Bristol & West plc

Annual Report for the year ended 31 December 2018

REGISTERED NUMBER 2124201

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DIRECTORS AND OTHER INFORMATION

Directors
Desmond E Crowley
Thomas McAreavey

Andrew G Keating	(Resigned 03 April 2019)
Lorraine Smyth	(Appointed 08 April 2019)
Alan McNamara	(Appointed 08 April 2019)

Secretary
Hill Wilson Secretarial Limited

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

Registered Number
2124201

Independent Auditor
KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

The Directors present the Strategic Report of Bristol & West plc (the 'Company') for the year ended 31 December 2018.

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

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

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

Introduction of IFRS 9
IFRS 9 is a new accounting standard implemented on 1 January 2018. It introduced a forward looking expected credit loss model which led to changes in the timing of recognition of impairment provisions.

Comparative figures have not been restated for the impact of IFRS 9 and are presented on an IAS 39 classification and measurement basis. On transition to IFRS 9, the Company's reserves reduced by £158,000. See note 3 for further information on the impact of transition to IFRS 9.

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

The key performance measures are outlined below:

	Year ended 31 December 2018 £'000	**Year ended 31 December 2017 £'000**
Interest income calculated using the effective interest method	3,828	3,774
Interest expense calculated using the effective interest method	(2,479)	(2,417)
	1,349	1,357
Net Impairment (charge)/gain	98	-
Profit before taxation	1,447	1,357
Loans and advances to banks	113,521	113,449
Preference shares	(32,593)	(32,593)
Amounts due to Parent	(70,000)	(70,000)

For the year ended 31 December 2018 the Company made a profit before tax of £1,447,000 (31 December 2017: £1,357,000) which after a taxation charge of £744,000 (year ended 31 December 2017: £729,000 charge) resulted in a profit for the year of £703,000 (year ended 31 December 2017: Profit of £628,000). The Statement of Comprehensive Income for the year is on page 12.

Risk Management

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

Credit Risk

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

Rating Agency	**31 December 2018**
Moody's	Baa3
Standard and Poor's	BBB-

Liquidity Risk

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

Market Risk

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

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

The BoI Group's Risk Management objectives and policies and the principal risk exposures facing the business are set out in note 14.

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

Ongoing uncertainty surrounding the UK's departure from the European Union (EU) continues to affect the markets in which the Company operates including interest rates and credit demand. The Group has a longstanding Brexit programme to identify, monitor and mitigate risks associated with Brexit.

On behalf of the Board
Desmond E Crowley
Director
25 April 2019

The Directors present their Report and audited financial statements of the Company for the year ended 31 December 2018. A Statement of Directors' Responsibilities is included on page 7.

Dividends
No ordinary share dividend was proposed or paid during the year ended 31 December 2018 by the Directors (year ended 31 December 2017: £nil).

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

Directors' Indemnities
The Group has put in place Directors' and Officers' liability insurance which covers all directors and officers of the Group including all subsidiary companies in all jurisdictions in respect of legal actions against its Directors: this insurance cover does not extend to fraudulent or dishonest behaviour. A qualifying third party indemnity provision was in force covering all Directors in place during the year ended 31 December 2018 for the Company and other companies within the BoI Group and this is still in force as at the date of approval of the financial statements.

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

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

Corporate Governance
Bristol & West plc is a statutory entity within the BoI Group and is subject to the BoI Group's Corporate Governance framework. The BoI Group's Corporate Governance Statement is available in the BoI Group Annual Report for year ended 31 December 2018 starting on page 112. A copy of this report can be obtained from https://investorrelations.bankofireland.com/2018-results-announcement/

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

Information concerning the principal risks and uncertainties facing the Company is set out in the Strategic Report and note 14. A description of the BoI Group's risk management framework is contained in the BoI Group Annual Report for the year ended 31 December 2018, pages 60 to 111.

