

**BOI G.P. NO 1 LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**



**BOI G.P. NO 1 LIMITED**

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**BOI G.P. NO 1 LIMITED**

**DIRECTORS AND OTHER INFORMATION**

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**Directors as at 31 March 2010**

B Kealy  
A Bird  
R Holden  
S Matchett

**Company Secretary as at 31 March 2010**

Hill Wilson Secretarial Limited

**Registered Office**

One Temple Back East  
Temple Quay  
Bristol  
BS1 6DX

**Company Registered Number**

5324484

**Independent Auditors**

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

# **BOI G.P. NO 1 LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 MARCH 2010 (Continued)**

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The Directors present their report and the audited financial statements of the BOI G P No 1 Limited (the "General Partner" or Company) for the year ended 31 March 2010

### **Principal activities**

The principal activity of the General Partner is to manage the Limited Partnerships in accordance with the Limited Partnership agreements. The General Partner has the full and exclusive authority for the operation of the business of BOI Capital Funding (No 1) LP, BOI Capital Funding (No 2) LP, BOI Capital Funding (No 3) LP and BOI Capital Funding (No 4) LP (together the "Limited Partnerships") and shall be responsible for ensuring that, so long as required by applicable law, the relevant functions of the Limited Partnerships are always managed and operated in accordance with the Partnerships (Accounts) Regulations 2008 and the Financial Services and Markets Act 2000.

A number of post balance sheet events have taken place as set out on pages 4 to 6. These will have a significant impact on the scale of the General Partners activities in the future. All assets and liabilities remaining on the General Partners balance sheet after these post balance sheet events are all with related parties, internal to the BoI Group. Therefore, the risks arising from the General Partners activities in the future will be significantly reduced.

The General Partner's immediate parent is Bank of Ireland UK Holdings Plc and its ultimate parent is the Governor and Company of the Bank of Ireland (the "Bank") which is the parent of a Group of subsidiary companies (together with the Bank, the "Group").

### **Review of business**

The Limited Partnerships issued Fixed Rate / Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, comprising limited partnership interests in the Partnership. The General Partner is committed to pay all costs, expenses, debts, liabilities and obligations incurred in the proper operation of the issuer. The General Partner is entitled to any sums remaining after payment of distributions to the holders of the Preferred Securities by the Limited Partnerships.

### **Discretionary coupon payments**

In January 2010, following indications from the European Commission that Bank of Ireland Group should not make coupon payments on its tier 1 and upper tier 2 capital instruments unless under a binding legal obligation to do so, the Group announced that the non-cumulative distribution on certain upper tier 2 capital instruments, which would otherwise have been payable on their respective coupon dates, would not be paid. The effect of this decision by the Group was to trigger the "dividend stopper" provisions of these instruments. While these "dividend stoppers" remained in force, the Group was precluded, for a period of one calendar year from and including 1 February 2010 from declaring and making any distribution or dividend payments on its Ordinary Shares, non-cumulative euro and sterling Preference Stock, the 2009 Preference Stock and preferred securities including the securities issued by the Limited Partnerships.

This resulted in the General Partner receiving distributions totalling Stg£81,407,545 from the Limited Partnerships during the year ended 31 March 2010 which otherwise would not have been receivable.

### **Results and dividends**

The profit for the year was £58,707,656 (2009 £104,612). During the year, the Directors proposed and paid dividends of £30,400,000 (2009 £nil). The Directors declared a further dividend of £15,768,870 (2009 £nil) which was paid on 31 October 2010. The payment has not been recognised as a deduction from shareholders funds in these financial statements as it occurred after the balance sheet date.

### **Future developments**

Allowing for the post balance sheet events listed below the Directors do not anticipate any additional significant changes in the business activities of the Company.

# BOI G.P. NO 1 LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

### Key performance indicators

Given the straightforward nature of the business, the Directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business

### 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 to 31 March 2010 is a period of twelve months from the date of approval of these financial statements ("the period of assessment") See pages 14 to 16 in the Accounting Policies for the full going concern assessment

### Post balance sheet events

The principal function of the Company is to manage the Limited Partnerships. The Company has full and exclusive authority for the operation of the business of the Limited Partnerships. The following post balance sheet events occurred in respect of these entities, which are also relevant for the General Partner

On 14 June 2010, BOI Capital Holdings Limited purchased a further portion of the nominal value of the Fixed Rate / Floating Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities issued by the Limited Partnerships

On 4 October 2010 and 11 October 2010, BOI UK Holdings plc (in the case of BOI Capital Funding (No 1) LP, BOI Capital Funding (No 2) LP and BOI Capital Funding (No 3) LP) and The Governor and Company of the Bank of Ireland (in the case of BOI Capital Funding (No 4) LP) respectively, subsequently repurchased and part extinguished an equivalent portion of the Subordinated Notes. At the same time the Limited Partners repurchased the portion of the Fixed Rate / Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities held by the BOI Capital Holdings Ltd. The Limited Partnerships part extinguished the repurchased portion of the preferred securities at par value for all of the Limited Partnerships except BOI Capital Funding (No 4) LP which was repurchased at a premium. This resulted in a reduction in the preferred securities in issue. See table below for further details of the individual events which have occurred

