Bristol & West plc

Annual Report for the year ended 31 December 2011

REGISTERED NUMBER 2124201

CONTENTS

The Directors present their Report and audited financial statements of Bristol & West plc (the 'Company') for the year ended 31 December 2011. A statement of Directors' Responsibilities is included on page 5.

These financial statements cover the twelve month period from 1 January 2011 to 31 December 2011, while the comparative period covers the nine month period from 1 April 2010 to 31 December 2010. As a result, the amounts presented in the financial statements are not entirely comparable.

Principal activities

The ultimate parent of the Company is The Governor and Company of the Bank of Ireland (the 'Bank'). On 1 October 2007, the business of Bristol & West plc, 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 Company continues to hold interest-bearing cash deposits with the BoI Group, in order to meet its liabilities, principally the payment of future preference share dividends.

Review of Business and Future Developments

Following the corporate restructure, the key performance indicator applied by management regarding the remaining activity 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 2011 £'000	**9 months ended 31 December 2010 £'000**
Interest income	4,015	2,979
Preference share dividends	(2,648)	(1,986)
	1,367	993

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

Results and dividends

For the year ended 31 December 2011, the Company made a profit before taxation of £1,779,000 (nine month period ended 31 December 2010: £1,212,000). The Statement of Comprehensive Income for the period is on page 8.

No dividend has been proposed by the Directors.

On 28 September 2009, the Directors declared an interim dividend of £79,718,000, which was paid on 26 May 2010.

The preference shares carry a coupon rate of 8.125% (see note 12).

Going Concern
The Company is dependent on the BoI Group funding its balance sheet and maintaining sufficient levels of capital. Having considered the key dependencies as outlined on page 12, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Risk Management
The Company's activity exposes it to a variety of 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
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 and fellow group companies. There is no significant credit risk exposure outside the BoI Group. The Directors monitor the ability of the BoI Group to meet its obligations.

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 BoI Group undertakings 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 BoI Group to provide interest free funding in order to meets its liabilities in the long term. The Directors monitor the ability of the BoI Group to support the funding requirements of the Company.

Interest Rate Risk
Cash flow interest rate risk is the risk that future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is mitigated on the fixed rate preference shares 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 interest rate risk.

People
The Company does not have any employees.

Charitable donations
For the year ended 31 December 2011, the Company made a charitable donation of £48,000 (nine month period ended 31 December 2010: £nil), principally for the benefit of local communities in which the Company operates.

Directors

The Board of Directors who served during the year ended 31 December 2011 and up to the date of signing the financial statements was:

Desmond E Crowley
David McGowan
John P O'Donovan (resigned 31 December 2011)
Mary E King
Stephen H Matchett
Andrew G Keating (appointed 1 June 2011)

Company Secretary

Richard Holden

Directors' Interests

There were no Directors with interests in the shares of the Company. The Company Secretary, Richard Holden, holds two nominee shares. The Company is a wholly owned subsidiary of Bank of Ireland UK Holdings plc. The Company's ultimate parent company and controlling party is The Governor and Company of the Bank of Ireland, a body corporate established in the Republic of Ireland. As such the Directors are not required to disclose their interest in shares in, or debentures of, that or any other body corporate incorporated outside of Great Britain.

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 2011 for the Company and other companies within the Bank of Ireland Group and this is still in force as at the date of approval of the financial statements.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions 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 EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' 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.

By order of the Board

Stephen Matchett
Director
30 April 2012

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted for use in 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 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 IFRSs as adopted by the European Union 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.

Provision of information to auditors
All the Directors at the time of approving this report confirm the following:

a) so far as the 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
A resolution concerning the reappointment of PricewaterhouseCoopers LLP will be submitted to the Annual General Meeting.

By order of the Board

Stephen Matchett
Director
30 April 2012

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

We have audited the financial statements of Bristol and West plc for the year ended 31 December 2011, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
30 April 2012

a) The maintenance and integrity of the Bristol and West plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 £'000	9 months ended 31 December 2010 £'000
Interest income	4	4,015	2,979
Interest expense	4	(3,698)	(1,986)
Net interest income		317	993
Other operating income	5	1,648	350
Total operating income		1,965	1,343
Other operating expenses	6	(186)	(131)
Profit for the period and total comprehensive income before taxation		1,779	1,212
Taxation	9	(878)	(2,084)
Profit / (loss) for the period and total comprehensive income		901	(872)

The notes on pages 12 to 31 are an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
Assets			
Loans and advances to banks	10	136,009	135,678
Other assets	11	5,167	864
Total Assets		141,176	136,542
Liabilities			
Preference shares	12	32,593	32,593
Amounts due to banks	13	14,044	14,931
Borrowed funds	14	70,568	70,568
Other liabilities	15	5,963	2,221
Current income tax liabilities		15,484	14,606
Total Liabilities		138,652	134,919
Equity			
Share capital	16	50	50
Retained earnings		2,474	1,573
Total Equity		2,524	1,623
Total Equity and Liabilities		141,176	136,542

The notes on pages 12 to 31 are an integral part of these Financial Statements.

