Registered Number: 02476161

BANK OF IRELAND DIRECT MARKETING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS AND OTHER INFORMATION

Directors at date of signing

Sean Crowe
John-Anthony Greer

Company Secretary

Hill Wilson Secretarial Limited
Bank of Ireland
Head Office
40 Mespil Road
Dublin 4

Registered Office

One Temple Back East
Temple Quay
Bristol
United Kingdom
BS1 6DX

Registered Number

02476161

Independent Auditor

KPMG
1 Harbourmaster Place
IFSC
Dublin 1

The Directors present their annual report and the audited financial statements of Bank of Ireland Direct Marketing Limited ('the Company') for the financial year ended 31 December 2018. The Company is a private company limited by shares. It is incorporated and domiciled in the UK.

Review of business and future developments

The Company did not trade during the year.

The financial position of the Company is shown in the attached financial statements. It is not intended that the Company will undertake any business in the foreseeable future. The Company is anticipated to continue on a going concern basis for the foreseeable future.

Results and dividends

The Company did not trade during the 2018 and 2017 financial years. The results for the year are set out on page 8. The Directors do not recommend the payment of a dividend (2017: £nil).

Introduction of IFRS 9

As of 1 January 2018 IFRS 9 'Financial Instruments' came into effect and has been applied in the preparation of the Company's financial statements. Comparative figures have not been restated for the impact of IFRS 9 and are presented on an IAS 39 classification and measurement basis. On transition to IFRS 9 the Company's reserves reduced by £72. See notes 2 and 14 for further information on the impact of transition to IFRS 9.

Risk management

The Company's risk management objectives and policies and the principal risk exposures facing the business are set out below. These risks are monitored and managed under the overall governance framework of the Bank of Ireland Group (the 'Group').

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.

Credit exposure arises from amounts owed by Bank of Ireland Group undertakings.

The senior unsecured credit ratings of Bank of Ireland are set out as follows:

	The Governor and Company of the Bank of Ireland	
Rating Agency	**2018**	**2017**
Moody's	A3	Baa1
Standard & Poor's	BBB+	BBB

The Company does not have any exposure to credit risk outside of the Bank of Ireland Group.

Liquidity Risk
Liquidity risk is the risk that the Company will experience difficulty in meeting its contractual payment obligations as they fall due. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven by the maturity structure of loans, while cash outflows are driven, inter alia, by the outflows from liabilities to creditors. At 31 December 2018, the Company's exposure is limited to amounts due to the Bank of Ireland Group of £10,439.

Risk management (continued)

Market Risk
Market risk is the risk of loss in the Company's income or net worth arising from adverse change in interest rates, exchange rates, or other market prices. Currency risk is the risk that the future cash flows will fluctuate because of changes in market exchange rates.

The Company recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Company's corporate objectives. The Company's exposure to market risk is governed by policy approved by the Bank of Ireland Group Risk Policy Committee ('GRPC'). This policy sets out the nature of risk that may be taken, the types of financial instrument that may be used to manage risk and the way in which risk is controlled.

The functional currency of the Company is British pounds (£).

The Company does not have any significant exposure to interest rate risk or foreign currency risk.

Operational Risk
The Company outsources its key operations to the Bank of Ireland Group and, as a result, operational risk is managed by the Bank of Ireland Group. The Group manages operational risk through accountable executives overseen by the Bank of Ireland Group Audit Committee. In addition there is oversight by the Group Operational Risk Committee. The effective management of operational risk is primarily the responsibility of business management.

The Bank of Ireland Group has established a formal approach to the management of regulatory and compliance risk and the objective is the identification, assessment, monitoring and management of regulatory and compliance risks.

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

Directors

The Directors who served during the year ended 31 December 2018 and up to the date of signing the financial statements are set out below. Except where otherwise indicated, they served as Directors for the entire period.

