Bristol & West plc

Annual Report for the year ended 31 December 2017

REGISTERED NUMBER 2124201

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DIRECTORS AND OTHER INFORMATION

Directors
Desmond E Crowley
Andrew G Keating
Thomas McAreavey

Secretary
Hill Wilson Secretarial Limited

Registered Office
One Temple Back East
Temple Quay
Bristol
BS1 6DX

Registered Number
2124201

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hays Galleria
1 Hays Lane
London
SE1 2RD
England

The Directors present the Strategic Report of Bristol & West plc (the 'Company') for the year ended 31 December 2017.

Purpose
The Strategic Report is a statutory requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to be fair and balanced and to provide information that enables the Directors to be satisfied that they have complied with Section 172 of the Companies Act 2006 (which sets out the Directors' duty to promote the success of the Company).

Principal Activities
The Company is a wholly owned subsidiary of Bank of Ireland UK Holdings plc (the 'Parent'). The Ultimate Parent of the Company is The Bank of Ireland Group Plc (the 'Bank'). On 1 October 2007, the business of the Company, to provide lending and savings products via various distribution channels was transferred to other statutory entities within the Bank of Ireland Group (the 'BoI Group').

The activity of the Company now is to hold interest-bearing cash deposits with the BoI Group, in order to meet its liabilities, principally the payment of future preference share dividends. These preference shares are listed on the London Stock Exchange.

Review of Business
The key performance indicator applied by management regarding the activity of the Company is to ensure that sufficient interest income is generated to meet the cost of the preference share dividends as they fall due.

The key performance measures are outlined below:

	Year ended 31 December 2017 £'000	**Year ended 31 December 2016 £'000**
Statement of Comprehensive Income:		
Interest income	3,774	3,827
Interest expense	(2,417)	(2,491)
	1,357	1,336
Balance Sheet:		
Loans and advances to banks	113,449	113,357
Preference shares	(32,593)	(32,593)
Amounts due to Parent	(70,000)	(70,000)

For the year ended 31 December 2017 the Company made a profit before tax of £1,357,000 (31 December 2016: £387,000) which after a taxation charge of £729,000 (year ended 31 December 2016: £73,000 credit) resulted in a profit for the year of £628,000 (year ended 31 December 2016: Profit of £460,000). The Statement of Comprehensive Income for the year is on page 13.

IFRS 9 is a new accounting standard to be implemented in 2018. It introduces a forward looking expected credit loss model which will lead to changes in the timing of recognition of impairment provisions. The estimated quantitative impact is a reduction in shareholders' equity of c £153,000 after tax, all of which relates to an increase in impairment loss allowance on loans and advances to banks. Further detail on the Bank of Ireland Group's IFRS 9 Programme as managed by the Ultimate Parent is set out in the Risk Management Report of the Bank of Ireland Group's Annual Report for the year ended 31 December 2017.

Risk Management
The Company's activity exposes it to financial risks that include changes in general market conditions, credit risk, liquidity risk and interest rate risk. The Directors monitor and manage these risks in a manner appropriate to the nature of the risk and the potential threat to the Company.

Credit Risk
Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Company in respect of loans or other financial transactions. The financial assets of the Company comprise primarily of amounts placed on deposit with the Bank. There are also other amounts due from the Parent. There is no significant credit risk exposure outside the BoI Group. The Directors monitor the ability of the BoI Group to meet its obligations. Credit exposure arising from loans and advances to banks relate to amounts placed with Bank of Ireland Group. Bank of Ireland Group plc credit rating is set out as follows:

Rating Agency	31 December 2017
Moody’s	Baa3
Standard and Poor’s	BBB-

Liquidity Risk
Liquidity risk is the risk that a credit institution will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at substantially above the prevailing market cost of funds. It is the policy of the Company to ensure that resources are available during all reasonably foreseeable circumstances to meet its obligations. The Company lends cash to the Bank at fixed interest rates to meet its liabilities as they fall due, including the payment of preference share dividends. The Company is dependent on the ongoing support of the Parent, which has provided interest free funding to enable the Company to place sufficient deposits with the Bank such that the interest income earned on those deposits is sufficient to meet its liabilities as they fall due, including the payment of preference share dividends. The Directors monitor the ability of the BoI Group to support the funding requirements of the Company.

Market Risk
Cash flow interest rate risk is the risk that future cash flows of financial instruments will fluctuate because of changes in market interest rates.

Interest rate risk on the fixed rate preference shares is mitigated through the placement of fixed rate long term deposits, the interest on which exceeds or matches the dividends payable on the preference shares. Therefore there is no significant net interest rate risk.

The BoI Group’s Risk Management objectives and policies and principal risk exposures facing the business are set out in note 15.