The financial statements and accompanying notes on pages 12 to 31 were approved by the Board of Directors on 30 April 2012 and signed on its behalf by:

Stephen Matchett
Director

Company Registered Number 2124201

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2011

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2011		50	1,573	1,623
Profit for the year and total comprehensive income		-	901	901
Balance at 31 December 2011		50	2,474	2,524
Balance at 1 April 2010		50	82,163	82,213
Equity dividend paid	21	-	(79,718)	(79,718)
Loss for the period and total comprehensive income		-	(872)	(872)
Balance at 31 December 2010		50	1,573	1,623

The notes on pages 12 to 31 are an integral part of these Financial Statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Year ended 31 December 2011 £'000	Restated 9 months ended 31 December 2010 £'000
Cash flows from operating activities			
Profit before taxation		1,779	1,212
Unclaimed preference shares	5	(1,048)	-
Cash flows from operating activities before changes in operating assets and liabilities		731	1,212
Net change in loans and advances to banks	10	(331)	(4,081)
Net change in other assets	11	(4,303)	530
Net change in deposits from banks	13	(887)	14,931
Net change in borrowed funds	14	-	70,568
Net change in other liabilities	15	4,790	(686)
Net change in provisions		-	(516)
Net cash flow from operating assets and liabilities		(731)	80,746
Net cash flow from operating activities before taxation		-	81,958
Taxation refunded		-	1,168
Net cash flow from operating activities		-	83,126
Cash flow from financing activities			
Equity dividends paid	21	-	(79,718)
Net change in cash and cash equivalents		-	3,408
Opening cash and cash equivalents		16,876	13,468
Closing cash and cash equivalents	23	16,876	16,876

The notes on pages 12 to 31 are an integral part of these Financial Statements.

1. COMPARATIVE PERIOD

These financial statements cover the twelve month period from 1 January 2011 to 31 December 2011, while the comparative period covers the nine month period from 1 April 2010 to 31 December 2010. As a result, the amounts presented in the financial statements are not entirely comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The Company is incorporated and domiciled in the United Kingdom.

The financial statements comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

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 preparation of the accounts 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 period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out in note 3.

2.2 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 2011 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 Governor and Company of the Bank of Ireland. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Going concern (continued)

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

The Directors note that during 2011 there were a number of significant capital raising, deleveraging and funding transactions that address the capital position and enhance the liquidity position of the BoI Group. The BoI Group will continue to be dependent on Monetary Authorities for funding during the period of assessment. The BoI Group is satisfied however that, based on announcements from the European Central Bank (the 'ECB'), the European Commission, International Monetary Fund and the clarity of confirmations received from the Irish State authorities that, in all reasonable circumstances, the required liquidity from the ECB and the Central Bank of Ireland will be available to the BoI Group during the period of assessment.

On the basis of the above, the Court of Directors of The Governor and Company of the Bank of Ireland has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the BoI Group's ability to continue as a going concern over the period of assessment and that it is appropriate to prepare the financial statements on a going concern basis.

The audit report on the financial statements of the BoI Group 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 BoI Group to support the Company is satisfactorily addressed.

Considerations specific to Bristol & West plc

Profitability
The Company holds interest-bearing cash deposits in order to meet its liabilities, principally the payment of future preference share dividends. The Company continues to be profitable and to generate sufficient income to meet these obligations and to cover its costs. The Directors are satisfied that the Company will continue to 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 2011, the Company had total equity of £2,524,000, comprising share capital of £50,000 and retained earnings of £2,474,000. The Company has an interest free loan of £70,000,000 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 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. On 26 May 2010, the Company paid an interim dividend of £79,718,000 to the shareholder Bank of Ireland UK Holdings plc. At the same time, the Company received an interest free loan of £70,000,000 from its parent Bank of Ireland UK Holdings plc, and the Directors have obtained representation from the BoI Group that sufficient funds will be made available by the BoI Group to ensure the Company can meet its obligations as they fall due for the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Going concern (continued)

In the event of the loan being recalled by the parent, the Directors have noted the agreement in place between the Company and The Governor and Company of the Bank of Ireland to meet the financial obligations of the Company, and are satisfied that funding will be available from BoI Group.

