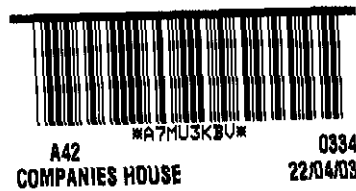


CAPITAL BANK LEASING 6 LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2002



COMPANY NUMBER: 1613516

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

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CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 30 June 2002.

Principal Activities

The principal activity of the company is the provision of finance and associated services.

Review of the business and future developments

The company's profit for the financial year is £1,889,000 (2001: £1,736,000). A dividend of £1,889,000 is proposed for the financial year (2001: £1,600,000).

The company has conducted its activities throughout the year in a satisfactory manner. No significant change in the company's activities is foreseen at the present time.

Directors

The Directors of the company during the year to 30 June 2002 were: -

W.G.Barclay	(resigned 31/12/02)
R.B.Hare	
T.J.Skinner	(resigned 30/09/02)

During the year no director had any beneficial interest in the share capital of the company or of any group undertaking other than in HBOS plc, the ultimate holding company, details of which are set out below.

Directors' beneficial interests in the ordinary shares of HBOS plc were as follows:-

Ordinary Shares of 25p each

	As at 30 June 2001	As at 30 June 2002
W.G. Barclay	54,382	59,916
R.B. Hare	12,838	17,709
T. J. Skinner	15,817	15,884

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

REPORT OF THE DIRECTORS (continued)

Short-term Incentive Plan

Certain Directors have a conditional entitlement to shares arising from the annual incentive. Where the annual incentive for 2000/2001 was taken in shares and these shares are retained in trust for 3 years, the following shares will also be transferred to the Directors.

Ordinary Shares of 25p each Beneficially owned

	Granted in year	As at 30 June 2002
W.G. Barclay	2,332	2,332
R.B. Hare	1,165	1,165
T. J. Skinner	-	-

Long term bonus scheme

Conditional awards of ordinary shares of HBOS plc were granted to Directors during the period to 30 June 2002 as follows:

Conditional Awards - Ordinary shares of 25p each

	As at 1 July 2001	Awards Granted	Awards Lapsed	As at 30 June 2002
W.G. Barclay	-	-	-	-
R.B. Hare	-	3,999	-	3,999
T. J. Skinner	-	-	-	-

Conditional awards held by directors arise from the HBOS long term incentive plans and former Halifax long term plan, the detailed conditions of which are provided within the HBOS Annual Report and Accounts.

Long term incentive plan

Options to subscribe for ordinary shares of HBOS plc were exercised by Directors to 30 June 2002 as follows:

Options - Ordinary shares of 25p each

	As at 1 July 2001	Options Exercised	As at 30 June 2002
W.G. Barclay	139,000	-	139,000
R.B. Hare	37,050	-	37,050
T. J. Skinner	8,550	-	8,550

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

REPORT OF THE DIRECTORS (continued)

Sharesave Plan

Options to subscribe for ordinary shares of HBOS plc under sharesave plans as at 30 June 2002 were as follows:

Options – Ordinary shares of 25p each

	As at 1 July 2002	Options Granted	Exercised/ lapsed	As at 30 June 2002
W.G. Barclay	-	1,723	-	1,723
R.B. Hare	7,372	1,121	-	8,493
T. J. Skinner	719	-	-	719

HBOS Inland Revenue Approved Share Option Plan

Options in ordinary shares of HBOS plc, held under HBOS Inland Revenue Approved Share Option plan as at 30 June 2002 were as follows:

Options - Ordinary shares of 25p each

	As at 1 July 2002	Options Granted	Exercised/ lapsed	As at 30 June 2002
W.G. Barclay	-	-	-	-
R.B. Hare	-	2,555	-	2,555
T. J. Skinner	-	-	-	-

Under the HBOS Inland Revenue Approved Share Option Plan, shares are granted to all HBOS employees, except certain senior executives.

At the beginning of the financial period, the interests of the Directors were in Bank of Scotland ordinary stock units. Under the terms of the merger on 10th September 2001, each Halifax Group and Bank of Scotland ordinary stock unit were exchanged for one HBOS Plc ordinary share.