In addition to the above, the Company is subject to income taxation where the ultimate taxation charge may be uncertain, in particular if taken to litigation, the outcome of which can be unpredictable. The Company recognises current tax liabilities based on estimates of the taxes that are likely to fall due, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

On behalf of the Board

Desmond E Crowley
Director
13 April 2018

DIRECTORS' REPORT

The Directors present their Report and audited financial statements of the Company for the year ended 31 December 2017. A Statement of Directors' Responsibilities is included on page 7.

Dividends
No ordinary share dividend was proposed or paid during the year ended 31 December 2017 by the Directors (year ended 31 December 2016: £nil).

The preference shares carry a fixed coupon rate of 8.125% and are classified as financial liabilities. The dividends on these preference shares are recognised in the Statement of Comprehensive Income as interest expense.

Directors' Indemnities
The Company has put in place Directors' and Officers' liability insurance in respect of legal actions against its Directors: this insurance cover does not extend to fraudulent or dishonest behaviour. A qualifying third party indemnity provision was in force covering all Directors in place during the year ended 31 December 2017 for the Company and other companies within the BoI Group and this is still in force as at the date of approval of the financial statements.

Post balance sheet events
There were no significant post balance sheet events identified requiring disclosure prior to the approval of the financial statements.

Going concern
The Company is dependent on the BoI Group for liquidity and the funding of its Balance Sheet and for maintaining sufficient levels of capital. Having considered the key dependencies as outlined in note 1.2, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance
Bristol & West plc is a statutory entity within the BoI Group and is subject to the BoI Group's Corporate Governance framework. The BoI Group's Corporate Governance Statement is available in the BoI Group Annual Report for year ended 31 December 2017 on page 88. A copy of this report can be obtained from https://investorrelations.bankofireland.com/2017-results-announcement/

A key objective of the BoI Group's governance framework is to ensure compliance with applicable legal and regulatory requirements. The BoI Group is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance Undertakings (the Central Bank of Ireland's code is available on www.centralbank.ie) and the UK Corporate Governance Code (the UK code is available on www.frc.org.uk).

Information concerning the principal risks and uncertainties facing the Company is set out in the Strategic Report and note 16. A description of the BoI Group's risk management framework is contained in the BoI Group Annual Report Statement for the year ended 31 December 2017, pages 43 to 87.

Given the limited activities carried on by the Company, all material transactions are considered by the Board of Directors (or a quorum thereof) and are executed under delegated authority from the Board of Directors. The Directors who served during the year ended 31 December 2017 and up to the date of signing the Financial statements were:

Desmond E Crowley
Andrew G Keating
Thomas McAreavey

Company Secretary
Hill Wilson Secretarial Limited

Future Developments
The Directors do not anticipate any significant change in the principal activities of the Company.

Provision of Information to Auditors
All the Directors at the time of approving this report confirm the following:

a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
b) they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
The appointment of KPMG as the Company's external auditor will be recommended for approval at the Company's AGM, subject to which KPMG will conduct the Company's audit for the year ended 31 December 2018.

Directors' Statement Pursuant to the Disclosure and Transparency Rules
Each of the Directors, whose names are listed in the Directors' Report confirm that, to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Desmond E Crowley
Director
13 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors 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 of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Desmond E Crowley
Director
13 April 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRISTOL & WEST PLC

Report on the financial statements

OPINION

In our opinion, Bristol & West plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to those charged with governance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2017 to 31 December 2017.

OUR AUDIT APPROACH

Overview

- Overall materiality: £1.14 million, based on 1% of Total assets.
- All essential pieces of information were assessed, including materiality, risk and the size, complexity and structure to determine our scope. This enabled us to focus on the best types of audit evidence to obtain, and the audit resources needed to deliver our plan.
- Risk of material misstatement associated with the Preference shares.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for

OUR AUDIT APPROACH (continued)

example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, Companies Act 2006. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and correspondence with legal advisors. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Risk of material misstatement associated with the Preference shares This has been included as a key audit matter due to the underlying preference shares being the main external balance sheet item. The company holds intercompany interest bearing deposits in order to meet its future liabilities, predominately the payment of future preference share dividends hence the preference shares are key balances which drive a lot of the activity in the business and associated disclosures.	We performed external confirmation procedures to obtain independent third party evidence supporting the number of preference shares in issue. This involved determining the information to be included on the confirmation, selecting the appropriate confirming party, designing the confirmation and sending the confirmation request directly to the confirming party. The intercompany deposits are reliant upon the continuing ability of the group to make the interest payments and ongoing provision of the deposit funding. We performed work assessing the going concern of the Bank Of Ireland Group which included reviewing managements going concern paper, review the effectiveness of the commitment to provide ongoing support, review of the group's 2017 audited accounts and meeting with the Group team auditors. We tested the fair value disclosures made in the financial statements pertaining to the preference shares, ensuring the shares were being actively traded and independently calculating the fair value using quoted marked prices obtained from a suitable third party.

