

Bristol & West plc

Annual Report for the nine month period ended 31 December 2010



REGISTERED NUMBER 2124201

BRISTOL & WEST PLC

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The Directors present their Annual Report of Bristol & West plc ('the Company') for the nine month period ended 31 December 2010. A statement of Directors' Responsibilities is included on page 4.

Principal activities

The ultimate parent of the Company is the Governor and Company of Bank of Ireland. 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

During the nine month period ended 31 December 2010, the Company made a profit before taxation of £1,212k (year ended 31 March 2010: £1,417k). The Statement of Comprehensive Income for the period can be seen on page 7.

An interim dividend of £79.718 million was declared on 28 September 2009. This was paid on 26 May 2010.

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

Going Concern

The Company is dependent on the Bank of Ireland Group successfully funding its balance sheet and maintaining sufficient levels of capital. Having considered the key dependencies as outlined on page 11, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

Risk Management

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

Credit risk

The financial assets in the Company comprise of amounts placed on deposit with other Bank of Ireland Group entities. There are also other amounts due from parent and fellow group undertakings. 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 lends cash to group undertakings at fixed interest rates to meet its liabilities as they fall due, including the payment of preference share dividends.

Interest Rate Risk

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

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

People

The Company does not have any employees.

Events after the Balance Sheet Date

Further reductions to the UK tax rate have been announced. The changes which are expected to be enacted separately each year propose to reduce the rate by a further 1% following the 2011 budget announcement by the UK Government to a rate of 26% with effect from 1 April 2011. This will be followed by a further 1% per annum reduction which will bring the rate to 23% by 1 April 2014. The changes have not been substantively enacted at the balance sheet date and therefore are not recognised in the Financial Statements.

Charitable donations

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

Board of Directors who served during the period and up to the date of signing the Financial Statements

Desmond E Crowley – Executive Director

David McGowan – Executive Director

John P O'Donovan – Non Executive Director

Mary E King – Executive Director

Stephen H Matchett – Executive Director

Company Secretary

Richard Holden

Directors' Interests

There were no Directors with interests in the shares of the Company (The Company Secretary Richard Holden holds two shares). The Company is a wholly owned subsidiary of The Governor and Company of Bank of Ireland, a body corporate established 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, together with a description of the principal risks and uncertainties that it faces.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have prepared the Financial Statements in accordance with 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; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Provision of information to auditors

All the Directors at the time of approving this report confirm the following:

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

Independent Auditors

A resolution concerning the reappointment of PricewaterhouseCoopers LLP will be submitted to the Annual General Meeting.

Signed by order of the Board

Stephen Matchett
Director
27 April 2011

BRISTOL & WEST PLC

INDEPENDENT AUDITORS' REPORT

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

We have audited the Financial Statements of Bristol and West plc for the period ended 31 December 2010 which comprise the Balance Sheet, the Income Statement, 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 Directors' Responsibilities Statement set out 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 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.

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 2010 and of its loss and cash flows for the period 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 period 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
28 April 2011

Notes:

- (a) The maintenance and integrity of the Bristol and West plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

BRISTOL & WEST PLC

STATEMENT OF COMPREHENSIVE INCOME

	Note	9 months to 31 December 2010 £'000	12 months to 31 March 2010 £'000
Interest income	4	2,979	3,979
Interest expense	4	(1,986)	(2,648)
Net interest income		993	1,331
Administrative expenses	5	(131)	(32)
Other income	5	350	118
Profit for the period and total comprehensive income before taxation		1,212	1,417
Taxation	8	(2,084)	(795)
(Loss) / profit for the period and total comprehensive income		(872)	622

The notes on pages 11 to 27 are an integral part of these Financial Statements.

BRISTOL & WEST PLC
BALANCE SHEET

	Note	31 December 2010 £'000	31 March 2010 £'000
Assets			
Loans and advances to banks	9	135,678	128,189
Deferred income tax asset	10	-	98
Other assets	11	864	1,394
Total Assets		<u>136,542</u>	<u>129,681</u>
Liabilities			
Preference shares	12	32,593	32,593
Amounts due to banks	13	14,931	-
Borrowed funds	14	70,568	-
Other liabilities	14	2,221	2,907
Provisions	15	-	516
Current income tax liabilities		14,606	11,452
Total Liabilities		<u>134,919</u>	<u>47,468</u>
Equity			
Share capital	16	50	50
Retained earnings		1,573	82,163
Total Equity		<u>1,623</u>	<u>82,213</u>
Total Equity and Liabilities		<u>136,542</u>	<u>129,681</u>

The notes on pages 11 to 27 are an integral part of these Financial Statements.