### Fixed Rate/ Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities held by the Partnerships

	BOI Capital Funding (No 1) LP EUR	BOI Capital Funding (No 2) LP USD	BOI Capital Funding (No. 3) LP USD	BOI Capital Funding (No. 4) LP Stg
Nominal Value Issued by Limited Partnerships (Liability)	€600,000,000	\$800,000,000	\$400,000,000	£500,000,000
Purchases by Capital Holdings				
June 2009	€249,684,000	\$400,000,000	\$200,000,000	£462,710,000
June 2010	€134,450,000	\$338,729,000	\$180,203,000	£32,220,000
Holding	€384,134,000	\$738,729,000	\$380,203,000	£494,930,000
Percentage Holding	64%	92%	95%	99%
Repurchase by Issuer (LP 1-4)				
On 4/10/2010	€384,134,000	\$738,729,000	\$380,203,000	
On 11/10/2010				£494,930,000
Extinguished	€384,134,000	\$738,729,000	\$380,203,000	£494,930,000
Nominal in Issue as at 12/10/2010	€215,866,000	\$61,271,000	\$19,797,000	£5,070,000

**BOI G.P. NO 1 LIMITED****DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

**Post balance sheet events (continued)****Purchased Subordinated Notes**

	<b>BOI Capital Funding (No. 1) LP EUR</b>	<b>BOI Capital Funding (No. 2) LP USD</b>	<b>BOI Capital Funding (No. 3) LP USD</b>	<b>BOI Capital Funding (No. 4) LP Stg</b>
Nominal Value Purchased by Limited Partnerships (Asset)	€600,000,000	\$800,000,000	\$400,000,000	£500,000,000
Repurchase from Issuer				
On 4/10/2010 (BOI UK Holdings)	€384,134,000	\$738,729,000	\$380,203,000	
On 11/10/2010 (BOI Group)				£494,930,000
Extinguished	€384,134,000	\$738,729,000	\$380,203,000	£494,930,000
Nominal in Issue as at 12/10/2010	€215,866,000	\$61,271,000	\$19,797,000	£5,070,000

The BoI Group was required to raise €4.2 billion incremental equity capital under the 2011 Prudential Capital Adequacy Review. As part of this requirement, the Group launched a series of Liability Management Exercises (LMEs) which led to related parties purchasing further portions of the subordinated notes issued by the Limited Partnerships, and the Limited Partnerships themselves repurchasing and extinguishing subordinated notes issued as set out in the table below.

	<b>BOI Capital Funding (No. 1) LP EUR</b>	<b>BOI Capital Funding (No. 2) LP USD</b>	<b>BOI Capital Funding (No. 3) LP USD</b>	<b>BOI Capital Funding (No. 4) LP Stg</b>
Nominal in issue prior to LME	€215,866,000	\$61,271,000	\$19,797,000	£5,070,000
Impact of LME				
Repurchased by issuer and extinguished	€66,070,000	\$2,626,000	\$3,700,000	-
Nominal purchased by a Related Party	€149,796,000	\$58,645,000	\$16,097,000	£5,070,000
Remaining Nominal in Issue	€149,796,000	\$58,645,000	\$16,097,000	£5,070,000

The remaining nominal in issue is all held by related parties.

The table above sets out the percentage per note issuer of eligible holders of the Fixed Rate/ Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities which have elected to accept the offer to exchange their bonds. A percentage of holders had elected to accept cash at a price of 10% per €1.00/ \$1.00/ £1.00 for the early take up and 8% per €1.00/ \$1.00/ £1.00 for the late take up of each EUR/ USD/ GBP note held or to receive new BoI Group ordinary stock to the value of, 20% per €1.00/ \$1.00/ £1.00 for the early take up and 16% per €1.00/ \$1.00/ £1.00 for the late take up, of each EUR/ USD/ GBP note held via a share allotment instrument. The final closing date for the LME was 7 July 2011, with a settlement date of 11 July 2011 and conversion of the share allotment instrument into new BoI Group ordinary stock by 12 August 2011.

# BOI G.P. NO 1 LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

### Post balance sheet events (continued)

As a result of the outcome of the debt for equity offers (including cash offers) set out above the BoI Group was granted the right to insert a call option to compulsorily acquire the remaining outstanding Preferred Securities for cash at 0.001% of their nominal value. The BoI Group exercised this option to repurchase the remaining outstanding Preferred Securities for cash at a price of 0.01% per 1,000 of note held. The call options were exercised on the 25<sup>th</sup> of July with settlement date of 27<sup>th</sup> of July. As a result of the LME, a percentage of the preferred securities in issue to external parties have been purchased by another BoI Group entity and the remaining portion was called by the issuers. It is envisaged that the Fixed Rate/ Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities in issue may be extinguished directly by the note issuer at some time in the future.