The Directors who served during the year ended 31 December 2018 and up to the date of signing the financial statements were:

Desmond E Crowley
Thomas McAreavey

Company Secretary
Hill Wilson Secretarial Limited

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

Independent Auditor
KPMG was appointed as the Company's external auditor to conduct the Company's audit for the year ended 31 December 2018. KPMG has expressed willingness to be re-appointed in accordance with section 487(2) of the Companies Act 2006.

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

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

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

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

On behalf of the Board

Desmond E Crowley
Director
25 April 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board

Desmond E Crowley
Director
25 April 2019

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

Report on the financial statements

Our opinion is unmodified

We have audited the financial statements of Bristol & West plc ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's profit for the year then ended;
- the Company's financial statements have been properly prepared in accordance with IFRS as adopted by the EU; and
- the Company financial statements have been properly prepared in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We were appointed as Auditor by the Directors on 8 April 2019. The period of total uninterrupted engagement is therefore one year for the year ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed, and our results are based on procedures undertaken, in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matter is as follows:

Preference Shares £32,593,000 (2017 - £32,593,000)

Refer to page 19 (accounting policy) and note 8 (financial disclosures)

The key audit matter	**How the matter was addressed in our audit**
The Company has liabilities in the form of preference shares, listed on the London Stock Exchange, which carry a contractual payment in the form of an annual dividend. The Company enters into intercompany interest bearing loans, from its immediate parent, in order to meet these contractual payments. The Company's Preference Shares make up a significant amount of the Company's balance sheet and is considered to be the key driver of the Company's performance. We do not consider these investments to be at a high risk of significant misstatement. However, due to their materiality in the context of the financial statements as a whole, they are considered to be of most significance in the audit of the financial statements.	The intercompany deposits are reliant upon the continuing ability of the group to make the interest payments and ongoing provision of the deposit funding. We performed work assessing the going concern of the Bank of Ireland Group plc ("the Group") which included; - reviewing managements going concern paper; - reviewing the effectiveness of the commitment to provide ongoing support; - reviewing the Group's 2018 audited accounts; and - meeting with the Group team auditors.

Our application of materiality and an overview of the scope of our audit
The materiality for the Company financial statements was set at £1.1m. This has been calculated as 1% of the benchmark of Company total assets of £114.2m, which we consider to be one of the principal considerations for users of the financial statements in assessing the financial performance of the Company. We reported to the Board of Directors all corrected and uncorrected misstatements we identified through our audit with a value in excess of £57k, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds. Our procedures were designed to detect misstatements at a lower level of materiality in response to aggregation risk.

Our audit of the Company was undertaken to the materiality level specified above and was all performed by a single engagement team in Dublin.

Other matter – The impact of uncertainties due to the UK exiting the European Union on our audit
Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. Some of the uncertainties arising from Brexit may impact certain of the financial statement captions in the financial statements. The preparation of the financial statements on a going concern basis and the financial statement caption containing estimates all depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. No audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Other matter – first year audit considerations
Prior to the commencement of the current financial year and our formal appointment in April 2019, we were required to become independent of the Company. During this time, we met with management across the Company to understand the business and to gather information which we needed to plan our first audit effectively. We obtained and reviewed the prior year financial statements, auditor report and audit findings report prepared by the predecessor auditor in order to gain sufficient audit evidence about whether the opening balances contained misstatements that could materially affect the current year financial statements

We have nothing to report on going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

We have nothing to report on the other information in the annual report
The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of that other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information

- we have not identified material misstatements in the strategic and directors' reports;
- in our opinion, the information given in the strategic and directors' reports is consistent with the financial statements; and
- in our opinion, the strategic and directors' reports have been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

N Marshall 25 April 2019
for and on behalf of
KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest income calculated using the effective interest method	2	3,828	3,774
Interest expense calculated using the effective interest method	2	(2,479)	(2,417)
Net interest income		1,349	1,357
Net Impairment (Charge)/Gain		98	-
Profit for the year before taxation		1,447	1,357
Taxation charge	4	(744)	(729)
Total profit for the year		703	628
Total comprehensive income for the year		703	628
Total profit and comprehensive income for the year		703	628

