

Registered Number: 1808597

HALCYON FINANCE LIMITED
Annual Report and Financial Statements
For the Financial Year Ended
31 January 2015

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Halcyon Finance Limited
Annual Report and Financial Statements
Year ended 31 January 2015
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Halcyon Finance Limited
Directors and officers

DIRECTORS

D Paramor
R C F Wardle

COMPANY SECRETARY

D Morris

REGISTERED OFFICE

3 Sheldon Square
Paddington
London
United Kingdom
W2 6PX

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Halcyon Finance Limited

Strategic report

The directors, in preparing the strategic report of Halcyon Finance Limited ("the Company"), have complied with s414C of the Companies Act 2006

Principal activities

The Company operates as a financial trading company within the Kingfisher plc group (the "Group")

Business review

The loss for the year, after taxation, amounted to £226,000 (2014 profit of £466,000) The loss after taxation this year is due to an increase in net interest expense and adverse foreign exchange movements The retained loss for the year of £226,000 (2014 profit of £466,000) has been transferred to reserves

Share capital

On 27 January 2015, 100% of the issued share capital of the Company was transferred from Kingfisher plc to Kingfisher Holdings Limited (at the time of that transfer the company was called Kingfisher UK Investments Limited) for consideration of £15,000,000

Future outlook

The directors currently envisage the Company will continue its 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 provides 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 26 to 29 of Kingfisher's Annual Report and Accounts 2014/15

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 are 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 2014/15

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

Halcyon Finance Limited
Strategic report (continued)

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 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 2015, the directors believe that the Company's residual exposure to the above risks is at an acceptable level.

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 strategic update for the Group can be found on pages 12 to 17 of the Kingfisher plc Annual Report and Accounts 2014/15.

Approved by the Board of Directors and signed on its behalf by



D. Morris
Company Secretary
30 June 2015

Halcyon Finance Limited

Directors' report

The directors present their annual report and audited financial statements of the Company for the financial year ended 31 January 2015

Directors

The directors of the Company, who served during the year and up to the date of signing the financial statements are given as follows

D Paramor
R C F Wardle

Company secretary

The company secretaries of the Company, who served during the year and up to the date of signing the financial statements are given as follows

K Hudson (resigned 27 February 2015)
D Morris (appointed 27 February 2015)

Dividends

An interim dividend of £32,000,000 was paid (2014 £nil) The directors do not recommend the payment of a final dividend for the financial year (2014 £nil)

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/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 Section 418 of the Companies Act 2006

Independent auditors

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

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

Halcyon Finance Limited
Directors' report (continued)

Directors' indemnity arrangements

The Company's ultimate parent, Kingfisher plc, has provided qualifying third-party deeds of indemnity for the benefit of each director of the Company who held office during the 2014/15 financial year. Kingfisher plc has also purchased and maintained Directors' and Officers' liability insurance throughout 2014/15. Neither the indemnities nor the insurance provides cover in the event that the director concerned is proved to have acted fraudulently.

Directors' responsibilities statement

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, 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 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



D Morris
Company Secretary
30 June 2015

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 financial year ended 31 January 2015 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 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 2015 and of its loss for the financial 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 strategic report and 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



Gareth Roberts (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 June 2015

Halcyon Finance Limited
Profit and loss account
For the year ended 31 January 2015

	Notes	2015 £'000	2014 £'000
Administrative expenses		(66)	(64)
Foreign exchange (loss)/gain		(88)	3
Operating loss		<u>(154)</u>	<u>(61)</u>
Net interest (expense)/income	4	(115)	589
(Loss)/profit on ordinary activities before taxation	5	<u>(269)</u>	<u>528</u>
Taxation credit/(charge) on ordinary activities	6	43	(62)
(Loss)/profit for the year	14	<u><u>(226)</u></u>	<u><u>466</u></u>

The results for the current and prior year arise 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 loss for the year and that which would be reported under the historical cost convention