OUR AUDIT APPROACH (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1.14 million.
How we determined it	1% of Total assets.
Rationale for benchmark applied	We have determined total assets to be the most appropriate benchmark for Bristol & West plc because profit is not a key driver of the company, and the main users of the financial statements, determined to be preference shareholders and relevant regulators, have a clear interest in capital strength and ability to pay the non-cumulative preference share dividends.

We will report the misstatements identified during our audit above £57,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures

REPORTING ON OTHER INFORMATION (continued)

to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

We were appointed by the directors to audit the financial statements for the year ended 31 January 1991 and subsequent financial periods. The period of total uninterrupted engagement is 27 years, covering the years ended 31 January 1991 to 31 December 2017.

Hamish Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 April 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest income	2	3,774	3,827
Interest expense	2	(2,417)	(2,491)
Net interest income		1,357	1,336
Other operating expenses	3	-	(949)
Profit for the year before taxation		1,357	387
Taxation (charge)/credit	6	(729)	73
Profit for the year and total comprehensive income		628	460

The notes on pages 17 to 37 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Loans and advances to banks	7	113,449	113,357
Other assets	8	675	471
Current tax assets		5	-
Total Assets		114,129	113,828
Liabilities			
Preference shares	9	32,593	32,593
Amounts due to banks	10	6,932	6,722
Amounts due to parent	11	70,000	70,000
Other liabilities	12	1,163	1,200
Current tax liabilities		-	500
Total Liabilities		110,688	111,015
Equity			
Share capital	13	50	50
Retained earnings		3,391	2,763
Total Equity		3,441	2,813
Total Equity and Liabilities		114,129	113,828

The notes on pages 17 to 37 are an integral part of these financial statements.

The financial statements and accompanying notes on pages 13 to 37 were approved by the Board of Directors on 13 April 2018 and signed on its behalf by:

Desmond E Crowley
Director
13 April 2018

Company Registered Number 2124201

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Share capital		
Balance at the beginning and at the end of the year	50	50
Retained earnings		
Balance at the beginning of the year	2,763	2,303
Profit and total comprehensive income for the year	628	460
Balance at the end of the year	3,391	2,763
Total Equity	3,441	2,813

The notes on pages 17 to 37 are an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31December 2016 £'000
Cash flows from operating activities			
Profit before taxation		1,357	387
Interest expense on preference shares		2,417	2,491
Cash flows from operating activities before changes in operating assets and liabilities		3,774	2,878
Net change in loans and advances to banks		(92)	(147)
Net change in other assets		(2)	(1)
Net change in amounts due to banks		210	3,349
Net change in other liabilities		(8)	(2,567)
Net cash generated from / (used in) operating assets and liabilities		108	634
Net cash generated from operating activities before taxation		3,882	3,512
Taxation paid		(1,234)	(864)
Net cash generated from operating activities		2,648	2,648
Financing activities			
Interest paid on preference shares		(2,648)	(2,648)
Net decrease in cash and cash equivalents		-	-
Opening cash and cash equivalents		11,653	11,653
Closing cash and cash equivalents	19	11,653	11,653

The notes on pages 17 to 37 are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of presentation

The Company is incorporated and domiciled in the United Kingdom. The Company is a Company limited by shares.

The financial statements comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the accounting policies and the notes to the financial statements. The notes include the Risk Management section of the Strategic report.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union (EU) and with the provisions of the Companies Act 2006 as applicable to companies using IFRS.

The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

The functional currency of the Company is Sterling.

1.2 Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2017 is a period of twelve months from the date of approval of these financial statements ('the period of assessment').

Context
The Company is a direct subsidiary of Bank of Ireland UK Holdings plc which is an indirect subsidiary of The Bank of Ireland Group plc. The Directors have considered the going concern of the Company and to the extent that the Company is dependent on the BoI Group for funding, have considered the going concern assessment of the BoI Group.

Going concern assessment of the BoI Group
The Company is reliant on the BoI Group for liquidity and funding.

The Directors note that during 2017 there were a number of developments regarding profitability, capital, liquidity and funding that further enhanced the position of the Company's Ultimate Parent.

On the basis of the above the Board of the Company's Ultimate Parent has concluded that there are no material uncertainties that may cast significant doubt about the BoI Group's ability to continue as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. The audit report on the financial statements of the Company's Ultimate Parent is not qualified and does not contain an emphasis of matter paragraph in respect of going concern.