The notes on pages 16 to 36 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Loans and advances to banks	6	113,521	113,449
Other assets	7	639	675
Current tax assets		-	5
Deferred tax asset		30	-
Total Assets		114,190	114,129
Liabilities			
Preference shares	8	32,593	32,593
Amounts due to banks	9	6,106	6,932
Amounts due to parent	10	70,000	70,000
Other provisions	11	800	800
Other liabilities	11	361	363
Current tax liabilities		344	-
Total Liabilities		110,204	110,688
Equity			
Share capital	12	50	50
Retained earnings		3,936	3,391
Total Equity		3,986	3,441
Total Equity and Liabilities		114,190	114,129

The notes on pages 16 to 36 are an integral part of these financial statements.

The financial statements and accompanying notes on pages 12 to 36 were approved by the Board of Directors on 25 April 2019 and signed on its behalf by:

Desmond E Crowley
Director
25 April 2019

Company Registered Number 2124201

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Share capital		
Balance at the beginning and at the end of the year	50	50
Retained earnings		
Balance at the beginning of the year	3,391	2,763
Transitional adjustment at 01 January 2018 (after tax)	(158)	-
Profit and total comprehensive income for the year	703	628
Balance at the end of the year	3,936	3,391
Total Equity	3,986	3,441

The notes on pages 16 to 36 are an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31December 2017 £'000
Cash flows from operating activities			
Profit before taxation		1,447	1,357
Interest expense on preference shares		2,479	2,417
Net change in impairment loss on financial instrument		(98)	-
Cash flows from operating activities before changes in operating assets and liabilities		3,828	3,774
Net change in loans and advances to banks		(166)	(92)
Net change in other assets		205	(2)
Net change in amounts due to banks		(826)	210
Net change in other liabilities		(2)	(8)
Net cash generated from / (used in) operating assets and liabilities		(789)	108
Net cash generated from operating activities before taxation		3,039	3,882
Taxation paid		(391)	(1,234)
Net cash generated from operating activities		2,648	2,648
Financing activities			
Interest paid on preference shares		(2,648)	(2,648)
Net decrease in cash and cash equivalents		-	-
Opening cash and cash equivalents		11,653	11,653
Closing cash and cash equivalents	18	11,653	11,653

The notes on pages 16 to 36 are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of presentation

The Company is incorporated and domiciled in England. The Company is a Company limited by shares.

The financial statements comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the accounting policies and the notes to the financial statements. The notes include the areas highlighted in the Strategic Report and form an integral part of the financial statements.

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

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

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

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

The financial statements are presented in pounds sterling (£) which is the functional and presentational currency of the Company, except where otherwise indicated.

The level of rounding used in the presentation of the financial statements is in thousands (£'000).

1.2 Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2018 is a period of twelve months from the date of approval of these financial statements ('the period of assessment').

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

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

The Directors note that during 2018 there were a number of developments regarding profitability, capital, liquidity and funding that further enhanced the position of the Company's Ultimate Parent.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Going concern (continued)

Considerations specific to Bristol & West plc

Profitability
For the year ended 31 December 2018 the Company made a profit after tax of £703,000. The Company holds interest-bearing cash deposits in order to meet its liabilities, principally the payment of future preference share dividends. For the year ended 31 December 2018, the Company made a profit before taxation of £1,447,000 generating sufficient income to meet these obligations and to cover its operating expenses. The Directors are satisfied that the Company will be profitable for the period of assessment. Profitability depends on the continued interest free funding provided by the Parent Company and this is considered below.

Capital
At 31 December 2018, the Company has total equity of £3,986,000 comprising share capital of £50,000 and retained earnings of £3,936,000. The Company has an interest free loan of £70 million from the Parent, Bank of Ireland UK Holdings plc, which provides funding to ensure that future financial obligations can be met. There are a number of safeguards in place as referred to in the liquidity and funding section below which have been considered by the Directors in assessing the capital position of the Company.