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditor, KPMG Audit Plc, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

REPORT OF THE DIRECTORS (continued)

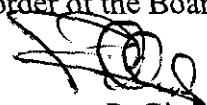
Statement of Directors' responsibilities

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 the profit or loss for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

By order of the Board



P. Gittins
Secretary

Thistle House
City Road
CHESTER
CH88 3AN

24 MARCH 2003

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAPITAL BANK LEASING 6 LIMITED

We have audited the financial statements on pages 6 to 17. This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors 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 of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc
Chartered Accountants
Registered Auditor**

31 March 2003

**St James Square
Manchester
M2 6DS**

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

PROFIT AND LOSS ACCOUNT

	Notes	2002 £'000	2001 (as restated) £'000
Continuing			
Turnover	2	42,758	35,638
Finance and trading costs		<u>(39,219)</u>	<u>(32,260)</u>
Gross profit		3,539	3,378
Administrative expenses		<u>(844)</u>	<u>(808)</u>
Profit on ordinary activities before taxation	3	2,695	2,570
Tax on profit on ordinary activities	5	<u>(806)</u>	<u>(834)</u>
Profit for the financial year		1,889	1,736
Dividends (including non-equity)	6	<u>(1,889)</u>	<u>(1,600)</u>
Retained profit for the financial year		-	136
Balance brought forward		<u>790</u>	<u>654</u>
Balance carried forward		<u>790</u>	<u>790</u>

The notes on pages 9 to 17 form part of the financial statements.

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2002	2001
		£'000	(as restated) £'000
Profit and total recognised gains and losses relating to the year		1,889	1,736
Prior year adjustment	15	623	-
Total gains and losses recognised since last annual report		2,512	1,736

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

BALANCE SHEET

	Notes	2002 £'000	2001 (as restated) £'000
Fixed assets			
Tangible assets	7	127,538	77,734
		<u>127,538</u>	<u>77,734</u>
Current assets			
Debtors : receivable within one year	8	43,490	28,356
: receivable after one year	8	197,175	190,517
		<u>240,665</u>	<u>218,873</u>
Creditors: payable within one year	9	(333,525)	(268,904)
Net current liabilities		<u>(92,860)</u>	<u>(50,031)</u>
Total assets less current liabilities		<u>34,678</u>	<u>27,703</u>
Provisions for liabilities and charges			
Deferred taxation	10	(33,888)	(26,913)
		<u>790</u>	<u>790</u>
Called up share capital	11	-	-
Profit and loss account		<u>790</u>	<u>790</u>
Shareholders' funds	12	<u>790</u>	<u>790</u>

The notes on pages 9 to 17 form part of the financial statements.

Approved by the Board of Directors on 24 MARCH 2003 and signed on its behalf by

.....
R.B. Hare
Director

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and with S226 of, and schedule 4 to, the Companies Act 1985.

The parent has indicated its intention to continue to provide sufficient finance to the group to enable it to continue trading for at least one year from the date of approval of these accounts.

Cashflow Statement

As a wholly owned subsidiary undertaking the company is exempt from including a statement of cash flows in its accounts. HBOS plc has included a consolidated statement of cash flows in its consolidated accounts.

Deferred taxation

Deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that they are considered recoverable.

Previously deferred tax was provided on the partial provision basis in accordance with SSAP 15. This change in accounting policy has resulted in the 2001 accounts being restated and a prior year adjustment being recognised, as described in note 15.

Income recognition

An amount is computed to give a constant return on the funds invested in property leases. The excess of the computed amount over rental income receivable in the year is shown as 'rental equalisation'.

Arrangement fees and commissions receivable for the continuing servicing of loans and advances are recognised on the basis of work done.

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

Finance leases, Instalment Credit and Operating Leases

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and, together with instalment credit agreements, are recorded within finance debtors or loans and advances within debtors. The net investment in finance leases and instalment credit agreements represents total minimum payments less gross earnings allocated to future periods. Obligations under leases with third party finance lessors are included in creditors.

All other assets leased to customers are classified as operating leases. These assets are separately disclosed in the balance sheet as tangible fixed assets and are recorded at cost less accumulated depreciation, which is charged to finance and trading cost.

Income from finance leases and instalment credit agreements is credited to the profit and loss account using a method to give a constant periodic return on the net cash investment.