The Company has placed the funds from its parent on perpetual deposit with The Governor and Company of the Bank of Ireland, and this deposit earns sufficient interest to meet its liabilities for the coming financial year.

Conclusion
On the basis of the above assessments regarding the Company's capital and liquidity requirements and its profitability, and given that the BoI Group financial statements 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.

2.3 Adoption of new and amended accounting standards

The following standards and amendments to standards have been adopted by the Company during the year ended 31 December 2011:

IAS 24 (Amendment) - 'Related Party Disclosures'
The amendment clarifies and simplifies the definition of a related party and removes the requirement on entities for whom the Government is a related party to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment has had no impact on the financial statements.

Improvements to IFRSs 2010
The 'Improvements to IFRSs 2010' standard amends 6 standards and 1 interpretation based on the exposure draft issued in August 2009. The improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. The changes have not had a material impact on the Company.

2.4 Comparatives

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

Cash and cash equivalents were restated following the reclassification of a balance held with the BoI Group of £1,840,000 to be consistent with the current year presentation.

2.5 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Interest Income and expense (continued)

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 financial 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 amounts paid or received by the Company that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a 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 purpose of measuring the impairment loss.

2.6 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.

2.7 Financial liabilities

Financial liabilities are initially recognised at fair value, (normally the issue proceeds, i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For liabilities carried at amortised cost, 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.

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

2.8 Current and deferred income tax

a) Current Income Tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period 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 can be 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Current and deferred income tax (continued)

b) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.9 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.

2.10 Share capital

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

2.11 Operating Segments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impact of new accounting standards

The following standards, interpretations and amendments to standards will be relevant to the Company but were not effective at 31 December 2011 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.

Pronouncement	**Nature of Change**	**Effective Date**	**Impact**
Amendment to IFRS 7 'Disclosures – Transfer of financial assets'	The amendment addresses disclosures required to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. The amendment is still subject to EU endorsement.	Financial periods beginning on or after 1 July 2011	Not significant
IAS 1, 'Presentation of financial statements'	The amendments to IAS 1, 'Presentation of Financial Statements' require companies to group together items within other comprehensive income (OCI) that may be reclassified to the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two separate statements. The amendments are still subject to EU endorsement.	Financial periods beginning on or after 1 July 2012	Not significant
IFRS 13, 'Fair Value Measurement'	These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', that clarify some of the requirement for offsetting financial assets and financial liabilities on the balance sheet. The IASB has also published an amendment to IFRS 7, 'Financial Instruments: Disclosures'. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The revised standards are still subject to EU endorsement.	Accounting periods starting on or after 1 January 2013	The Company is assessing the impact of adopting IFRS 13.
Amendments to IAS 32 and IFRS 7 'Financial Instruments' on Asset and Liability Offsetting	These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', that clarify some of the requirement for offsetting financial assets and financial liabilities on the balance sheet. The IASB has also published an amendment to IFRS 7, 'Financial Instruments: Disclosures'. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The revised standards are still subject to EU endorsement.	IFRS 7: Accounting periods starting on or after 1 January 2013 IAS 32: Accounting periods starting on or after 1 January 2014	The Company is assessing the impact of adopting the amendments to IAS 32 and IFRS 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impact of new accounting standards (continued)

Pronouncement	Nature of Change	Effective Date	Impact
IFRS 9, 'Financial instruments'	IFRS 9 is the standard which will replace IAS 39, 'Financial instruments: recognition and measurement'. The first stage of IFRS 9 dealt with the classification and measurement of financial assets and was issued in November 2009. An addition to IFRS 9 dealing with financial liabilities was issued in October 2010. The main changes from IAS 39 and the new concepts in IFRS 9 are summarised as follows: • The multiple classification model for financial assets in IAS 39 is replaced with a single model that has only two classification categories: amortised cost and fair value; • Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets; • The requirement to separate embedded derivatives from financial asset hosts is removed; • The cost exemption for unquoted equities is removed; • Most of IAS 39's requirements for financial liabilities are retained, including amortised cost accounting for most financial liabilities; • Guidance on separation of embedded derivatives will continue to apply to host contracts that are financial liabilities; • Fair value changes attributable to changes in own credit risk for financial liabilities designated under the fair value option other than loan commitments and financial guarantee contracts are required to be presented in the statement of other comprehensive income unless the treatment would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to the income statement but may be transferred within equity. The new standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2015	The Company is assessing the impact of adopting IFRS 9. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's ongoing financial instruments project.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