### Risk

The principal risks and uncertainties arising from the General Partner's operations are liquidity risk, regulatory and compliance risk, market risk and credit risk. These risks are monitored and managed under the overall governance framework of the Bank of Ireland Group. Further details are set out below.

A number of post balance sheet events have taken place as set out on pages 4 to 6. These will have a significant impact on the scale of the General Partners activities in the future. All assets and liabilities remaining on the General Partners balance sheet after these post balance sheet events are all with related parties, internal to the BoI Group. Therefore, the risks arising from the General Partners activities in the future will be significantly reduced.

#### Liquidity risk

Liquidity risk is the risk that the General Partner will experience difficulty in meeting its contractual payment obligations as they fall due.

Under the terms of the Limited Partnership Agreement between the General Partner and the Limited Partnerships, the General Partner is committed to pay all of the costs, expenses, debts, liabilities and obligations incurred in the proper operation of the Limited Partnerships. The remaining income in the Limited Partnerships after payments to the holders of the Preferred Securities is distributed to the General Partner.

The liquidity risk for the General Partner is that the Limited Partnerships do not make sufficient distributions to the General Partner in order to allow it to meet its contractual obligations on the respective payment dates.

As the Limited Partnerships principal activity is, to raise and provide finance and financial support to the BoI Group, the liquidity management of the General Partner is carried out as a component of the liquidity management of the BoI Group as a whole.

#### Credit risk

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the General Partner. The credit risk to the Company is the risk that the Limited Partnerships could become loss making and would transfer these losses to the General Partner under the Limited Partnership Agreement.

#### Market risk

Market risk is the risk of loss in the General Partner's income or net worth arising from adverse changes in interest rates or exchange rates.

#### *Interest rate risk*

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

# BOI G.P. NO 1 LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

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### **Risk (continued)**

#### Market risk (continued)

##### *Interest rate risk (continued)*

The interest rate risk to the General Partner is minimal as the principal activity is to manage the Limited Partnerships in accordance with the Limited Partnership agreement. Under the terms of this agreement, the Partnerships make neither a profit nor a loss as any net income or expense arising is distributed to the General Partner. No income or expense in the General Partners accounts is derived from interest bearing assets or liabilities.

##### *Currency risk*

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market exchange rates.

The currency risk to the Company is the risk that distributions from the Limited Partnerships when translated to British pounds (Stg£) do not exceed the payments made by the General Partner which could be in multiple foreign currencies.

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

#### Regulatory and compliance risk

Regulatory and compliance risk is the risk arising from a breach of regulatory or compliance deadlines and requirements. It arises from a failure to comply with the laws, regulations or codes applicable to the financial services industry in the jurisdictions within which the Company operates.

The General Partner is regulated by the Financial Services Authority and is subject to the Financial Services and Markets Act 2000.

The regulatory and compliance risk for the General Partner is mainly related to the late filing of financial statements with the UK Companies House. Late filing of the financial statements could lead to adverse reputational implications, fines, public reprimands and enforced suspension of operations which could have detrimental consequences for the General Partner.

The General Partner manages regulatory and compliance risk under an overall framework which is, monitored by the Bank of Ireland Group Risk Policy Committee (GRPC), the Bank of Ireland Group Audit Committee (GAC) and the Bank of Ireland Group Regulatory, Compliance and Operational Risk Committee (GRCORC), supported by the Bank of Ireland Group Regulatory, Compliance and Operational Risk (GRCOR) function.

#### **Creditor payment policy**

Under the terms of the Limited Partnership Agreement between the Limited Partnership and the General Partner, the General Partner is committed to pay all of the costs, expenses, debts, liabilities and obligations incurred in the proper operation of the Limited Partnerships.

In addition, under the terms of the subordinated notes Purchase Agreement entered into between Bank of Ireland UK Holdings plc and the Governor and Company of the Bank of Ireland, UK Branch (together the note issuers), and the Limited Partnerships (the note purchasers), the note issuer agrees to pay the note purchaser an annual administration fee which is then transferred to the General Partner along with the Partnership profits.

The General Partners policy is to agree terms of payment with suppliers and these normally provide for payment within thirty days after the invoice date, except where other arrangements have been negotiated. It is policy to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

**BOI G.P. NO 1 LIMITED**

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31 MARCH 2010 (Continued)

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**Creditor payment policy (continued)**

The General Partner has Stg£97,989 of amounts due to suppliers at 31 March 2010 (31 March 2009 Stg£48,934)

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to stay in office and a resolution confirming their appointment will be proposed at the Annual General Meeting

**Directors**

The names of the persons who were Directors at any time during the year as well as those appointed up to the date of signing the financial statements are set out below. Except where otherwise indicated, they served for the entire year.