Sean Crowe	
John-Anthony Greer	(Appointed 14 November 2018)
Paul Leonard	(Resigned 14 November 2018)

Qualifying third party indemnity provision

A qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) was and remains in force for the benefit of all Directors of the Company and former Directors who held office during the year and at the approval date of the financial statements. The indemnity is granted under article 13 (a) of the Company's Articles of Association.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with FRS 101 'Reduced Disclosure Framework'.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Post balance sheet events

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

Statement of disclosure of information to auditor

So far as each of the Directors in office at the date of approval of these financial statements is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Small companies' exemption

The Company qualifies as a small company in accordance with sections 381 to 383 of the Companies Act 2006 (the 'Act') and the Directors' report has therefore been prepared taking into consideration the entitlement to small companies exemptions provided in sections 415A and 414B (as incorporated to the Act by the Strategic Report and Directors' Report Regulations 2013) of the Act.

Independent auditor

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

This report was approved by the Board of Directors on 12 June 2019 and signed on its behalf by:

....

John-Anthony Greer
Director

KPMG
Audit
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BANK OF IRELAND DIRECT MARKETING LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank of Ireland Direct Marketing Limited ('the Company') for the year ended 31 December 2018, which comprise the statement of profit and loss and other comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and FRS 101 Reduced Disclosure Framework.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.

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

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Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information;

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

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but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

N. Marshall

N. Marshall *12 June 2019*
for and on behalf of
KPMG Statutory Auditor
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

BANK OF IRELAND DIRECT MARKETING LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017[1] £
Net impairment gains on financial instruments	5	37	-
Profit before taxation		37	-
Taxation	7	-	-
Profit for the financial year		37	-
Total comprehensive income for the financial year		37	-

The notes on pages 11 to 22 form part of these financial statements.

[1] *Comparative figures have not been restated for the impact of IFRS 9.*

BANK OF IRELAND DIRECT MARKETING LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31 December 2018 £	31 December 2017[1] £
Current assets			
Debtors	8	472,362	472,397
Creditors: amounts falling due within one year	10	(10,439)	(10,439)
Net assets		**461,923**	**461,958**
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account		461,921	461,956
Total shareholder's funds		**461,923**	**461,958**

The notes on pages 11 to 22 form part of these financial statements.

The financial statements on pages 8 to 22 were approved by the Board of Directors on 12 June 2019 and signed on its behalf by:

....

John-Anthony Greer
Director

[1] *Comparative figures have not been restated for the impact of IFRS 9.*

BANK OF IRELAND DIRECT MARKETING LIMITED

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

	Note	Called up share capital £	Profit and loss account £	Total shareholder's funds £
At 1 January 2017[1]		2	461,956	461,958
Result for the financial year		-	-	-
At 31 December 2017[1]		2	461,956	461,958
Impact of adopting IFRS 9 at 1 January 2018	2	-	(72)	(72)
Restated balance at 1 January 2018		2	461,884	461,886
Profit for the financial year		-	37	37
At 31 December 2018		2	461,921	461,923

The notes on pages 11 to 22 form part of these financial statements.

[1] *Comparative figures have not been restated for the impact of IFRS 9.*

1 Summary of significant accounting policies

1.1 Basis of preparation

The financial statements comprise the statement of profit and loss and other comprehensive income, the balance sheet, the statement of changes in equity and the notes to the financial statements.

The financial statements of Bank of Ireland Direct Marketing Limited ('the Company') have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101'). The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company has no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries of the Bank of Ireland Group;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of capital management;
- disclosures in respect of the compensation of key management personnel; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Adoption of new accounting standards

IFRS 9 'Financial Instruments' has been adopted by the Company during the year ended 31 December 2018.

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 effect of adoption of IFRS 9 is explained further in note 2.

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

Presentation

IFRS 9 amends IAS 1 'Presentation of Financial Statements' to require certain items to be presented as line items in the statement of profit and loss and other comprehensive income, including impairment gains or losses.

The Company's accounting policies have been updated for the application of IFRS 9 from 1 January 2018. The updates together with the accounting policies for the comparative period up to 31 December 2017 are detailed below.

Other than IFRS 9, no other new standards (including IFRS 15), amendments or interpretations, effective for the first time for the financial year beginning on 1 January 2018 have had a material impact on the Company.