The Financial Statements and accompanying notes on pages 11 to 27 were approved by the Board of Directors on 27 April 2011 and signed on its behalf by:

Stephen Matchett
Director
27 April 2011

BRISTOL & WEST PLC
CASH FLOW STATEMENT

		9 months to 31 December 2010 £'000	12 months to 31 March 2010 £'000
Net cash flow from operating activities			
Profit before tax		1,212	1,417
Adjusted for non cash items		-	-
Changes in operating assets and liabilities			
Loans and advances to banks	9	(5,921)	1,169
Operating assets	11	530	-
Amounts due to banks	13	14,931	-
Borrowed funds	14	70,568	-
Operating liabilities	14	(686)	-
Provisions	15	(516)	(118)
		<u>80,118</u>	<u>2,468</u>
Taxes paid		1,168	391
		<u>81,286</u>	<u>2,859</u>
Net cash generated from operating activities		<u>81,286</u>	<u>2,859</u>
Cash flows from financing activities			
Equity dividends paid	18	(79,718)	-
Net cash used in financing activities		<u>(79,718)</u>	<u>-</u>
Net increase in cash and cash equivalents		1,568	2,859
Opening cash and cash equivalents		13,468	10,609
Closing cash and cash equivalents	20	<u>15,036</u>	<u>13,468</u>

The notes on pages 11 to 27 are an integral part of these Financial Statements.

BRISTOL & WEST PLC

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2009		50	81,541	81,591
Total comprehensive income for the year		-	622	622
Balance at 31 March 2010		<u>50</u>	<u>82,163</u>	<u>82,213</u>
Balance at 1 April 2010		50	82,163	82,213
Equity dividend paid	18	-	(79,718)	(79,718)
Total comprehensive income for the period		-	(872)	(872)
Balance at 31 December 2010		<u><u>50</u></u>	<u><u>1,573</u></u>	<u><u>1,623</u></u>

The notes on pages 11 to 27 are an integral part of these Financial Statements.

1. COMPARATIVE PERIOD

On 17 February 2010, the Governor & Company of the Bank of Ireland, which is the ultimate parent Company of Bristol & West plc, announced that it was changing its fiscal year end from March to December to align its financial calendar with that of its peer banks. Accordingly, it was decided to change the reporting date of Bristol & West plc from March to December to align it with its ultimate parent Company.

These Financial Statements cover the nine month period from 1 April 2010 to 31 December 2010, while the comparative period covers the twelve months from 1 April 2009 to 31 March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

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

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 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 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.

2.2 Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the nine months to 31 December 2010 is a period of twelve months from the date of approval of these financial statements ("the period of assessment").

Context

Bristol and West plc is a direct subsidiary of Bank of Ireland UK Holdings Group which is a subsidiary of the Governor and Company of the Bank of Ireland. The Directors have considered the going concern of Bristol and West plc (the "Company") and to the extent that the Company is dependant on the Bank of Ireland Group ("the BoI Group") for funding, have considered the going concern assessment of the BoI Group.

Going concern status of BoI Group

As disclosed in the Annual Report of the BoI Group dated 13 April 2011, the Directors of BoI Group were satisfied that, based on relevant public announcements and the clarity of confirmations received from the Irish State authorities, in all reasonable circumstances, the required liquidity and funding from the European Central Bank (ECB) and the Central Bank of Ireland will be available to the Group during the period of assessment.

It is also noted that the Annual Report of the BoI Group for the year ended 31 December 2010 dated 13 April 2011 was prepared on a going concern basis and that, within that Annual Report, the Directors of the BoI Group have concluded that there are no material uncertainties related to events or conditions that may cast doubt on the Group's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Going concern (continued)

In arriving at the assessment, the Directors of the BoI Group gave the following disclosures:

On 31 March 2011, the Central Bank of Ireland (CBOI) announced the results of the 2011 Prudential Capital Assessment Review (PCAR) for the BoI Group. As a result of the PCAR, the CBOI has assessed that the BoI Group needs to generate an additional €4.2bn of equity capital and a further €1.0bn of contingent capital.

