

COLSTON NO. 3 PARENT LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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COLSTON NO. 3 PARENT LIMITED

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COLSTON NO. 3 PARENT LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2010

Board of Directors at 31 December 2010

Capita Trust Corporate Limited
Capita Trust Corporate Services Limited
David Ross Baker

Company Secretary and Registered Office

Capita Trust Secretaries Limited

7th floor
Phoenix House
18 King William Street
London EC4N 7HE

Registered Number 6700483

Date of Incorporation: 17 September 2008

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol BS1 5QD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present the report and the audited financial statements for Colston No 3 Parent Limited ("the Company") for the year ended 31 December 2010

The choice of accounting reference date is to align with that of the related party, The Governor and Company of the Bank of Ireland ("Bank of Ireland")

Principal activities

The Company's principal activity is to hold shares in Colston No 3 plc. The principal activity of Colston No 3 plc is the management of a portfolio of mortgage loans and the collection of payments of principal and interest on them, funded primarily by the issuance of debt securities in the form of floating rate notes ("Notes") to Bank of Ireland. All activities relate to residential mortgages in the United Kingdom, where both the Company and Colston No 3 plc are incorporated and domiciled

Business review and future developments

The Company did not engage in any material activity other than changing its name from Nenebrook Limited to Colston No. 3 Parent Limited on 08 October 2008

The Company has not traded during the year. As a result no key performance indicator analysis is considered necessary

Subsequent events

On 26 January 2010 Standard & Poor's lowered its long and short term counterparty credit ratings on Bank of Ireland to A- / A-2 from A / A-1. This does not impact the credit rating of the Company

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

Directors and their interests

Directors who served in office during the year are stated on page 2

During the year, no Director held any interest in the shares of the Company. There is no requirement for the Directors to disclose their interest in shares in, or debentures of, any body corporate incorporated outside of Great Britain

During the year, no Director or connected person had any interest in any contract of significance with the Company

COLSTON NO. 3 PARENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2010 and that applicable accounting standards have been followed.

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

Audit confirmation

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

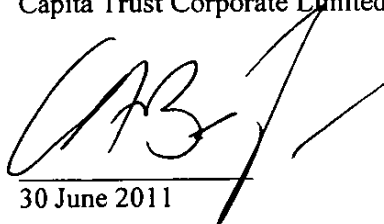
- (a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) each Director has taken all the steps he ought to have taken as a Director, in order to make himself aware of any relevant audit information, and to establish that the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

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board

Capita Trust Corporate Limited - Director



Colin Arthur Benford

30 June 2011

COLSTON NO. 3 PARENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLSTON NO 3 PARENT LIMITED (CONTINUED)

AS AT 31 DECEMBER 2010

We have audited the financial statements of Colston No 3 Plc for the year ended 31 December 2010 which comprise the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its results and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

COLSTON NO. 3 PARENT LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLSTON NO 3 PARENT
LIMITED (CONTINUED)**

AS AT 31 DECEMBER 2010

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Craig Gentle (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

30 June 2011

COLSTON NO. 3 PARENT LIMITED

BALANCE SHEET


AS AT 31 DECEMBER 2010

	Notes	31 December 2010 £	31 December 2009 £
Assets			
Investments	4	50,000	50,000
Cash and cash equivalents		2	2
Total assets		50,002	50,002
Equity and liabilities			
Term loan	5	12,502	12,502
Trade and other payables	5	37,498	37,498
Total non-current liabilities		50,000	50,000
Equity attributable to owners of the parent			
Called up share capital	6	2	2
Total shareholders' equity		2	2
Total equity and liabilities		50,002	50,002

The Company did not trade in the year and therefore no movements were reported in the profit and loss account. The closing balance on the cumulative profit and loss account is £nil.

The notes on pages 10 to 13 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 30 June 2011 and signed on its behalf by


Capita Trust Corporate Limited
Director

Colin Arthur Benford

30 June 2011

COLSTON NO. 3 PARENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to equity holders of the Company	
	Ordinary share capital	Total
	£	£
Balance as at 31 December 2009	2	2
Issue of new ordinary shares	-	-
Balance as at 31 December 2010	<u>2</u>	<u>2</u>
Retained profit for the year ended 31 December 2010	-	-
Total recognised changes in equity	<u>-</u>	<u>-</u>
Balance as at 31 December 2010	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>2</u></u>

The notes on pages 10 to 13 are an integral part of these financial statements

COLSTON NO. 3 PARENT LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	31 December 2010 £	Period from incorporation to 31 December 2009 £
Cash flows from investing activities			
Acquisition of shares in subsidiary undertaking		-	(12,502)
Net cash used in investing activities		-	(12,502)
Cash flows from financing activities			
Issuance of share capital	6	-	2
Increase in term borrowings	5	-	12,502
Net cash generated from financing activities		-	12,504
Net increase in cash and cash equivalents		-	2
Cash and cash equivalents at beginning of the period		2	-
Cash and cash equivalents at end of the period		2	2

The notes on pages 10 to 13 are an integral part of these financial statements

COLSTON NO. 3 PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

1. Accounting policies

General information

The Company is a limited liability company incorporated and domiciled in United Kingdom. The address of its registered office is 7th Floor, Phoenix House, 18 King William Street, London, EC4N 7HE.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared under the historical cost convention and on the going concern basis.

The choice of accounting reference date is to align with that of the ultimate parent undertaking, The Governor and Company of the Bank of Ireland ("Bank of Ireland"). The current period financial statements therefore provide results of the Company for the year ended 31 December 2010.

