Bristol & West plc

Annual Report for the year ended 31 December 2012

BRISTOL & WEST

REGISTERED NUMBER 2124201

CONTENTS

	PAGE
DIRECTORS’ REPORT	2
STATEMENT OF DIRECTORS’ RESPONSIBILITIES	6
INDEPENDENT AUDITORS’ REPORT	7
STATEMENT OF COMPREHENSIVE INCOME	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
CASH FLOW STATEMENT	12
NOTES TO THE FINANCIAL STATEMENTS	13

DIRECTORS' REPORT

The Directors present their Report and audited financial statements of Bristol & West plc (the 'Company') for the year ended 31 December 2012. A Statement of Directors' Responsibilities is included on page 6.

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 Governor and Company of the Bank of Ireland (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 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. These preference shares are listed on the London Stock Exchange.

Review of Business and Future Developments

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 2012 £'000	**Year ended 31 December 2011 £'000**
Interest income	4,011	4,015
Preference share dividends	(2,648)	(2,648)
	1,363	1,367

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

Results and Dividends

For the year ended 31 December 2012, the Company made a profit before taxation of £368,000 (31 December 2011: £1,779,000) which after a taxation charge of £1,716,000 (year ended 31 December 2011: £878,000) resulted in a loss for the year of £1,348,000 (year ended 31 December 2011: profit £901,000). The Statement of Comprehensive Income for the year is on page 9.

No ordinary share dividend has been proposed by the Directors (2011: £nil).

The preference shares carry a mandatory 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.

Post Balance Sheet Events

On 8 April 2013 an adverse court judgment was issued in relation to a tax dispute involving the Company. After taking into account available group relief (see note 8), full provision has been made in these accounts for the extra tax and interest arising to the Company as set out in note 24 of the financial statements.

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 13, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

The business of the Company was transferred to other statutory entities within the BoI Group on 1 October 2007. As the Company is a statutory entity within the BOI Group it is subject to the BOI Group's Corporate Governance framework. The BOI Group's Corporate Governance Statement is available at www.bankofireland.com.

A key objective of 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 Risk Management section below.

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

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 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.

Employees

The Company had no employees during the current or preceding financial years. All services the Company require are provided by BoI Group companies at no cost.

Charitable and Political Donations

The Company made no charitable donation in the year ended 31 December 2012. For the year ended 31 December 2011, the Company made a charitable donation of £48,000, principally for the benefit of local communities in which the Company operates.

No political donation was made during the year ended 31 December 2012 or in the previous year ended 31 December 2011.

Directors

The Directors who served during the year ended 31 December 2012 and up to the date of signing the financial statements were:

Desmond E Crowley
David McGowan
Mary E King
Stephen H Matchett
Andrew G Keating

Company Secretary

Richard Holden (resigned 16 November 2012)
Hill Wilson Secretarial Limited (appointed 16 November 2012)

Directors' Interests

There were no Directors with interests in the shares of the Company. Richard Holden, who resigned as Company Secretary on 16 November 2012, holds two nominee shares in the 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, 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 2012 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 European Union, give a true and fair view of the assets, liabilities, financial position and loss 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

Mary King
Director
26 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 year. Under that law the Directors have prepared the financial statements in accordance with IFRS and IFRS 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 the year.

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

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

Mary King
Director
26 April 2013

Independent Auditors' Report to the Members of Bristol & West Plc

We have audited the financial statements of Bristol & West Plc for the year ended 31 December 2012 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 6, 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 2012 and of its result 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
26 April 2013

a) The maintenance and integrity of the Bristol & 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 2012

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest income	3	4,011	4,015
Interest expense	3	(4,241)	(3,698)
Net interest income		(230)	317
Other operating income	4	904	1,648
Total operating income		674	1,965
Other operating expenses	5	(306)	(186)
Profit for the year and total comprehensive income before taxation		368	1,779
Taxation	8	(1,716)	(878)
(Loss) / profit for the year and total comprehensive income		(1,348)	901