At 31 December 2010 the BoI Group has €23bn of secured funding from the ECB and €8bn of emergency liquidity assistance from CBOI.

The Directors of the BoI Group also noted that the Irish Minister for Finance has confirmed that the BoI Group is a 'Pillar bank' and therefore of systemic importance to the Irish economy.

Considerations specific to Bristol and West plc

Profitability

Bristol and West plc holds interest-bearing cash deposits in order to meet its liabilities, principally the payment of future preference share dividends. The Company continues to be profitable and to generate sufficient income to meet these obligations and to cover its costs. The Directors are satisfied that the Company will continue to be profitable for the period of assessment. Profitability depends on the continued interest free funding provided by the Parent company and this is considered below.

Capital

At 31 December 2010, the Company had total equity of £1.62 million, comprising share capital of £50,000 and retained earnings of £1.57 million. The Company has an interest free loan of £70 million from the parent, Bank of Ireland UK Holdings Group which provides funding to ensure that future financial obligations can be met. There are a number of safeguards in place as referred to in the liquidity and funding section which have been considered by the Directors in assessing the capital position of the Company.

Liquidity and funding

The primary, external non BOI Group liability of the Company is the payment of dividends on its preference shares and the repayment of the preference shares. On 26 May 2010, the Company paid an interim dividend of £79.7 million to the shareholder Bank of Ireland UK Holdings Group. At the same time, the Company received an interest free loan of £70 million from the parent Bank of Ireland UK Holdings Group, and the directors have obtained representation from BoI Group that sufficient funds will be made available by BoI Group to ensure the company can meet 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 assessments regarding the Company's capital and liquidity requirements and its profitability, and given that the BoI Group financial statements have been prepared on a going concern basis, the Directors consider it appropriate to prepare the financial statements of the Company on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 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.

2.4 Financial assets

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

2.5 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.

2.6 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Current and deferred income tax (continued)

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

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

2.7 Financial liabilities

Financial liabilities are initially measured at fair value. 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.

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.

2.8 Share capital

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

2.9 Impact of new accounting standards

IFRIC 17 – ‘Distribution of non-cash to Owners’

IFRIC 17 addresses how non-cash dividends distributed to shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the entity and is no longer at the discretion of the entity. The dividend obligation should be recognised at fair value of the net assets distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit or loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The adoption of this standard has not had any material impact on the financial statements.

Improvements to IFRSs 2009

The ‘Improvements to IFRSs 2009’ standard amends 10 standards, bases of conclusions and guidance, and 2 interpretations. The improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. The adoption of this amendment has not had any material impact on the financial statements.

2.10 Operating Segments

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

3.1 Provisions

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.

3.2 Fair Values

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, in an arms length transaction between knowledgeable willing parties.

Where possible, fair values are calculated using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with similar to those being valued.

For financial assets and liabilities which are not subsequently measured at fair value on the balance sheet, the Company discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out in the Summary of Significant Accounting Policies and Note 17.

3.3 Income Taxes

The Company is subject to income tax and significant judgement can be required in determining the provision for tax. There are many calculations for which the ultimate tax determination is uncertain. The company recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

4. NET INTEREST INCOME

	9 months to 31 December 2010 £'000	12 months to 31 March 2010 £'000
Interest Income		
On amounts due from fellow group undertakings	2,979	3,979
Interest Expense		
Preference share dividends	(1,986)	(2,648)
Net Interest Income	993	1,331

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

5. ADMINISTRATIVE EXPENSES AND OTHER INCOME

	9 months to 31 December 2010 £'000	12 months to 31 March 2010 £'000
Legal and professional fees	(131)	(32)
Reversed provision (Note 15)	350	118
Administrative expenses and other income	<u>219</u>	<u>86</u>

In the current 9 month period, audit fees of £10k (12 months to 31 March 2010: £36k) 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 March 2010: £nil)

7. STAFF COSTS

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

8. TAXATION

	9 months to 31 December 2010 £'000	12 months to 31 March 2010 £'000
Current income tax:		
UK Corporation tax at 28% (31 March 2010: 28%)	798	1,105
Corporation tax adjustments in respect of prior years	1,188	(310)
	<u>1,986</u>	<u>795</u>
Deferred income tax:		
Current period – effect of reversal of provision	98	-
	<u>2,084</u>	<u>795</u>

