought to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Halcyon Finance Limited
Directors' report (continued)

Auditor and disclosure of information to auditor (continued)

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 of accounting in preparing these financial statements.

Statement of directors' responsibilities

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

The directors are responsible for preparing this 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Approved by the board of directors and signed on its behalf by



K Hudson
Company Secretary
10 July 2012

Halcyon Finance Limited

Independent auditor's report to the sole member of Halcyon Finance Limited

We have audited the financial statements of Halcyon Finance Limited for the year ended 28 January 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's sole member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's sole member those matters we are required to state to them in an auditor's 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 sole member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 28 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Halcyon Finance Limited

**Independent auditor's report to the sole member of Halcyon Finance Limited
(continued)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Panos Kakoullis

Panos Kakoullis (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
10 July 2012

Halcyon Finance Limited
Profit and loss account
For the year ended 28 January 2012

	Notes	2012 £'000	2011 £'000
Net interest income	4	456	771
Foreign exchange gain/(loss)		10	(233)
Administrative expenses		(58)	(23)
Profit on ordinary activities before taxation	5	<u>408</u>	<u>515</u>
Taxation on profit on ordinary activities	6	(18)	(70)
Profit for the year	12	<u><u>390</u></u>	<u><u>445</u></u>

The results for the current and prior year arises solely from continuing operations

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

There is no material difference between the reported profit for the year and that which would be reported under the historical cost convention

Halcyon Finance Limited
Balance sheet
as at 28 January 2012

Registered Number: 1808597

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	7	32,112	32,112
Current assets			
Debtors due within one year	8	279,269	240,881
Debtors due after more than one year	8	73,257	78,045
Cash at bank and in hand		<u>243,990</u>	<u>196,747</u>
		596,516	515,673
Creditors: amounts falling due within one year	9	<u>(503,833)</u>	<u>(418,234)</u>
Net current assets		<u>92,683</u>	<u>97,439</u>
Total assets less current liabilities		124,795	129,551
Creditors: amounts falling due after more than one year	9	(73,257)	(78,045)
Provision for liabilities	10	(1,018)	(1,376)
Net assets		<u>50,520</u>	<u>50,130</u>
Capital and reserves			
Called up share capital	11	15,000	15,000
Profit and loss reserve	12	35,520	35,130
Shareholder's funds	13	<u>50,520</u>	<u>50,130</u>

The financial statements on pages 7 to 15 were approved by the board of directors and were signed on its behalf by



D Paramor
 Director
 10 July 2012

Halcyon Finance Limited
Notes to the financial statements
as at 28 January 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, and in accordance with applicable accounting standards in the United Kingdom which have been applied consistently throughout the current and prior years. 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 28 January 2012. The comparative financial year is for the 52 weeks ended 29 January 2011.

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 Company is exempt under Section 400 of the Companies Act 2006 from publishing consolidated financial statements as it and its subsidiary are 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 which are wholly owned within the Kingfisher plc Group.

The directors' consideration of going concern is set out in the directors' report on page 4.

Interest receivable and payable

Interest receivable and payable are accrued on a daily basis.

Foreign currency transactions and balances

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 balance sheet date are converted into sterling at the year end exchange rates. Exchange differences on monetary items are taken into the profit and loss account.

Fixed asset investments

Fixed asset investments are included in the balance sheet at cost, less any provisions for impairment.

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.

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire. Financial liabilities (or a part of the financial liability) are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

The Company is exempt from FRS 29 "Financial Instruments Disclosures" as the Company is a wholly owned subsidiary of Kingfisher plc, whose financial statements have been prepared in accordance with IFRS 7 "Financial Instruments Disclosures".

(i) Derivative financial instruments

Derivatives are initially accounted and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. Changes in the fair values of derivatives are recognised in the profit and loss account as they arise.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short term highly liquid investments with original maturities of three months or less.

