

Bristol & West plc

Annual Report for the year ended 31 December 2016



REGISTERED NUMBER 2124201

BRISTOL & WEST PLC

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BRISTOL & WEST PLC

DIRECTORS AND OTHER INFORMATION

Secretary

Hill Wilson Secretarial Limited

Registered Office

One Temple Back East
Temple Quay
Bristol
BS1 6DX

Registered Number

2124201

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hays Galleria
1 Hays Lane
London
SE1 2RD
England

BRISTOL & WEST PLC

STRATEGIC REPORT

The Directors present the Strategic Report of Bristol & West plc (the 'Company') for the year ended 31 December 2016.

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).

Principle Activities

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

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

Review of Business

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 2016 £'000	Year ended 31 December 2015 £'000
Statement of Comprehensive Income:		
Interest income	3,827	3,856
Interest expense	(2,491)	(2,503)
	<u>1,336</u>	<u>1,353</u>
Balance Sheet:		
Loans and advances to banks	113,357	113,210
Preference shares	(32,593)	(32,593)
Amounts due to Parent	(70,000)	(70,000)

For the year ended 31 December 2016 the Company made a profit before tax of £387,000 (31 December 2015: £1,313,000) which after a taxation credit of £73,000 (year ended 31 December 2015: £704,000 charge) resulted in a profit for the year of £460,000 (year ended 31 December 2015: Profit of £609,000). The Statement of Comprehensive Income for the year is on page 10.

On 27 April 2016, a final court judgment was issued in favour of Her Majesty's Revenue and Customs (HMRC) in respect of an appeal that the Company had taken against an adverse court judgement issued in 2013 pertaining to a tax dispute involving the Company. As the full tax liability under dispute had been paid to HMRC in earlier years, and potential interest had already been provided for, this judgment has not resulted in any additional tax or interest liability for the year ended 31 December 2016. Professional fees of £940,000 associated with the dispute have been incurred in the year.

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 of amounts placed on deposit with the Bank. 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 Bank of Ireland Group. Bank of Ireland Group's credit rating is set out as follows:

	31 December 2016	31 December 2015
Rating Agency		
Moody's	Baa2	Baa2
Standard and Poor's	BBB-	BBB-

Liquidity Risk

Liquidity risk is the risk that a credit institution will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at substantially above the prevailing market cost of funds. It is the policy of the Company to ensure that resources are available during all reasonably foreseeable circumstances to meet its obligations. The Company lends cash to 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 principal risk exposures facing the business are set out in note 16.

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. There is a risk that the final taxation outcome could be different from the amounts that are currently recorded.

On behalf of the Board

Desmond E Crowley
Director
03 April 2017

BRISTOL & WEST PLC

DIRECTORS' REPORT

The Directors present their Report and audited financial statements of the Company for the year ended 31 December 2016. 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 2016 by the Directors (year ended 31 December 2015: £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 Company has put in place Directors' and Officers' liability insurance in respect of legal actions against its Directors: this insurance cover does not extend to fraudulent or dishonest behaviour. A qualifying third party indemnity provision was in force covering all Directors in place during the year ended 31 December 2016 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 2016 on page 134. A copy of this report can be obtained from <https://investorrelations.bankofireland.com/2016-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 16. A description of the BoI Group's risk management framework is contained in the BoI Group Annual Report Statement for the year ended 31 December 2016, pages 62 to 133.

Given the limited activities carried on by the Company, all material transactions are considered by the Board of Directors (or a quorum thereof) and are executed under delegated authority from the Board of Directors. The Directors who served during the year ended 31 December 2016 and up to the date of signing the Financial statements were:

Desmond E Crowley

Andrew G Keating

Lorraine Smyth

Thomas McAreavey

Resigned 09 December 16

Appointed 09 December 16

Company Secretary

Hill Wilson Secretarial Limited

Future Developments

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

Provision of Information to Auditors

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
03 April 2017

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 period. 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 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.

On behalf of the Board

Desmond E Crowley
Director
03 April 2017

Report on the financial statements**Our opinion**

In our opinion, Bristol & West plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit**Our responsibilities and those of the Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Hamish Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
03 April 2017

BRISTOL & WEST PLC

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2016**

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest income	3	3,827	3,856
Interest expense	3	(2,491)	(2,503)
Net interest income		<u>1,336</u>	<u>1,353</u>
Other operating expenses	4	(949)	(40)
Profit for the year before taxation		<u>387</u>	<u>1,313</u>
Taxation credit/ (charge)	7	<u>73</u>	<u>(704)</u>
Profit for the year and total comprehensive income		<u>460</u>	<u>609</u>

The notes on pages 14 to 33 are an integral part of these financial statements.

