

# **Halcyon Finance Limited**

## **Financial Statements**

**for the year ended 31 January 2016**

**Registered number: 1808597**

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# Halcyon Finance Limited

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# Halcyon Finance Limited

## **Company directory**

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### **Registered Office**

3 Sheldon Square  
Paddington  
London  
United Kingdom  
W2 6PX

### **Directors**

P. Moore  
J-N. Groleau

### **Company Secretary**

R. Cordeschi

### **Auditor**

Deloitte LLP  
Chartered Accountants  
London  
United Kingdom

# Halcyon Finance Limited

## Strategic Report

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The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Review of the business

The loss for the year, after taxation, amounted to £9,922,000 (2014/15: loss of £226,000). The loss after taxation is due to prior year tax adjustments along with an adverse foreign exchange impact which was partially offset by an increase in net interest income.

Net assets at year end were £9,230,000 (2014/15: £19,152,000). Assets are primarily composed of cash and cash equivalents which increased this year, however this was offset by an increase in amounts owed to group undertakings.

### Principal risks and uncertainties

The Company is a wholly-owned subsidiary of Kingfisher Holdings Limited, the ultimate parent is 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 in the Kingfisher Annual Report and Accounts 2015/16.

### Financial risk management

The Company operates as a financial trading company within the Group, and as such manages a variety of financial risks for the Group, which include interest rate, foreign exchange, liquidity and credit risk.

As part of the Group these risks are managed centrally by Group Treasury, 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 2015/16.

### Interest rate and foreign exchange risk

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

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 are managed by Group Treasury 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 31 January 2016, the directors believe that the Company's residual exposure to the above risks is at an acceptable level.

# Halcyon Finance Limited

## Strategic Report (continued)

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### Key Performance Indicators

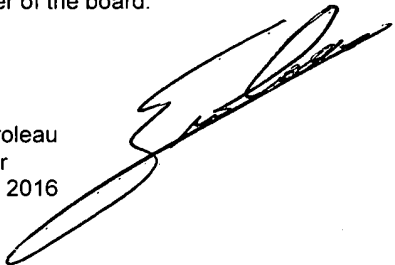
The Directors of Halcyon Finance Limited manage the Company's operations on a group basis and so the Directors of the Company believe that analysis using key performance indicators for the Company is not necessary for an understanding of the development, performance or position of the business of the Company. The Group's development, performance and position is discussed in the Kingfisher plc Annual Report and Accounts which does not form part of this report.

### Future developments

The directors expect the general level of activity to remain consistent with 2015/16 in the forthcoming year.

By order of the board:

J-N. Groleau  
Director  
11 July 2016



# Halcyon Finance Limited

## Directors' report

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The directors present their annual report and audited financial statements of Halcyon Finance Limited (the "Company") for the financial year ended 31 January 2016.

### Principal activities and review of the business

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

### Results and Dividends

The loss for the year, after taxation, amounted to £9,922,000 (2014/15: loss of £226,000). The loss after taxation is due to prior year tax adjustments along with an adverse foreign exchange impact which was partially offset by an increase in net interest income.

The directors do not recommend the payment of a dividend for the year (2014/15: £nil). The directors did not pay an interim dividend during the year (2014/15: £32,000,000)

### Directors

The directors, who served throughout the year except as noted, were as follows:

D. Paramor	(resigned 7 September 2015)
R.C.F. Wardle	(resigned 4 July 2016)
J-N. Groleau	(appointed 11 September 2015)
P.Moore	(appointed 4 July 2016)

### Company Secretary

The company secretaries of the Company, who served during the year were as follows:

K. Hudson	(resigned 27 February 2015)
D. Morris	(appointed 27 February 2015; resigned 7 August 2015)
R. Cordeschi	(appointed 7 August 2015)

### Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

# Halcyon Finance Limited

## Directors' report (continued)

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### Auditor

Deloitte LLP will continue to hold office in accordance with section 487 of the Companies Act 2006.

### Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/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 S418 of the Companies Act 2006:

### Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the independent auditor's report, is made with a view to distinguishing for shareholders the responsibilities of the directors and the auditor in relation to these financial statements.

The directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

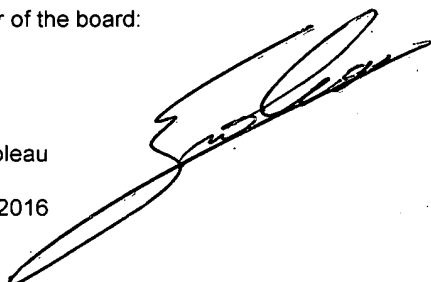
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

By order of the board:

J-N. Groleau  
Director  
11 July 2016



# Halcyon Finance Limited

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

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We have audited the financial statements of Halcyon Finance Limited for the year ended 31 January 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 18. 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), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 31 January 2016 and of its loss 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.

### Opinion on other matter[s] prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditor's report to the members of Halcyon Finance Limited (continued)**

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### **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.
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report of from the requirement to prepare the Strategic Report.

*Gareth Roberts*

Gareth Roberts  
Senior statutory auditor  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
11 July 2016

# Halcyon Finance Limited

## Income Statement

for the year ended 31 January 2016

£'000	Notes	2015/16	2014/15
Administrative expenses		(70)	(66)
Other expenses	3	(406)	(88)
<b>Operating loss</b>		<b>(476)</b>	<b>(154)</b>
Finance costs		(26,316)	(21,718)
Finance income		26,371	21,603
Net finance income/(costs)	4	55	(115)
<b>Loss before taxation</b>		<b>(421)</b>	<b>(269)</b>
Income tax (expense)/credit	7	(9,501)	43
<b>Loss for the year</b>		<b>(9,922)</b>	<b>(226)</b>
<b>Total comprehensive loss for the year</b>		<b>(9,922)</b>	<b>(226)</b>

The notes on pages 12 to 20 form part of the financial statements.

All of the above transactions relate to continuing operations. There was no other comprehensive income during the current and preceding year and accordingly a separate statement of comprehensive income has not been prepared.

# Halcyon Finance Limited

## Statement of changes in equity

at 31 January 2016

£'000	Note	Share capital	Retained earnings	Total
<b>At 1 February 2015</b>		<b>15,000</b>	<b>4,152</b>	<b>19,152</b>
<b>Total comprehensive loss for the year</b>		-	<b>(9,922)</b>	<b>(9,922)</b>
<b>At 31 January 2016</b>		<b>15,000</b>	<b>(5,770)</b>	<b>9,230</b>
<b>At 2 February 2014</b>		<b>15,000</b>	<b>36,378</b>	<b>51,378</b>
<b>Total comprehensive loss for the year</b>		-	<b>(226)</b>	<b>(226)</b>
<b>Dividends</b>	<b>8</b>	-	<b>(32,000)</b>	<b>(32,000)</b>
<b>At 31 January 2015</b>		<b>15,000</b>	<b>4,152</b>	<b>19,152</b>

The notes on pages 12 to 20 form part of the financial statements.

# Halcyon Finance Limited

## Balance sheet

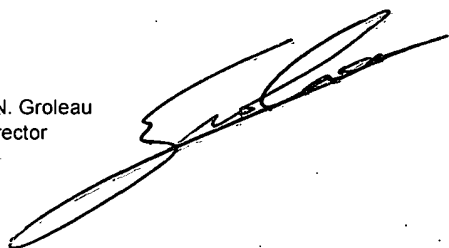
At 31 January 2016

£'000	Notes	2015/16	2014/15
<b>Non-current assets</b>			
Investments in subsidiaries	9	32,112	32,112
Derivative assets	13	42,400	52,292
		<b>74,512</b>	<b>84,404</b>
<b>Current assets</b>			
Other receivables	10	117	69,116
Derivative assets	13	57,478	75,275
Cash and cash equivalents		395,206	265,845
Short term deposits	11	69,804	23,319
		<b>522,605</b>	<b>433,555</b>
<b>Total assets</b>		<b>597,117</b>	<b>517,959</b>
<b>Current liabilities</b>			
Other payables	12	(488,278)	(373,120)
Derivative liabilities	13	(57,155)	(73,030)
Deferred tax liabilities	15	-	(203)
Current tax liabilities		(54)	(162)
		<b>(545,487)</b>	<b>(446,515)</b>
<b>Non-current liabilities</b>			
Derivative liabilities	13	(42,400)	(52,292)
		<b>(42,400)</b>	<b>(52,292)</b>
<b>Total liabilities</b>		<b>(587,887)</b>	<b>(498,807)</b>
<b>Net assets</b>		<b>9,230</b>	<b>19,152</b>
<b>Equity</b>			
Share capital	16	15,000	15,000
Retained earnings		(5,770)	4,152
<b>Total equity</b>		<b>9,230</b>	<b>19,152</b>

The notes on pages 12 to 20 form part of the financial statements.