3.1 Income Taxation

The Company is subject to income taxation and significant judgement can be required in determining the provision for taxation. The ultimate taxation determination may be uncertain, in particular if taken to litigation, the outcome of which can be unpredictable. The Company recognises provisions for taxation based on estimates of the taxes that are likely to become due. There is a risk that the final taxation outcome could be significantly different from the amounts that are currently recorded and any such differences will impact the current income taxation and deferred taxation provisions in the period in which such outcome is determined.

4. INTEREST INCOME AND INTEREST EXPENSE

	Year ended 31 December 2011 £'000	9 months ended 31 December 2010 £'000
Interest Income		
Amounts due from parent and fellow Bank of Ireland Group companies	4,015	2,979
Interest Expense		
Preference share dividends	2,648	1,986
Unclaimed preference share dividends	(170)	-
Other	1,220	-
	3,698	1,986

Interest expense other for the year ended 31 December 2011 relates to non trading interest payable to a third party creditor.

5. OTHER OPERATING INCOME

	Year ended 31 December 2011 £'000	9 months ended 31 December 2010 £'000
Income from sale of unclaimed preference shares	1,048	-
Other income	600	-
Reversed provision	-	350
	1,648	350

Income from sale of unclaimed preference shares arose as follows:
Following Board approval in 2001, the Company was legally entitled to sell unclaimed preference shares originally issued in 1997. The sale proceeds amounted to £1,048,000. The time period during which the right to claim the preference shares has lapsed and the proceeds are recognised above in other operating income in the current year.

Other income for the year ended 31 December 2011 relates to fees paid which are now refundable.

Other operating income for the nine month period ended 31 December 2010 represents the release of a provision relating to a dispute with a creditor which was resolved in that period.

6. OTHER OPERATING EXPENSES

	Year ended 31 December 2011 £'000	9 months ended 31 December 2010 £'000
Legal and professional fees	138	131
Charitable donations	48	-
	186	131

For the year ended 31 December 2011, audit fees of £9,400 (nine month period ended 31 December 2010: £10,000) in respect of the Company were borne by the parent company.

7. DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments in respect of their services to the Company (nine month period ended 31 December 2010: £nil). The emoluments of the Directors of the Company are paid by the Bank. A copy of the Bank of Ireland Group financial statements may be obtained from Bank of Ireland, 40 Mespil Rd, Dublin 4 or www.bankofireland.com

8. STAFF COSTS

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

9. TAXATION

	Year ended 31 December 2011 £'000	9 months ended 31 December 2010 £'000
Current income tax:		
UK Corporation tax at 26.5% (2010: 28%)	1,128	798
Corporation tax adjustments in respect of prior years	(250)	1,188
	878	1,986
Deferred income tax:		
Current period – origination and reversal of temporary differences	-	98
Taxation charge	878	2,084

The reconciliation of tax on the profit before taxation at the standard UK corporation tax rate to the Company's actual tax charge for the year ended 31 December 2011 and nine month period ended 31 December 2010 is as follows:

	Year ended 31 December 2011 £'000	9 months ended 31 December 2010 £'000
Profit before tax	1,779	1,212
Tax calculated at a rate of 26.5% (2010: 28%)	471	339
Reversal of provision deductible for tax purposes	-	(98)
Preference share dividends not deductible for tax purposes	657	557
Deferred tax – origination and reversal of temporary differences	-	98
Adjustments in respect of prior years	(250)	1,188
Taxation charge	878	2,084

The UK Finance Act 2011 reduced the main rate of corporation tax from 28% to 26%, from 1 April 2011 (and not 27% as previously announced). This resulted in a composite rate of 26.5% for the year ended 31 December 2011.

In addition, the UK Finance Act 2011 enacted a reduced main rate of corporation tax of 25% to be effective from 1 April 2012. Subsequently, the UK Government announced on 21 March 2012 the intention to reduce the main rate of corporation tax to 24% from 1 April 2012 and by 1% per annum to 22% from 1 April 2014. As at 31 December 2011, the 24% rate was not substantively enacted. The proposed reductions in the main rate of corporation tax by 1% per annum to 22% by 1 April 2014 are to be enacted separately each year.