Taking into account the above the Directors of the Company are satisfied that any risk attaching to the continued ability of the Ultimate Parent to provide support to the Company is satisfactorily addressed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Going concern (continued)

Considerations specific to Bristol & West plc

Profitability
For the year ended 31 December 2017 the Company made a profit after tax of £628,000. The Company holds interest-bearing cash deposits in order to meet its liabilities, principally the payment of future preference share dividends. For the year ended 31 December 2017, the Company made a profit before taxation of £1,357,000 generating sufficient income to meet these obligations and to cover its operating expenses. The Directors are satisfied that the Company will be profitable for the period of assessment. Profitability depends on the continued interest free funding provided by the Parent Company and this is considered below.

Capital
At 31 December 2017, the Company has total equity of £3,441,000 comprising share capital of £50,000 and retained earnings of £3,391,000. The Company has an interest free loan of £70 million from the Parent, Bank of Ireland UK Holdings plc, which provides funding to ensure that future financial obligations can be met. There are a number of safeguards in place as referred to in the liquidity and funding section below which have been considered by the Directors in assessing the capital position of the Company.

Liquidity and funding
The primary, external non-BoI Group liability of the Company is the payment of dividends on its preference shares and the repayment of the preference shares. The Company has an interest free loan of £70 million from its Parent, Bank of Ireland UK Holdings plc. The Company has placed deposits with The Bank of Ireland Group plc, and these deposits earn sufficient interest to meet its liabilities for the period of assessment. The Directors have also obtained representation from The Governor and Company of the Bank of Ireland that sufficient funds will be made available to ensure the Company can meet its obligations as they fall due for the foreseeable future.

Conclusion
On the basis of the above, and given that the BoI Group financial statements for the year ended 31 December 2017 have been prepared on a going concern basis, the Directors consider it appropriate to prepare the financial statements of the Company on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern over the period of assessment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Adoption of new and amended accounting standards

The Company has not adopted any new standards or amendments to standards during the year ended 31 December 2017.

1.4 Comparatives

Comparative figures have been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current year.

1.5 Interest income and expense

Interest income and expense are recognised in the Statement of Comprehensive Income and all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
Once a financial asset, or group of similar financial assets, has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment loss.

Where the Company revises its estimates of payments or receipts on a financial instrument measured at amortised cost, the carrying amount of the financial instrument (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

In line with the terms and conditions of the preference shares, dividends that have remained unclaimed for more than 12 years from the date that they become payable are no longer a liability of the Company. The amount of preference share dividends that become unclaimed for more than 12 years during the financial year are recognised as a reduction of interest expense in the Statement of Comprehensive Income.

1.6 Financial assets

Financial assets are initially measured at fair value. The Company's financial assets consist mainly of intercompany balances that are designated as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods, or services directly to a debtor with no intention of trading the receivable. Loans are recorded at fair value plus transaction costs when cash is advanced they are subsequently accounted for at amortised cost, using the effective interest method.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial liabilities

Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less transaction costs. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the Statement of Comprehensive Income using the effective interest method.

Preference shares, which carry a mandatory coupon, are classified as financial liabilities. The dividends on these preference shares are recognised in the Statement of Comprehensive Income as interest expense using the effective interest method.

Derecognition
Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

1.8 Valuation of financial instruments

Financial assets and financial liabilities are initially measured at fair value. The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Company uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Company recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the Statement of Comprehensive Income to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to the amount. Subsequent changes in fair value are recognised immediately in the Statement of Comprehensive Income without the reversal of deferred day one profits or losses. Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

The fair values of the Company's financial assets and liabilities are disclosed within note 14, together with a description of the valuation technique used for each asset or liability category.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Company about the following loss events:
(i) delinquency in contractual payments of principal or interest;
(ii) cash flow difficulties;
(iii) breach of loan covenants or conditions;
(iv) granting a concession to a borrower for economic or legal reasons relating to the borrower's financial difficulty that would otherwise not be considered;
(v) deterioration of the borrower's competitive position;
(vi) deterioration in the value of collateral;
(vii) external rating downgrade below an acceptable level; and
(viii) initiation of bankruptcy proceedings.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss, is or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Impairment of financial assets (continued)

that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

When a loan is deemed uncollectible, it is derecognised and the provision for impairment is utilised. Subsequent recoveries decrease the amount of the charge for loan impairment in the statement of comprehensive income.

1.10 Current tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the year in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses are utilised.

Management periodically evaluates the positions taken in tax returns where tax regulation is subject to interpretation. The Company establishes provisions on the basis of amounts expected to be paid to the tax authorities only where it is considered more likely than not that an amount will be paid. The Company applies this test to each individual uncertain position. The Company measures uncertain positions based on the most likely outcome.

1.11 Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise loans and advances to banks with an original maturity of less than three months.