(iii) Offsetting

A financial asset and a financial liability are only offset when an entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation

The income tax expense represents the sum of tax currently payable and deferred tax. Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before taxation as reported in the profit and loss account because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

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 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 recoverable when it is regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Halcyon Finance Limited
Notes to the financial statements
as at 28 January 2012

1 Accounting policies (continued)

Deferred taxation (continued)

- Deferred tax is not recognised on permanent differences

2 Employees

The Company had no employees during the financial year (2011 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 28 January 2012 (2011 £nil)

4 Interest and similar items

	2012	2011
	£'000	£'000
Instruments: maturity at inception greater than one year		
Interest receivable on derivative instruments from third parties	14,904	32,872
Interest receivable on derivative instruments with maturity at inception greater than one year	14,904	32,872
Interest payable on derivative instruments from group undertakings	(14,904)	(32,871)
Interest payable on derivative instruments with maturity at inception greater than one year	(14,904)	(32,871)
	<u>-</u>	<u>1</u>
Instruments: maturity at inception less than one year		
Bank and other interest receivable	-	24
Interest receivable on derivative instruments from third parties	14,754	9,870
Interest receivable on derivative instruments from group undertakings	8,464	7,563
Interest receivable on lending to group undertakings	8	17
Interest receivable on instruments with maturity at inception less than one year	23,226	17,474
Bank and other interest payable	(11)	-
Interest payable on derivative instruments with third parties	(8,871)	(7,273)
Interest payable on derivative instruments with group undertakings	(13,888)	(9,431)
Interest payable on instruments with maturity at inception less than one year	(22,770)	(16,704)
	<u>456</u>	<u>770</u>
Net interest receivable and similar items	<u>456</u>	<u>771</u>

Halcyon Finance Limited
Notes to the financial statements
as at 28 January 2012

5 Profit on ordinary activities before taxation

Auditor's remuneration of £3,000 (2011 £3,000) is borne by the ultimate parent company

6 Taxation

	2012	2011
	£'000	£'000
Current tax:		
Charge on income for the year	376	429
Total current tax charge for the year	<u>376</u>	<u>429</u>
Deferred tax:		
Credit for the year (note 10)	(269)	(285)
Adjustment in respect of prior periods (note 10)	-	(23)
Adjustment due to change in corporation tax rate (note 10)	<u>(89)</u>	<u>(51)</u>
Total tax charge for the year	<u><u>18</u></u>	<u><u>70</u></u>

The current tax assessed for the year is higher than (2011 higher than) the standard rate of corporation tax in the UK for the year ended 28 January 2012 of 26 33% (2011 28%). The differences are explained below

Profit on ordinary activities before taxation	408	515
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 33% (2011 28 %)	107	144
Effect of Timing differences provided for	<u>269</u>	<u>285</u>
Total current tax charge for the year	<u><u>376</u></u>	<u><u>429</u></u>

In 2010 the UK Government announced their intention to progressively reduce the rate of corporation tax suffered on business profits over a four year period. The anticipated 1% reduction taking effect from 1 April 2011 was subsequently amended to 2% resulting in a statutory rate of 26% from that date. Accordingly, the company's profits for this accounting period are taxed at a blended rate of 26 33%. These accounts also reflect the enacted reduction to 25% that was due to have effect from 1 April 2012.

The effect of the enacted rate changes above has been to reduce the net deferred tax liability in the year by £89,000 which was credited to the profit and loss account.

On 21 March 2012 it was announced that from 1 April 2012 the UK statutory rate will be reduced further to 24%. Subsequently, two additional 1% annual reductions are expected resulting in a statutory rate of 22% by 1 April 2014. Since these further changes had not been substantively enacted at the balance sheet date, they are not included in these financial statements. The effect of these further decreases in the UK rate would be to reduce the net deferred tax liability as reported at 28 January 2012 by £122,000.

Halcyon Finance Limited
Notes to the financial statements
as at 28 January 2012

7 Investments

**Shares in
group
undertakings
£'000**

Cost

At 29 January 2011 and 28 January 2012

32,112

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.