Credit is taken in each accounting period for finance charges received and receivable after eliminating from the balance, at the conclusion of each such period, the unearned finance charges as calculated using the "investment period method".

The earnings element of leasing rentals is credited to revenue, after making a deduction for certain initial expenses, in proportion to the funds invested to the related contracts.

Rentals on leases in secondary periods are recognised on a cash received basis.

Operating lease rentals are recognised in the profit and loss account on a straight line basis with depreciation charged using a method to give a constant periodic return on the net cash investment.

Where an asset leased to a sub lessee has been sold to a third party and leased back under a back to back operating lease on a non-recourse basis, no asset or liability is included on the balance sheet. Any margin between rental receivable and rental payable is included in other income on a net basis.

Unguaranteed residual values are subject to regular review to identify potential impairments. Provisions are made for impairment arising on specific asset categories.

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

Provisions for bad and doubtful debts

Specific provisions are calculated using either an individual assessment basis or a formulae driven approach. The formulae driven assessment is made using statistical techniques developed based on previous experience. These formulae take into account factors such as the length of time that payments from the customer are overdue, the value of any collateral held and the level of past and expected losses, in order to derive an appropriate provision.

A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified, but which are known from experience to be present in portfolios of loans and advances. The level of general provision is determined in light of past experience, current economic and other factors affecting the business environment and management's monitoring and control procedures, including the scope of specific provisioning procedures.

Specific and general provisions are deducted from loans and advances. Provision made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the profit and loss account.

Vehicle maintenance contracts

The excess of vehicle maintenance income over expenditure on uncompleted contracts is deferred to the extent that future costs are expected to arise. Any profits / loss arising at the conclusion of a contract is taken to the profit & loss account.

Interest payable

Interest payable on funding from group undertakings is regarded as an operating cost and is included in operating profit in the profit and loss account.

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the provision of finance and associated services.

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

3. Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Finance lease rentals	26,450	23,831
Operating lease rentals	30,628	24,806
Leasing earnings equalisation	8	9
Profit on sale of operating lease assets	<u>14</u>	<u>-</u>
And after charging:		
Depreciation	26,345	18,895
Intra group interest	9,871	12,168
Loss on sale of operating lease assets	<u>109</u>	<u>126</u>

Auditor's remuneration is borne by Capital Bank plc.

The company has no employees. It uses the services of its immediate parent undertaking for which a management charge, included in administration expenses, is made.

4. Directors' emoluments

None of the Directors received any emoluments for their services as directors of the company.

5. Tax on profit on ordinary activities

a. Analysis of tax charge in the year

	2002		2001 (as restated)	
	£'000	£'000	£'000	£'000
Current tax				
Group relief receivable	(6,139)		(1,091)	
Adjustments in respect of prior years	<u>(30)</u>		<u>207</u>	
		(6,169)		(884)
Deferred tax				
Transfer to Deferred taxation	6,945		1,844	
Adjustments in respect of prior years	<u>30</u>		<u>(126)</u>	
		6,975		1,718
Tax on profits from ordinary activities		<u>806</u>		<u>834</u>

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

5. Tax on profit on ordinary activities (continued)

b. Factors affecting tax charge for the year

The current tax charge for the year is lower (2001: lower) than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	<u>2,695</u>	<u>2,570</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	808	771
Effects of:		
Income not chargeable for tax purposes	(3)	(18)
Movements on provisions not (chargeable)/deductible for corporation tax purposes	(525)	150
Capital allowances in excess of depreciation	(6,419)	(1,994)
Other timing differences		
Adjustments to tax charge in respect of previous years	(30)	207
Current tax credit for the year	<u>(6,169)</u>	<u>(884)</u>

c. Factors that may affect future tax charges

The company expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

6. Dividends

	2002 £'000	2001 £'000
Equity – Ordinary		
Final proposed: £944,500 (2001: £800,000) per £1 share	1,889	1,600
	<u>1,889</u>	<u>1,600</u>

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

7. Tangible Fixed Assets

	Operating Leases £'000
Cost	
At 30 June 2001	102,824
Additions	92,151
Disposals	<u>(30,978)</u>
At 30 June 2002	<u>163,997</u>
Depreciation	
At 30 June 2001	25,090
Disposals	<u>(14,976)</u>
Charge for year	26,345
At 30 June 2002	<u>36,459</u>
Net book value at 30 June 2002	<u>127,538</u>
Net book value at 30 June 2001	<u>77,734</u>