1 Summary of significant accounting policies (continued)

1.3 Current income tax

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

1.4 Financial Instruments

1.4.1 Financial assets

A. Recognition, classification and measurement

From 1 January 2018, the Company applies the following accounting policies to the classification, recognition and measurement policies relating to financial assets.

A financial asset is recognised in the balance sheet when, and only when, the Company becomes a party to its contractual provisions. At initial recognition, a financial asset is measured at fair value (plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs) and is assigned one of the following classifications for the purposes of subsequent measurement:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income; or
- financial assets at fair value through profit or loss.

The Company determines the appropriate classification based on the contractual cash flow characteristics of the financial asset and the objective of the business model within which the financial asset is held. In determining the business model for a group of financial assets, the Company considers factors such as how performance is evaluated and reported to key management personnel; the risks that affect performance and how they are managed; how managers are compensated; and the expected frequency, value and timing of sales of financial assets.

In considering the contractual cash flow characteristics of a financial asset, the Company determines whether the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In this context, 'principal' is the fair value of the financial asset on initial recognition and 'interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In making the determination, the Company assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events, leverage features, prepayment and term extensions, terms which limit the Company's recourse to specific assets and features that modify consideration of the time value of money.

(a) Financial assets at amortised cost

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at amortised cost where it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by holding financial assets to collect contractual cash flows.

Loans measured at amortised cost are recognised when cash is advanced to the borrowers. Interest revenue using the effective interest method is recognised in the statement of profit and loss and other comprehensive income. An impairment loss allowance is recognised for expected credit losses with corresponding impairment gains or losses recognised in the statement of profit and loss and other comprehensive income.

1 Summary of significant accounting policies (continued)

1.4 Financial Instruments (continued)

1.4.1 Financial assets (continued)

A. Recognition, classification and measurement (continued)

(b) Financial assets at fair value through other comprehensive income

Debt instruments

A debt instrument is measured, subsequent to initial recognition, at fair value through other comprehensive income where it meets both of the following conditions and has not been designated as measured at fair value through profit or loss:

- the financial asset has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Gains and losses arising from changes in fair value are included in other comprehensive income. Interest revenue using the effective interest method and foreign exchange gains and losses on the amortised cost of the financial asset are recognised in the statement of profit and loss and other comprehensive income. The impairment loss allowance for expected credit losses does not reduce the carrying amount but an amount equal to the allowance is recognised in other comprehensive income as an accumulated impairment amount, with corresponding impairment gains or losses recognised in the statement of profit and loss and other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit and loss and other comprehensive income.

Equity instruments

Where an irrevocable election has been made by the Company at initial recognition, an investment in an equity instrument that is neither 'held for trading' nor contingent consideration recognised by the Company in a business combination to which IFRS 3 'Business Combinations' applies, is measured at fair value through other comprehensive income.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Company does not have any assets classified at fair value through other comprehensive income.

(c) Financial assets at fair value through profit or loss

All other financial assets are measured, subsequent to initial recognition, at fair value through profit or loss. Financial assets at fair value through profit or loss comprise:

Financial assets mandatorily measured at fair value through profit or loss

Financial assets meeting either of the conditions below are mandatorily measured at fair value through profit or loss (other than in respect of an equity investment designated as at fair value through other comprehensive income):

- financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- financial assets held within a business model whose objective is achieved neither by collecting contractual cash flows nor both collecting contractual cash flows and selling financial assets.

Financial assets designated as measured at fair value through profit or loss

A financial asset may be designated at fair value through profit or loss only if doing so eliminates or significantly reduces measurement or recognition inconsistencies (an 'accounting mismatch') that would otherwise arise from measuring financial assets or liabilities or recognising gains and losses on them on different bases.

The Company does not have any assets classified at fair value through profit or loss.

1 Summary of significant accounting policies (continued)

1.4 Financial Instruments (continued)

1.4.1 Financial assets (continued)

B. Reclassification

When, and only when, the Company changes its business model for managing financial assets, it reclassifies all affected financial assets. Reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification. Any previously recognised gains, losses or interest are not restated.

C. Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Company has transferred substantially all the risks and rewards of ownership. Where a modification results in a substantial change to the contractual cash flows of a financial asset, it may be considered to represent expiry of the contractual cash flows, resulting in derecognition of the original financial asset and recognition of a new financial asset at fair value. The Company reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Until 31 December 2017, under the requirements of IAS 39, the Company categorised its financial assets as loans and receivables and determined the classification of its financial assets at initial recognition. The Company's policies for the classification, recognition and measurement of financial assets under IAS 39 were as follows:

(a) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Loans were recorded at fair value plus transaction costs when cash was advanced to the borrowers. They were subsequently accounted for at amortised cost using the effective interest method.

(b) Derecognition

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

1.4.2 Financial liabilities

Under both IFRS 9 and IAS 39, the Company has only one category of financial liability: those that are carried at amortised cost. Financial liabilities are initially recognised at fair value (normally the issue proceeds i.e. the fair value of the consideration received) less transaction costs. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement using the effective interest method.

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

1.4.3 Valuation of financial instruments

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

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 where possible, these valuation techniques use observable market data. Where observable data does not exist, the Company uses estimates based on the best information available.

1 Summary of significant accounting policies (continued)

1.4 Financial Instruments (continued)

1.4.3 Valuation of financial instruments (continued)

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 income statement 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 that amount.

Subsequent changes in fair value are recognised immediately in the income statement 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.

1.4.4 Impairment of financial instruments

Assets carried at amortised cost

Scope

The Company recognises impairment loss allowances for expected credit losses (ECL) on financial assets that are debt instruments unless measured at fair value through profit or loss.

Basis for measuring impairment

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

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

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

Stage 2: Lifetime ECL (not credit-impaired)

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

Stage 3: Lifetime ECL (credit-impaired)

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

Purchased or originated credit-impaired financial assets

These are financial assets that were credit-impaired at initial recognition. They are not subject to any initial impairment loss allowance but an impairment loss allowance is subsequently recognised for the cumulative changes in lifetime ECL since initial recognition. A purchased or originated credit-impaired financial asset remains classified as such until it is derecognised, even if assessed as no longer credit-impaired at a subsequent reporting date.

With the exception of purchased or originated credit-impaired financial assets, a financial instrument may migrate between stages from one reporting date to the next.

1 Summary of significant accounting policies (continued)

1.4 Financial Instruments (continued)

1.4.4 Impairment of financial instruments (continued)

Credit-impaired

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Measurement of ECL and presentation of impairment loss allowances

ECL are measured in a way that reflects:

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

ECL are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of the difference between all contractual cash flows due to the Company in accordance with the contract and all the cash flows the Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

For financial assets, the discount rate used in measuring ECL is the effective interest rate (or 'credit-adjusted effective interest rate' for a purchased or originated credit-impaired financial asset) or an approximation thereof.

Impairment loss allowances for ECL are presented in the financial statements for financial assets at amortised cost as a deduction from the gross carrying amount in the balance sheet.

Utilisation of impairment loss allowances

The Company reduces the gross carrying amount of a financial asset and the associated impairment loss allowance when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include the collection process having been exhausted or it becoming clear during the collection process that recovery will fall short of the amount due to the Company.

The Company considers, on a case-by-case basis, whether enforcement action in respect of an amount that has been written off from an accounting perspective is or remains appropriate. Any subsequent recoveries are included in the income statement as an impairment gain.

Until 31 December 2017, under the requirements of IAS 39, the Company recognised impairment of financial instruments as follows:

Assets carried at amortised cost

The Company assessed at each balance sheet date whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset, or a group of financial assets, was impaired and impairment losses were incurred if, and only if, there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

1 Summary of significant accounting policies (continued)

1.4 Financial Instruments (continued)

1.4.4 Impairment of financial instruments (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreased, and the decrease could 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 was reversed by adjusting the allowance account. The amount of the reversal was recognised in the income statement.