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

Conclusion
On the basis of the above, and given that the BoI Group financial statements for the year ended 31 December 2018 have been prepared on a going concern basis, the Directors consider it appropriate to prepare the financial statements of the Company on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

1.3 Adoption of new and amended accounting standards

The following new standards and amendments to standards have been adopted by the Company during the year ended 31 December 2018:

• **IFRS 9 'Financial Instruments' -** IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: recognition and measurement'. It sets out requirements relating to recognition and derecognition, classification, measurement and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model. Financial assets within its scope are required to be classified as being measured, subsequent to initial recognition, at amortised cost, fair value through other comprehensive income or fair value through profit or loss.
The classification is dependent on both the overall objective of the business model within which the asset is held and the contractual cash flow characteristics of the asset. Impairment under IFRS 9 is forward-looking and is based on expected rather than incurred losses. For financial liabilities, there is no change to classification and measurement except for recognition of changes in own credit risk in other comprehensive income for certain liabilities designated at fair value through profit or loss.

The annual report and accounts for the comparative period have not been restated to reflect this change.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Adoption of new and amended accounting standards (continued)

The remeasurement on initial adoption of IFRS 9 resulted in a reduction in stockholders equity of £158,000 after tax, all of which relates to an increase in the impairment loss allowance on loans and advances to banks. In addition, on assessment, there has been no reclassification of financial assets on the adoption of IFRS 9 and all assets continue to be measured at amortised cost.

• **IFRS 15 'Revenue from Contracts with Customers'** – IFRS 15 specifies how and when revenue will be recognised as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This new standard did not impact the financial position of the Company.

1.4 Comparatives

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

The Company has availed of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of the classification and measurement requirements of IFRS 9.

Until 31 December 2017, under the requirements of IAS 39, the Company categorised its financial assets as loans and receivables and determined their classification at initial recognition. The Company's policies for classification, recognition and measurement of financial assets for the year ended 31 December 2017 under IAS 39 is that Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

1.5 Interest income and expense

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Interest income and expense (continued)

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

1.6 Financial assets

Financial assets are initially measured at fair value. The Company's financial assets consist mainly of intragroup balances that are designated as financial assets held at amortised cost. Management determines the classification of its financial assets at initial recognition in line with the IFRS 9 requirements for business model assessment.

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

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

1.7 Financial liabilities

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

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

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

1.8 Valuation of financial instruments

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Valuation of financial instruments (continued)

When such evidence exists, the initial valuation of the instrument may result in the Company recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the Statement of Comprehensive Income to the extent that it arises from a change in a factor that market participants would consider in setting a price.

Straight line amortisation is used where it approximates to the amount. Subsequent changes in fair value are recognised immediately in the Statement of Comprehensive Income without the reversal of deferred day one profits or losses. Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

The fair values of the Company's financial assets and liabilities are disclosed within note 13, together with a description of the valuation technique used for each asset or liability category.

1.9 Impairment of financial assets

The basis of classification of financial assets under IFRS 9 depends on the Company's business model and the contractual cash flow characteristics of the financial asset. In order to be accounted for at amortised cost, it is necessary for individual instruments to have contractual cash flows that are solely payments of principal and interest (SPPI).

The Company's financial instruments have been classified at amortised cost under IFRS 9 as they are within a hold to collect business model.

The Company shall recognise impairment loss allowances for ECL (Expected Credit Loss) on the following categories of financial instruments unless measured at FVTPL (Fair Value Through P&L):

• financial assets that are debt instruments;
• loan commitments;
• lease receivables recognised under IAS 17 'Leases';
• financial guarantee contracts issued and not accounted for under IFRS 4 'Insurance contracts'; and
• receivables and contract assets recognised under IFRS 15 'Revenue from contracts with customers'.

Basis for measuring impairment

The Company should allocate financial instruments into the following categories at each reporting date to determine the appropriate accounting treatment.