Halcyon Finance Limited
Balance sheet
as at 31 January 2015

Registered Number: 1808597

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investments	8	32,112	32,112
Debtors	9	<u>52,292</u>	<u>40,247</u>
		84,404	72,359
Current assets			
Debtors	9	144,391	248,720
Cash at bank and in hand		265,845	71,381
Short term investments	10	<u>23,319</u>	-
		433,555	320,101
Current liabilities			
Creditors	11	(446,311)	(300,429)
Provision for liabilities	12	<u>(203)</u>	-
		(446,514)	(300,429)
Net current (liabilities)/assets		<u>(12,959)</u>	<u>19,672</u>
Total assets less current liabilities		71,445	92,031
Creditors: amounts falling due after more than one year	11	(52,293)	(40,247)
Provision for liabilities	12	-	(406)
Net assets		<u>19,152</u>	<u>51,378</u>
Capital and reserves			
Called up share capital	13	15,000	15,000
Profit and loss reserve	14	4,152	36,378
Shareholder's funds	15	<u>19,152</u>	<u>51,378</u>

The financial statements on pages 8 to 16 were approved by the Board of Directors and were signed on its behalf by



D Paramor
Director
30 June 2015

Halcyon Finance Limited
Notes to the financial statements
For the year ended 31 January 2015

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 31 January 2015. The comparative financial year was the 52 weeks ended 1 February 2014.

The Company's ultimate holding company is Kingfisher plc and the cash flows of the Company are shown in the consolidated financial statements of Kingfisher plc, which are 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 rates prevailing on the dates of the transactions 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.

Halcyon Finance Limited
Notes to the financial statements (continued)
For the year ended 31 January 2015

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.

(iii) Other investments (including short-term deposits)

Other investments include short-term deposits with banks and other investments with original maturities of more than three months.

(iv) 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.

Halcyon Finance Limited
Notes to the financial statements (continued)
For the year ended 31 January 2015

1 Accounting policies (continued)

Deferred taxation (continued)

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 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
- Deferred tax is not recognised on permanent differences

2 Employees

The Company had no employees during the financial year (2014 none)

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 31 January 2015 (2014 £nil)

4 Interest and similar items

	2015	2014
	£'000	£'000
Instruments: maturity at inception greater than one year		
Interest receivable on derivative instruments from third parties	10,665	11,987
Interest payable on derivative instruments from Group undertakings	<u>(10,665)</u>	<u>(11,987)</u>
Interest receivable on instruments with maturity at inception greater than one year	<u>-</u>	<u>-</u>
Instruments: maturity at inception less than one year		
Bank and other interest receivable	211	124
Interest receivable on derivative instruments from third parties	3,477	2,955
Interest receivable on derivative instruments from Group undertakings	7,247	3,637
Interest receivable on lending to Group undertakings	<u>3</u>	<u>4</u>
Interest receivable on instruments with maturity at inception less than one year	10,938	6,720
Bank and other interest payable	(20)	(26)
Interest payable on derivative instruments with third parties	(7,758)	(3,595)
Interest payable on derivative instruments with Group undertakings	(3,270)	(2,510)
Interest payable on borrowings from Group undertakings	<u>(5)</u>	<u>-</u>
Interest payable on instruments with maturity at inception less than one year	(11,053)	(6,131)
Net interest (expense)/income	<u><u>(115)</u></u>	<u><u>589</u></u>

Halcyon Finance Limited
Notes to the financial statements (continued)
For the year ended 31 January 2015

5 (Loss)/profit on ordinary activities before taxation

Auditor's remuneration of £3,000 (2014 £3,000) is borne by the ultimate parent company

6 Taxation

	2015	2014
	£'000	£'000
Current tax:		
Charge on income for the year	160	358
Total current tax charge for the year	160	358
Deferred tax:		
Credit for the year (note 11)	(217)	(236)
Adjustment due to change in corporation tax rate (note 11)	14	(60)
Total tax (credit)/charge for the year	<u>(43)</u>	<u>62</u>

The current tax assessed for the year is higher than (2014 higher than) the standard rate of corporation tax in the UK for the year ended 31 January 2015 of 21 33% (2014 23 17%) The differences are explained below

(Loss)/profit on ordinary activities before taxation	(269)	528
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21 33% (2014 23 17%)	(57)	122
Effect of		
Timing differences provided for	217	236
Total current tax charge for the year	<u>160</u>	<u>358</u>

The UK corporation tax rate decreased from 23% to 21% from 1 April 2014 and will fall to 20% from 1 April 2015 Accordingly, the Company's profits for this accounting period are taxed at a blended rate of 21 33% (2014 23 17%) and the deferred tax balance included in these financial statements reflects the enacted reduction to 20%

7 Dividends paid

	2015	2014
	£'000	£'000
Dividends payable to equity holders	<u>32,000</u>	<u>-</u>

The interim dividend for the year ended 31 January 2015 was 213 33p (2014 0p) per ordinary share No final dividend was proposed

Halcyon Finance Limited
Notes to the financial statements (continued)
For the year ended 31 January 2015

8 Investments

**Shares in
Group
undertakings
£'000**

Cost

At 1 February 2014 and 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.