Further information about deferred tax is presented in Note 10. The tax on the Company's profit before tax from continuing operations differs from the standard rate of Corporation tax in the UK 28% (31 March 2010: 28%) as follows:

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

8. TAXATION (Continued)

	9 months to 31 December 2010 £'000	12 months to 31 March 2010 £'000
Profit before tax	1,212	1,417
Tax calculated at a rate of 28% (31 March 2010: 28%)	339	397
Reversal of provision deductible for tax purposes	(98)	-
Preference share dividends not deductible for tax purposes	557	708
UK Corporation tax	798	1,105
Deferred tax – effect of reversal of provision	98	-
Adjustments in respect of prior year	1,188	(310)
Taxation	2,084	795

The standard rate of corporation tax in the UK will change from 28% to 26% with effect from 1 April 2011. The UK Finance (No 2) Act 2010, which was passed into law on 27 July 2010, included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further announced changes will reduce the rate of corporation tax to 26% from 1 April 2011 (and not 27% as previously enacted), and by 1% per annum to 23% by 1 April 2014. These further changes were not substantively enacted at the balance sheet date and, are therefore, not reflected in these financial statements.

9. LOANS AND ADVANCES TO BANKS

	31 December 2010 £'000	31 March 2010 £'000
Due from fellow group undertakings and included in cash equivalents (Note 20)	15,036	13,468
Due from parent company and fellow group undertakings	120,642	114,721
	135,678	128,189
Split out as follows:		
Perpetual deposit with interest rate of 5.5% maturing in October 2037	66,936	66,936
Rolling deposit with interest rate of 0.5% rolling quarterly	51,866	47,786
Non-interest earning deposits with no fixed maturity date	1,840	-
	120,642	114,721

Loans and advances to banks with a contractual maturity date of less than 12 months from the balance sheet date total £68,742k (31 March 2010: £61,254k).

All amounts are unsecured.

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

10. DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, with a Corporation tax rate of 27% (31 March 2010: 28%) 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 tax laws) that have been 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 movement on the deferred income tax account is as follows:

	31 December 2010 £'000
At 1 April 2010	98
Income statement charge due to release of provision (Note 8)	(98)
At 31 December 2010	<u>-</u>

	31 December 2010 £'000	31 March 2010 £'000
Deferred income tax assets		
Other provisions	<u>-</u>	<u>98</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. This asset was unwound fully in the nine months to 31 December 2010.

In March 2011, the UK government announced its intention to reduce the UK Corporation tax rate from 28% to 26% with effect from 1 April 2011, and to 23% by the tax year ended 31 April 2014. This is to be effected by a phased reduction of 1% per annum.

11. OTHER ASSETS

	31 December 2010 £'000	31 March 2010 £'000
Amounts due from parent company and fellow group undertakings	391	-
Accrued interest receivable	473	1,394
	<u>864</u>	<u>1,394</u>

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

12. PREFERENCE SHARES

	Rate	31 December	31 March
	%	2010	2010
		£'000	£'000
Preference shares	8.125	32,593	32,593
		<u>32,593</u>	<u>32,593</u>

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.

Holders of the preference shares are entitled to receive, in priority to the holders of the ordinary shares in the Company, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. The preference dividend will only be payable to the extent that payment can be made out of profits available for distribution in accordance with the provisions of the Companies Act 2006.

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

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

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

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

13. AMOUNTS DUE TO BANKS

	31 December	31 March
	2010	2010
	£'000	£'000
Amounts due to group undertakings	14,931	-
	<u>14,931</u>	<u>-</u>

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

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

14. BORROWED FUNDS AND OTHER LIABILITIES

	31 December 2010 £'000	31 March 2010 £'000
Borrowed funds		
Amounts due to group undertakings (1)	<u>70,568</u>	<u>-</u>
Other liabilities		
Accruals and deferred income	331	895
Proceeds from unclaimed preference shares (2)	1,048	1,048
Dormant cheques	806	806
Other	36	158
	<u>2,221</u>	<u>2,907</u>

(1) This amount includes an intercompany loan of £70m from the parent Bank of Ireland UK Holdings plc. This loan does not have a fixed term and the Directors anticipate that the loan will be repaid in the future.

