

Bristol & West plc

Report and Financial Statements for the Year ended 31 March 2010

REGISTERED NUMBER 2124201



BRISTOL & WEST PLC

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BRISTOL & WEST PLC

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Bristol & West plc (the 'Company') for the financial year ended 31 March 2010. A statement of Directors' Responsibilities is included on page 4.

In accordance with Section 400 of the Companies Act 2006, following the disposal by the Company on 1 October 2007 of all its subsidiaries to its parent Company Bank of Ireland UK Holdings plc, these financial statements are prepared only for Bristol & West plc.

Principal activities

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 Company continues to hold interest-bearing cash deposits 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.

Results and dividends

The Company made a profit before taxation of £1.4m (2009: £3.3m). The Income Statement for the year can be seen on page 7.

An interim dividend of £79,718,000 was declared on 28th September 2009 (2009: £7,000,000). This dividend remained unpaid at 31st March 2010, but was paid on 26th May 2010.

The preference shares carry a coupon rate of 8.125% (see Note 11).

Going Concern

The Company is dependent on the Bank of Ireland Group funding its balance sheet and maintaining sufficient levels of capital. Having reviewed the Bank of Ireland Group's projections of its funding and capital position, and considering the key dependencies as outlined on page 11, the Directors consider it appropriate to continue to adopt the going concern basis in preparing annual accounts.

Risk Management

The Company's activities expose it to a variety of financial risks that include changes in the 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 arises because the Company's customers, clients or counterparties may not be able or willing to fulfil their contractual obligations under loan agreements or other credit facilities. The financial assets in the Company comprise of amounts placed on deposit with other Bank of Ireland Group Entities. As a result, the Company does not incur credit risk from external lending activities.

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 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.

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DIRECTORS' REPORT

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 managed by using fixed rate preference shares and deposits. The one deposit with a variable interest rate is deemed to have a limited risk.

People

The Company does not have any employees.

Events after the Balance Sheet Date

On 28th September 2009, after due consideration of the Company's financial position, the Directors concluded that it would be in the interests of the Company and its shareholders to declare an interim dividend of £79,718,000 to the shareholder, Bank of Ireland UK Holdings plc - this amount being paid on 26th May 2010. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 March 2011.

The Company received an injection of £70m from the parent Bank of Ireland UK Holdings plc following the dividend payment. The loan is interest free and does not have a fixed term.

Charitable donations

The Company made no charitable or political donations in the year ended 31 March 2010 (2009: £nil).

Board of Directors who served during the year and up to the date of signing the financial statements

Desmond E Crowley – Executive Director (appointed Chairman 28 July 2009)

David McGowan – Executive Director

John O'Donovan – Non Executive Director

Mary E King – Executive Director (appointed 25/11/09)

Stephen H Matchett – Executive Director (appointed 25/11/09)

Richard M Brown – Executive Director (resigned 25/11/09)

Kieran Coleman – Executive Director (resigned 25/11/09)

Peter F Morris – Executive Director (resigned 3/7/09)

Company Secretary

Richard Holden

Directors' Interests

There were no Directors with interests in the shares of the Company. The Company is a wholly owned subsidiary of The Governor and Company of Bank of Ireland, a body corporate incorporated outside the United Kingdom. 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' 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 and the group, together with a description of the principal risks and uncertainties that they face.

BRISTOL & WEST PLC

DIRECTORS' REPORT

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 IFRSs as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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;
- 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.

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) he has taken all the steps that he ought to have taken as a director in order to make himself 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.

Signed by order of the Board

Stephen Matchett
Director
28 July 2010

BRISTOL & WEST PLC

INDEPENDENT AUDITORS' REPORT

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 March 2010 which comprise the Income Statement, Balance Sheet, Cashflow Statement, Statement of Changes in Equity 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 on page 4, 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 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.

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 March 2010 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.

BRISTOL & WEST PLC

INDEPENDENT AUDITORS' REPORT

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.

Craig Gentle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Notes:

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

BRISTOL & WEST PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £m	2009 £m
Interest and similar income	3	3.9	6.0
Interest expense and similar charges	3	<u>(2.6)</u>	<u>(2.6)</u>
Net interest income		1.3	3.4
Other income		0.1	-
Other operating expenses	4	<u>-</u>	<u>(0.1)</u>
Profit before taxation		1.4	3.3
Taxation	7	<u>(0.8)</u>	<u>(1.7)</u>
Profit for the financial year		<u>0.6</u>	<u>1.6</u>

There were no gains or losses other than those recognised through the Income Statement during 2010 and 2009; as such a Statement of Other Comprehensive Income is not presented.