BRISTOL & WEST PLC
BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Assets			
Loans and advances to banks	8	113,357	113,210
Other assets	9	471	472
Total Assets		<u>113,828</u>	<u>113,682</u>
Liabilities			
Preference shares	10	32,593	32,593
Amounts due to banks	11	6,722	3,373
Amounts due to parent	12	70,000	70,000
Other liabilities	13	1,200	3,926
Current tax liabilities		500	1,437
Total Liabilities		<u>111,015</u>	<u>111,329</u>
Equity			
Share capital	14	50	50
Retained earnings		2,763	2,303
Total Equity		<u>2,813</u>	<u>2,353</u>
Total Equity and Liabilities		<u>113,828</u>	<u>113,682</u>

The notes on pages 14 to 33 are an integral part of these financial statements.

The financial statements and accompanying notes on pages 10 to 33 were approved by the Board of Directors on 03 April 2017 and signed on its behalf by:

Desmond E Crowley
Director
03 April 2017

Company Registered Number 2124201

BRISTOL & WEST PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Share capital		
Balance at the beginning and at the end of the year	<u>50</u>	<u>50</u>
Retained earnings		
Balance at the beginning of the year	2,303	1,694
Profit and total comprehensive income for the year	<u>460</u>	<u>609</u>
Balance at the end of the year	<u>2,763</u>	<u>2,303</u>
Total Equity	<u>2,813</u>	<u>2,353</u>

The notes on pages 14 to 33 are an integral part of these financial statements.

BRISTOL & WEST PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Year ended 31 December 2016	Year ended 31 December 2015
Note	£'000	£'000
Cash flows from operating activities		
Profit before taxation	387	1,313
Interest expense on preference shares	2,491	2,503
Cash flows from operating activities before changes in operating assets and liabilities	<u>2,878</u>	<u>3,816</u>
Net change in loans and advances to banks	(147)	(177)
Net change in other assets	(1)	391
Net change in amounts due to banks	3,349	2,511
Net change in other liabilities	(2,567)	(3,828)
Net cash generated from / (used in) operating assets and liabilities	<u>634</u>	<u>(1,103)</u>
Net cash generated from operating activities before taxation	3,512	2,713
Taxation paid	(864)	(582)
Net cash generated from operating activities	<u>2,648</u>	<u>2,131</u>
Financing activities		
Interest paid on preference shares	(2,648)	(2,648)
Net decrease in cash and cash equivalents	-	(517)
Opening cash and cash equivalents	11,653	12,170
Closing cash and cash equivalents	20 <u>11,653</u>	<u>11,653</u>

The notes on pages 14 to 33 are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of presentation

The Company is incorporated and domiciled in the United Kingdom. The Company is a Company limited by shares.

The financial statements comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the accounting policies and the notes to the financial statements. The notes include the Risk Management section of the Strategic report.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations 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 period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out in note 2.

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.

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 2016 is a period of twelve months from the date of approval of these financial statements ('the period of assessment').

Context

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

Going concern assessment of the BoI Group

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

The Directors note that during 2016 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 2016 the Company made a profit after tax of £460,000. 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 2016, the Company made a profit before taxation of £387,000 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 2016, the Company has total equity of £2,813,000 comprising share capital of £50,000 and retained earnings of £2,763,000. 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 the funds from its Parent on perpetual deposit with The Governor and Company of the Bank of Ireland, and this deposit earns sufficient interest to meet its liabilities for the 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 2016 have been prepared on a going concern basis, the Directors consider it appropriate to prepare the financial statements of the Company on a going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over the period of assessment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**1.3 Adoption of new and amended accounting standards**

The Company has not adopted any new standards or amendments to standards during the year ended 31 December 2016.

1.4 Comparatives

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

1.5 Interest income and expense

Interest income and expense are recognised in the 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.