The notes on pages 13 to 34 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	31 December 2012 £'000	31 December 2011 £'000
Assets			
Loans and advances to banks	9	141,743	136,009
Other assets	10	865	5,167
Total Assets		142,608	141,176
Liabilities			
Preference shares	11	32,593	32,593
Amounts due to banks	12	17,435	14,044
Borrowed funds	13	70,568	70,568
Other liabilities	14	7,754	5,963
Current tax liabilities		13,082	15,484
Total Liabilities		141,432	138,652
Equity			
Share capital	15	50	50
Retained earnings		1,126	2,474
Total Equity		1,176	2,524
Total Equity and Liabilities		142,608	141,176

The notes on pages 13 to 34 are an integral part of these financial statements.

The financial statements and accompanying notes on pages 13 to 34 were approved by the Board of Directors on 26 April 2013 and signed on its behalf by:

Mary King
Director

Company Registered Number 2124201

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2012

	Year ended 31 December 2012	**Year ended 31 December 2011**
	£'000	**£'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	2,474	1,573
(Loss) / profit for the year and total comprehensive income	(1,348)	901
Balance at the end of the year	1,126	2,474
Total Equity	1,176	2,524

The notes on pages 13 to 34 are an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Cash flows from operating activities			
Profit before taxation		368	1,779
Unclaimed preference shares	4	-	(1,048)
Cash flows from operating activities before changes in operating assets and liabilities		368	731
Net change in loans and advances to banks	9	(329)	(331)
Net change in other assets	10	4,302	(4,303)
Net change in amounts due to banks	12	3,391	(887)
Net change in other liabilities	14	1,791	4,790
Net cash flow from operating assets and liabilities		9,155	(731)
Net cash flow from operating activities before taxation		9,523	-
Taxation paid		(4,118)	-
Net cash flow from operating activities		5,405	-
Net change in cash and cash equivalents		5,405	-
Opening cash and cash equivalents		16,876	16,876
Closing cash and cash equivalents	22	22,281	16,876

The notes on pages 13 to 34 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 and related notes.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS 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 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 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 2.

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 2012 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.

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

The Directors note that during 2012 there were a number of significant capital, deleveraging and funding transactions that have enhanced the capital and liquidity position of the BoI Group. The BoI Group will continue to require access to the Monetary Authorities for funding during the period of assessment. The BoI Group is satisfied however that based on announcements and the clarity of confirmations received from relevant authorities that, in all reasonable circumstances, the required liquidity and funding from the European Central Bank (ECB) and Central Bank of Ireland will be available 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 about 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 for the year ended 31 December 2012 (signed on 1 March 2013) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Going concern (continued)

Considerations specific to Bristol & West plc

Profitability
The Company's loss after taxation of £1,348,000 for the year ended 31 December 2012 is primarily due to adjustments to the tax charge in respect of prior years and which are not expected to recur. 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 2012, the Company made a profit before taxation of £368,000 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 2012, the Company has total equity of £1,176,000, comprising share capital of £50,000 and retained earnings of £1,126,000. 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 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 £70,000,000 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.

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, and given that the BoI Group financial statements for the year ended 31 December 2012 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 following amendments to standards have been adopted by the Company during the year ended 31 December 2012:

IFRS 7 (Amendment) - 'Disclosures – Transfer of financial assets'
This amendment requires additional disclosure in relation to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party — for example, on the legal sale of a bond. Alternatively, a transfer takes place when the entity retains the contractual rights of the financial asset but assumes a contractual obligation to pay the cash flows on to another party, as is often the case when factoring trade receivables. The adoption of this amendment has had no impact on the financial statements.

IAS 12 (Amendment) – 'Income taxes'
The amendment introduces an exception to the existing principle for the measurement of the deferred tax asset or liability arising on investment property measured at fair value. The adoption of this amendment has had no impact on the financial statements.

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 period.

1.5 Interest income and expense

Interest income and expense are recognised in the Income Statement for 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Financial assets (continued)

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 on initial recognition. 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.