B Kealy

A Bird (resigned 28/7/2011)

K Coleman (resigned 4/12/2009)

R Holden (appointed 4/12/2009)

S Matchett (appointed 4/12/2009)

C Reddy (appointed 22/7/2011)

**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 regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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

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

Signed on behalf of the Board



Richard Holden  
1 August 2011

## **BOI G.P. NO 1 LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOI GP NO 1 LIMITED**

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#### **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF BOI G.P. NO 1 LIMITED**

We have audited the financial statements of BOI G P No 1 Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of the partners and auditors**

The General Partners' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of General Partners' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the General Partners as a body in accordance with the Partnership Agreement, and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement. We also report to you if, in our opinion, the General Partners' Report is not consistent with the financial statements, if the partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the General Partners' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the General Partners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Partnership Agreement

Craig Gentle  
Senior Statutory Auditor  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
1 August 2011

- (a) The maintenance and integrity of the BOI G P No 1 Limited website is the responsibility of the members, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

**BOI G.P. NO 1 LIMITED****PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 MARCH 2010

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	Notes	2010 £	2009 £
Distribution of income from Limited Partnerships	3	82,951,729	1,544,184
General Partner costs	4	(1,344,184)	(1,344,184)
Gross profit		<u>81,607,545</u>	<u>200,000</u>
Other operating income	5	2,647	129
Administrative expenses	6	(71,781)	(54,834)
Profit on ordinary activities before taxation		<u>81,538,411</u>	<u>145,295</u>
Tax on profit on ordinary activities	8	(22,830,755)	(40,683)
Profit on ordinary activities after taxation		<u>58,707,656</u>	<u>104,612</u>

The notes on pages 14 to 24 form an integral part of these financial statements

The General Partner has no recognised gains or losses other than those included in the results above, and therefore, no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation for the year as stated above and their historical costs equivalents

All results relate to continuing activities

**BOI G.P. NO 1 LIMITED****BALANCE SHEET**

AS AT 31 MARCH 2010

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	Notes	31 March 2010 £	31 March 2009 £
<b>Fixed Assets</b>			
Investments - Interest in Partnerships	10	28,153	28,153
<b>Current assets</b>			
Cash at bank and in hand		3,000	3,000
Debtors Amounts falling due within one year	11	58,856,456	6,304,728
Debtors Amounts falling due after more than one year	11	<u>12,230,353</u>	<u>13,574,537</u>
		71,089,809	19,882,265
<b>Creditors: Amounts falling due within one year</b>	12	(42,487,668)	(19,587,780)
<b>Total assets less current liabilities</b>		<u>28,630,294</u>	<u>322,638</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account	14	28,630,293	322,637
<b>Total shareholders' funds</b>	14	<u>28,630,294</u>	<u>322,638</u>

The notes on pages 14 to 24 form an integral part of these financial statements

These financial statements on pages 12 to 24 were approved by the Board of Directors on 1 August 2011 and signed on its behalf by



Richard Holden  
Director  
1 August 2011

**1. Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 2006 as amended by the Partnership (Accounts) Regulations 2008. The financial statements have also been prepared on a going concern basis. Accounting policies have been applied consistently throughout the year.

The Company is incorporated and domiciled in the United Kingdom. Bank of Ireland UK Holdings plc is the parent undertaking of the smallest Group of undertakings to consolidate these financial statements. The consolidated financial statements of Bank of Ireland UK Holdings plc can be obtained from Bank of Ireland, 40 Mespil Rd, Dublin 4 or [www.bankofireland.com](http://www.bankofireland.com)

The functional currency of the Company is British pounds (Stg£). The Company and Parent Company are incorporated and domiciled in the United Kingdom. As a result, the financial statements are presented in British pounds (Stg£).

An amendment to FRS8 Related Party Disclosures has resulted in the Partnership disclosing related party transactions, for which it was previously exempt from doing.

The General Partner has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 "Cash flow statements (revised 1996)". A consolidated cash flow statement is included in the Group accounts of Bank of Ireland UK Holdings plc accounts.

**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 March 2010 is a period of twelve months from the date of approval of these financial statements ("the period of assessment").

Context

The General Partner is a wholly owned subsidiary of Bank of Ireland UK Holdings plc which is a wholly owned subsidiary of the Governor and Company of the Bank of Ireland.

In making this assessment, the Directors have considered the going concern assessment of the Bank of Ireland Group ("the BoI Group") and the impact on the General Partner.

The primary function of the General Partner is to manage the Limited Partnerships in accordance with the Limited Partnership agreement. The General Partner has full and exclusive authority for the operation of the business of the Limited Partnerships and shall be responsible for ensuring that, so long as required by applicable law, the relevant functions of the Limited Partnerships are always managed and operated in accordance with the Partnerships (Accounts) Regulations 2008 and the financial Services and Markets Act 2000.

Given that the principal activity of the General Partner is to manage the Limited Partnerships in accordance with the Limited Partnership agreement, and also the ultimate support provided by the BoI Group to the UK Holdings Group in respect of the subordinated notes, the Directors have considered the BoI Group going concern assessment in forming their own assessment as they are closely linked.