1.12 Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which a written resolution has been passed.

1.13 Operating Segments

The Company operates in one business segment: therefore a business segments note is not presented. All of the Company's business is in the UK.

1.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Impact of new accounting standards

The following standards and amendments to standards will be relevant to the Company but were not effective at 31 December 2017 and have not been applied in preparing these financial statements. The Company's initial view of the impact of these accounting changes is outlined below.

The Company has considered the impact of all new accounting standards as follows:

Pronouncement	Nature of Change	Effective Date	Impact
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 specifies how and when revenue will be recognised as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The revised standard was endorsed by the EU on 22 September 2016.	Financial periods on or after 1 January 2018.	This new standard is not expected to have a significant impact on the financial position of the Company.
IFRS 9 'Financial Instruments'	IFRS 9 'Financial instruments' has been endorsed by the EU as a replacement for IAS 39. It sets out requirements relating to recognition and derecognition, classification, measurement and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model. Financial assets within its scope are required to be classified as being measured, subsequent to initial recognition, at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is dependent on both the overall objective of the business model within which the asset is held and the contractual cash flow characteristics of the asset. Impairment under IFRS 9 is forward-looking and is based on expected rather than incurred losses.	Financial periods beginning on or after 1 January 2018.	The estimated quantitative impact on initial adoption of IFRS 9 is a reduction in stockholders' equity of approximately £153,000 after tax, all of which relates to an increase in the impairment loss allowance on loans and advances to banks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Impact of new accounting standards (continued)

Pronouncement	Nature of Change	Effective Date	Impact
IFRS 16 'Leases'	IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on-balance sheet for lessees. The accounting for lessors will not materially change. The standard replaces IAS 17 'Leases' and related interpretations. The revised standard was endorsed by the EU on 31 October 2017.	Financial periods beginning on or after 1 January 2019 and earlier application is permitted if IFRS 15 'Revenue from contracts with customers' is applied at the same time.	The Company is currently assessing the impact of IFRS 16.

1.16 Critical accounting estimates and judgements

There were no critical accounting estimates or judgements in the period.

2. INTEREST INCOME AND INTEREST EXPENSE

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest Income		
Amounts due from the Intermediate Parent	3,774	3,827
Interest Expense		
Preference share dividends	2,648	2,648
Unclaimed preference share dividends	(231)	(157)
	2,417	2,491

3. OTHER OPERATING EXPENSES

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Legal and professional fees	-	949
	-	949

For the year ended 31 December 2017, audit fees of £7,849 (31 December 2016: £7,849) in respect of the audit of the Company financial statements were borne by the Bank. No other fees were paid to the auditors in respect of services provided to the Company. Professional Fees of £940k in 2016 related to the Company's legal dispute with HMRC. Further detail is available in Note 12 'Other Liabilities'.

4. DIRECTORS' EMOLUMENTS

The Directors do not receive any Directors' fees in respect of the services provided to the Company. The emoluments of the Directors of the Company are paid by the Bank of Ireland Group. A copy of the Bank of Ireland Group financial statements may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4 or www.bankofireland.com.

5. STAFF COSTS

The Company had no employees during the current or preceding financial year.

6. TAXATION

	Year ended 31 December 2017 £'000	**Year ended 31 December 2016 £'000**
Current tax:		
Corporation tax at 19.25% (2016: 20%)	726	765
Adjustments in respect of prior years	3	(838)
Taxation charge/(credit)	729	(73)

The reconciliation of tax on the profit before taxation at the standard UK corporation tax rate to the Company's actual tax charge/(credit) for the years ended 31 December 2017 and 31 December 2016 is as follows:

	Year ended 31 December 2017 £'000	**Year ended 31 December 2016 £'000**
Profit before tax	1,357	387
Tax calculated at a rate of 19.25% (2016: 20%)	261	77
Preference share dividends	465	498
Adjustments in respect of prior years	3	(838)
Non- deductible legal fees	-	190
Taxation charge/(credit)	729	(73)

The adjustments in respect of prior years for 2016 year primarily represented a reassessment of the current tax liability of the company.

7. LOANS AND ADVANCES TO BANKS

	31 December 2017 £'000	31 December 2016 £'000
Due from the Intermediate Parent and included in cash equivalents (note 19)	11,653	11,653
Due from the Intermediate Parent	101,796	101,704
	113,449	113,357
Split out as follows:		
Perpetual deposit with interest rate of 5.5%	66,936	66,936
Rolling deposit with floating rate	34,860	34,768
	101,796	101,704

Loans and advances to banks with a contractual maturity date of less than twelve months from the balance sheet date total £11,653k (31 December 2016 £11,653k). All amounts are unsecured.