- **Stage 1: 12-month ECL (not credit-impaired)**

These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12- month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

- **Stage 2: Lifetime ECL (not credit-impaired)**

These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

- **Stage 3: Lifetime ECL (credit-impaired)**

These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Impairment of financial assets (continued)

Significant increase in credit risk
In determining if a financial instrument has experienced a significant increase in credit risk since initial recognition, the Company assesses whether the risk of default over the remaining expected life of the financial instrument is significantly higher than had been anticipated at initial recognition, taking into account changes in prepayment expectations where relevant.

Credit-impaired
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event;
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses. It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Impairment of financial assets (IAS 39)

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events;

a) delinquency in contractual payments of principal or interest;
b) cash flow difficulties;
c) breach of loan covenants or conditions;
d) deterioration of the borrower's competitive position;
e) deterioration in the value of collateral;
f) external rating downgrade below an acceptable level;
g) initiation of bankruptcy proceedings; and
h) granting a concession to a borrower, for economic or legal reasons relating to the borrower's financial difficulty that would otherwise not be considered.

Measurement of ECL and presentation of impairment loss allowances

The Company uses reasonable and supportable information available without undue cost or effort at the reporting date, including forward looking information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Impairment of financial assets (continued)

Impairment is measured in a way that reflects:

a) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Company in accordance with the contract and all the cash flows the Company expects to receive.
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: the present value difference between the contractual cash flows that are due to the Company if the commitment is drawn and the cash flows that the Company expects to receive.
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover, discounted at an appropriate risk-free rate.

For financial assets, the discount rate used in measuring ECL is the effective interest rate or an approximation thereof.

Impairment loss allowances for ECL are presented in the financial statements as follows:

- Financial assets at amortised cost: as a deduction from the gross carrying amount in the balance sheet.
- Loan commitments and financial guarantee contracts: generally, as a provision in the balance sheet.
- Debt instruments: an amount equal to the allowance is recognised in other comprehensive income as an accumulated impairment amount.

Utilisation of impairment loss allowances

The Company reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include the collection process having been exhausted or it becoming clear during the collection process that recovery will fall short of the amount due to the Company. The Company considers, on a case-by-case basis, whether enforcement action in respect of an amount that has been written off from an accounting perspective is or remains appropriate. Any subsequent recoveries are included in the income statement as an impairment gain.

1.10 Current income tax

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

Management periodically evaluates the positions taken in tax returns where tax regulation is subject to interpretation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Current income tax (continued)

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

1.11 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 tax 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. 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 the accounting nor the taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. Any unrecognised deferred tax assets are reassessed at the end of each reporting period at which point any previously unrecognised deferred tax assets are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are not discounted.

Tax on items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity respectively. Where applicable, tax on items recognised in other comprehensive income is subsequently reclassified to the income statement, together with the deferred gain or loss.

1.12 Cash and cash equivalents

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

1.13 Share capital

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

1.14 Operating Segments

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

1.15 Offsetting financial instruments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Impact of new accounting standards

The following standards and amendments to standards will be relevant to the Company but were not effective at 31 December 2018 and have not been applied in preparing these financial statements. The Company's initial view of the impact of these accounting changes is outlined below.

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

Pronouncement	Nature of Change	Effective Date	Impact
IFRS 16 'Leases'	IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that all operating leases will be accounted for on-balance sheet for lessees. The accounting for lessors will not materially change. The standard replaces IAS 17 'Leases' and related interpretations. The revised standard was endorsed by the EU on 31 October 2017.	Financial periods on or after 1 January 2019.	This new standard is not expected to have a significant impact on the financial position of the Company
IFRS 17 'Insurance contracts'	IFRS 17 replaces IFRS 4 'Insurance contracts', which was introduced as an interim standard in 2004. IFRS 17 addresses the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosures of insurance contract liabilities, ensuring an entity provides relevant information that faithfully represents those contracts. The standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2021; however IASB is considering delaying the mandatory implementation date b 1 year to 2022.	This new standard is not expected to have a significant impact on the financial position of the Company.
IFRIC 23 'Uncertainty over income tax treatments'	IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.	Financial periods beginning on or after 1 January 2019.	This new standard is not expected to have a significant impact on the financial position of the Company.