**1. Accounting policies (continued)**

**Going Concern (continued)**

As disclosed in the Annual Report for the year ended 31 December 2010 and of the BoI Group dated 13 April 2011, the Directors of the BoI Group were satisfied that, based on relevant public announcements and the confirmations received from the Irish State authorities (namely the Central Bank of Ireland, the Irish Department of Finance, the Irish National Treasury Management Agency and the Irish Financial Regulator), in all reasonable circumstances, the required liquidity and funding from the European Central Bank (ECB) and the Central Bank of Ireland will be available to the BoI Group during the period of assessment

It is also noted that the financial statements of the BoI Group for the year ended 31 December 2010 dated 13 April 2011 were prepared on the going concern basis and that, in that Annual Report, the Directors of the BoI Group concluded that there are no material uncertainties related to events or conditions that may cast doubt on the Group's ability to continue as a going concern

The Directors of the BoI Group also noted that the Irish Minister for Finance has confirmed that the BoI Group is a 'Pillar bank' and therefore of systemic importance to the Irish economy

In making their assessment of the General Partner's ability to continue as a going concern, the Directors have also focused on the assessment of the profitability, capital and liquidity position of the General Partner, having regard to the dependencies on the BoI Group and the UK Holdings Group as set out below

Profitability

Under the terms of the subordinated notes Purchase Agreement entered into between the note issuers (The Governor and Company of the Bank of Ireland and BOI UK Holdings Plc) and the Limited Partnerships (the note purchasers), the note issuer agrees to pay the note purchaser an annual administration fee

Under the terms of the Limited Partnership Agreement, the Limited Partnerships make neither a profit nor a loss as any net income or expense arising in the profit and loss accounts of the Limited Partnerships is distributed to the General Partner. As such, the administration fee is transferred to the General Partner which becomes the profit to the General Partner. The annual administration fee to the note purchaser is £50,000

Capital

Whilst the Directors do not anticipate that the General Partner will have any further capital or funding requirements during the period of assessment, in the event of any requirement arising the BoI Group has confirmed that it will provide the necessary support during the period of assessment

Liquidity and Credit Risk

The Partnerships are reliant on the UK Holdings Group and the BoI Group for its liquidity requirements, principally through the cashflows associated with the purchased Fixed Rate/ Floating Rate Subordinated Notes issued by the UK Holdings Group and the BoI Group. The UK Holdings Group is reliant on the BoI Group for day to day funding requirements and has large deposits with the BoI Group. At 31 December 2010, the UK Holdings Group had a net funding position with the BoI Group of £772 million, comprised of placements of £904 million and borrowings of £1,676 million. Furthermore, the UK Holdings Group has an agreement in place with the BoI Group whereby the BoI Group undertakes to make payments on its subordinated notes held by the Partnership to the extent that the UK Holdings Group does not have adequate funding

On the basis of the above the Directors of the General Partner believe that the funding and liquidity requirements will continue to be met for the period of assessment

**1. Accounting policies (continued)**

**Going Concern (continued)**

Post balance sheet events

A number of post balance sheet events have taken place as set out on pages 4 to 6. These will have a significant impact on the scale of the General Partners activities in the future. A significant portion of the assets and liabilities remaining on the General Partners balance sheet after these post balance sheet events are with related parties, internal to the BoI Group. Therefore, the risks arising from the General Partners activities in the future will be significantly reduced.

Conclusion

Therefore, taking all of the above assessments into account, the Directors consider it appropriate to prepare the financial statements of the General Partner on the going concern basis having concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the General Partner's ability to continue as a going concern over the period of assessment.

**Income and expense recognition**

Income and expenses are accounted for on an accruals basis. Profit on the purchase of subordinated notes at a discount and issue costs on debt transactions are amortised to the profit and loss account over the period of 10 years which is in line with the term of the underlying transactions.

**Other operating income**

Other operating income is accounted for on an accruals basis.

**Interest in Partnerships**

Interests in the Limited Partnerships are recorded at historic cost.

**Taxation**

Income tax payable on profits, based on the applicable tax law, and is recognised as an expense in the period in which profits arise.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into British pounds using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are translated into British pounds (£) using the rate of exchange ruling at the date of the transaction.

**Liability arising out of contractual obligations**

All contractual obligations of the General Partner (including those relating to the Limited Partnerships such as the preferred securities issue costs) are recorded as a liability in full when the obligation arises.

**Prepayment of General Partner costs**

Issue costs relating to the preferred securities of the Limited Partnerships are deferred on the balance sheet because they relate to the rights of a future income stream and will be recovered in the form of a distribution receivable from the Limited Partnerships. The prepayment is taken to profit and loss to match the distributions received.

**Segment reporting**

The Directors consider that the General Partner has only one geographical and one business segment (United Kingdom) and therefore is not required to produce additional segmental disclosure.