The notes on pages 11 to 25 are an integral part of these financial statements.

BRISTOL & WEST PLC

BALANCE SHEET AS AT 31 MARCH 2010

	Note	2010 £m	2009 £m
ASSETS			
Loans and advances to banks	8	128.2	126.5
Deferred income tax asset	9	0.1	0.1
Other assets	10	1.4	1.4
TOTAL ASSETS		<u>129.7</u>	<u>128.0</u>
LIABILITIES			
Other borrowed funds	11	32.6	32.6
Other liabilities	12	2.9	2.9
Provisions	13	0.5	0.6
Current income tax liabilities		11.5	10.3
TOTAL LIABILITIES		<u>47.5</u>	<u>46.4</u>
EQUITY			
Share capital	14	0.1	0.1
Retained earnings		82.1	81.5
TOTAL EQUITY		<u>82.2</u>	<u>81.6</u>
TOTAL EQUITY AND LIABILITIES		<u>129.7</u>	<u>128.0</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements and accompanying notes on pages 11 to 25 were approved by the Board of Directors on 28 July 2010 and signed on its behalf by:

Stephen Matchett

BRISTOL & WEST PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £m	2009 £m
Net cash flow from operating activities			
Profit before tax		1.4	3.3
Adjusted for non cash items		-	-
Changes in operating assets and liabilities			
Loans and advances to banks		1.2	5.0
Provisions		(0.1)	(0.1)
Other liabilities			0.1
		<u>2.5</u>	<u>8.3</u>
Taxes paid		0.4	0.9
		<u>2.9</u>	<u>9.2</u>
Net cash generated from operating activities		<u>2.9</u>	<u>9.2</u>
Cash flows from financing activities			
Equity dividends paid		-	(7.0)
Net cash used in financing activities		<u>-</u>	<u>(7.0)</u>
Net increase in cash and cash equivalents		2.9	2.2
Opening cash and cash equivalents		<u>10.6</u>	<u>8.4</u>
Closing cash and cash equivalents	18	<u>13.5</u>	<u>10.6</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

BRISTOL & WEST PLC

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital £m	Retained Earnings £m	Total Equity £m
Balance at 1 April 2008		0.1	86.9	87.0
Profit for the year		-	1.6	1.6
Equity dividends paid	18	-	(7.0)	(7.0)
Balance at 31 March 2009		<u>0.1</u>	<u>81.5</u>	<u>81.6</u>
Changes in Equity for 2009/10				
Profit for the year		-	0.6	0.6
Equity dividends paid	18	-	-	-
Balance at 31 March 2010		<u>0.1</u>	<u>82.1</u>	<u>82.2</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of presentation

Bristol & West plc (the 'Company') is a company incorporated and resident in the UK.

The principle 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 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 as modified to include the re-valuation of certain financial instruments and land and buildings.

The accounts are drawn up in GBP millions except where otherwise indicated.

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.

Going Concern

The Company paid a dividend of £79.7m on the 26th May 2010 to the shareholder Bank of Ireland UK Holdings plc, at the same time the Company received an injection of £70m from the parent Bank of Ireland UK Holdings plc. This loan does not have a fixed term and the directors do not anticipate that this loan will be called in the future. The Company is a direct subsidiary of Bank of Ireland UK Holdings plc and part of the Bank of Ireland Group.