(2) Following Board approval in 2001, the Company was legally entitled to sell unclaimed preference shares originally issued in 1997. This represents the proceeds from that sale (the interest earned on these proceeds has been given annually as a charitable donation).

15. PROVISIONS

Other provisions	31 December 2010 £'000	31 March 2010 £'000
At 1 April 2010	516	634
Reversed	(350)	(118)
Utilised	(166)	-
At 31 December 2010	<u>-</u>	<u>516</u>

This provision relates to a dispute with a creditor which was resolved in the nine months to 31 December 2010.

16. SHARE CAPITAL

	31 December 2010 £'000	31 March 2010 £'000
Allotted and fully paid		
100,000 units of ordinary shares of £0.50 each	<u>50</u>	<u>50</u>
(31 March 2010: 100,000 units of ordinary shares of £0.50 each)		

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

BRISTOL & WEST PLC

NOTES TO THE ACCOUNTS

17. FINANCIAL RISK MANAGEMENT

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

At 31 December 2010

	Assets held at amortised cost £'000	Liabilities held at amortised cost £'000	Total £'000
Financial assets			
Loans and advances to banks	135,678	-	135,678
Other assets	864	-	864
	<u>136,542</u>	<u>-</u>	<u>136,542</u>
Financial liabilities			
Amounts due to banks	-	14,931	14,931
Preference shares	-	32,593	32,593
Other liabilities and borrowed funds	-	72,789	72,789
	<u>-</u>	<u>120,313</u>	<u>120,313</u>

At 31 March 2010

	Assets held at amortised cost £'000	Liabilities held at amortised cost £'000	Total £'000
Financial assets			
Loans and advances to banks	128,189	-	128,189
Other assets	1,394	-	1,394
	<u>129,583</u>	<u>-</u>	<u>129,583</u>
Financial liabilities			
Preference shares	-	32,593	32,593
Other liabilities	-	2,907	2,907
	<u>-</u>	<u>35,500</u>	<u>35,500</u>

The Company's financial instruments comprise amounts on deposit with the Governor and Company of the Bank of Ireland and preference shares issued to external parties.

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

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

17. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

Credit risk reflects the risk that a counterparty 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 December 2010 and 31 March 2010, the only exposure the Company had to credit risk was on loans to other Bank of Ireland Group entities.

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

	31 December 2010 £'000	31 March 2010 £'000
Loans and advances to banks	135,678	128,189
Total	<u>135,678</u>	<u>128,189</u>

The above table represents a worst case scenario of credit risk exposure to the Company. Loans and advances to banks relate to Bank of Ireland Group entities.

Loans and Advances

Loans and advances to banks (Note 9) 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

	31 December 2010 £'000	31 March 2010 £'000
Neither past due nor impaired	135,678	128,189
Past due	-	-
Impaired	-	-
Total	<u>135,678</u>	<u>128,189</u>

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

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

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

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

17. FINANCIAL RISK MANAGEMENT (Continued)

Industry sectors

	31 December 2010 £'000	31 March 2010 £'000
Loans and Advances to Banks		
- Financial Institutions	135,678	128,189
Total	<u>135,678</u>	<u>128,189</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 following table analyses assets and 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 following liabilities table 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 been included up to 5 years. For interest income receivable, inflows due at 31 December 2010 have been included.

At 31 December 2010

Liabilities	Less than 3 months but not demand £'000	After 3 months but within 1 year £'000	After 1 year but within 5 years £'000	After 5 years £'000	Total £'000
Amounts due to banks	-	-	-	85,499	85,499
Preference share capital	-	2,648	10,592	32,593	45,833
Total liabilities	<u>-</u>	<u>2,648</u>	<u>10,592</u>	<u>118,092</u>	<u>131,332</u>
Assets					
Loans and advances to banks	15,036	53,706	-	66,936	135,678
Other assets	391	473	-	-	864
Total assets	<u>15,427</u>	<u>54,179</u>	<u>-</u>	<u>66,936</u>	<u>136,542</u>

Interest cash flows on preference shares 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 ACCOUNTS

17. FINANCIAL RISK MANAGEMENT (Continued)

At 31 March 2010

Liabilities	Less than 3 months but not demand £'000	After 3 months but within 1 year £'000	After 1 year but within 5 years £'000	After 5 years £'000	Total £'000
Preference share capital	1,324	1,324	10,592	32,593	45,833
Total liabilities	<u>1,324</u>	<u>1,324</u>	<u>10,592</u>	<u>32,593</u>	<u>45,833</u>
Assets					
Loans and advances to banks	13,468	47,606	-	66,936	128,010
Deferred income tax asset	-	-	98	-	98
Other assets	1,394	-	-	-	1,394
Total assets	<u>14,862</u>	<u>47,606</u>	<u>98</u>	<u>66,936</u>	<u>129,502</u>

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.