**BOI G.P. NO 1 LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

**2. Formation**

The General Partner was formed on 5 January 2005

**3. Distribution of income from Limited Partnerships**

	2010 £	2009 £
Amortisation of profit from BOI Capital Funding (No 1) LP arising on purchase of subordinated notes at discount	339,357	339,357
Amortisation of profit from BOI Capital Funding (No 2) LP arising on purchase of subordinated notes at discount	527,040	527,040
Amortisation of profit from BOI Capital Funding (No 3) LP arising on purchase of subordinated notes at discount	281,587	281,587
Amortisation of profit from BOI Capital Funding (No 4) LP arising on purchase of subordinated notes at discount	396,200	396,200
Income received from BOI Capital Funding (No 1) LP arising from the dividend stopper	19,325,181	-
Income received from BOI Capital Funding (No 2) LP arising from the dividend stopper	19,699,648	-
Income received from BOI Capital Funding (No 3) LP arising from the dividend stopper	10,663,504	-
Income received from BOI Capital Funding (No 4) LP arising from the dividend stopper	31,719,212	-
	<u>82,951,729</u>	<u>1,544,184</u>

Under the terms of the Limited Partnership Agreements for the Limited Partnerships, the Limited Partnerships distribute the remaining income, after distributions are made to the holders of the Preferred Securities, to the General Partner

In January 2010, following indications from the European Commission that Bank of Ireland Group should not make coupon payments on its tier 1 and upper tier 2 capital instruments unless under a binding legal obligation to do so, the Group announced that the non-cumulative distribution on certain upper tier 2 Capital instruments, which would otherwise have been payable on their respective coupon dates, would not be paid. The effect of this decision by the Group was to trigger the "dividend stopper" provisions of these instruments. While these "dividend stoppers" remained in force, the Group was precluded, for a period of one calendar year from and including 1 February 2010 from declaring and making any distribution or dividend payments on its Ordinary Shares, non-cumulative euro and sterling Preference Stock, the 2009 Preference Stock and preferred securities including the securities issued by the Limited Partnerships. This resulted in the General Partner receiving distributions totalling Stg£81,407,545 from the Limited Partnerships during the year ended 31 March 2010 which otherwise would not have been receivable.

**BOI G.P. NO 1 LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

**4. General Partner costs**

	2010 £	2009 £
Amortisation of BOI Capital Funding (No 1) LP issue costs	289,357	289,357
Amortisation of BOI Capital Funding (No 2) LP issue costs	477,040	477,040
Amortisation of BOI Capital Funding (No 3) LP issue costs	231,587	231,587
Amortisation of BOI Capital Funding (No 4) LP issue costs	346,200	346,200
	<u>1,344,184</u>	<u>1,344,184</u>

General Partner costs charged to the profit and loss account represent the release of prepayments established on the initial settlement of issue cost in line with recognition of income from the Limited Partnerships (see note 3)

Under the terms of the Limited Partnership Agreements for Limited Partnerships, the General Partner commits to pay all costs, expenses, debts, liabilities and obligations incurred in the proper operation of the Limited Partnerships

**5. Other operating income**

	2010 £	2009 £
Foreign exchange gains	2,647	129

Foreign exchange gains and losses arise on the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies

**6. Administrative expenses**

	2010 £	2009 £
Auditors remuneration (annual statutory audit)	42,570	17,750
Listing fees	2,061	2,061
Administration fees	27,150	35,023
	<u>71,781</u>	<u>54,834</u>

The General Partner administers and bears all the costs associated with the Limited Partnerships

**7. Partners and employees**

The Limited Partnerships are administered by the General Partner who bears all costs associated with the Partnership. There are no employees of either the Partnerships or the General Partner and the Members of the General Partner received no remuneration in respect of their services. The Members and other staff who support the General Partner and the Partnership are all employees of the Bank of Ireland Group. The Members' remuneration and the average number of staff employed are included in the accounts of the Bank of Ireland Group. It is not possible to separately identify the related cost for the General Partner of the Partnerships.

**BOI G.P. NO 1 LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

**8. Tax on profit on ordinary activities**

	2010 £	2009 £
UK Corporation Tax on profits for the year	22,830,755	40,683

There is no difference between the tax charge at the UK Corporation tax rate of 28% (2009 28%) on the Profit Before Tax and the current tax charge

**9. Dividends**

	2010 £	2009 £
Dividends paid in the period	30,400,000	-

The dividends were proposed and paid during the year to the parent company Bank of Ireland UK Holdings plc

**10. Interest in Partnerships**

	2010 £	2009 £
Interest in BOI Capital Funding (No 1) LP	6,965	6,965
Interest in BOI Capital Funding (No 2) LP	5,594	5,594
Interest in BOI Capital Funding (No 3) LP	5,594	5,594
Interest in BOI Capital Funding (No 4) LP	10,000	10,000
Total	28,153	28,153

The directors consider the value of the investments to be supported by their underlying assets