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

2 Transition from IAS 39 to IFRS 9

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

A description of the IFRS 9 accounting policies is set out in note 1 of these financial statements. A reconciliation of the balance sheet classification as at 1 January 2018 under IAS 39 to the classification under IFRS 9 is included in note 14 (separately identifying by measurement category the changes in the carrying amount arising from reclassification and remeasurement on transition to IFRS 9). In addition, a reconciliation of the closing impairment provision under IAS 39 and provision under IAS 37 at 31 December 2017 to the opening loss allowance at 1 January 2018 determined in accordance with IFRS 9 is included in note 14.

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

	Shareholder's equity
	£
As reported under IAS 39 / 37 at 31 December 2017	461,958
Impairment loss allowance – remeasurement	(72)
As reported under IFRS 9 at 1 January 2018	**461,886**

3 Administrative expenses

The Company incurred no expenses during the financial year ended 31 December 2018 (2017: £nil).

4 Employees and Directors' emoluments

There were no employees during the year ended 31 December 2018 (2017: nil). The Directors received no remuneration for their services as Directors of the Company (2017: £nil).

5 Net impairment gains on financial instruments

	Year ended 31 December 2018	**Year ended 31 December 2017**
	£	**£**
Amounts due from Bank of Ireland Group undertakings[1] (note 9)	37	-
Net impairment gains on financial instruments	**37**	**-**

[1] *The IAS 39 impairment charge on amounts due from Bank of Ireland Group undertakings was £nil.*

6 Profit on ordinary activities before taxation

Audit fees are borne by The Governor and Company of the Bank of Ireland.

7 Taxation

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Current year taxation charge	-	-
Total taxation charge	-	-

The reconciliation of tax on the profit on ordinary activities before taxation at the standard UK corporation tax rate to the Company's actual tax charge for the year ended 31 December 2018 and 31 December 2017 is as follows:

	31 December 2018 £	31 December 2017 £
Profit before taxation	37	-
Profit on ordinary activities multiplied by the standard rate in the UK of 19% (2017: 19.25%)	7	-
Other	(7)	
Taxation charge	-	-

8 Debtors

	Note	31 December 2018 £	31 December 2017 £
Corporation tax		2,879	2,879
Amounts due from Bank of Ireland Group undertakings	9	469,483	469,518
Total debtors		472,362	472,397

Amounts due from Bank of Ireland Group undertakings are unsecured, interest free and repayable on demand.

9 Amounts due from Bank of Ireland Group undertakings

	31 December 2018 £	31 December 2017 £
Amounts due from Bank of Ireland Group undertakings	469,518	469,518
Less: impairment loss allowance	(35)	-
Total amounts due from Bank of Ireland Group undertakings	469,483	469,518

Amounts owed by Bank of Ireland Group undertakings are unsecured, interest free and are repayable on demand.

From 1 January 2018 amounts due from Bank of Ireland Group undertakings have been classified and measured in accordance with IFRS 9. This involved reclassifying amounts due from Bank of Ireland Group undertakings from loans and receivables to financial assets at amortised cost and measuring the associated impairment loss allowance on amounts due from Bank of Ireland Group undertakings on a 12 month or lifetime expected credit loss approach. The comparatives for the prior year have not been restated, with impairment provisions reflecting an IAS 39 incurred loss measurement basis.

9 Amounts due from Bank of Ireland Group undertakings (continued)

The following tables show the movement in both the gross carrying amount and impairment loss allowance subject to 12 month Expected Credit Losses (ECL) on amounts due from Bank of Ireland Group undertakings at amortised cost for the year ended 31 December 2018.

31 December 2018[1]

Gross carrying amount at amortised cost	Stage 1 – 12 month ECL (not credit-impaired)	Total gross carrying amount
(before impairment loss allowance)	**£**	**£**
Closing balance at 31 December 2017	469,518	469,518
Net changes in exposure	-	-
Gross carrying amount at 31 December 2018	**469,518**	**469,518**

31 December 2018[1]

Impairment loss allowance	Stage 1 – 12 month ECL (not credit-impaired) £	Total impairment loss allowance £
Closing balance at 31 December 2017	-	-
Impact of adopting IFRS 9 on 1 January 2018 (note 14)	72	72
Opening balance 1 January 2018	**72**	**72**
Net impairment gains in statement of profit and loss and other comprehensive income:		
Measurement reclassification and other movements	(37)	(37)
Impairment loss allowance at 31 December 2018	**35**	**35**

[1] *The opening gross carrying amount and impairment loss allowance on amounts due from Bank of Ireland Group undertakings are presented in accordance with IFRS 9, with no comparative restatement of 2017 positions.*

10 Creditors: amounts falling due within one year

	31 December 2018 £	31 December 2017 £
Amounts due to Bank of Ireland Group undertakings	10,439	10,439
	10,439	**10,439**

Amounts due to Bank of Ireland Group undertakings are unsecured, interest free and repayable on demand.