1.17 Critical accounting estimates and judgements

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

2. INTEREST INCOME AND INTEREST EXPENSE

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest Income		
Amounts due from the Intermediate Parent	3,828	3,774
Interest Expense		
Preference share dividends	2,648	2,648
Unclaimed preference share dividends	(169)	(231)
	2,479	2,417

For the year ended 31 December 2018, audit fees of £7,849 (31 December 2017: £7,849) in respect of the audit of the Company financial statements were borne by the BoI Group. No other fees were paid to the auditors in respect of services provided to the Company.

3. TRANSITION FROM IAS 39 TO IFRS 9

As set out in the basis of preparation and accounting policies, the financial information has been prepared in accordance with IFRS 9 as endorsed by the EU. The Company has availed of the exemption in paragraph 7.2.15 of IFRS 9 from restating prior periods in respect of the classification and measurement requirements of IFRS 9. Accordingly, differences in the carrying amount of financial instruments arising from the adoption of IFRS 9 are recognised in equity as at 1 January 2018.

A description of the IFRS 9 accounting policies is set out in note 1 of these financial statements.

The following table sets out the summary reconciliation from the previously reported shareholder's equity for 31 December 2017 under IAS 39 to shareholder's equity at 1 January 2018 following the adoption of IFRS 9.

	Shareholder's equity Dec 2017 £'000
As reported under IAS 39 / 37 at 31 December 2017	**3,441**
Impairment loss allowance – remeasurement (after tax)	**(158)**
As reported under IFRS 9 at 1 January 2018	**3,283**

4. TAXATION

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax:		
Corporation tax at 19% (2017: 19.25%)	742	726
Adjustments in respect of prior years	(1)	3
Current tax charge	741	729
Deferred tax charge:	3	-
Total tax charge	744	729

The reconciliation of tax on the profit before taxation at the standard UK corporation tax rate to the Company's actual tax charge/(credit) for the years ended 31 December 2018 and 31 December 2017 is as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before tax	1,447	1,357
Tax calculated at a rate of 19% (2017: 19.25%)	275	261
Preference share dividends	470	465
Adjustments in respect of prior years	(1)	3
Total tax charge	744	729

5. DEFERRED TAX

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Opening deferred tax asset	-	-
Impact of adopting IFRS 9 on 1 January 2018	33	-
Income statement charge	(3)	-
Closing deferred tax asset	30	-

6. LOANS AND ADVANCES TO BANKS

	31 December 2018 £'000	31 December 2017 £'000
Due from the Intermediate Parent and included in cash equivalents Stage 1 (note 18)	11,653	11,653
Due from the Intermediate Parent	101,961	101,796
Gross Loans & Advances to banks	113,614	113,449
ECL on Loans & Advances to banks	(93)	-
	113,521	113,449
Split out as follows:		
Perpetual deposit with fixed interest rate of 5.5%	66,936	66,936
Rolling deposit with floating rate	35,025	34,860
	101,961	101,796
ECL on Loans & Advances to banks	(93)	-
	101,868	101,796

Maturity profile of the loans and advances to banks is as follows:

- Loans and advances to banks with a contractual maturity date of less than twelve months from the balance sheet date total £11,653k (31 December 2017 £11,653k).
- Loans and advances to banks with a contractual maturity date of 01October 2037 £66,936k (31 December 2017 £66,936k).
- Loans and advances to banks with a contractual maturity date of 30 March 2037 £35,025k (31 December 2017 £34,860k).

All amounts are unsecured.

