

Bristol & West plc

Interim Report for the six months ended 30 June 2018



REGISTERED NUMBER 2124201

BRISTOL & WEST PLC

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BRISTOL & WEST PLC

INTERIM MANAGEMENT REPORT

The Directors present their Interim Management Report and the unaudited interim financial statements (the 'interim financial statements') of Bristol & West plc (the 'Company') for the six months ended 30 June 2018.

Business Commentary

The Company continues to hold interest bearing cash deposits with Bank of Ireland Group plc ('BoI Group plc'), in order to meet its liabilities as they fall due, including the payment of future preference share dividends. No material changes to this position are expected in the second half of the financial year ending 31 December 2018.

The Company made a profit before taxation of £608,000 in the six months ended 30 June 2018 (profit before tax for the six months ended 30 June 2017: £554,000).

No ordinary share dividends were declared or paid during the six months ended 30 June 2018 (year ended 31 December 2017: £nil).

The preference shares carry a mandatory coupon rate of 8.125% and are classified as financial liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as interest expense.

Principal Risks and Uncertainties

The Company considers its strategic, operational and financial risks and identifies actions to mitigate these risks and uncertainties. There has been no significant change to the principal risks and uncertainties faced by the Company since 31 December 2017. Details of the Company's risk management strategy are set out on page 3 of the Company's Annual Report for the year ended 31 December 2017. Details of the Company's risk profile are set out on pages 32 to 35 of the Company's Annual Report for the year ended 31 December 2017.

Given the limited nature of the Company's activities, the principal risk that the Company faces is the inability to access funds in order to settle its liabilities as they fall due. Secure funding arrangements are in place to mitigate against this risk.

There are no new principal risk and uncertainties facing the Company for the remaining six months of 2018.

Directors and secretary

The names of the persons who served as Directors of the Company at any time during the six months ended 30 June 2018 and up to the date of the approval of the interim financial statements are set out below. Except where indicated, they served as Directors for the entire period.

Desmond E Crowley
Andrew G Keating
Thomas McAreavey

Company Secretary
Hill Wilson Secretarial Limited

BRISTOL & WEST PLC

RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('DTR') and with International Accounting Standard 34 on Interim Financial Reporting (IAS 34).

The Directors confirm that the interim financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the assets, liabilities, financial position and loss/profit of the Company and that as required by DTR 4.2.4, DTR 4.2.7 and DTR 4.2.8, the Interim Report includes a fair review of:

- important events that have occurred during the first six months of the year;
- the impact of those events on the financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- details of any related party transactions that have materially affected the Company's financial position or performance in the six months ended 30 June 2018 or material changes to related party transactions described in the Annual Report for the year ended 31 December 2017.

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

By Order of the Board

Desmond E Crowley
Director
13 September 2018

BRISTOL & WEST PLC

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		6 months ended 30 June 2018	6 months ended 30 June 2017
	Note	£'000	£'000
Interest income	4	1,928	1,878
Interest expense	4	(1,320)	(1,324)
Net interest income		<u>608</u>	<u>554</u>
Total operating income		608	554
Other operating expenses		<u>-</u>	<u>-</u>
Profit for the period and total comprehensive income before taxation		608	554
Taxation	5	<u>(407)</u>	<u>(364)</u>
Profit for the period and total comprehensive income		<u>201</u>	<u>190</u>

BRISTOL & WEST PLC

BALANCE SHEET (UNAUDITED) AS AT 30 JUNE 2018

		As at 30 June 2018	As at 31 December 2017
	Note	£'000	£'000
Assets			
Loans and advances to banks	6	113,344	113,449
Other assets		475	675
Current tax asset		-	5
Deferred tax asset	7	31	-
Total Assets		<u>113,850</u>	<u>114,129</u>
Liabilities			
Preference shares	8	32,593	32,593
Amounts due to banks	9	6,248	6,932
Amounts due to parent	10	70,000	70,000
Other liabilities	11	1,163	1,163
Current tax liabilities		362	-
Total Liabilities		<u>110,366</u>	<u>110,688</u>
Equity			
Share capital	12	50	50
Retained earnings		3,434	3,391
Total Equity		<u>3,484</u>	<u>3,441</u>
Total Equity and Liabilities		<u>113,850</u>	<u>114,129</u>

The interim financial statements were approved by the Board of Directors on 13 September 2018 and signed on its behalf by:

Desmond E Crowley
Director
13 September 2018

Company Registered Number 2124201

BRISTOL & WEST PLC
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	6 months ended 30 June 2018	Year ended 31 December 2017
	£'000	£'000
Share capital		
Balance at the beginning and at the end of the period	<u>50</u>	<u>50</u>
Retained earnings		
Balance at the beginning of the period	3,391	2,763
Impact of adopting IFRS 9 at 1 January 2018	<u>(158)</u>	<u>-</u>
Restated balance at 1 January 2018	3,233	2,763
Profit for the period and total comprehensive income	<u>201</u>	<u>628</u>
Balance at the end of the period	<u>3,434</u>	<u>3,391</u>
Total Equity	<u><u>3,484</u></u>	<u><u>3,441</u></u>