The Company's profit and loss account has not been included in these financial statements on the basis that the Company did not trade in the period and consequently made neither a profit nor a loss.

These financial statements are prepared as 'separate' financial statements in accordance with Section 226 of the Companies Act 2006 since the Company did not have any subsidiaries at 31 December 2010. The Company holds 99.9% of the share capital of Colston No 3 plc. However, since that entity is controlled by The Governor and Company of the Bank of Ireland, it is not a subsidiary of the Company.

Investments

Investments are accounted for at cost.

Cash and cash equivalents

Cash and cash equivalents comprise balances with banks which can be withdrawn on demand.

Impact of new accounting standards

The following standards, interpretations and amendments to standards will be relevant to the Group but were not effective at 31 December 2010 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.

IAS 24 (amendment) Related Party Transactions: - (accounting periods beginning after 1 Jan 2011)

The amendment simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. This amendment is still subject to EU endorsement. Adoption of this amendment will have no impact on the financial results or the position of the Company.

COLSTON NO. 3 PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

1. Accounting policies (continued)

Impact of new accounting standards (continued)

IFRS 9, Financial instruments : - (accounting periods beginning after 1 Jan 2013)

IFRS 9 is the first step in the process to replace IAS 39, 'Financial instruments recognition and measurement'. The relevant impacts of these changes are as follows

- The multiple classification model in IAS 39 is replaced with a single model that has only two classification categories: amortised cost and fair value
- Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets.

The Company is assessing the impact of adapting these changes

2. Directors and employees

The Directors received no remuneration and there were no employees during the year

3. Auditors' remuneration

Auditors' remuneration has been borne by Colston No. 3 plc

4. Investments

	31 December 2009 £	31 December 2010 £
Cost		
Investment in shares	<u>50,000</u>	<u>50,000</u>

Investment in shares represents the Company's shareholding in Colston No. 3 plc, whose registered office is 7th floor, Phoenix House, 18 King William Street, London, EC4N 7HE

The Company has a 99.9% shareholding in Colston No. 3 plc. The remaining ordinary share is held by the Company's parent company Capita Trust Nominees No. 1 Limited as nominee of the Company under the terms of a share trust dated October 2008. Colston No. 3 plc is controlled by The Governor and Company of the Bank of Ireland, and therefore it is not a subsidiary of the Company.

Colston No. 3 plc's results are included within the consolidated financial statements of The Governor and Company of the Bank of Ireland, a company incorporated by Royal Charter and registered in the Republic of Ireland. Copies of the consolidated financial statements can be obtained from Bank of Ireland's Head Office in 40 Mespil Road, Dublin 4.

COLSTON NO. 3 PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. Non-current liabilities: Trade and other payables

	31 December 2010 £	31 December 2009 £
Other long-term loan	12,502	12,502
Share capital subscribed to but not paid	37,498	37,498
	<u>50,000</u>	<u>50,000</u>

The term loan is with the Trustee Company, Capita Trust Nominee No 1 Limited ("the lender") Interest is due annually at the rate of LIBOR + 2% As per the term loan agreement, the Company is only obliged to pay amounts owing under the term loan to the extent of the sums received or recovered (by way of dividend or otherwise) from its subsidiary undertaking The obligation of the Company to make payments under the term loan agreement will be limited to such sums received and the lender will have no further recourse to, and shall not exercise any right of set-off against, the Company in respect thereof There is no fixed repayment date

Share capital subscribed to but not paid represents the amount still owed as at 31 December 2010 to Colston No 3 plc in respect of the 49,998 partly paid up £1 shares 75p per share remains unpaid at the period end The outstanding amount is not expected to be paid within 12 months of the balance sheet date

6. Called Up Share capital

	31 December 2010 £	31 December 2009 £
Authorised Equity shares		
100 Ordinary shares of £1 00 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid Equity shares		
Ordinary share of £1 00	<u>2</u>	<u>2</u>

7. Related parties

The Directors consider that the Company is related to its ultimate parent The Governor and Company of the Bank of Ireland, and to Capita Trust Nominees No 1 Limited

At the balance sheet date there were no amounts due from or owed by the Company to The Governor and Company of the Bank of Ireland

The entire issued share capital of the Company is held by Capita Trust Nominees No 1 Limited under the terms of a trust established under English law by a declaration of trust dated October 2008 for the benefit of certain charitable purposes

COLSTON NO. 3 PARENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

7. Related parties (continued)

At the balance sheet date the Company has a term loan outstanding for £12,502 with Capita Trust Nominees No 1 Limited ("the lender"). As per the term loan agreement, the Company is only obliged to pay amounts owing under the term loan to the extent of the sums received or recovered (by way of dividend or otherwise) from its subsidiary undertaking. The obligation of the Company to make payments under the term loan agreement will be limited to such sums received and the lender will have no further recourse to, and shall not exercise any right of set-off against, the Company in respect thereof. There is no fixed repayment date.

8. Parent companies

The entire share capital of the Company is held by Capita Trust Nominees No 1 Limited, a company incorporated in the United Kingdom that holds its shares in Colston No 3 Parent Limited on a discretionary trust basis for certain charitable purposes.

For accounting purposes, the Company's ultimate parent and controlling party is The Governor and Company of the Bank of Ireland. Following the securitisation issue by Colston No 3 plc on 29 October 2008, effective control of the Company and Colston No 3 plc passed to The Governor and Company of the Bank of Ireland on that date.

Under International Financial Reporting Standards the results of the Company and Colston No 3 plc are included in the consolidated financial statements of the Bank of Ireland Group. These can be obtained from Bank of Ireland's Head Office in 40 Mespil Road, Dublin 4.