8. OTHER ASSETS

	31 December 2017 £'000	31 December 2016 £'000
Accrued interest receivable from Intermediate Parent	473	471
Other	202	-
	675	471

Other balances include £202,000 unclaimed dividends that are due to be paid to the company. The expectation is that all balances are due within one year at the balance sheet date.

9. PREFERENCE SHARES

	Rate %	31 December 2017 £'000	31 December 2016 £'000
32,593,000 (2016: 32,593,000) units of preference shares of £1 each	8.125	32,593	32,593

The preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves with regard to participation in profits and in priority to the ordinary shares of the Company. The preference shares are undated and non-redeemable and thus the expectation is that they are due in greater than 12 months. Holders of the preference shares are entitled to receive, in priority to the holders of the ordinary shares in the Company, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. The preference dividend will only be payable to the extent that payment can be made out of profits available for distribution in accordance with the provisions of the Companies Act 2006.

9. PREFERENCE SHARES (continued)

In the event of the winding up of the Company, holders of preference shares will be entitled to receive, out of the surplus assets remaining after payment of the Company's liabilities, an amount equal to the amount paid up or credited as paid up on the preference shares, together with the preference dividend (whether or not declared or earned) which would be payable and is not otherwise paid in cash on a dividend payment date which falls on or after the date of commencement of the winding up but which is payable in respect of a dividend period ending on or before such date; and the proportion (whether or not declared or earned) of the preference dividend that would otherwise be payable and is not otherwise paid in cash in respect of any period that begins before, but ends after, the date of commencement of the winding up and which is attributable to the part of the period that ends on such date.

With respect to the amounts payable or repayable in the event of a winding up of the Company, preference shares will rank equally amongst themselves as regards participation in surplus assets and otherwise in priority to the ordinary shares of the Company. Holders of the preference shares will not otherwise be entitled to any further or other right of participation in the assets of the Company upon a winding up.

On 1 October 2007, in connection with the transfer of the business of the Company to the BoI Group, the Bank entered into a Guarantee and Capital Maintenance Commitment (the 'Guarantee') with respect to the preference shares. Under the terms of the Guarantee, the liability of the Company in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of the business would be protected. Under the Guarantee, the Bank agreed, subject to certain conditions, to (i) ensure that the Company has sufficient distributable reserves to pay the dividends of the preference shares and, to the extent required, repay the preference share capital and (ii) guarantee the Company's obligations to make repayment of the dividends and preference share capital.

Holders of the preference shares will be entitled to receive notice of and to attend any general meeting of the Company if a resolution is proposed varying, altering or abrogating any of the rights, privileges, limitations or restrictions attached to the preference shares or for, or in relation to, the winding up of the Company.

In addition, if the preference dividend has not been paid in full on the dividend payment date immediately preceding the date of notice of any general meeting of the Company, holders of the preference shares will be entitled to receive notice of and attend that general meeting, and to speak and vote on all resolutions proposed at that general meeting.

In line with the terms and conditions of the preference shares, dividends that have remained unclaimed for more than 12 years from the date that they become payable are no longer a liability of the Company. The amount of preference share dividends that became unclaimed for more than 12 years during the financial year was £231k and was recognised as a reduction of interest expense in the Statement of Comprehensive Income (31 December 2016: £157k)

10. AMOUNTS DUE TO BANKS

	31 December 2017 £'000	31 December 2016 £'000
Amounts due to the Intermediate Parent	6,932	6,722

Amounts due to the Intermediate Parent at 31 December 2017 are reflective of payments made on behalf of the Company by the Intermediate Parent. These payments were made to settle Company obligations to fellow BoI Group Companies and third parties. All amounts are non-interest bearing, unsecured and with no fixed repayment date. All balances are expected to settle within 12 months.

11. AMOUNTS DUE TO PARENT

	31 December 2017 £'000	31 December 2016 £'000
Amounts due to Parent	70,000	70,000

This amount represents an intercompany balance of £70 million from the Parent Company. This amount is interest free, does not have a fixed term, is repayable on demand and is expected to settle in greater than 12 months.

12. OTHER LIABILITIES

	31 December 2017 £'000	31 December 2016 £'000
Accrued interest payable	331	331
Unclaimed preference share dividends	-	28
Other	832	841
	1,163	1,200

Other Liabilities includes an estimate of £800,000 (2016: £800,000) for legal costs awarded to HMRC as a result of a legal case in March 2016. Correspondence is yet to be received from HMRC seeking settlement but they still have an open enquiry period for the 2016 tax return. Management will re-assess the position in 2018 given the passage of time since the case was heard. The current expectation is that all balances are payable within one year at 31 December 2017.

13. SHARE CAPITAL

	31 December 2017 £'000	31 December 2016 £'000
Allotted and fully paid		
100,000 (2016: 100,000) units of ordinary shares of £0.50 each	50	50

All units of ordinary shares in issue carry the same voting rights.