A number of risk factors including credit, liquidity, market, insurance, pension, operational, legal and regulatory risk impact on Bank of Ireland Group's activities. The continuing global financial difficulties and the significantly deteriorated economic environments in which Bank of Ireland Group operates have increased the pressure on the Group as to how these risk factors are managed. In preparing the Bank of Ireland Group financial statements for the period ended 31 December 2009, as filed in the Bank of Ireland Group's 20-F return to the SEC on 14 June 2010, the Group's Directors reviewed these risk factors and all relevant information to assess the Group's ability to continue as a going concern. This review included consideration of the impact of the economic factors affecting the Bank of Ireland Group and the industry, the liquidity position, the ability to access funds in the wholesale money markets (including the ability to use assets as collateral to raise funds) and the Bank of Ireland Group's participation in the National Asset Management Agency (NAMA). The Group Directors reviewed the Bank of Ireland Group's business plan for 2010 and 2011 which incorporates its funding plan and the remedies expected under the EU restructuring plan for Bank of Ireland Group and considered the critical assumptions underpinning this plan and tested them under stressed conditions. Following completion of a Prudential Capital Assessment Review, the Financial Regulator in the Republic of Ireland determined that the Bank of Ireland Group was required to raise €2.7 billion in capital by 31 December 2010. This was consistent with the Bank of Ireland Group's previously held views. Bank of Ireland Group completed a capital raising exercise on 8 June 2010 which resulted in Bank of Ireland Group increasing its Equity Tier 1 Capital by €2.9 billion.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Bank of Ireland Group's Directors also took into account measures introduced by the Irish Government to improve liquidity, including the enhanced customer deposit protection scheme, the Credit Institutions (Financial Support) scheme ("CIFS"), introduced by the Irish Government in September 2008, and the Credit Institutions Eligible Liabilities Guarantee Scheme (the "ELG Scheme") introduced by the Irish Government in December 2009 and the extension announced to these schemes on 29 June 2010. In concluding on the going concern basis the Bank of Ireland Group's took into account the CIFS scheme, the ELG Scheme, the Irish Government's investment in Bank of Ireland Preference Stock, the Bank of Ireland Group's ability to use assets as collateral to Monetary Authority Liquidity Support Schemes, the impact of the Bank of Ireland Groups participation in NAMA and the Irish Government's acknowledgement of Bank of Ireland Group's systemic importance to the Irish economy as a whole and its continued support. As part of the capital raising referred to above, the Irish Government has converted 1,036,000,000 units of 2009 preference stock into ordinary equity. In addition, on 14 June the Irish Government exercised its right under the fully underwritten rights issue to convert €627 million worth of preference shares into units of ordinary shares.

Based on projections prepared by management of the Company which take into account Bank of Ireland Group's ability to fund in the market, the stability of its deposit base, and continued access to Monetary Authority liquidity support schemes, the Directors of the Company are satisfied that the Group has adequate resources, both capital and funding to continue in business for the foreseeable future. Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

1.2 Foreign currency translation

The Company held no foreign currency balances at 31 March 2010.

1.3 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 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 overall return, 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**1.4 Financial assets**

The Company's financial assets, consist solely of inter company balances, that are designated as loans and advances to banks. Management determines the classification of its financial assets at initial recognition.

1.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise loans and advances to banks repayable within three months

1.6 Provisions

Provisions are recognised by the Company when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.7 Current and 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 substantially 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.

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.

1.8 Financial liabilities

Preference shares, which carry a mandatory coupon, are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities are measured at either amortised cost or fair value through profit and loss. 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.

1.9 Share capital

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which they are paid.

1.10 Impact of new accounting standards

The following standards / amendments to standards have been adopted by the Company during the year ended 31 March 2010:

IAS 39 (Amendment) – Eligible Hedged Items, ‘Financial Instruments: Recognition and Measurement’.
This amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portions of cash flows is eligible for designation as a hedged item or items should be applied. The effective date was from 1 July 2009, and there was no impact to the Company.

IAS 1 (Revised) – ‘Presentation of financial statements’.

The revised standard amends the requirements for the presentation, structure and content of the financial statements. In accordance with the revised standard the Company has decided to present all items of income and expense in two separate statements, an income statement and a statement of other comprehensive income. The revised standard requires that all changes in equity arising from transactions with owners in their capacity as owners be presented separately from non-owner changes in equity, in the statement of changes in equity. The adoption of the revised standard does not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

IFRS 7 (Amendment), ‘Financial Instruments: Disclosure’

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires classification of the fair value of those financial instruments which are measured on the balance sheet at fair value using a three-level fair value hierarchy.

Forthcoming accounting standards have been reviewed and no significant impact is anticipated for the Company.

1.11 Dividend income policy

Dividend income is recognised in the period in which it is received or when the Company’s right to receive payment is established.