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

9 Debtors

	2015 £'000	2014 £'000
Amount falling due within one year		
Amounts owed by Group undertakings	69,093	215,927
External interest receivable	23	46
Derivative assets held with Group undertakings	7,488	27,808
Derivative assets held with third parties	<u>67,787</u>	<u>4,939</u>
	<u>144,391</u>	<u>248,720</u>

Amount falling due after more than one year

Derivative assets held with third parties	<u>52,292</u>	<u>40,247</u>
	<u>52,292</u>	<u>40,247</u>

Interest receivable is included in the value of derivative assets for the year ended 31 January 2015. Derivative assets held with third parties at 31 January 2015 include the following:

Foreign exchange forward contracts

The Company has entered into forward foreign exchange contracts. At 31 January 2015 the sterling notional equivalent amount of such contracts was £1,287m (2014 £1,232m).

Cross currency interest rate swaps

The Company swapped \$247m (2014 \$247m) to £133m (2014 £133m), using a cross-currency interest rate swap. Interest is payable on £133m (2014 £133m) at six month London Interbank Offered Rate (LIBOR) plus a margin. The \$247m comprises:

- \$68m (2014 \$68m), on which interest is receivable at 6.3%, maturing in 2016, and
- \$179m (2014 \$179m), on which interest is receivable at 6.4%, maturing in 2018.

Halcyon Finance Limited
Notes to the financial statements (continued)
For the year ended 31 January 2015

9 Debtors (continued)

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

Amounts owed by Group undertakings include a net balance due from Kingfisher plc of £68m (2014 £216m), which is non-interest bearing and has no fixed date of repayment

10 Short term investments

Short-term investments of £23m (2014 £nil) comprise cash deposits, attracting interest rates based on LIBOR or equivalent market rates, with a maturity between three months and 12 months. The fair values of other investments approximate to their carrying amounts

11 Creditors

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Corporation tax	162	147
Amounts owed to Group undertakings	373,120	268,178
External interest payable	-	2
Derivative liabilities held with Group undertakings	65,055	4,939
Derivative liabilities held with third parties	7,974	27,163
	<u>446,311</u>	<u>300,429</u>
Amounts falling due after more than one year		
Derivative liabilities held with Group undertakings	52,293	40,247
	<u>52,293</u>	<u>40,247</u>

Interest payable is included in the value of derivative liabilities for the year ending 31 January 2015

A cross currency interest rate swap with notional values of £73m on which interest was receivable at 5.625%, and on €103m at which interest was payable at three month EURIBOR plus a margin, matured in December 2014. This was previously included in derivative liabilities held with third parties

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

Amounts owed to Group undertakings include £372m (2014 £267m) of USD balances, accruing interest at a floating rate which at the year end was nil (2014 nil) and £1m (2014 £1m) of euro denominated balances, accruing interest at a floating rate which at year end was nil (2014 nil). Both amounts are unsecured, are repayable on demand and have no fixed date of repayment

Halcyon Finance Limited
Notes to the financial statements (continued)
For the year ended 31 January 2015

12 Provision for liabilities

The provision for liabilities relates to deferred taxation which is entirely made up of timing differences

	2015	2014
	£'000	£'000
Deferred taxation		
At start of year	406	702
Credit to profit and loss account	(217)	(236)
Adjustment for change in corporation tax rate	14	(60)
At end of year	<u>203</u>	<u>406</u>

13 Called up share capital

	2015	2014
	£'000	£'000
Allotted and fully paid		
15,000,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

14 Profit and loss reserve

	2015	2014
	£'000	£'000
At start of year	36,378	35,912
(Loss)/profit for the financial year	(226)	466
Dividends paid	(32,000)	-
At end of year	<u>4,152</u>	<u>36,378</u>

15 Reconciliation of movements in shareholder's funds

	2015	2014
	£'000	£'000
(Loss)/profit for the financial year	(226)	466
Dividends paid	(32,000)	-
Opening shareholder's funds	51,378	50,912
Closing shareholder's funds	<u>19,152</u>	<u>51,378</u>

16 Ultimate holding company

The immediate parent company is Kingfisher Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales

The 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 (printed or downloaded) from 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