The financial statements were approved by the Board of Directors on 11 July 2016 and signed on its behalf by:

J-N. Groleau  
Director



# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

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### 1 Principal accounting policies

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The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a. Basis of preparation**

Halcyon Finance Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' Report on pages 5 and 6.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 January 2016 the Company has changed its accounting framework from UK GAAP to FRS 101 (Financial Reporting Standard 101) as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were not required to be re-stated on adoption of FRS 101 in the current year. For more information see note 17.

The current financial year is the calendar year ended 31 January 2016 ('the year' or '2015/16'). The comparative financial year is the 52 weeks ended 31 January 2015 ('the prior year' or '2014/15'). The financial statements have been prepared on the going concern basis under the historical cost convention, with the exception of financial instruments which are recorded as fair value, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

These financial statements are separate financial statements. The Company is exempt under section 400 of the Companies Act 2006 from the preparation of consolidated financial statements as it is included in the group accounts of its ultimate parent, Kingfisher plc.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement and related party transactions.

The Company meets the definition of a financial institution as defined in FRS 101 in that its principal activity is to manage risk through financial instruments. Subsequently it is not exempt from disclosures in connection with IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement).

Where required, equivalent disclosures are given in the consolidated accounts of Kingfisher plc. The consolidated accounts of Kingfisher plc are publicly available.

**b. Going concern**

The directors of Halcyon Finance Limited, having made appropriate enquiries, consider that adequate resources exist for the Company to continue in operational existence and that, therefore, it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

**c. Interest receivable and payable**

Interest receivable and payable is accrued on a daily basis.

**d. Taxation**

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

Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense which are taxable or deductible in other years or which are never taxable or deductible.

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

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Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are calculated using tax rates which have been enacted or substantively enacted by the balance sheet date and are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Current and deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and when the Company intends to settle its current tax assets and liabilities on a net basis.

**e. Investments in subsidiary companies**

Investments in subsidiary companies are held at cost less accumulated impairment losses.

**f. Foreign currency transactions and balances**

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates 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 are translated into Sterling at the rates of exchange at the balance sheet date. Exchange differences on monetary items are taken to the income statement.

**g. 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 or the Company has substantially transferred the risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and liabilities are offset only when the Company has a currently enforceable legal right to set-off the respective recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(i) 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.

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

### h. Derivatives and hedge accounting

Where hedge accounting is not applied, or to the extent to which it is not effective, changes in the fair value of derivatives are recognised in the income statement as they arise. Changes in the fair value of derivatives transacted as hedges of operating items and financing items are recognised in operating profit and net finance costs respectively.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The accounting treatment of derivatives and other financial instruments classified as hedges depends on their designation, which occurs at the start of the hedge relationship.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts, and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

## 2 Critical accounting estimates and judgements

The preparation of the financial statements under FRS101 requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

### a. Impairment of investments

As required, the Company applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures, by their nature, require estimates and assumptions to be made. The most significant are set out below.

At each reporting date the Company is required to assess whether there is objective evidence that its investments in subsidiaries may be impaired. This requires estimates of the investments' recoverable amounts, including present values of the Company's share of future cash flows.

## 3 Other expenses

£'000	2015/16	2014/15
Foreign exchange loss	406	88
<b>Other expenses</b>	<b>406</b>	<b>88</b>

## 4 Net finance income/(costs)

£'000	2015/16	2014/15
Bank overdrafts and bank loans	(131)	(20)
Interest payable on derivative instruments from group undertakings	(13,920)	(13,940)
Interest payable on derivative instruments from third parties	(11,909)	(7,758)
Other interest payable	(356)	-
<b>Finance costs</b>	<b>(26,316)</b>	<b>(21,718)</b>
Cash and cash equivalents and short-term deposits	768	211
Interest receivable on derivative instruments from third parties	14,050	14,142
Interest receivable on derivative instruments from group undertakings	11,539	7,250
Other interest receivable	14	-
<b>Finance income</b>	<b>26,371</b>	<b>21,603</b>
<b>Net finance income/(costs)</b>	<b>55</b>	<b>(115)</b>

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

### 5 Directors' Remuneration

None of the directors received any emoluments from the Company in respect of the financial year ended 31 January 2016 (2014/15: £nil).

### 6 Auditor's Remuneration

The auditor's remuneration of £3,000 (2014/15: £3,000) is borne by Kingfisher plc. No recharge will be made to the Company for these costs.