**BOI G.P. NO 1 LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

**11. Debtors**

	2010	2009
	£	£
Amounts falling due within one year		
Amounts owed by BOI UK Holdings plc	11,831,567	-
Amounts owed by BOI Capital Funding (No 1) LP	1,725,559	1,386,201
Amounts owed by BOI Capital Funding (No 2) LP	7,101,034	1,670,489
Amounts owed by BOI Capital Funding (No 3) LP	3,726,972	892,125
Amounts owed by BOI Capital Funding (No 4) LP	33,127,140	1,011,729
Prepayment of General Partner costs (see note 3)	1,344,184	1,344,184
	<u>58,856,456</u>	<u>6,304,728</u>
Amounts falling due after more than one year		
Prepayment of General Partner costs (see note 4)	12,230,353	13,574,537
	<u>12,230,353</u>	<u>13,574,537</u>

The balances above represent amounts due from the Limited Partnership's All balances are non interest bearing

**12. Creditors: Amounts falling due within one year**

	2010	2009
	£	£
Amounts owed to immediate parent company - Bank of Ireland UK Holdings plc	308,745	262,272
Amounts owed to BOI Capital Funding (No 1) LP	8,680,725	8,680,725
Amounts owed to BOI Capital Funding (No 2) LP	4,775,992	4,775,992
Amounts owed to BOI Capital Funding (No 3) LP	2,321,462	2,321,462
Amounts owed to BOI Capital Funding (No 4) LP	3,472,000	3,472,000
Taxation	22,830,755	26,395
Other creditors	97,989	48,934
	<u>42,487,668</u>	<u>19,587,780</u>

All balances are non interest bearing The Directors do not expect the amounts to fall due in the foreseeable future

**13. Called up share capital**

	2010	2009
	£	£
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

**BOI G.P. NO 1 LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

**14. Reconciliation of shareholders funds**

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2009	1	322,637	322,638
Profit after tax	-	58,707,656	58,707,656
Dividends paid in the period	-	(30,400,000)	(30,400,000)
At 31 March 2010	<u>1</u>	<u>28,630,293</u>	<u>28,630,294</u>

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2008	1	218,025	218,026
Profit after tax	-	104,612	104,612
Dividends paid in the period	-	-	-
At 31 March 2009	<u>1</u>	<u>322,637</u>	<u>322,638</u>

**15. Parent Company**

The parent undertaking of the General Partner is Bank of Ireland UK Holdings plc, a company registered in Northern Ireland. The General Partner's ultimate parent company is The Governor and Company of the Bank of Ireland, a Charter Company incorporated in the Republic of Ireland. A copy of Bank of Ireland Group accounts may be obtained from Bank of Ireland, 40 Mespil Rd, Dublin 4.

**16. Group accounts**

The General Partner has taken account of the exemption under sections 400-401 of the Companies Act 2006 from the obligation to prepare and deliver consolidated Group accounts, as the ultimate parent Company prepares consolidated Group accounts. The General Partner and the Limited Partnerships are consolidated into the Group accounts of Bank of Ireland UK Holdings plc and the Group accounts of the Governor and Company of the Bank of Ireland. Bank of Ireland UK Holdings plc is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Bank of Ireland UK Holdings plc can be obtained from Bank of Ireland, 40 Mespil Rd, Dublin 4 or [www.bankofireland.com](http://www.bankofireland.com).

The Governor and Company of the Bank of Ireland is the parent undertaking of the largest Group of undertakings to consolidate these financial statements. The consolidated financial statements of The Governor and Company of the Bank of Ireland are available from Bank of Ireland, 40 Mespil Rd, Dublin 4 or [www.bankofireland.com](http://www.bankofireland.com).

The ultimate parent undertaking and controlling party is The Governor and Company of the Bank of Ireland, a Charter Company incorporated in the Republic of Ireland.

**BOI G.P. NO 1 LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

**17. Post balance sheet events**

The principal function of the Company is to manage the Limited Partnerships. The Company has full and exclusive authority for the operation of the business of the Limited Partnerships. The following post balance sheet events occurred in respect of these entities, which are also relevant for the General Partner:

On 14 June 2010, BOI Capital Holdings Limited purchased a further portion of the nominal value of the Fixed Rate / Floating Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities issued by the Limited Partnerships.

On 4 October 2010 and 11 October 2010, BOI UK Holdings plc (in the case of BOI Capital Funding (No. 1) LP, BOI Capital Funding (No. 2) LP and BOI Capital Funding (No. 3) LP) and The Governor and Company of the Bank of Ireland (in the case of BOI Capital Funding (No. 4) LP) respectively, subsequently repurchased and part extinguished an equivalent portion of the Subordinated Notes. At the same time the Limited Partners repurchased the portion of the Fixed Rate / Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities held by the BOI Capital Holdings Ltd. The Limited Partnerships part extinguished the repurchased portion of the preferred securities at par value for all of the Limited Partnerships except BOI Capital Funding (No. 4) LP which was repurchased at a premium. This resulted in a reduction in the preferred securities in issue. See table below for further details of the individual events which have occurred.

