

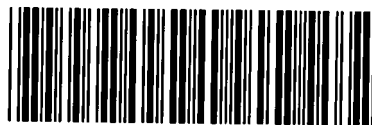
Halcyon Finance Limited

Annual Report and Financial Statements

for the year ended 31 January 2018

Registered number: 01808597

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Halcyon Finance Limited

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Halcyon Finance Limited

Company directory

Registered Office

3 Sheldon Square
Paddington
London
W2 6PX
United Kingdom

Halcyon Finance Limited is a company limited by shares

Directors

P. Moore
J-N. Groleau

Company Secretary

P. Moore

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Halcyon Finance Limited

Strategic Report

The directors, in preparing this strategic report, have complied with section 414C of the Companies Act 2006.

Principal activities

Halcyon Finance Limited (the "Company") operates as a finance and investment company within the Kingfisher plc group (the "Group").

Business review

The profit for the year, after taxation, amounted to £13,175,000 (2016/17: £2,134,000). The profit after taxation is mainly due to dividends received during the year, offset by the write down of an investment and net interest income on cash deposits.

Net assets at year end were £24,539,000 (2016/17: £11,364,000). Assets are primarily composed of cash and cash equivalents which increased this year. However, this was predominantly 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 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 40 to 47 of the Kingfisher plc Annual Report and Financial Statements 2017/18.

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 23 of the Kingfisher plc Annual Report and Financial Statements 2017/18. For additional information refer to note 13 on page 17.

Halcyon Finance Limited

Strategic Report (continued)

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 2018, the directors believe that the Company's residual exposure to the above risks is at an acceptable level.

Key performance indicators

The directors 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, other than the above mentioned net assets and profit (loss). The Group's development, performance and position is discussed in the Kingfisher plc Annual Report and Financial Statements 2017/18, which does not form part of this report.

Future developments

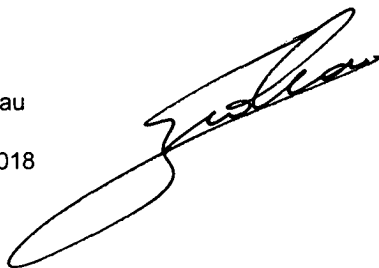
The directors expect the general level of activity to remain consistent with 2017/18 in the forthcoming year.

Post balance sheet events

No post balance sheet events have occurred from 31 January 2018.

By order of the board:

J-N. Groleau
Director
26 June 2018



Halcyon Finance Limited

Directors' report

The directors present their annual report and audited financial statements of Halcyon Finance Limited for the financial year ended 31 January 2018.

Principal activities and review of the business

The Company operates as a finance and investment company within the Group. The directors currently envisage that the Company will continue these operations for a minimum of 12 months after the signing date.

Results and dividends

The profit for the year, after taxation, amounted to £13,175,000 (2016/17: £2,134,000). The profit after taxation is mainly due to dividends received during the year, offset by the write down of an investment and net interest income on cash deposits.

The directors do not recommend the payment of a dividend for the year (2016/17: £nil). The directors did not pay an interim dividend during the year (2016/17: £nil), nor will there be any post year-end dividend payouts for the year.

Directors

The directors, who served throughout the year and until the date of signing of these financial statements were as follows:

J-N. Groleau
P. Moore

Company Secretary

The company secretary, who served throughout the year was as follows:

P. Moore

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 (refer to note 1 for further information).

Auditor

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

Halcyon Finance Limited

Directors' report (continued)

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 section 418 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 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), including FRS 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 applicable UK 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.

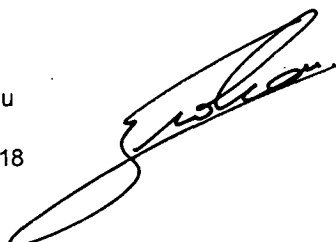
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Refer to the Strategic Report on page 3/4 for financial risk management, future developments and post balance sheet events.

By order of the board:

J-N. Groleau
Director
26 June 2018



Halcyon Finance Limited

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

Report on the audit of the financial statements

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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Halcyon Finance Limited (the 'company') which comprise:

- the income statement;
- the statement of changes in equity;
- the balance sheet; and
- the related notes 1 to 15

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework"

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Halcyon Finance Limited

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

Responsibilities of directors

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, and for such internal control as of the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Options on other matters prescribed by the Companies Act 2006

- 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; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

D. Winstone

Daryl Winstone (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 June 2018

Halcyon Finance Limited

Income Statement

Year ended 31 January 2018

£'000	Notes	2017/18	2016/17
Other Income	3	39,914	-
Impairment losses	9	(32,112)	-
Administrative expenses		(49)	(56)
Other expenses	4	-	(312)
Operating profit/ (loss)		7,753	(368)
Finance costs		(36,885)	(39,732)
Finance income		43,611	42,768
Net finance income	5	6,726	3,036
Profit before taxation		14,479	2,668
Income tax expense	8	(1,304)	(534)
Profit for the year		13,175	2,134
Total comprehensive income for the year		13,175	2,134

The notes on pages 12 to 19 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

Year ended 31 January 2018

£'000	Share capital	Retained earnings	Total
At 1 February 2017	15,000	(3,636)	11,364
Total comprehensive income and profit for the year	-	13,175	13,175
At 31 January 2018	15,000	9,539	24,539
At 1 February 2016	15,000	(5,770)	9,230
Total comprehensive income and profit for the year	-	2,134	2,134
At 31 January 2017	15,000	(3,636)	11,364

The notes on pages 12 to 19 form part of the financial statements.