1.12 Operating Segments

The Company operates in only one business segment, as such a Business segments note is not presented.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**2.1 Provision**

When it is probable that a liability has been incurred judgements and estimates are required to make a reasonable estimate of the amount of the loss

2.2 Income taxes

Significant judgement is required in determining the Company's income liabilities. There are many transactions and calculation for which the ultimate tax determination is uncertain and where calculation have been based on management's assessment of legal and professional advice, case law and other relevant guidance. In these situations, the various risks are categorised and approximate weightings applied in arriving at the assessment of the expected liability. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax amounts in the period in which such determination is made.

3 NET INTEREST INCOME

Interest Income	2010 £m	2009 £m
On amounts due from parent company and fellow group undertakings	<u>3.9</u>	<u>6.0</u>
By category		
Loans and receivables	<u>3.9</u>	<u>6.0</u>
Interest Expense	2010 £m	2009 £m
Other borrowed funds (Preference share dividends)	<u>2.6</u>	<u>2.6</u>
Net Interest Income	<u>1.3</u>	<u>3.4</u>

4 OTHER OPERATING EXPENSES

Other Operating Expenses consist of audit fees of £nil (2009: £nil) and other costs of £nil (2009: £0.1m).

In the current financial year, audit fees of £35,749 (2009:£34,290) in respect of the Company were borne by the Parent Company.

5 DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company. (2009: £nil)

6 STAFF COSTS

The Company did not have any employees during the current or preceding financial year.

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION

	2010	2009
	£m	£m
Current income tax:		
UK Corporation tax at 28% (2009: 28%)	1.1	1.7
Corporation tax adjustments in respect of prior years	(0.3)	-
	<u>0.8</u>	<u>1.7</u>
Deferred income tax:		
Current year	-	-
Adjustments in respect of prior years	-	-
	<u>-</u>	<u>-</u>
	<u>0.8</u>	<u>1.7</u>

Further information about deferred tax is presented in Note 9. The tax on the Company's profit before tax from continuing operations differs from the standard rate of Corporation Tax in the UK 28% (2009: 28%) as follows:

	2010	2009
	£m	£m
Profit before tax	<u>1.4</u>	<u>3.3</u>
Tax calculated at a rate of 28% (2009: 28%)	0.4	0.9
Expenses not deductible for tax purposes	0.7	0.8
Adjustments in respect of prior year	(0.3)	-
Taxation	<u>0.8</u>	<u>1.7</u>

8 LOANS AND ADVANCES TO BANKS

	2010	2009
	£m	£m
Due from parent company and fellow group undertakings	13.5	10.6
Included in cash equivalents (Note 18)	<u>13.5</u>	<u>10.6</u>
Due from parent company and fellow group undertakings	114.7	115.9
	<u>128.2</u>	<u>126.5</u>

Loans and advances to banks with the remaining period at balance sheet date to the contractual maturity date less than 12 months is £61.3m (2009: £59.6m).

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

9 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a corporation tax rate of 28% (2009: 28%).

The movement on the deferred income tax account is as follows:

	2010	2009
	£m	£m
At 1 April	0.1	0.1
Income statement charge	-	-
At 31 March	<u>0.1</u>	<u>0.1</u>

	2010	2009
	£m	£m
Deferred income tax assets		
Other provisions	<u>0.1</u>	<u>0.1</u>

Deferred income tax assets are recognised for tax losses carried-forward only to the extent that realisation of the related tax benefit is probable. It is not expected that this asset will unwind within the next 12 months.

In June 2010, the UK government announced its intention to reduce the UK corporation tax rate from 28% to 24% by the tax year ended 31 March 2015. This is to be effected by a phased reduction of 1% per annum. As of the 31 March 2010, the tax rate change was not substantively enacted. The deferred tax charge for the year ended 31 March 2010 would have decreased by approximately £0.004 million had the change in the corporation tax rate been substantively enacted as of that date.

10 OTHER ASSETS

	2010	2009
	£m	£m
Amounts due from parent company and fellow group undertakings	<u>1.4</u>	<u>1.4</u>

11 OTHER BORROWED FUNDS

	Rate	2010	2009
	%	£m	£m
Preference shares	8.125	<u>32.6</u>	<u>32.6</u>

The preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of the Company.