8. Debtors

Receivable within one year

	2002 £'000	2001 £'000
Finance lease debtors	19,530	13,709
VAT	10,364	2,667
Group relief receivable	9,890	3,721
Other debtors	<u>3,706</u>	<u>8,259</u>
	<u>43,490</u>	<u>28,356</u>

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

8. Debtors (continued)

Receivable after one year

	2002	2001
	£'000	£'000
Finance lease debtors	197,175	190,517
	<u>197,175</u>	<u>190,517</u>

The cost of assets acquired during the year for the purpose of finance leasing was £28,213,713 (2001: £66,844,000).

The following table sets out the maturity of the company's unguaranteed residual values of assets leased to customers.

Year in which residual value will be recovered:	Finance lease £'000	Operating Lease £'000	Total £'000
Within 1 year	2,854	47,353	50,207
Between 1-2 years	3,087	12,081	15,168
Between 2-5 years	3,626	2,008	5,634
More than 5 years	716	-	716
Total exposure	<u>10,283</u>	<u>61,442</u>	<u>71,725</u>

Regular reviews are made of the residual values in the light of available market data and provisions are made in respect of leases where ultimate recovery is in doubt.

9. Creditors

Amounts falling due within one year

	2002	2001
	£'000	£'000
Amounts due to group undertakings	278,733	239,807
Proposed dividend	1,889	1,600
Other creditors	52,903	27,497
	<u>333,525</u>	<u>268,904</u>

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

10. Deferred Taxation

	2002	2001 (as restated)
	£'000	£'000
Deferred tax provision at the beginning of the year, as reported	26,913	25,818
Prior year adjustment (note 15)	<u>-</u>	<u>(623)</u>
Deferred tax provision at the beginning of the year, as restated	26,913	25,195
Charge for the year (note 5)	6,945	1,844
Adjustments in respect of prior years (note 5)	30	(126)
Deferred tax provision at the end of the year	<u>33,888</u>	<u>26,913</u>
Accelerated capital allowances	35,137	28,688
Other timing differences	(1,249)	(1,775)
Deferred tax provision	<u>33,888</u>	<u>26,913</u>

11. Share Capital

Ordinary shares of £1 each	2002	2001
Authorised	100	100
Allotted, called up and fully paid	<u>2</u>	<u>2</u>

12. Reconciliation of movements in shareholders' funds

	2002	2001 (as restated)
	£'000	£'000
Shareholders' funds at 1 July	790	31
Prior year adjustment	<u>-</u>	<u>623</u>
Shareholders' funds at 1 July as restated	790	654
Profit for the financial year	1,889	1,736
Proposed dividends	<u>(1,889)</u>	<u>(1,600)</u>
Shareholders' funds at 30 June	<u>790</u>	<u>790</u>

CAPITAL BANK LEASING 6 LIMITED

YEAR ENDED 30 JUNE 2002

NOTES TO THE ACCOUNTS (continued)

13. Related party transactions

Under FRS 8 Related Party Disclosures, the company is exempt from disclosing transactions with other companies within the HBOS plc group where 90% or more of the voting rights are held within the HBOS plc group.

14. Ultimate parent undertaking

On 10 September 2001, HBOS plc became the company's ultimate parent undertaking and parent of the largest group of undertakings for which group accounts (including the company's results) are drawn up.

HBOS plc is the company's ultimate parent undertaking and parent of the largest group of undertakings for which group accounts (including the company's results) are drawn up. The Governor and Company of Bank of Scotland is the parent of the smallest group of undertakings for which group accounts (including the company's results) are drawn up.

Copies of HBOS plc's accounts and Bank of Scotland's accounts can be obtained from The Mound, Edinburgh, EH1 1YZ.

15. Prior year adjustment

The prior year adjustment relates to the introduction FRS 19. The adoption of FRS 19 has resulted in a credit of £623,000 being posted to the 2001 opening reserves. Using SSAP 15, for the year ended 30 June 2001 a deferred tax charge of £1,737,000 was recognised, whereas under FRS 19 the deferred tax movement is now restated to a tax charge of £ 1,718,000.