

# Halcyon Finance Limited

## Strategic Report

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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 company within the Kingfisher plc group of companies (the "Group").

### Business review

The profit for the year, after taxation, amounted to £1,512,000 (2019/20: profit of £7,625,000). The profit for the year after taxation is mainly due to net interest income and foreign exchange gains.

Net assets at the year end were £40,085,000 (2019/20: £38,573,000). Assets are predominately composed of cash, which increased this year. However, this was offset by the net amount owed to group undertakings, which increased in the year.

### 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 40 to 46 of the 2020/21 Kingfisher plc Annual Report and Financial Statements.

We have faced limited disruption to the Group resulting from Brexit and the overall impact on the Company is therefore manageable. We expect that initial issues that have affected wider operations to be resolved over time. The residual risk will be addressed within the Group's initiatives and changes to the Company's processes and system interfaces and, as a result, this is no longer assessed as a separate principal risk.

### Financial risk management

Kingfisher's Group Treasury function has primary responsibility for managing certain financial risks to which the Group is exposed. The Kingfisher Board reviews the levels of exposure regularly and approves treasury policies covering the use of financial instruments required to manage these risks. In the context of the Company, the financial instruments used to manage these risks at the Group level are derivative contracts, typically interest rate swaps and foreign exchange contracts.

The Company is a counterparty to the vast majority of the external derivative contracts entered into by the Group. However, the Company is not run as a profit centre and does not enter into derivative contracts for speculative purposes. Instead, it enters into external derivative contracts to secure the instruments for the Group and manage market risks, before entering into matching internal derivative contracts with other members of the Group.

As a result, there is no material financial risk to the Company on the basis that the risks of an external derivative contract are offset by the risks of the corresponding internal derivative contract, and vice versa. Accordingly, specific disclosures in respect of financial risks affecting the Company are not included in these financial statements on the basis that they are not material. For additional information refer to note 13.

### 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 2021, 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 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 loss. The Group's development, performance and position is discussed in the 2020/21 Kingfisher plc Annual Report and Financial Statements, which does not form part of this report.

### S.172(1) and stakeholder engagement statement

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 (s172) of the Companies Act 2006 (the Act).

When making decisions, Directors have regard to the interests of stakeholders relevant to the Company, as a finance company. As well as the likely consequences of any decision in the long term, the desirability of the company maintaining a reputation for high standards of business conduct where appropriate. They also fulfil their responsibilities through Kingfisher's highly developed framework, which includes but is not limited to Kingfisher plc Group policies, business principles and the Kingfisher Code of Conduct.

The purpose of Halcyon Finance Limited is primarily to act as a finance company within the Kingfisher Group of companies. Due to the nature of the Company, no decisions were made by the Directors during the reporting period which required them to have regard to the matters set out in s172 of the Act.

### Future developments

The Directors expect the general level of activity to remain consistent with 2020/21 in the forthcoming year.

Approved and authorised for issue by the board of directors:

P. Moore  
Director  
28 July 2021