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 arising from the structure of the balance sheet. The Company's exposure to market risk is insignificant. 5.5% interest is earned annually on £66.9 million fixed term loan maturing in 2037 which more than covers the 8.125% paid on £32.6 million of preference shares each year.

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 2010 and 31 March 2010 were denominated in sterling.

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

	31 December 2010 £'000	31 March 2010 £'000
Equity	1,573	82,163
Preference shares (Note 12)	32,593	32,593
Total capital resources	<u>34,166</u>	<u>114,756</u>

A dividend of £79.718 million was declared on 28 September 2009 and paid on 26 May 2010. This significantly reduced equity, thus reducing the Company's capital resources in the period ended 31 December 2010. The Company's parent BOI UK Holdings Plc has lent the Company £70 million by means of an interest free loan in the 9 month period ending 31 December 2010. This loan is expected to be repaid in the future.

BRISTOL & WEST PLC

NOTES TO THE ACCOUNTS

17. FINANCIAL RISK MANAGEMENT (Continued)

Fair values of Financial Assets and Liabilities

The Company's accounting policies for Financial Instruments are set out in Note 2 'Accounting Policies'.

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

		31 December 2010		31 March 2010	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	(1)	135,678	99,418	128,189	105,706
Other assets		864	864	1,394	1,394
Total		136,542	100,282	129,583	107,100
Financial liabilities					
Preference shares	(2)	32,593	22,815	32,593	28,094
Amounts due to banks		14,931	14,931	-	-
Other liabilities		72,789	72,789	2,907	2,907
Total		120,313	110,535	35,500	31,001

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 estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates.

(2) Preference shares

The fair value of Preference Shares was calculated using quoted market prices.

BRISTOL & WEST PLC
NOTES TO THE ACCOUNTS

18. DIVIDENDS

	31 December	31 March
	2010	2010
	£'000	£'000
Equity shares		
On units of £0.50 ordinary shares in issue:		
Interim dividend	(79,718)	-
	<u>(79,718)</u>	<u>-</u>

An interim dividend of £79.718 million (£797.18 per share) was declared on 28 September 2009 and was paid on 26 May 2010. No further dividend has been proposed by the Directors.

19. RELATED-PARTY TRANSACTIONS

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

Assets comprise loans and advances to banks (Note 9) and other assets (Note 11).

	Parent		Fellow Group Undertakings	
	31 December	31 March	31 December	31 March
	2010	2010	2010	2010
	£'000	£'000	£'000	£'000
Assets				
At the beginning of the period	129,583	127,902	-	-
Net amount advanced	<u>6,959</u>	<u>1,681</u>	<u>-</u>	<u>-</u>
At the end of the period	<u>136,542</u>	<u>129,583</u>	<u>-</u>	<u>-</u>
Interest income	<u>2,979</u>	<u>3,979</u>	<u>-</u>	<u>-</u>
Liabilities				
At the beginning of the period	-	-	3,419	3,419
Net amount advanced	<u>70,000</u>	<u>-</u>	<u>12,080</u>	<u>-</u>
At the end of the period	<u>70,000</u>	<u>-</u>	<u>15,499</u>	<u>3,419</u>

On 26 May 2010, the Company received an intercompany loan of £70 million from the parent Bank of Ireland UK Holdings plc. This loan is expected to be repaid in the future.

BRISTOL & WEST PLC

NOTES TO THE ACCOUNTS

20. 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	31 March
	2010	2010
	£'000	£'000
Loans and advances to banks (Note 9)	<u>15,036</u>	<u>13,468</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.

21. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Bank of Ireland UK Holdings plc. The Company's ultimate parent Company and controlling party is The Governor and Company of Bank of Ireland. The Bank is a corporation established in Ireland in 1783 under Royal Charter with a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange.

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

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

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