10. LOANS AND ADVANCES TO BANKS

	31 December 2011 £'000	31 December 2010 £'000
Due from parent and fellow Bank of Ireland Group companies and included in cash equivalents (note 23)	16,876	16,876
Due from parent and fellow Bank of Ireland Group companies	119,133	118,802
	136,009	135,678
Split out as follows:		
Perpetual deposit with interest rate of 5.5% maturing in October 2037	66,936	66,936
Rolling deposit with interest rate of 0.5% rolling quarterly	52,197	51,866
	119,133	118,802

Loans and advances to banks with a contractual maturity date of less than twelve months from the balance sheet date total £69,073,000 (31 December 2010: £68,742,000).

All amounts are unsecured.

11. OTHER ASSETS

	31 December 2011 £'000	31 December 2010 £'000
Amounts due from parent and fellow Bank of Ireland Group companies	4,092	391
Accrued interest receivable	475	473
Sundry receivables and other	600	-
	5,167	864

All balances within 'other assets' are due within one year at 31 December 2011 and at 31 December 2010.

12. PREFERENCE SHARES

	Rate %	31 December 2011 £'000	31 December 2010 £'000
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.

12. PREFERENCE SHARES (continued)

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.

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.

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.

13. AMOUNTS DUE TO BANKS

	31 December 2011 £'000	**31 December 2010 £'000**
Amounts due to parent and fellow Bank of Ireland Group companies	14,044	14,931

All amounts are non interest bearing, unsecured with no fixed repayment date.

14. BORROWED FUNDS

	31 December 2011 £'000	**31 December 2010 £'000**
Amounts due to parent and fellow Bank of Ireland Group companies	70,568	70,568

This amount includes an intercompany loan of £70,000,000 from the parent company Bank of Ireland UK Holdings plc. This interest free loan does not have a fixed term and is repayable on demand.

15. OTHER LIABILITIES

	31 December 2011 £'000	31 December 2010 £'000
Accrued interest payable	5,253	331
Proceeds from unclaimed preference shares (note 5)	-	1,048
Unclaimed preference share dividends	677	806
Other	33	36
	5,963	2,221

Included in accrued interest payable for the year ended 31 December 2011 is an amount of £4,921,000 relating to non trading interest payable to a third party creditor (31 December 2010: £nil). £3,701,000 is recoverable from a separate third party and the balance of £1,220,000 is recognised in the statement of comprehensive income in the current year.

The movement in unclaimed preference share dividends above represents the amount which can no longer be claimed and was recognised in the statement of comprehensive income in the current year.

All balances within 'other liabilities' are payable within one year at 31 December 2011 and at 31 December 2010.

16. SHARE CAPITAL

	31 December 2011 £'000	31 December 2010 £'000
Allotted and fully paid		
100,000 units of ordinary shares of £0.50 each	50	50

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

17. FINANCIAL RISK MANAGEMENT

Measurement basis of financial assets and liabilities

All financial assets are categorised as loans and receivables and are measured at amortised cost. All financial liabilities are measured at amortised cost.

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 2011 and 31 December 2010 are set out in the table below.

		31 December 2011		31 December 2010	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	(1)	136,009	133,035	135,678	99,418
Other assets	(3)	5,167	5,167	864	864
Total		141,176	138,202	136,542	100,282
Financial liabilities					
Preference shares	(2)	32,593	24,863	32,593	22,815
Amounts due to banks	(3)	14,044	14,044	14,931	14,931
Borrowed Funds	(3)	70,568	70,568	70,568	70,568
Other liabilities	(3)	5,963	5,963	2,221	2,221
Total		123,168	115,438	120,313	110,535

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.

2. Preference shares
   The fair value of these instruments are calculated based on quoted market prices where available.

3. The fair value of these financial instruments is equal to the carrying value. These instruments are non interest bearing and are repayable on demand.

17. FINANCIAL RISK MANAGEMENT (continued)

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 2011 and 31 December 2010 were denominated in sterling.

18. 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.

International Accounting Standard (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.

Maximum Exposure to credit risk (before collateral held or other credit enhancements)

The table below represents the maximum exposure to credit risk for financial assets with material credit risk at 31 December 2011 and 31 December 2010 taking no account of collateral or other credit enhancement held. Exposures are based on the net carrying amounts as reported in the balance sheet for on balance sheet assets. The following tables should be read in conjunction with the credit risk information outlined above.