Halcyon Finance Limited

Company Registered number: 01808597

Balance sheet

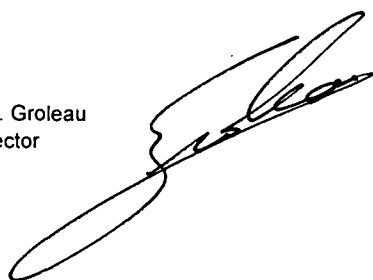
At 31 January 2018

£'000	Notes	2017/18	2016/17
Non-current assets			
Investments in subsidiaries	9	-	32,112
Derivative assets	12	-	53,929
		-	86,041
Current assets			
Other receivables	10	622,560	359
Derivative assets	12	103,219	58,893
Cash and cash equivalents		19,615	550,948
		745,394	610,200
Total assets		745,394	696,241
Current liabilities			
Other payables	11	(602,632)	(571,744)
Derivative liabilities	10	(117,521)	(58,629)
Current tax liabilities		(702)	(575)
		(720,855)	(630,948)
Net current assets/ (liabilities)		24,539	(20,748)
Total assets less current liabilities		24,539	65,293
Non-current liabilities			
Derivative liabilities	12	-	(53,929)
		-	(53,929)
Total liabilities		(720,855)	(684,877)
Net assets		24,539	11,364
Equity			
Share capital	14	15,000	15,000
Retained earnings		9,539	(3,636)
Total equity		24,539	11,364

The notes on pages 12 to 19 form part of the financial statements.

The financial statements were approved by the Board of Directors on 26 June 2018 and were signed on its behalf by:

J-N. Groleau
Director



Halcyon Finance Limited

Notes to the financial statements

Year ended 31 January 2018

1 Principal accounting policies

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 private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. 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 financial statements have been prepared in accordance with FRS 101, as issued by the Financial Reporting Council and applied in accordance with the provisions of the Companies Act 2006.

The current financial year is the calendar year ended 31 January 2018 ('the year' or '2017/18'). The comparative financial year is the calendar year ended 31 January 2017 ('the prior year' or '2016/17').

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 financial statements 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, related party transactions, standards not yet effective and capital management.

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 financial statements of Kingfisher plc, which are publicly available.

There are no new standards, amendments or interpretations, which are mandatory for the first time for the financial year ended 31 January 2018, that are relevant and material for Halcyon Finance Limited.

b. Interest receivable and payable

Interest receivable and payable is accrued on a daily basis.

c. 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.

d. Investments in subsidiary companies

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

Halcyon Finance Limited

Notes to the financial statements

Year ended 31 January 2018

1 Principal accounting policies (continued)

e. 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.

f. 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.

g. 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.

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.

i. Financial assets and liabilities

Classification

Financial assets are classified into the following specific category: 'other receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial liabilities are classified as 'other payables'.

Recognition and measurement

Other receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'other receivables'. Other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Halcyon Finance Limited

Notes to the financial statements

Year ended 31 January 2018

1 Principal accounting policies (continued)

Other payables

Other payables, including borrowings, are initially measured at fair value, net of transaction costs. Other payables are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where approximate, a shorter period to the net carrying amount on initial recognition.

2 Critical accounting estimates and judgements

The preparation of the financial statements under FRS 101 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.

There have been no critical judgements during the year.

Source of estimation uncertainty

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. Please refer to Note 9.

3 Other income

£'000	2017/18	2016/17
Dividends received	39,792	-
Foreign exchange gain	122	-
Other income	39,914	-

4 Other expenses

£'000	2017/18	2016/17
Foreign exchange loss	-	312
Other expenses	-	312

Profit for the year is started after charging impairment losses, administrative expenses, other expenses.

Halcyon Finance Limited

Notes to the financial statements

Year ended 31 January 2018

5 Net finance income

£'000	2017/18	2016/17
Interest payable on derivative instruments to group undertakings	(19,039)	(24,465)
Interest payable on derivative instruments to third parties	(17,846)	(15,267)
Finance costs	(36,885)	(39,732)
Cash and cash equivalents and short-term deposits	5,731	2,817
Interest receivable on derivative instruments from third parties	20,039	24,297
Interest receivable on derivative instruments from group undertakings	17,841	15,654
Finance income	43,611	42,768
Net finance income	6,726	3,036

6 Employees' and directors' remuneration

There were no employees or staff costs for the financial year ended 31 January 2018 (2016/17: £nil).