11 OTHER BORROWED FUNDS (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 OTHER LIABILITIES

	2010	2009
	£m	£m
Accruals and deferred income	0.9	1.0
Other	2.0	1.9
	<u>2.9</u>	<u>2.9</u>

13 PROVISIONS

Other Provisions	Total
	£m
At 1 April 2009	0.6
Credited to income statement	<u>(0.1)</u>
At 31 March 2010	<u>0.5</u>

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

14 SHARE CAPITAL

	2010	2009
	£m	£m
Authorised		
86,857,500 units of ordinary shares of £0.50 each (2009: 86,857,500 units of ordinary shares of £0.50 each)	<u>43.4</u>	<u>43.4</u>
Allotted and fully paid		
100,000 units of ordinary shares of £0.50 each (2009: 100,000 units of ordinary shares of £0.50 each)	<u>0.1</u>	<u>0.1</u>

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

15 FINANCIAL RISK MANAGEMENT

The table below shows the carrying amount of financial assets and liabilities by balance sheet heading and by category.

At 31 March 2010

	Loans and receivables	Liabilities held at amortised cost	Total
	£m	£m	£m
Financial assets			
Loans and advances to banks	<u>128.2</u>	-	<u>128.2</u>
Financial liabilities			
Other borrowed funds	-	<u>32.6</u>	<u>32.6</u>

At 31 March 2009

	Loans and receivables	Liabilities held at amortised cost	Total
	£m	£m	£m
Financial assets			
Loans and advances to banks	<u>126.5</u>	-	<u>126.5</u>
Financial liabilities			
Other borrowed funds	-	<u>32.6</u>	<u>32.6</u>

The Company's financial instruments comprise amounts on deposit with the parent entity and preference shares issued to external parties.

The main risks arising from the Company's financial instruments are outlined below.

15 FINANCIAL RISK MANAGEMENT (continued)**Credit Risk**

Credit risk reflects the risk that a counter-party will be unable to meet its contractual obligations to the Company in respect of loans or other financial transactions thereby causing the Company to incur a loss.

The financial assets of the Company comprise amounts placed on deposit with other Bank of Ireland Group entities. As a result, the Company does not incur credit risk from external lending activities.

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. As at 31 March 2010 and 31 March 2009, the only exposure the Company had to credit risk was on loans to other Bank of Ireland Group entities and no exposure existed on loans to customers at those dates.

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

	2010	2009
	£m	£m
Loans and advances to banks	128.2	126.5
Total	<u>128.2</u>	<u>126.5</u>

The above table represents a worst case scenario of credit risk exposure to the Company, without taking account of any collateral held or other credit enhancements attached. Loans and advances to banks relate to Bank of Ireland Group entities.

Loans and Advances

Loans and advances to banks (Note 8) are the main classes of financial assets that the Company is exposed to from a credit risk perspective. The tables below provide further details in relation to loans and advances.

Loans and advances to Banks

	2010	2009
	£m	£m
Neither past due nor impaired	128.2	126.5
Past due	-	-
Impaired	-	-
Total	<u>128.2</u>	<u>126.5</u>

The total gross amount of impaired loans and advances to banks as at 31 March 2010 was £nil (2009: £nil). All loans and advances to banks are with Group entities of The Governor and Company of Bank of Ireland.

Repossessed Collateral

The Company took possession of no collateral held as security during the year (2009: Nil)

15 FINANCIAL RISK MANAGEMENT (continued)

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The Company's credit exposure was entirely within the UK.

Industry sectors

	2010	2009
	£m	£m
Loans and Advances to Banks		
- Financial Institutions	128.2	126.5
Total	<u>128.2</u>	<u>126.5</u>

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. 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 analyses liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the undiscounted contractual maturity date. In line with the requirements of IFRS 7, the liabilities table below shows principal balances and undiscounted interest cashflows over the life of the liabilities. It excludes non cash items such as fair value adjustments. Eliminating these adjustments would result in agreement with the balance sheet on page 8. Where subordinated loan funding is undated projected interest flows have only been included for one year.

At 31 March 2010

Liabilities	Demand	Within	After 3	After	After 5	Undated	Total
	£m	3	months	1 year	years	£m	£m
		months	but	but			
		£m	within	within			
			1 year	5 years			
			£m	£m			
Capital	-	-	-	-	-	32.6	32.6
Interest	-	1.3	1.3	-	-	-	2.6
Total liabilities	<u>-</u>	<u>1.3</u>	<u>1.3</u>	<u>-</u>	<u>-</u>	<u>32.6</u>	<u>35.2</u>

Interest cashflows 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.