1.7 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 income statement 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.

1.8 Valuation of financial instruments

Financial assets and financial liabilities are initially measured at fair value. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction.

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 Income Statement 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 Income Statement 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 16, 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

Assets carried at amortised cost
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) deterioration of the borrower’s competitive position;
(v) deterioration in the value of collateral;
(vi) external rating downgrade below an acceptable level; and
(vii) 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 income statement. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Impairment of financial assets (continued)

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 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 income statement.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the income statement.

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 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 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 period in which a written resolution has been passed.

1.13 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 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 2012 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
Amendments to 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 amendment was endorsed by the EU on 5 June 2012.	Financial periods beginning on or after 1 July 2012	Not significant
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 were endorsed by the EU on 13 December 2012.	IFRS 7: Financial periods starting on or after 1 January 2013 IAS 32: Financial periods starting on or after 1 January 2014	Not significant
IAS 27 (revised) 'Separate Financial Statements'	IAS 27 (revised) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The revised standard was endorsed by the EU on 11 December 2012.	Financial periods starting on or after 1 January 2013.	Not significant
Improvements to IFRSs (2009 – 2011)	The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs The amendments are subject to EU endorsement.	Financial periods starting on or after 1 January 2013	Not significant

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Impact of new accounting standards (continued)

Pronouncement	**Nature of Change**	**Effective Date**	**Impact**
IFRS 11, 'Joint arrangements'	IFRS 11 supersedes IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. IFRS 11 requires the use of the equity method of accounting for joint arrangements by eliminating the option to use the proportionate consolidation method, which is not applied by the Group. The new standard was endorsed by the EU on 11 December 2012.	Financial periods starting on or after 1 January 2013	Not significant
IFRS 12, 'Disclosures of Interests in Other Entities'	IFRS 12 establishes the provision of information on the nature, associated risks, and financial effects of interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, as disclosure objectives. IFRS 12 requires more comprehensive disclosure, and specifies minimum disclosures that an entity must provide to meet the disclosure objectives. While each of the standards is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted as long as each of the other standards is also early applied, entities are permitted to include any of the disclosure requirements in IFRS 12 into their consolidated financial statements without early adopting IFRS 12. The new standard was endorsed by the EU on 11 December 2012.	Financial periods starting on or after 1 January 2013.	No financial impact Additional disclosures will be presented 31 December 2013 in line with requirements
IFRS 13, 'Fair Value Measurement'	In May 2011, the IASB issued IFRS 13, 'Fair Value Measurement' which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 provides a revised definition of fair value and guidance on how it should be applied where its use is already required or permitted by other standards within IFRS and introduces more comprehensive disclosure requirements on fair value measurement. The new standard was endorsed by the EU on 11 December 2012.	Financial periods starting on or after 1 January 2013	Not significant

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Impact of new accounting standards (continued)

Pronouncement	Nature of Change	Effective Date	Impact
IFRS 9, 'Financial instruments'	IFRS 9 is the first step in the process to 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 are summarised as follows: • The multiple classification model 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 financial instruments project.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

2.1 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 in the period in which such outcome is determined.

3. INTEREST INCOME AND INTEREST EXPENSE

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest Income		
Amounts due from parent and fellow Bank of Ireland Group companies	4,011	4,015
Interest Expense		
Preference share dividends	2,648	2,648
Unclaimed preference share dividends	(98)	(170)
Other	1,691	1,220
	4,241	3,698

Interest expense other relates to non trading interest payable to a third party creditor.

4. OTHER OPERATING INCOME

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Other income	904	600
Income from sale of unclaimed preference shares	-	1,048
	904	1,648

Other income relates to fees paid which were refundable.

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 lapsed and the proceeds were recognised above in other operating income in the year ended 31 December 2011.

5. OTHER OPERATING EXPENSES

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Legal and professional fees	306	138
Charitable donations	-	48
	306	186

For the year ended 31 December 2012, audit fees of £9,000 (31 December 2011: £9,400) in respect of the Company were borne by the parent company.

6. DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments in respect of their services to the Company (31 December 2011: £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 Road, Dublin 4 or www.bankofireland.com.

7. STAFF COSTS

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

8. TAXATION

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax:		
Corporation tax at 24.5% (2011: 26.5%)	-	1,128
Adjustments in respect of prior years	1,716	(250)
	1,716	878

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 years ended 31 December 2012 and 31 December 2011 is as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit before tax	368	1,779
Tax calculated at a rate of 24.5% (2011: 26.5%)	90	471
Preference share dividends not deductible for tax purposes	625	657
Group relief at no cost – current year	(715)	-
Group relief at no cost – prior year	(21,481)	-
Adjustments in respect of prior year	23,197	(250)
Taxation charge	1,716	878

The adjustments in respect of prior years relate to revisions to the expected outcome of certain historic transactions (note 24).

The UK Government announced that the main rate of corporation tax would reduce to 24% from 1 April 2012 (and not 25% as previously announced) to be followed by further reductions to 20% for the year beginning 1 April 2015. This resulted in a composite rate of 24.5% for the year ended 31 December 2012.

The reduction in the corporation tax rate to 23% from 1 April 2013 was substantively enacted at the balance sheet date. The proposed reduction in the corporation tax rate to 21% by 1 April 2014 and to 20% from 1 April 2015 has yet to be enacted.

9. LOANS AND ADVANCES TO BANKS

	31 December 2012 £'000	31 December 2011 £'000
Due from parent and fellow Bank of Ireland Group companies and included in cash equivalents (note 22)	22,281	16,876
Due from parent and fellow Bank of Ireland Group companies	119,462	119,133
	141,743	136,009
Split out as follows:		
Perpetual deposit with interest rate of 5.5%	66,936	66,936
Rolling deposit with interest rate of 0.5% rolling quarterly	52,526	52,197
	119,462	119,133

Loans and advances to banks with a contractual maturity date of less than twelve months from the balance sheet date total £74,807,000 (31 December 2011: £69,073,000).

All amounts are unsecured.

10. OTHER ASSETS

	31 December 2012 £'000	31 December 2011 £'000
Amounts due from parent and fellow Bank of Ireland Group companies	391	4,092
Accrued interest receivable	474	475
Sundry receivables and other	-	600
	865	5,167

During the year ended 31 December 2012, £3,701,000 was received by the Company from a fellow Bank of Ireland Group company in respect of a liability payable to a third party creditor.

All balances within 'other assets' are due within one year at the balance sheet date.

11. PREFERENCE SHARES

	Rate %	31 December 2012 £'000	31 December 2011 £'000
32,593,000 (2011: 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.

11. 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.

12. AMOUNTS DUE TO BANKS

	31 December 2012 £'000	31 December 2011 £'000
Amounts due to parent and fellow Bank of Ireland Group companies	17,435	14,044

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

13. BORROWED FUNDS

	31 December 2012 £'000	31 December 2011 £'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.

14. OTHER LIABILITIES

	31 December 2012 £'000	31 December 2011 £'000
Accrued interest payable	7,142	5,253
Unclaimed preference share dividends	579	677
Other	33	33
	7,754	5,963

Included in accrued interest payable is an amount of £6,811,000 relating to non trading interest payable to a third party creditor (31 December 2011: £4,921,000). During the year ended 31 December 2012, £3,900,000 was received by the Company from a fellow Bank of Ireland Group company (31 December 2011: amount receivable £3,701,000). The balance of £2,911,000 consists of £1,691,000 recognised in the Statement of Comprehensive Income in the current year and £1,220,000 recognised in the year ended 31 December 2011.

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 2012 and at 31 December 2011.

15. SHARE CAPITAL

	31 December 2012 £'000	31 December 2011 £'000
Allotted and fully paid		
100,000 (2011: 100,000) units of ordinary shares of £0.50 each	50	50

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

16. 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 2012 and 31 December 2011 are set out in the table below.