11 Called up share capital

	31 December 2018 £	31 December 2017 £
Authorised		
1,000 (2017: 1,000) ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
2 (2017: 2) ordinary shares of £1 each	2	2

12 Related party transactions

The Company has availed of the FRS 101 exemption relating to the disclosure of transactions with other wholly owned subsidiaries of the Bank of Ireland Group. There are no other transactions with related parties.

13 Controlling parties

The Company's immediate parent undertaking is Bank of Ireland Britain Holdings Limited, a company registered in England.

The smallest group of which the Company is a member and for which group financial statements are prepared is The Governor and Company of the Bank of Ireland, a corporation established in the Republic of Ireland. Copies of the consolidated financial statements of The Governor and Company of the Bank of Ireland for the year ended 31 December 2018 may be obtained from the Group Secretary, Bank of Ireland, 40 Mespil Road, Dublin 4, Republic of Ireland.

The ultimate parent undertaking and controlling party of the Company is Bank of Ireland Group plc.

The largest group of which the Company is a member and for which group financial statements are prepared is Bank of Ireland Group plc, a public limited company incorporated and registered in the Republic of Ireland. Copies of the consolidated financial statements of Bank of Ireland Group plc for the year ended 31 December 2018 may be obtained from the Group Secretary, Bank of Ireland, 40 Mespil Road, Dublin 4, Republic of Ireland.

14 IAS 39 to IFRS 9 transitional disclosures

The following table provides a reconciliation of the Company's balance sheet by measurement category from IAS 39 to IFRS 9 at 1 January 2018.

	IAS 39 carrying amount 31 December 2017	Remeasurement	IFRS 9 carrying amount 1 January 2018
	£	£	£
Non-financial assets at amortised cost			
Corporation tax			
Opening balance	2,879	-	2,879
Increase in impairment loss allowance	-	-	-
Total corporation tax	**2,879**	**-**	**2,879**
Total non-financial assets at amortised cost	**2,879**	**-**	**2,879**
Financial assets at amortised cost			
Amounts due from Bank of Ireland Group undertakings			
Opening balance	469,518	-	469,518
Increase in impairment loss allowance	-	(72)	(72)
Total amounts due from Bank of Ireland Group undertakings	**469,518**	**(72)**	**469,446**
Total financial assets at amortised cost	**472,397**	**(72)**	**472,325**
Total assets at amortised cost	**472,397**	**(72)**	**472,325**
Financial liabilities at amortised cost			
Creditors – amounts falling due within one year	10,439	-	10,439
Total financial liabilities at amortised cost	**10,439**	**-**	**10,439**
Total liabilities at amortised cost	**10,439**	**-**	**10,439**
Net assets	**461,958**	**(72)**	**461,886**
Shareholder's funds			
Opening balance	461,958	-	461,958
Impairment loss allowance - remeasurement	-	(72)	(72)
Total shareholder's funds	**461,958**	**(72)**	**461,886**

14 IAS 39 to IFRS 9 transitional disclosures (continued)

The following table provides the reconciliation of the Company's closing impairment provision in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9.

	Provision under IAS 39/ IAS 37 31 December 2017	Remeasurement	Loss allowance under IFRS 9 1 January 2018
	£	£	£
Financials assets at amortised cost			
Opening balance	-	-	-
Increase in impairment loss allowance	-	(72)	(72)
Total assets at amortised cost	-	(72)	(72)
Total impairment loss allowance	-	(72)	(72)

15 Post balance sheet events

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

16 Approval of financial statements

The Board of Directors approved the financial statements on 12 June 2019.