BRISTOL & WEST PLC
CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		6 months ended 30 June 2018	6 months ended 30 June 2017
	Note	£'000	£'000
Cash flows from operating activities			
Profit before taxation		608	554
Interest expense on preference shares		1,324	1,324
		<hr/>	<hr/>
Cash flows from operating activities before changes in operating assets and liabilities		1,932	1,878
Net change in loans and advances to banks		(87)	(37)
Net change in other assets		202	(1)
Net change in amounts due to banks		(684)	87
Net change in other liabilities		-	(9)
		<hr/>	<hr/>
Net cash flow from operating assets and liabilities		(569)	40
Net cash flow from operating activities before taxation		<hr/>	<hr/>
		1,363	1,918
Taxation paid		(39)	(594)
		<hr/>	<hr/>
Net cash flow from operating activities		1,324	1,324
Financing activities			
Interest paid on preference shares		(1,324)	(1,324)
		<hr/>	<hr/>
Net change in cash and cash equivalents		-	-
Opening cash and cash equivalents	6	11,653	11,653
		<hr/>	<hr/>
Closing cash and cash equivalents	6	11,653	11,653
		<hr/>	<hr/>

The notes on pages 9 to 18 form an integral part of the interim financial statements.

1. BASIS OF PREPARATION

1.1 Basis of preparation

The interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority (DTR) and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. These interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

1.2 Statutory accounts

The interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 13 April 2018 and filed with the Registrar of Companies on 2 July 2018. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

1.3 Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the interim financial statements for the six months ended 30 June 2018 is a period of twelve months from the date of approval of these interim 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 BoI Group plc for funding, have considered the going concern assessment of BoI Group plc.

Considerations specific to the Company

Profitability

The Company made a profit after taxation of £201,000 (June 17: profit of £190,000). The Company holds interest bearing cash deposits in order to meet its liabilities, principally the payment of future preference share dividends. The Company has enough distributable reserves 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 30 June 2018 the Company had total equity of £3,484,000, comprising share capital of £50,000 and retained earnings of £3,434,000. The Company has an interest-free loan of £70 million from its Parent, Bank of Ireland UK Holdings plc, which provides funding to ensure that future financial obligations can be met. To ensure that these financial obligations can be met, there are a number of safeguards in place, as referred to in the liquidity and funding section of this note, which have been considered by the Directors in assessing the capital position of the Company.

1. BASIS OF PREPARATION (Continued)**1.3 Going concern (continued)****Liquidity and funding**

The primary external non- BoI Group plc 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 Bank of Ireland Group plc, 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 (the Intermediate Parent) that sufficient funds will be made available to ensure the Company can meet its obligations as they fall due for the foreseeable future.

Going concern assessment of BoI Group plc

The Company is reliant on the BoI Group plc for liquidity and funding.

The Directors of the Company's Ultimate Parent consider it appropriate to prepare the interim financial statements for the six months ended 30 June 2018 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 Group's ability to continue as a going concern over the period of assessment.

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.

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 plc's interim financial statements for the six months ended 30 June 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.

2. ACCOUNTING POLICIES

The accounting policies and methods of computation and presentation applied by the Company in the preparation of the interim financial statements are consistent with those set out on pages 17 - 24 of the Company's Annual Report for the year ended 31 December 2017, except for the application of IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers', as detailed below.

Recently adopted accounting pronouncements

The Company has adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' during the six months ended 30 June 2018.

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.

2. ACCOUNTING POLICIES (continued)

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 interim financial statements for the comparative period have not been restated to reflect this change.

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.

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.

2.1 Comparatives

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

2.2 Critical accounting estimates and judgements

The preparation of the interim financial statements requires the Company to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense. There have been no significant changes to the Company's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2017, as set out on page 24 of the Company's Annual Report for the year ended 31 December 2017.

3. 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.

4. INTEREST INCOME AND INTEREST EXPENSE

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Interest income		
Amounts due from intermediate parent	1,928	1,878
Interest expense		
Preference share dividends	1,324	1,324
Unclaimed preference share dividends	(4)	-
	<u>1,320</u>	<u>1,324</u>

BRISTOL & WEST PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. TAXATION

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Current tax:		
UK Corporation tax at 19% (2017: 19.25%)	366	362
Adjustments in respect of prior years	39	2
Current tax charge	<u>405</u>	<u>364</u>
Deferred tax charge	<u>2</u>	<u>-</u>
Taxation charge	<u><u>407</u></u>	<u><u>364</u></u>

6. LOANS AND ADVANCES TO BANKS

	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Due from the intermediate Parent:		
Maturity < 3 months included in cash equivalents	11,653	11,653
Maturity >3 months	101,691	101,796
	<u>113,344</u>	<u>113,449</u>
Maturity >3 months analysed as follows:		
Perpetual deposit with interest rate of 5.5%	66,936	66,936
Rolling deposit with floating rate	34,755	34,860
	<u>101,691</u>	<u>101,796</u>

Loans and advances to banks with a contractual maturity date of less than twelve months from the balance sheet date total £11,653,000 (31 December 2017: £11,653,000). All amounts are unsecured.