**Fixed Rate/ Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities held by the Partnerships**

	BOI Capital Funding (No. 1) LP EUR	BOI Capital Funding (No. 2) LP USD	BOI Capital Funding (No. 3) LP USD	BOI Capital Funding (No. 4) LP Stg
Nominal Value Issued by Limited Partnerships (Liability)	€600,000,000	\$800,000,000	\$400,000,000	£500,000,000
Purchases by Capital Holdings				
June 2009	€249,684,000	\$400,000,000	\$200,000,000	£462,710,000
June 2010	€134,450,000	\$338,729,000	\$180,203,000	£32,220,000
Holding	€384,134,000	\$738,729,000	\$380,203,000	£494,930,000
Percentage Holding	64%	92%	95%	99%
Repurchase by Issuer (LP 1-4)				
On 4/10/2010	€384,134,000	\$738,729,000	\$380,203,000	
On 11/10/2010				£494,930,000
Extinguished	€384,134,000	\$738,729,000	\$380,203,000	£494,930,000
Nominal in Issue as at 12/10/2010	€215,866,000	\$61,271,000	\$19,797,000	£5,070,000

**BOI G.P. NO 1 LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)**
**17. Post balance sheet events (continued)**

<b>Purchased Subordinated Notes</b>	<b>BOI Capital Funding (No. 1) LP EUR</b>	<b>BOI Capital Funding (No. 2) LP USD</b>	<b>BOI Capital Funding (No. 3) LP USD</b>	<b>BOI Capital Funding (No. 4) LP Stg</b>
Nominal Value Purchased by Limited Partnerships (Asset)	€600,000,000	\$800,000,000	\$400,000,000	£500,000,000
Repurchase from Issuer				
On 4/10/2010 (BOI UK Holdings)	€384,134,000	\$738,729,000	\$380,203,000	
On 11/10/2010 (BOI Group)				£494,930,000
Extinguished	€384,134,000	\$738,729,000	\$380,203,000	£494,930,000
Nominal in Issue as at 12/10/2010	<u>€215,866,000</u>	<u>\$61,271,000</u>	<u>\$19,797,000</u>	<u>£5,070,000</u>

The BoI Group was required to raise €4 2 billion incremental equity capital under the 2011 Prudential Capital Adequacy Review. As part of this requirement, the Group launched a series of Liability Management Exercises (LMEs) which led to related parties purchasing further portions of the subordinated notes issued by the Limited Partnerships, and the Limited Partnerships themselves repurchasing and extinguishing subordinated notes issued as set out in the table below.

	<b>BOI Capital Funding (No. 1) LP EUR</b>	<b>BOI Capital Funding (No. 2) LP USD</b>	<b>BOI Capital Funding (No. 3) LP USD</b>	<b>BOI Capital Funding (No. 4) LP Stg</b>
Nominal in issue prior to LME	€215,866,000	\$61,271,000	\$19,797,000	£5,070,000
Impact of LME				
Repurchased by issuer and extinguished	€66,070,000	\$2,626,000	\$3,700,000	-
Nominal purchased by a Related Party	€149,796,000	\$58,645,000	\$16,097,000	£5,070,000
Remaining Nominal in Issue	<u>€149,796,000</u>	<u>\$58,645,000</u>	<u>\$16,097,000</u>	<u>£5,070,000</u>

The remaining nominal in issue is all held by related parties.

The table above sets out the percentage per note issuer of eligible holders of the Fixed Rate/ Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities which have elected to accept the offer to exchange their bonds. A percentage of holders had elected to accept cash at a price of 10% per €1 00/ \$1 00/ £1 00 for the early take up and 8% per €1 00/ \$1 00/ £1 00 for the late take up of each EUR/ USD/ GBP note held or to receive new BoI Group ordinary stock to the value of, 20% per €1 00/ \$1 00/ £1 00 for the early take up and 16% per €1 00/ \$1 00/ £1 00 for the late take up, of each EUR/ USD/ GBP note held via a share allotment instrument. The final closing date for the LME was 7 July 2011, with a settlement date of 11 July 2011 and conversion of the share allotment instrument into new BoI Group ordinary stock by 12 August 2011.

**BOI G.P. NO 1 LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010 (CONTINUED)

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**17. Post balance sheet events (continued)**

As a result of the outcome of the debt for equity offers (including cash offers) set out above the BoI Group was granted the right to insert a call option to compulsorily acquire the remaining outstanding Preferred Securities for cash at 0.001% of their nominal value. The BoI Group exercised this option to repurchase the remaining outstanding Preferred Securities for cash at a price of 0.01% per 1,000 of note held. The call options were exercised on the 25<sup>th</sup> of July with settlement date of 27<sup>th</sup> of July. As a result of the LME, a percentage of the preferred securities in issue to external parties have been purchased by another BoI Group entity and the remaining portion was called by the issuers. It is envisaged that the Fixed Rate/ Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities in issue may be extinguished directly by the note issuer at some time in the future.