### 7 Income tax

£'000	2015/16	2014/15
<b>UK corporation tax</b>		
Current tax on profits for the year	(118)	(160)
Adjustments in respect of prior years	(9,586)	-
	(9,704)	(160)
<b>Deferred tax</b>		
Current year	203	217
Adjustments in respect of changes in tax rates	-	(14)
	203	203
<b>Income tax (expense) / credit</b>	<b>(9,501)</b>	<b>43</b>

#### Factors affecting tax charge for the year

The UK corporation tax rate decreased from 21% to 20% from 1 April 2015. Accordingly, the Company's losses for this accounting period are taxed at a blended rate of 20.17% (2014/15: 21.33%).

From 1 April 2017 the rate of Corporation Tax will fall from 20% to 19%, and from 1 April 2020 will fall again to 18%. These changes have been enacted.

In March 2016 the UK Government announced that the reduction in the statutory rate from 1 April 2020 would be 2%, resulting in a rate of 17%. As this further reduction has not yet been substantively enacted, the impact is not included in these financial statements.

£'000	2015/16	2014/15
Loss before taxation	421	269
Loss multiplied by the standard rate of corporation tax in the UK of 20.17% (2014/15: 21.33%)	85	57
Adjustments in respect of prior years	(9,586)	(14)
<b>Income tax (expense) / credit</b>	<b>(9,501)</b>	<b>43</b>

### 8 Dividends

£'000	2015/16	2014/15
Dividends to equity shareholders of the Company	-	32,000

No dividends were declared during the year (2014/15: equivalent to 2.13p per share).



# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

### 9 Investments

£'000	Investments in subsidiary undertakings
<b>Net book value</b>	
At 1 February 2015	<b>32,112</b>
At 31 January 2016	<b>32,112</b>
At 2 February 2014	32,112
At 31 January 2015	32,112

The Company holds 100% of the A ordinary share capital of Budle Finance Limited, a company incorporated in the UK. Budle Finance Limited's main function is as an investment company.

### 10 Other receivables

£'000	2015/16	2014/15
<b>Current</b>		
Amounts owed by Group undertakings	<b>40</b>	69,093
Other receivables	<b>77</b>	23
<b>Other receivables</b>	<b>117</b>	69,116

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

### 11 Short term deposits

£'000	2015/16	2014/15
Short term deposits	<b>69,804</b>	23,319

Short term deposits comprise bank deposits with original maturities of between 3 and 12 months.

### 12 Other payables

£'000	2015/16	2014/15
<b>Current</b>		
Amounts owed to Group undertakings	<b>488,278</b>	373,120
<b>Other payables</b>	<b>488,278</b>	373,120

Amounts owed to Group undertakings include USD balances of £377m (2014/15: £372m), Sterling balances of £109m (2014/15: £1m) and Euro balances of £2m (2014/15 £nil). All amounts are interest free, unsecured and are repayable on demand with no fixed date of repayment.

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

### 13 Derivatives

The Company acts as a conduit for the Group and its subsidiaries in securing financial instruments. Where practical the below information may refer to the Group where it is considered relevant to the Company and its wider role.

£'000	2015/16	2014/15
The net fair value of derivatives by hedge designation at the balance sheet date is:		
Non-designated hedges	323	2,245
Non-current assets	42,400	52,292
Current assets	57,478	75,275
Current liabilities	(57,155)	(73,030)
Non-current liabilities	(42,400)	(52,292)
	323	2,245

The Company holds the following derivative financial instruments at fair value:

Cross Currency Interest Rate Swaps	55,892	52,292
Foreign exchange contracts	43,986	75,275
Derivative assets	99,878	127,567
Cross Currency Interest Rate Swaps	(55,892)	(52,293)
Foreign exchange contracts	(43,663)	(73,029)
Derivative liabilities	(99,555)	(125,322)

The fair values are calculated by discounting future cash flows arising from the instruments and adjusted for credit risk. These fair value measurements are all made using observable market rates of interest, foreign exchange and credit risk.

All the derivatives held by the Company at fair value are considered to have fair values determined by Level 2 inputs as defined by the fair value hierarchy of IFRS 13, 'Fair value measurement', representing significant observable inputs other than quoted prices in active markets for identical assets or liabilities. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

#### Non-designated hedges

The Group has entered into certain derivatives to provide a hedge against fluctuations in the income statement arising from balance sheet positions. At a company level these have not been accounted for as hedges, since the fair value movements of the derivatives in the income statement are transferred to the relevant counter party.