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 intercompany balances that are designated as loans and receivables. Management determines the classification of its financial assets at initial recognition.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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. 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 15, together with a description of the valuation technique used for each asset or liability category.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**1.9 Impairment of financial assets**

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

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

- (i) delinquency in contractual payments of principal or interest;
- (ii) cash flow difficulties;
- (iii) breach of loan covenants or conditions;
- (iv) granting a concession to a borrower for economic or legal reasons relating to the borrower's financial difficulty that would otherwise not be considered;
- (v) deterioration of the borrower's competitive position;
- (vi) deterioration in the value of collateral;
- (vii) external rating downgrade below an acceptable level; and
- (viii) initiation of bankruptcy proceedings.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss, is or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**1.9 Impairment of financial assets (continued)**

that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

When a loan is deemed uncollectible, it is derecognised and the provision for impairment is utilised. Subsequent recoveries decrease the amount of the charge for loan impairment in the statement of comprehensive income.

1.10 Current tax

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

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

1.11 Cash and cash equivalents

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

1.12 Share capital

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

1.13 Operating Segments

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

1.14 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)

1.15 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 2016 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 all new accounting standards as follows:

Pronouncement	Nature of Change	Effective Date	Impact
IAS 7 cash flows', - Narrow-scope amendments	The IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosures can be improved. The amendment is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2017	These amendments are not expected to have a significant impact on the financial position of the Company.
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. The revised standard was endorsed by the EU on 22 September 2016.	Financial periods on or after 1 January 2018.	This amendment is not expected to have a significant impact on the financial position of the Company.
IFRS 9 'Financial Instruments'	IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. 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 financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without recycling to the income statement for certain equity instruments. IFRS 9 contains a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an	Financial periods beginning on or after 1 January 2018.	The Company expects that IFRS 9 is likely to have an impact on its reported financial position and the Group is currently assessing the nature and extent of those impacts. Further detail on the Group's IFRS 9 Programme as managed by the Ultimate Parent is set out in the Risk Management Report of the Bank of Ireland Group's Annual Report for the year ended 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**1.15 Impact of new accounting standards (continued)**

Pronouncement	Nature of Change	Effective Date	Impact
IFRS 9 'Financial Instruments' (continued)	economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The revised standard was endorsed by the EU on 22 November 2016.		
IAS 12, 'Income taxes', - Narrow- scope amendments	The IASB has issued amendments to IAS12 'Income taxes'. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The standard is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2017	These amendments are not expected to have a significant impact on the financial position of the Company.
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 lessees and lessors. A key change arising from IFRS 16 is that most 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 is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time.	The Company is currently assessing the impact of IFRS 16.

2. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENT**2.1 Income Taxation**

The Company is subject to income taxation and significant judgement can be required in determining the provision for taxation. The ultimate taxation 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 become due. There is a risk that the final taxation outcome could be significantly different from the amounts that are currently recorded and any such differences will impact the current income taxation in the period in which such outcome is determined.

3. INTEREST INCOME AND INTEREST EXPENSE

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest Income		
Amounts due from the ultimate Parent	3,827	3,856
Interest Expense		
Preference share dividends	2,648	2,648
Unclaimed preference share dividends	(157)	(145)
	<u>2,491</u>	<u>2,503</u>

4. OTHER OPERATING EXPENSES

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Legal and professional fees	949	40
	<u>949</u>	<u>40</u>

For the year ended 31 December 2016, audit fees of £7,849 (31 December 2015: £7,635) in respect of the audit of the Company financial statements were borne by the Bank. No other fees were paid to the auditors in respect of services provided to the Company. Professional Fees of £940k in the period relate to the Company's legal dispute with HMRC.

5. DIRECTORS' EMOLUMENTS

The Directors do not receive any Directors' fees in respect of the services provided to the Company. The emoluments of the Directors of the Company are paid by the Bank of Ireland Group. A copy of the Bank of Ireland Group financial statements may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4 or www.bankofireland.com.

6. STAFF COSTS

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

7. TAXATION

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current tax:		
Corporation tax at 20% (2015: 20.25%)	765	775
Adjustments in respect of prior years	(838)	(71)
Taxation (credit)/ charge	<u>(73)</u>	<u>704</u>

The reconciliation of tax on the profit before taxation at the standard UK corporation tax rate to the Company's actual tax (credit) / charge for the years ended 31 December 2016 and 31 December 2015 is as follows:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Profit before tax	<u>387</u>	<u>1,313</u>
Tax calculated at a rate of 20% (2015: 20.25%)	77	266
Preference share dividends	498	509
Adjustments in respect of prior years	(838)	(71)
Non- deductible legal fees	190	-
Taxation (credit) / charge	<u>(73)</u>	<u>704</u>

The adjustments in respect of prior years for the current year primarily represent a reassessment of the current tax liability of the company.