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL RISK MANAGEMENT (continued)**At 31 March 2009**

	Demand £m	Within 3 months £m	After 3 months but within 1 year £m	After 1 year but within 5 years £m	After 5 years £m	Undated £m	Total £m
Liabilities							
Capital	-	-	-	-	-	32.6	32.6
Interest	-	1.3	1.3	-	-	-	2.6
Total liabilities	-	1.3	1.3	-	-	32.6	35.2

Interest cashflows 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.

Market Risk

Market risk is the potential adverse change in Company income or the value of the Company net worth resulting from movements in interest rates or other market prices and arose from the structure of the balance sheet. The Company's exposure to market risk is insignificant.

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 managed by using fixed rate preference shares and deposits. The one deposit with a variable interest rate is deemed to have a limited risk.

All assets and liabilities held by the Company at 31 March 2010 and 31 March 2009 were denominated in sterling.

Operational Risk

Operational risk is the risk that human error, systems failure, and inadequate controls and procedures will result in unexpected loss. The Company's operational risk exposure is insignificant. The Company's approach to managing operational risk is governed by the Bank of Ireland Group's Operational Risk Policies as outlined in the Bank of Ireland Group Annual Report.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL RISK MANAGEMENT (continued)

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

	2010	2009
	£m	£m
Equity	82.2	81.6
Preference shares (Note 11)	32.6	32.6
Total capital resources	<u>114.8</u>	<u>114.2</u>

A dividend of £79,718,000 was declared on 28th September 2009 and paid on 26th May 2010. This will significantly reduce equity, thus reducing the Company's capital resources in the year ending March 2011. To ensure sufficient capital resources the Company's parent BOI UK Holdings Plc has lent the Company £70,000,000 by means of an interest free loan in the year ending March 2011.

Fair values of Financial Assets and Liabilities

The Company's accounting policies for Financial Instruments are set out at Note 1 'Accounting Policies'.

The following table represents the fair value and carrying value of financial assets and liabilities:

	2010	Fair	2009	Fair
	Carrying	value	Carrying	value
	value	£m	value	£m
	£m	£m	£m	£m
Financial assets				
Loans and advances to banks (1)	128.2	105.7	126.5	147.4
Total	<u>128.2</u>	<u>105.7</u>	<u>126.5</u>	<u>147.4</u>
	2010	Fair	2009	Fair
	Carrying	value	Carrying	value
	value	£m	value	£m
	£m	£m	£m	£m
Financial liabilities				
Other borrowed funds (2)	32.6	28.1	32.6	14.2
Total	<u>32.6</u>	<u>28.1</u>	<u>32.6</u>	<u>14.2</u>

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

(1) Loans and Advances to Banks

This comprises inter-bank placements. The fair value of floating rate placements and overnight deposits is estimated to be not materially different from its carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates.

(2) Other Borrowed Funds

The fair value of other borrowed funds, which consist entirely of Preference Shares, was calculated using quoted market prices.

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

16 DIVIDENDS

	2010	2009
	£m	£m
Equity shares		
On units of £0.50 ordinary shares in issue:		
Interim dividend £nil (2009: £70 per share)	-	7.0
	<u>-</u>	<u>7.0</u>
	<u>-</u>	<u>7.0</u>

An interim dividend of £79,718,000 (£797.18 per share) was declared on 28th September 2009. No further dividend has been proposed by the directors (2009:£7,000,000). These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending March 2011.

17 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 8) and other assets (Note 10).

	Parent		Fellow Group Undertakings	
	2010	2009	2010	2009
	£m	£m	£m	£m
Assets				
At the beginning of the year	127.9	130.7	-	-
Net amount advanced	1.7	(2.8)	-	-
At the end of the year	<u>129.6</u>	<u>127.9</u>	<u>-</u>	<u>-</u>
Interest income	<u>3.9</u>	<u>6.0</u>	<u>-</u>	<u>-</u>

18 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	2010	2009
	£m	£m
Loans and advances to banks (Note 8)	<u>13.5</u>	<u>10.6</u>

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.

BRISTOL & WEST PLC

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19 ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Bank of Ireland UK Holdings plc. The Company's ultimate parent company is The Governor and Company of Bank of Ireland, a charter company incorporated in the Republic of Ireland.

These financial statements are included in the consolidated accounts of both the above entities.

A copy of the Group accounts for The Governor and Company of Bank of Ireland may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4.

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