14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Company calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Company or at recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs are unobservable inputs for the asset or liability.

There were no transfers between different levels at the end of all reporting periods.

Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7. This applies to the Company's other assets; amounts due to banks; amounts due to parent; and other liabilities.

All financial instruments are initially recognised at fair value and subsequently measured at amortised cost.

Financial assets and financial liabilities not subsequently measured at fair value
For financial assets and financial liabilities which are not subsequently measured at fair value on the balance sheet, the Company discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks
The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows, using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Preference shares
The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). In the absence of quoted market prices the fair value is calculated based on quoted broker prices (level 2 inputs).

14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

As at 31 December 2017

	Quoted prices in active market	Valuation techniques observable Inputs	Valuation techniques unobservable Inputs	Total
	Level 1	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	168,462	-	168,462
Total	-	168,462	-	168,462
Fair value of financial liabilities held at amortised cost				
Preference shares	48,320	-	-	48,320
	48,320	-	-	48,320

As at 31 December 2016

	Quoted prices in active market	Valuation techniques observable Inputs	Valuation techniques unobservable Inputs	Total
	Level 1	**Level 2**	**Level 3**	
	£'000	**£'000**	**£'000**	**£'000**
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	144,389	-	144,389
Total	-	144,389	-	144,389
Fair value of financial liabilities held at amortised cost				
Preference shares	41,394	-	-	41,394
	41,394	-	-	41,394

The fair value comparative for the loans and advances to banks has been increased by £4.6m to reflect an adjustment in the calculation.

14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair values of financial assets and liabilities

The carrying amount and the fair value of the Company's financial assets and liabilities as at 31 December 2017 and 31 December 2016 are set out in the table below.

		31 December 2017		31 December 2016	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	(1)	113,449	168,462	113,357	144,389
Total		113,449	168,462	113,357	144,389
Financial liabilities					
Preference shares	(2)	32,593	48,320	32,593	41,394
Total		32,593	48,320	32,593	41,394

The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown:

1. Loans and advances to banks
   - This comprises inter-bank placements.
   - The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for assets with similar credit risk and remaining maturity.
   - The increase in fair value from 31 December 2017 reflects movements in these rates during the year.

2. Preference shares
   The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). In the absence of quoted market prices the fair value is calculated based on quoted broker prices (level 2 inputs).

15. FINANCIAL RISK MANAGEMENT

Market Risk

Market risk is the risk of loss in the Company's income or net worth arising from adverse change in interest rates, foreign exchange rates, or other market prices and arising from the structure of the Balance Sheet.

Interest rate risk on the fixed rate preference shares is managed with the use of fixed rate term loans. There is therefore negligible exposure to market interest rates.

All assets and liabilities held by the Company at 31 December 2017 and 31 December 2016 were denominated in sterling.

15. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

Credit Risk is defined as the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Company in respect of loans or other financial transactions.

IAS 39 requires that an incurred loss approach be taken to impairment provisioning.

All credit exposures are regularly reviewed for objective evidence of impairment; where such evidence of impairment exists, the exposure is measured for an impairment provision.

All assets of the Company are with other BoI Group companies and so the Company is exposed to the credit profile of the BoI Group.

The table below summarises the Company's financial assets over the following categories: 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Exposures are based on the gross amount, before provisions for impairment.

	31 December 2017 £'000	31 December 2016 £'000
Loans and Receivables		
Neither past due nor impaired	114,124	113,828
Total	114,124	113,828

All loans and receivables neither past due nor impaired are of high quality. The Company's primary market is the UK and all exposures are originated and managed in the UK.

Concentration risk is not deemed to be a material risk as the exposures are with the parent and fellow BoI Group companies.

15. FINANCIAL RISK MANAGEMENT (continued)

Industry Analysis

Loans and Receivables	31 December 2017 £'000	31 December 2016 £'000
Financial instruments	114,124	113,828
	114,124	113,828

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity distress is almost invariably associated with a severe deterioration in financial performance or from unexpected adverse events or systemic difficulties.

It is Company policy to ensure that resources are available during all reasonably foreseeable circumstances to meet its obligations. The Company holds interest-bearing cash deposits to meet its liabilities as they fall due, including the payment of preference share dividends.

The table below summarises the maturity profile of the Company's financial instrument liabilities at 31 December 2017 and 31 December 2016 based on the contractual undiscounted repayment obligations. The Company does not manage liquidity risk on the basis of contractual maturity. Instead, the Company manages liquidity risk based on expected cash flows. The balances will not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

Other liabilities are not included in the tables below to the extent that they:
a) relate to third party balances not classified as financial liabilities;
b) relate to accrued interest payable on preference shares as this interest is included in the preference shares line.