BRISTOL & WEST PLC

NOTES TO THE FINANCIAL STATEMENTS

8. LOANS AND ADVANCES TO BANKS

	31 December 2016 £'000	31 December 2015 £'000
Due from the ultimate Parent and included in cash equivalents (note 20)	11,653	11,653
Due from the ultimate Parent	101,704	101,557
	<u>113,357</u>	<u>113,210</u>
Split out as follows:		
Perpetual deposit with interest rate of 5.5%	66,936	66,936
Rolling deposit with floating rate	34,768	34,621
	<u>101,704</u>	<u>101,557</u>

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 2015 £11,653k).

All amounts are unsecured.

9. OTHER ASSETS

	31 December 2016 £'000	31 December 2015 £'000
Accrued interest receivable from Ultimate Parent	471	472
	<u>471</u>	<u>472</u>

The expectation is that all balances are due within one year at the balance sheet date.

10. PREFERENCE SHARES

	Rate %	31 December 2016 £'000	31 December 2015 £'000
32,593,000 (2015: 32,593,000) units of preference shares of £1 each	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. 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.

10. PREFERENCE SHARES (continued)

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 BoI Group, 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 Bank 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 £157k and was recognised as a reduction of interest expense in the Statement of Comprehensive Income (31 December 2015: £145k).

11. AMOUNTS DUE TO BANKS

	31 December 2016 £'000	31 December 2015 £'000
Amounts due to the ultimate Parent and BoI Group Companies	6,722	3,373
- <i>Of which: Due to Ultimate Parent</i>	6,722	3,373
- <i>Of which: Due to Other BoI Group Companies</i>	-	-

Amounts due to the ultimate Parent at 31 December 2016 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. All balances are expected to settle within 12 months.

12. AMOUNTS DUE TO PARENT

	31 December 2016 £'000	31 December 2015 £'000
Amounts due to Parent	70,000	70,000

This amount represents an intercompany balance of £70 million from the Parent Company. 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.

13. OTHER LIABILITIES

	31 December 2016 £'000	31 December 2015 £'000
Accrued interest payable	331	3,709
Unclaimed preference share dividends	28	185
Other	841	32
	<u>1,200</u>	<u>3,926</u>

Included in accrued interest payable for the year ended 31 December 2015 is an amount of £3,378k relating to non-trading interest payable to HMRC. This was settled in 2016.

The movement in unclaimed preference share dividends above represents the amount which can no longer be claimed and was recognised in the Statement of Comprehensive Income in the current year.

The expectation is that all balances are payable within one year at 31 December 2016 and at 31 December 2015.

14. SHARE CAPITAL

	31 December 2016 £'000	31 December 2015 £'000
Allotted and fully paid		
100,000 (2015: 100,000) units of ordinary shares of £0.50 each	50	50

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

15. 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.

Transfers between different levels are assessed 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.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placements 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).

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

As at 31 December 2016

	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	-	139,733	-	139,733
Total	-	139,733	-	139,733
Fair value of financial liabilities held at amortised cost				
Preference shares	41,394	-	-	41,394
	41,394	-	-	41,394

As at 31 December 2015

	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	-	137,445	-	137,445
Total	-	137,445	-	137,445
Fair value of financial liabilities held at amortised cost				
Preference shares	40,090	-	-	40,090
	40,090	-	-	40,090

15. 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 2016 and 31 December 2015 are set out in the table below.

		31 December 2016		31 December 2015	
		Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets					
Loans and advances to banks	(1)	113,357	139,733	113,210	137,445
Total		113,357	139,733	113,210	137,445
Financial liabilities					
Preference shares	(2)	32,593	41,394	32,593	40,090
Total		32,593	41,394	32,593	40,090

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 increase in fair value from 31 December 2016 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).

16. 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 with the use of fixed rate term loans. There is therefore negligible exposure to market interest rates.

All assets and liabilities held by the Company at 31 December 2016 and 31 December 2015 were denominated in sterling.