The remeasurement on initial adoption of IFRS 9 saw an increase in the impairment loss allowance on loans and advances to banks £191,000, with a reduction in opening stockholders equity after tax of £158,000.

7. DEFERRED TAX ASSET

	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Opening balance	-	-
Impact of IFRS 9 adoption	33	-
Charge to income statement	(2)	-
Closing balance	<u>31</u>	<u>-</u>

The deferred tax asset relates to the impact of adopting IFRS 9 on 1 January 2018. As per tax legislation this will be released over a period of ten years.

BRISTOL & WEST PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

8. PREFERENCE SHARES

	Rate	As at 30 June 2018 £'000	As at 31 December 2017 £'000
	%		
Preference shares	8.125	<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.

9. AMOUNTS DUE TO BANKS

	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Amounts due to the intermediate Parent	<u>6,248</u>	<u>6,932</u>

Amounts due to the intermediate Parent at 30 June 2018 reflect payments made during the period. All amounts are non-interest bearing, unsecured and with no fixed repayment date.

10. AMOUNTS DUE TO PARENT

	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Amounts due to parent	<u>70,000</u>	<u>70,000</u>

This amount represents an intercompany balance of £70 million from the Parent Company, Bank of Ireland UK Holdings plc. This amount is interest-free, does not have a fixed term and is repayable on demand.

11. OTHER LIABILITIES

	As at 30 June 2018 £'000	As at 31 December 2017 £'000
Accrued interest payable	331	331
Other	832	832
	<u>1,163</u>	<u>1,163</u>

Other includes accrued professional fees of £0.8 million in relation to a previous court ruling involving the Company and HMRC.

BRISTOL & WEST PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

12. SHARE CAPITAL

	As at 30 June 2018	As at 31 December 2017
	£'000	£'000
Allotted and fully paid 100,000 units of ordinary shares of £0.50 each	<u>50</u>	<u>50</u>

13. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair value of a financial instrument is defined as 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.

Transfers between different levels are assessed at the end of all reporting periods. During the period ended 30 June 2018 and the year ended 31 December 2017 there were no transfers between different levels.

Items where the carrying value 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.

A description of the methods, assumptions and processes used to calculate the fair value of these assets and liabilities is set out on page 20 of the Company's Annual Report for the year ended 31 December 2017. At 30 June 2018, there has been no significant change to those methods, assumptions or processes.

BRISTOL & WEST PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

As at 30 June 2018

	Quoted prices in active market	Valuation techniques observable Inputs Level 2 £'000	Valuation techniques unobservable Inputs Level 3 £'000	Total £'000
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	164,966	-	164,966
Total	-	164,966	-	164,966

**Fair value of financial liabilities
held at amortised cost**

Preference shares	43,839	-	-	43,839
Total	43,839	-	-	43,839

As at 31 December 2017

	Quoted prices in active market	Valuation techniques observable Inputs Level 2 £'000	Valuation techniques unobservable Inputs Level 3 £'000	Total £'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
Total	48,320	-	-	48,320

BRISTOL & WEST PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

The carrying amount and the fair value of the Company's financial assets and liabilities as at 30 June 2018 and 31 December 2017 are set out in the table below.

		30 June 2018		31 December 2017	
		Carrying value	Fair value	Carrying value	Fair value
		£'000	£'000	£'000	£'000
Financial assets					
Loans and advances to banks	(Note 1 below)	113,344	164,966	113,449	168,462
Total		113,344	164,966	113,449	168,462
Financial liabilities					
Preference shares	(Note 2 below)	32,593	43,839	32,593	48,320
Total		32,593	43,839	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 2017 reflects movements in these rates during the period.
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 values are calculated based on quoted broker prices (level 2 inputs).

14. EQUITY DIVIDENDS

No ordinary share dividends were declared or paid during the period (year ended 31 December 2017: £nil).

BRISTOL & WEST PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

15. 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.

	Intermediate Parent		Parent	
	30 June 2018 £'000	31 December 2017 £'000	30 June 2018 £'000	31 December 2017 £'000
Assets				
At the beginning of the period	113,921	113,828	-	-
Net amount (repaid) / advanced	(102)	93	-	-
At the end of the period	113,819	113,921	-	-
Interest income	1,928	3,774	-	-
Liabilities				
At the beginning of the period	6,932	6,722	70,000	70,000
Net amount (repaid) / advanced	(684)	210	-	-
At the end of the period	6,248	6,932	70,000	70,000

There are no provisions in respect of any failure, or anticipated failure, to repay any of the above loans or interest thereon.

There are no transactions with key management personnel of the Company during the period (31 December 2017: no transactions).

16. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Bank of Ireland UK Holdings plc. The Company's Ultimate Parent Company is Bank of Ireland Group plc. These financial statements are included in the consolidated financial statements of Bank of Ireland Group plc (the Ultimate Parent) and The Governor and Company of the Bank of Ireland (the Intermediate Parent).

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

BRISTOL & WEST PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

17. REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements have not been reviewed or audited by the independent auditors of the Company.

18. POST BALANCE SHEET EVENTS

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