8 Debtors

	2012 £'000	2011 £'000
Due within one year		
Amounts owed by group undertakings	247,239	212,377
External interest receivable	2,381	1,846
Derivative assets held with group undertakings	3,186	11,454
Derivative assets held with third parties	<u>26,463</u>	<u>15,204</u>
	<u>279,269</u>	<u>240,881</u>
Due after more than one year		
Derivative assets held with group undertakings	7,674	16,511
Derivative assets held with third parties	<u>65,583</u>	<u>61,534</u>
	<u>73,257</u>	<u>78,045</u>
Total debtors	<u>352,526</u>	<u>318,926</u>

Interest receivable on financial instruments is included in the value of derivative assets for the year ending 28 January 2012. Derivative assets held with third parties include the following:

Interest rate swaps:

- €200m (2011: €200m) on which interest is receivable at 4.125% and payable at 3 month EURIBOR plus a margin, maturing in 2012.
- \$297m (2011: \$297m) swapped to £161m (2011: £161m), using a cross-currency interest rate swap. \$297m comprises:
 1. \$50m (2011: \$50m), on which interest is receivable at 6.14%, maturing in 2013.
 2. \$68m (2011: \$68m), on which interest is receivable at 6.3%, maturing in 2016.
 3. \$179m (2011: \$179m), on which interest is receivable at 6.4%, maturing in 2018.

Interest is payable on £161m (2011: £161m) at 6 month LIBOR plus a margin.

The Company has entered into forward foreign exchange contracts. At 28 January 2012 the sterling notional equivalent amount of such contracts was £1,091m (2011: £924m).

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 28 January 2012

8 Debtors (continued)

Amounts owed by group undertakings include a net balance due from Kingfisher plc of £245m (2011 £211m), which is non-interest bearing and has no fixed date of repayment

9 Creditors

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Bank loans and overdrafts	241,535	195,673
Corporation tax	351	274
Amounts owed to group undertakings	228,255	195,214
External interest payable	1,161	877
Derivative liabilities held with group undertakings	26,463	14,742
Derivative liabilities held with third parties	6,068	11,454
	<u>503,833</u>	<u>418,234</u>
Amounts falling due after more than one year		
Derivative liabilities held with group undertakings	65,583	61,534
Derivative liabilities held with third parties	7,674	16,511
	<u>73,257</u>	<u>78,045</u>

Interest payable on financial instruments is included in the value of derivative liabilities for the year ending 28 January 2012. Derivative liabilities at 28 January 2012 held with third parties include the following

Interest rate swaps:

- £73m (2011 £100m) on which interest is receivable at 5.625% and payable on €103m (2011 €143m) at 3 month EURIBOR plus a margin, maturing in 2014. £28m was closed out at market value during the year.
- £nil (2011 £50m) on which interest was receivable at LIBOR plus a margin and payable at 4.60% was closed out during the year.

Foreign exchange forward contracts:

The Company has entered into forward foreign exchange contracts. At 28 January 2012 the sterling notional equivalent amount of such contracts was £1,075m (2011 £914m).

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

Amounts owed to group undertakings include £225m (2011 £191m) of US Dollar denominated balances, accruing interest at a floating rate which at the year end was 0% (2011 0%) and £0.5m (2011 £2m) of euro denominated balances, accruing interest at a floating rate which at year end was 0% (2011 0%). Both amounts are unsecured, are repayable on demand and have no fixed date of repayment.

Halcyon Finance Limited
Notes to the financial statements
as at 28 January 2012

10 Provision for liabilities

	2012	2011
	£'000	£'000
Deferred taxation		
At start of year	1,376	1,735
Credit to profit and loss account	(269)	(285)
Adjustment for change in corporation tax rate	(89)	(51)
Adjustment in respect of prior periods	-	(23)
At end of year	<u>1,018</u>	<u>1,376</u>

11 Share capital

	2012	2011
	£'000	£'000
Allotted and fully paid		
15,000,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

12 Profit and loss reserve

	2012	2011
	£'000	£'000
At start of year	35,130	34,685
Profit for the financial year	390	445
At end of year	<u>35,520</u>	<u>35,130</u>

13 Reconciliation of movements in shareholder's funds

	2012	2011
	£'000	£'000
Profit for the financial year	390	445
Opening shareholder's funds	50,130	49,685
Closing shareholder's funds	<u>50,520</u>	<u>50,130</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 Accounts of the ultimate parent company can be obtained (printed or downloaded) from www.kingfisher.com or from The Secretary, Kingfisher plc, 3 Sheldon Square, Paddington, London, W2 6PX.

The largest and smallest group into which the Company's accounts are consolidated is that headed by Kingfisher plc, the Company's ultimate parent.