16. 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.

IAS 39 requires that an incurred loss approach be taken to impairment provisioning.

All credit exposures are regularly reviewed for objective evidence of impairment; where such evidence of impairment exists, the exposure is measured for an impairment provision.

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.

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 2016 £'000	31 December 2015 £'000
Loans and Receivables		
Neither past due nor impaired	113,828	113,682
Total	<u>113,828</u>	<u>113,682</u>

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 as the exposures are with the parent and fellow BoI Group companies.

16. FINANCIAL RISK MANAGEMENT (continued)

Industry Analysis

	31 December 2016 £'000	31 December 2015 £'000
Loans and Receivables		
Financial instruments	113,828	113,682
	<u>113,828</u>	<u>113,682</u>

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 2016 and 31 December 2015 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:

- relate to third party balances not classified as financial liabilities;
- relate to accrued interest payable on preference shares as this interest is included in the preference shares line.

At 31 December 2016

Liabilities	Demand	Up to 3 months but not demand	3-12 months	1- 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Preference shares	-	-	2,648	10,592	32,593	45,833
Amounts due to banks	6,722	-	-	-	-	6,722
Amounts due to parent	70,000	-	-	-	-	70,000
Other liabilities	869	-	-	-	-	869
Total	<u>77,591</u>	<u>-</u>	<u>2,648</u>	<u>10,592</u>	<u>32,593</u>	<u>123,424</u>

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.

16. FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk (continued)**

At 31 December 2015

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	3,373	-	-	-	-	3,373
Amount due to parent	70,000	-	-	-	-	70,000
Other liabilities	217	-	-	-	-	217
Total	73,590	-	2,648	10,592	32,593	119,423

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.

17. CAPITAL MANAGEMENT

Capital management for the Company is carried out in the context of the BoI Group's capital management policy.

The objectives of the BoI Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the BoI Group has sufficient capital to cover the risks of its business and support its strategy. It seeks to minimise refinancing risk by managing the maturity profile of non equity capital whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. The capital adequacy requirements set by the Central Bank of Ireland are used by the BoI Group as the basis for its capital management. These requirements set a floor under which capital levels must not fall. The BoI Group seeks to maintain sufficient capital to ensure that even under difficult conditions these requirements are met.

The Company does not have its own regulatory capital requirements.

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

	31 December 2016 £'000	31 December 2015 £'000
Equity	2,813	2,353
Preference shares (note 10)	32,593	32,593
Total capital resources	35,406	34,946

18. EQUITY DIVIDENDS

No equity dividend has been proposed by the Directors in respect of the year ended 31 December 2016 (year ended 31 December 2015: £nil).

19. RELATED-PARTY TRANSACTIONS

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

	Ultimate Parent		Parent		Fellow BoI Group Undertakings	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Assets						
At the beginning of the year	113,682	114,022	-	391	-	-
Net amount advanced / (repaid)	146	(340)	-	(391)	-	-
At the end of the year	<u>113,828</u>	<u>113,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest income	3,827	3,856	-	-	-	-
Liabilities						
At the beginning of the year	3,373	559	70,000	70,000	-	711
Net amount advanced / (repaid)	3,349	2,814	-	-	-	(711)
At the end of the year	<u>6,722</u>	<u>3,373</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>

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 8, 9, 11, 12 and 13. 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 current and preceding financial year.

20. CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise loans and advances to banks with original maturity of less than 3 months.

	31 December 2016 £'000	31 December 2015 £'000
Loans and advances to banks (note 8)	<u>11,653</u>	<u>11,653</u>

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

21. POST BALANCE SHEET EVENTS

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

22. ULTIMATE PARENT COMPANY

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

These financial statements are included in the consolidated financial statements of The Governor and Company of the Bank of Ireland (the ultimate Parent of the Bank of Ireland Group) and Bank of Ireland UK Holdings plc (the Company's Parent).

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

A copy of the Bank of Ireland UK Holdings plc financial statements may be obtained from Bank of Ireland UK Holdings plc, 1 Donegall Square South, Belfast, BT1 5LR, Northern Ireland or www.bankofireland.com.

Bristol & West plc

<http://www.bristol-west.co.uk/bwplc>

Registered in England:

Company number 2124201

Registered office of the Company:

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Bristol

BS1 6DX