None of the directors received any emoluments from the Company in respect of the financial year ended 31 January 2018 (2016/17: £nil).

7 Auditor's remuneration

The auditor's remuneration for the auditing of the financial statements of £3,000 (2016/17: £3,000) is borne by Kingfisher plc. No recharge will be made to the Company for these costs.

8 Income tax

£'000	2017/18	2016/17
UK corporation tax		
Current tax on profits for the year	1,304	534
Income tax expense	1,304	534

Factors affecting tax charge for the year

The UK corporation tax rate reduced in the current year from 20% to 19% with effect from 1 April 2017, and accordingly, the Company's profits for this accounting year are taxed at a rate of 19.17% (2016/17: 20%).

From 1 April 2020, the UK corporation tax rate will fall to 17%. This change was enacted at the balance sheet date and has been reflected in the calculation of deferred tax balances.

£'000	2017/18	2016/17
Profit before taxation	14,479	2,668
Profit multiplied by the standard rate of corporation tax in the UK of 19.17% (2016/17: 20%)	2,776	534
Net income not charged for tax purposes	(1,472)	-
Income tax expense	1,304	534

Halcyon Finance Limited

Notes to the financial statements

Year ended 31 January 2018

9 Investments in subsidiaries

£'000	Investments in subsidiary undertakings
Net book value	
At 1 February 2017	32,112
Impairment losses	(32,112)
At 31 January 2018	-
At 1 February 2016	32,112
At 31 January 2017	32,112

On 2 January 2018, Budle Finance Limited, in which Halcyon Finance Limited held 100% of the A ordinary share capital was dissolved. Budle Finance Limited was dissolved as part of a simplification of the group structure. These investment impairment costs have been reflected in the income statement.

10 Other receivables

£'000	2017/18	2016/17
Current		
Amounts owed by Parent undertakings	621,977	-
Other receivables	583	359
Other receivables	622,560	359

Amounts owed by Group undertakings include Sterling balance of £619m (2016/17: nil) and USD balances of £2m (2016/17: nil). All amounts are interest free, unsecured and repayable on demand.

11 Other payables

£'000	2017/18	2016/17
Current		
Amounts owed to Parent undertakings	123,030	-
Amounts owed to Group undertakings	479,602	571,744
Other payables	602,632	571,744

Amounts owed to Group undertakings include US Dollar balances of £462m (2016/17: £452m), Sterling balances of £123m (2016/17: £112m) and Euro balances of £17m (2016/17: £7m). 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

Year ended 31 January 2018

12 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	2017/18	2016/17
The net fair value of derivatives by hedge designation at the balance sheet date is:		
Non-designated hedges	(14,302)	264
Non-current assets	-	53,929
Current assets	103,219	58,893
Current liabilities	(117,521)	(58,629)
Non-current liabilities	-	(53,929)
	(14,302)	264

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

Cross Currency Interest Rate Swaps	32,181	55,849
Foreign exchange contracts	71,038	56,973
Derivative assets	103,219	112,822
Cross Currency Interest Rate Swaps	(32,181)	(55,849)
Foreign exchange contracts	(85,340)	(56,709)
Derivative liabilities	(117,521)	(112,558)

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 transacted with third parties largely offset movements on corresponding derivatives with Group undertakings.

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

Year ended 31 January 2018

13 Financial risk management

Kingfisher's Group Treasury 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 a 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 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 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 12 for more information on the Company's derivatives.

Halcyon Finance Limited

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Year ended 31 January 2018

13 Financial risk management (continued)

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 three 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	Total
At 31 January 2018				
Derivatives – receipts	227,639	-	-	227,639
Derivatives – payments	(227,639)	-	-	(227,639)
At 31 January 2017				
Derivatives – receipts	10,439	244,216	-	254,655
Derivatives – payments	(10,439)	(244,216)	-	(254,655)

Credit risk

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

14 Share capital

	Number of ordinary shares in thousands	Ordinary share capital £'000
At 1 February 2017	15,000	15,000
At 31 January 2018	15,000	15,000
At 1 February 2016	15,000	15,000
At 31 January 2017	15,000	15,000

As at 31 January 2018, 15,000,000 ordinary shares has been issued at £1 each.

15 Ultimate holding company

The Company's immediate parent undertaking is Kingfisher Holdings Limited⁽¹⁾ a company incorporated in the United Kingdom and registered in England and Wales.

The Company's ultimate parent company is Kingfisher plc⁽¹⁾, which is incorporated in the United Kingdom and registered in England and Wales. The largest and smallest group into which the Company's financial statements are consolidated is that headed by Kingfisher plc. A copy of the Annual Report and Financial Statements for Kingfisher plc can be obtained from www.kingfisher.com.

(1) Registered office: 3 Sheldon Square, Paddington, London, W2 6PX