7. OTHER ASSETS

	31 December 2018 £'000	31 December 2017 £'000
Accrued interest receivable from Intermediate Parent	475	473
Other	164	202
	639	675

Other balances at 31 December 2018 include £164,000 unclaimed dividends paid to the company (31 December 2017: £202,000).

8. PREFERENCE SHARES

	Rate %	31 December 2018 £'000	31 December 2017 £'000
32,593,000 (2017: 32,593,000) units of preference shares of £1 each	8.125	32,593	32,593

8. PREFERENCE SHARES (continued)

The preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves with regard to participation in profits and in priority to the ordinary shares of the Company. The preference shares are undated and non-redeemable and thus the expectation is that they are due in greater than 12 months.

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

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

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

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

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

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

In line with the terms and conditions of the preference shares, dividends that have remained unclaimed for more than 12 years from the date that they become payable are no longer a liability of the Company. The amount of preference share dividends that became unclaimed for more than 12 years during the financial year was £169k and was recognised as a reduction of interest expense in the Statement of Comprehensive Income (31 December 2017: £231k).

9. AMOUNTS DUE TO BANKS

	31 December 2018 £'000	31 December 2017 £'000
Amounts due to the Ultimate Parent	6,106	6,932

Amounts due to the Ultimate Parent at 31 December 2018 are reflective of payments made on behalf of the Company by the Ultimate Parent. These payments were made to settle Company obligations to fellow BoI Group Companies and third parties. All amounts are non-interest bearing, unsecured and with no fixed repayment date.

10. AMOUNTS DUE TO PARENT

	31 December 2018 £'000	31 December 2017 £'000
Amounts due to Parent	70,000	70,000

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

11. OTHER LIABILITIES AND PROVISIONS

	31 December 2018 £'000	31 December 2017 £'000
Accrued interest payable	331	331
Provision for legal costs	800	800
Other	30	33
	1,161	1,164

The provision for legal costs of £800,000 (2017: £800,000) relates to legal costs awarded against the Company in a prior year.

As required by IAS 37 the provision is measured at the amount that the company would potentially have to pay to settle the obligation at the end of the reporting period. The current expectation is that all balances are payable within one year of 31 December 2019.

12. AUTHORISED SHARE CAPITAL

	31 December 2018 £'000	31 December 2017 £'000
Allotted and fully paid		
100,000 (2017: 100,000) units of ordinary shares of £0.50 each	50	50

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

13. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

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

As at 31 December 2018

	Quoted prices in active market	Valuation techniques observable Inputs	Valuation techniques unobservable Inputs	Total
	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	163,089	-	163,089
Total	-	163,089	-	163,089
Fair value of financial liabilities held at amortised cost				
Preference shares	37,809	-	-	37,809
	37,809	-	-	37,809

As at 31 December 2017

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

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

Fair values of financial assets and liabilities

The carrying amount and the fair value of the Company's financial assets and liabilities as at 31 December 2018 and 31 December 2017 are set out in the table below.

		31 December 2018		31 December 2017	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	(1)	113,521	163,089	113,449	168,462
Total		113,521	163,089	113,449	168,462
Financial liabilities					
Preference shares	(2)	32,593	37,809	32,593	48,320
Total		32,593	37,809	32,593	48,320

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

1. Loans and advances to banks
   - This comprises inter-bank placements.
   - The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for assets with similar credit risk and remaining maturity.
   - The decrease in fair value from 31 December 2018 reflects movements in these rates during the year.

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

14. FINANCIAL RISK MANAGEMENT

Market Risk

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

Interest rate risk on the fixed rate preference shares is managed by the use of fixed rate term loans. The variable rate exposure relates to the movement in monthly LIBOR rates which is relatively small for the Company.

All assets and liabilities held by the Company at 31 December 2018 and 31 December 2017 were denominated in sterling.

14. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk

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

IFRS 9 requires that an expected credit loss (ECL) approach be taken to impairment provisioning.