		31 December 2012		31 December 2011	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	(1)	141,743	130,667	136,009	133,035
Other assets	(2)	865	865	5,167	5,167
Total		142,608	131,532	141,176	138,202
Financial liabilities					
Preference shares	(3)	32,593	32,822	32,593	24,863
Amounts due to banks	(2)	17,435	17,435	14,044	14,044
Borrowed Funds	(2)	70,568	70,568	70,568	70,568
Other liabilities	(2)	7,393	7,393	5,963	5,963
Total		127,989	128,218	123,168	115,438

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

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

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 2012 and 31 December 2011 were denominated in sterling.

17. 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 2012 and 31 December 2011 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 2012 £'000	**31 December 2011 £'000**
Loans and Receivables		
Loans and advances to banks	141,743	136,009
Other assets	865	5,167
Total maximum exposure	142,608	141,176

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 2012 £'000	**31 December 2011 £'000**
Loans and Receivables		
Neither past due nor impaired	142,608	140,576
Past due but not impaired	-	600
Impaired	-	-
Total	142,608	141,176

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.

17. CREDIT RISK (continued)

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 2012 £’000	31 December 2011 £’000
Loans and Receivables		
Past due more than 90 days	-	600
Total	-	600

Industry Analysis

	31 December 2012 £’000	31 December 2011 £’000
Loans and Receivables		
Financial Institutions	142,217	140,785
Other	391	391
Total	142,608	141,176

18. 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 2012 and 31 December 2011 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 2012

Liabilities	**Demand**	**Up to 3 months but not demand**	**3-12 months**	**1- 5 years**	**Over 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Preference shares	-	-	2,648	10,592	32,593	45,833
Amounts due to banks	17,435	-	-	-	-	17,435
Borrowed funds	70,568	-	-	-	-	70,568
Other liabilities	7,062	-	331	-	-	7,393
Total	95,065	-	2,979	10,592	32,593	141,229

At 31 December 2011

Liabilities	**Demand**	**Up to 3 months but not demand**	**3-12 months**	**1- 5 years**	**Over 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'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
Other liabilities	5,631	-	332	-	-	5,963
Total	90,243	-	2,980	10,592	32,593	136,408

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.

19. 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 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 2012 £'000	**31 December 2011 £'000**
Equity	1,176	2,524
Preference shares (note 11)	32,593	32,593
Total capital resources	33,769	35,117

20. EQUITY DIVIDENDS

No equity dividend has been proposed by the Directors in respect of the year ended 31 December 2012 (year ended 31 December 2011: £nil).

21. 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.

Assets comprise loans and advances to banks (note 9) and other assets (note 10). Liabilities comprise amounts due to banks (note 12) and borrowed funds (note 13).

	Ultimate Parent		Parent		Fellow BoI Group Undertakings	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Assets						
At the beginning of the year	136,484	136,151	287	287	3,805	104
Net amount advanced/(repaid)	5,733	333	104	-	(3,805)	3,701
At the end of the year	142,217	136,484	391	287	-	3,805
Interest income	4,011	4,015	-	-	-	-
Liabilities						
At the beginning of the year	14,044	14,931	70,000	70,000	568	568
Net amount advanced/(repaid)	3,391	(887)	-	-	-	-
At the end of the year	17,435	14,044	70,000	70,000	568	568

Taxation

Group relief was surrendered for no payment as per note 8.

22. 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 2012 £'000	31 December 2011 £'000
Loans and advances to banks (note 9)	22,281	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.

23. 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 financial statements 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 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.

Bristol & West plc	http://www.bristol-west.co.uk/bwplc
Registered in England:	Company number 2124201
Registered office: One Temple Back East Temple Quay Bristol BS1 6DX	Tel: 0117 979 2222 Fax: 0117 929 3787

24. POST BALANCE SHEET EVENTS

On 8 April an adverse court judgment was issued in relation to a tax dispute involving the Company. After taking into account available group relief (see note 8), full provision has been made in these accounts for the extra tax and interest arising to the Company.