At 31 December 2017

Liabilities	Demand £'000	Up to 3 months but not demand £'000	3-12 months £'000	1- 5 years £'000	Over 5 years £'000	Total £'000
Preference shares	-	-	2,648	10,592	32,593	45,833
Amounts due to banks	6,932	-	-	-	-	6,932
Amounts due to parent	70,000	-	-	-	-	70,000
Other liabilities	833	-	-	-	-	833
Total	77,765	-	2,648	10,592	32,593	123,598

Interest cash flows on Preference Shares included for 5 years as the instruments are undated, after this time it is assumed the instruments are repaid.

15. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2016

Liabilities	Demand £'000	Up to 3 months but not demand £'000	3-12 months £'000	1- 5 years £'000	Over 5 years £'000	Total £'000
Preference shares	-	-	2,648	10,592	32,593	45,833
Amounts due to banks	6,722	-	-	-	-	6,722
Amount due to parent	70,000	-	-	-	-	70,000
Other liabilities	869	-	-	-	-	869
Total	77,591	-	2,648	10,592	32,593	123,424

Interest cash flows on Preference Shares included for 5 years as the instruments are undated, after this time it is assumed the instruments are repaid.

16. CAPITAL MANAGEMENT

Capital management for the Company is carried out in the context of the BoI Group's capital management policy.

The objectives of the BoI Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the BoI Group has sufficient capital to cover the risks of its business and support its strategy. It seeks to minimise refinancing risk by managing the maturity profile of non equity capital. The capital adequacy requirements set by the Central Bank of Ireland are used by the BoI Group as the basis for its capital management. These requirements set a floor under which capital levels must not fall. The BoI Group seeks to maintain sufficient capital to ensure that even under difficult conditions these requirements are met.

The Company does not have its own regulatory capital requirements.

The following table sets out the Company's capital resources:

	31 December 2017 £'000	31 December 2016 £'000
Equity	3,441	2,813
Preference shares (note 9)	32,593	32,593
Total capital resources	36,034	35,406

17. EQUITY DIVIDENDS

No equity dividend has been proposed by the Directors in respect of the year ended 31 December 2017 (year ended 31 December 2016: £nil).

18. RELATED-PARTY TRANSACTIONS

The tables below detail balances outstanding at the end of the year with related parties, and movements in these balances during the year.

	Intermediate Parent		Parent	
	31 December 2017 £'000	**31 December 2016 £'000**	**31 December 2017 £'000**	**31 December 2016 £'000**
Assets				
At the beginning of the year	113,828	113,682	-	-
Net amount advanced	93	146	-	-
At the end of the year	113,921	113,828	-	-
Interest income	3,774	3,827	-	-
Liabilities				
At the beginning of the year	6,722	3,373	70,000	70,000
Net amount advanced	210	3,349	-	-
At the end of the year	6,932	6,722	70,000	70,000

Related party balances consist of Loans and Advances to Banks, Other Assets, Amounts Due to Banks, Amounts Due to Parent and Other Liabilities. Details of these balances are outlined in Notes 7, 8, 10, 11 and 12. There are no provisions in respect of any failure, or anticipated failure, to repay any of the above loans or interest thereon.

There are no transactions with key management personnel of the Company during the current and preceding financial year.

19. CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise loans and advances to banks with original maturity of less than 3 months.

	31 December 2017 £'000	**31 December 2016 £'000**
Loans and advances to banks (note 7)	11,653	11,653

Loans and advances to banks have been made by the Company to ensure that it is in a position to meet its liabilities as they fall due, including future dividends to preference shareholders.

20. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events identified requiring disclosure prior to the approval of the financial statements.

21. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Bank of Ireland UK Holdings plc. The Company's Ultimate Parent Company and controlling party in previous years has been The Governor and Company of the Bank of Ireland. A corporate reorganisation of the Bank of Ireland Group was implemented by Scheme of Arrangement under the Companies Act 2014, which became effective on 7 July 2017 and which resulted in Bank of Ireland Group plc being introduced as the holding company of the Bank of Ireland Group and ultimate holding company of the Company.

These financial statements are included in the consolidated financial statements of The Bank of Ireland Group plc (the Ultimate Parent of the Bank of Ireland Group) and The Governor and Company of the Bank of Ireland (the Intermediate Parent).

A copy of the BoI Group financial statements for The Governor and Company of the Bank of Ireland may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4 or www.bankofireland.com.

A copy of the The Governor and Company of the Bank of Ireland may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4 or www.bankofireland.com.

Bristol & West plc	https://www.bankofirelanduk.com/bristol-west-plc
Registered in England:	Company number 2124201

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