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

- **Stage 1: 12-month ECL (not credit-impaired)**

These are financial instruments where there has not been a significant increase in credit risk since initial recognition. An impairment loss allowance equal to 12- month ECL is recognised. This is the portion of lifetime ECL resulting from default events that are possible within the next 12 months.

- **Stage 2: Lifetime ECL (not credit-impaired)**

These are financial instruments where there has been a significant increase in credit risk since initial recognition but which are not credit-impaired. An impairment loss allowance equal to lifetime ECL is recognised. Lifetime ECL are the ECL resulting from all possible default events over the expected life of the financial instrument.

- **Stage 3: Lifetime ECL (credit-impaired)**

These are financial instruments which are credit-impaired at the reporting date but were not credit-impaired at initial recognition. An impairment loss allowance equal to lifetime ECL is recognised.

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

	31 December 2018 £'000	31 December 2017 £'000
Financial assets held at amortised cost		
Stage 1	114,159	114,124
Total	114,159	114,124

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

Concentration risk is not deemed to be a material risk given the exposures are within BoI Group.

Industry Analysis

Financial assets held at amortised cost	31 December 2018 £'000	31 December 2017 £'000
Financial institutions	114,159	114,124
	114,159	114,124

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

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

The table below summarises the maturity profile of the Company's financial instrument liabilities at 31 December 2018 and 31 December 2017 based on the contractual undiscounted repayment obligations. The Company does not manage liquidity risk on the basis of contractual maturity. Instead, the Company manages liquidity risk based on expected cash flows. The balances will not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

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

At 31 December 2018

Liabilities	Demand £'000	Up to 3 months but not demand £'000	3-12 months £'000	1- 5 years £'000	Over 5 years £'000	Total £'000
Preference shares	-	-	2,648	10,592	32,593	45,833
Amounts due to banks	6,106	-	-	-	-	6,106
Amounts due to parent	70,000	-	-	-	-	70,000
Other liabilities	830	-	-	-	-	830
Total	76,936	-	2,648	10,592	32,593	122,769

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

At 31 December 2017

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

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

15. CAPITAL MANAGEMENT

Capital management for the Company is carried out in the context of the BoI Group's capital management policy.
The objectives of the BoI Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the BoI Group has sufficient capital to cover the risks of its business and support its strategy.

The Company does not have its own regulatory capital requirements.

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

	31 December 2018 £'000	31 December 2017 £'000
Equity	3,986	3,441
Preference shares (note 8)	32,593	32,593
Total capital resources	36,579	36,034

16. EQUITY DIVIDENDS

No equity dividend has been proposed by the Directors in respect of the year ended 31 December 2018 (year ended 31 December 2017: £nil).

17. RELATED-PARTY TRANSACTIONS

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

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

	BoI Group		Parent	
	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 £'000	31 December 2017 £'000
Assets				
At the beginning of the year	113,921	113,828	-	-
Net amount advanced	74	93	-	-
At the end of the year	113,995	113,921	-	-
Interest income	3,828	3,774	-	-
Liabilities				
At the beginning of the year	6,932	6,722	70,000	70,000
Net amount advanced/(repaid)	(826)	210	-	-
At the end of the year	6,106	6,932	70,000	70,000

Related party balances consist of Loans and Advances to Banks, Other Assets, Amounts Due to Banks, Amounts Due to Parent and Other Liabilities. Details of these balances are outlined in Notes 6, 7, 9, 10 and 11.

17. RELATED-PARTY TRANSACTIONS (continued)

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

18. 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 2018	31 December 2017
Loans and advances to banks (note 6)	11,653	11,653

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

19. DIRECTORS EMOLUMENTS

The Directors did not receive any emoluments in respect of their services to the Company but instead received emoluments for their services from other companies. The Directors do not believe that it is appropriate to apportion this amount between service as a Director of the Company and services as a Director of other group companies, as the services are primarily to other group companies.

20. POST BALANCE SHEET EVENTS

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

The financial statements were approved on 25 April 2019.

21. ULTIMATE PARENT COMPANY

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

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

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