	31 December 2011 £’000	31 December 2010 £’000
Loans and Receivables		
Loans and advances to banks	136,009	135,678
Other assets	5,167	864
Total maximum exposure	141,176	136,542

18. CREDIT RISK (Continued)

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 2011 £'000	31 December 2010 £'000
Loans and Receivables		
Neither past due nor impaired	140,576	136,542
Past due	600	-
Impaired	-	-
Total	141,176	136,542

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.

Financial assets past due but not impaired
The table below provides an aged analysis of loans and receivables 'past due but not impaired'.

	31 December 2011 £'000	31 December 2010 £'000
Loans and Receivables		
Past due more than 90 days	600	-
Total	600	-

Industry Analysis

	31 December 2011 £'000	31 December 2010 £'000
Loans and Receivables		
Financial Institutions	140,785	136,151
Other	391	391
Total	141,176	136,542

19. 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 2011 and 31 December 2010 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.

At 31 December 2011

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	14,044	-	-	-	-	14,044
Borrowed Funds	70,568	-	-	-	-	70,568
Total	84,612	-	2,648	10,592	32,593	130,445

At 31 December 2010

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	14,931(1)	-	-	-	-	14,931
Borrowed Funds	70,568(1)	-	-	-	-	70,568
Total	85,499	-	2,648	10,592	32,593	131,332

(1) A total amount of £85,499,000 has been reclassified into the 'demand' category from the 'over 5 years' category to reflect the contractual terms of the financial liabilities.

Interest cash flows are calculated at the fixed coupon rate of 8.125% per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year.

20. 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 whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the Central Bank 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 2011 £'000	31 December 2010 £'000
Equity	2,474	1,573
Preference shares (note 12)	32,593	32,593
Total capital resources	35,067	34,166

21. EQUITY DIVIDENDS

	31 December 2011 £'000	31 December 2010 £'000
Dividend Paid	-	79,718
	-	79,718

No dividend has been proposed by the Directors. On 28 September 2009, the Directors declared an interim dividend of £79,718,000 (dividend per unit of ordinary share £797.18) which was paid on 26 May 2010.

22. RELATED-PARTY TRANSACTIONS

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

Assets comprise loans and advances to banks (note 10) and other assets (note 11).

	Ultimate Parent		**Parent**		**Fellow BoI Group Undertakings**	
	31 December 2011 £'000	**31 December 2010 £'000**	**31 December 2011 £'000**	**31 December 2010 £'000**	**31 December 2011 £'000**	**31 December 2010 £'000**
Assets						
At the beginning of the period	136,151	129,192[1]	287	287	104	104[3]
Net amount (repaid)/advanced	333	6,959	-	-	3,701	-
At the end of the period	136,484	136,151[1]	287	287	3,805	104
Interest income	4,015	2,979	-	-	-	-
Liabilities						
At the beginning of the period	14,931	2,851[2]	70,000	-	568	568
Net amount (repaid)/advanced	(887)	12,080	-	70,000	-	-
At the end of the period	14,044	14,931[2]	70,000	70,000	568	568

Balances with the ultimate parent have been classified in the 'ultimate parent' category in the table above. The comparative information has been reclassified on this basis which involved reclassifying:

(1) £129,192,000 into the ultimate parent category from the parent category at the beginning of the comparative period and £136,151,000 at the end of the comparative period;

(2) £2,851,000 into the ultimate parent category from the fellow BoI Group undertakings category at the beginning of the comparative period and £14,931,000 at the end of the comparative period; and

(3) £104,000 into the fellow BoI Group undertaking from the parent category at the beginning of the comparative period.

On 26 May 2010, the Company received an intercompany loan of £70,000,000 from its parent Bank of Ireland UK Holdings plc. This interest free loan does not have a fixed term and is repayable on demand.

23. 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 2011 £'000	31 December 2010 £'000
Loans and advances to banks (note 10)	16,876	16,876

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.

24. 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 is The Governor and Company of the Bank of Ireland. The Bank is a corporation established in Ireland in 1783 under Royal Charter with a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

These financial statements are included in the consolidated accounts of The Governor and Company of the Bank of Ireland (the ultimate parent of the Bank of Ireland Group) and Bank of Ireland UK Holdings plc (the Company's parent).

A copy of the Group accounts 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.

Bristol & West plc

http://www.bristol-west.co.uk/bwplc

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