The Company has reviewed all significant contracts for embedded derivatives and none of these contracts has any embedded derivatives which are not closely related to the host contract and therefore the Company is not required to account for these separately.

The Company enters into netting agreements with counterparties to manage the credit and settlement risks associated with over-the-counter derivatives. These netting agreements and similar arrangements generally enable the Company and its counterparties to settle cash flows on a net basis and set-off liabilities against available assets in the event that either party is unable to fulfil its contractual obligations.

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

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### 14 Financial risk management

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Kingfisher's treasury function has primary responsibility for managing certain financial risks to which the Group is exposed. The Board reviews the levels of exposure regularly and approves treasury policies covering the use of financial instruments required to manage these risks. Kingfisher's treasury function is not run as a profit centre and does not enter into any transactions for speculative purposes.

The Company acts as an conduit for the Group and its subsidiaries in securing financial instruments to manage market risks. In this capacity market risks do not have a direct impact on the operations of the Company. The following information may relate to the Group where it is considered to be relevant to the Company and its wider role within in the Group.

In the normal course of business the Company uses financial instruments including derivatives. The main types of financial instruments used are deposits, loans, money market funds, interest rate swaps, commodity swaps and foreign exchange contracts.

#### Interest rate risk

Borrowings arranged at floating rates of interest expose the Group to cash flow interest rate risk, whereas those arranged at fixed rates of interest expose the Group to fair value interest rate risk. The Group manages its interest rate risk by entering into certain interest rate derivative contracts which modify the interest rate payable on the Group's underlying debt instruments, principally the fixed term debt.

#### Currency risk

The Group's principal currency exposures are to the Euro, US Dollar, Polish Zloty and Russian Rouble. The Euro, Polish Zloty and Russian Rouble exposures are operational and arise through the ownership of retail businesses in France, Spain, Portugal, Germany, Ireland, Poland and Russia. In particular, the Group generates a substantial part of its profit from the Eurozone, and as such is exposed to the economic uncertainty of its member states. The Group continues to monitor potential exposures and risks, and consider effective risk management solutions.

It is the Group's policy not to hedge the translation of overseas earnings into Sterling. In addition, the Group has significant transactional exposure arising on the purchase of inventories denominated in US Dollars, which it hedges using forward foreign exchange contracts. Under Group policies, the Group companies are required to hedge committed inventory purchases and a proportion of forecast inventory purchases arising in the next 12 months, and this is monitored on an ongoing basis.

Kingfisher's policy is to manage the interest rate and currency profile of its debt and cash using derivative contracts. Refer to note 13 for more information on the Company's derivatives.

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

### Liquidity Risk

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next five years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

The following table analyses the Company's derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. It excludes other payables and short term foreign exchange contracts due to the low associated liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

£'000	Less than 1 year	1-2 years	2-3 years	3-4 years	Total
At 31 January 2016					
Derivatives – receipts	95,516	9,223	227,988	-	332,727
Derivatives – payments	(95,516)	(9,223)	(227,988)	-	(332,727)
At 31 January 2015					
Derivatives – receipts	11,891	92,154	9,358	220,727	334,130
Derivatives – payments	(11,891)	(92,154)	(9,358)	(220,727)	(334,130)

### Credit Risk

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying values as at the balance sheet date.

## 15 Deferred tax

£'000	2015/16	2014/15
Deferred tax liabilities	-	203

Deferred tax liabilities are offset where the Company has a legally enforceable right to do so.

## 16 Share capital

	Number of ordinary shares thousands	Ordinary share capital £'000
At 1 February 2015	15,000	15,000
At 31 January 2016	15,000	15,000

## 17 Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 issued by the Financial Reporting Council. The last financial statements under previous GAAP (UK GAAP) were for the year ended 31 January 2015 and the date of transition to FRS 101 was 2 February 2014.

There were no material amendments on the adoption of FRS 101.

# Halcyon Finance Limited

## Notes to the financial statements for the year ended 31 January 2016

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### **18**      **Ultimate holding company**

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The Company's immediate parent undertaking is Kingfisher Holdings Limited a company incorporated in the United Kingdom and registered in England and Wales.

The Company's ultimate parent company is Kingfisher plc, which is incorporated in the United Kingdom and registered in England and Wales. A copy of the Annual Report and Accounts of the ultimate parent company can be obtained from [www.kingfisher.com](http://www.kingfisher.com).

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