

Birmingham Midshires Mortgage Asset No. 6 Limited

Directors' Report & Financial Statements

Year ended 31 December 2002

Registered No: 2091892



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Directors Report and Financial Statements

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Directors and Company Information

Directors

D J Watkins
P Beddows

Secretary

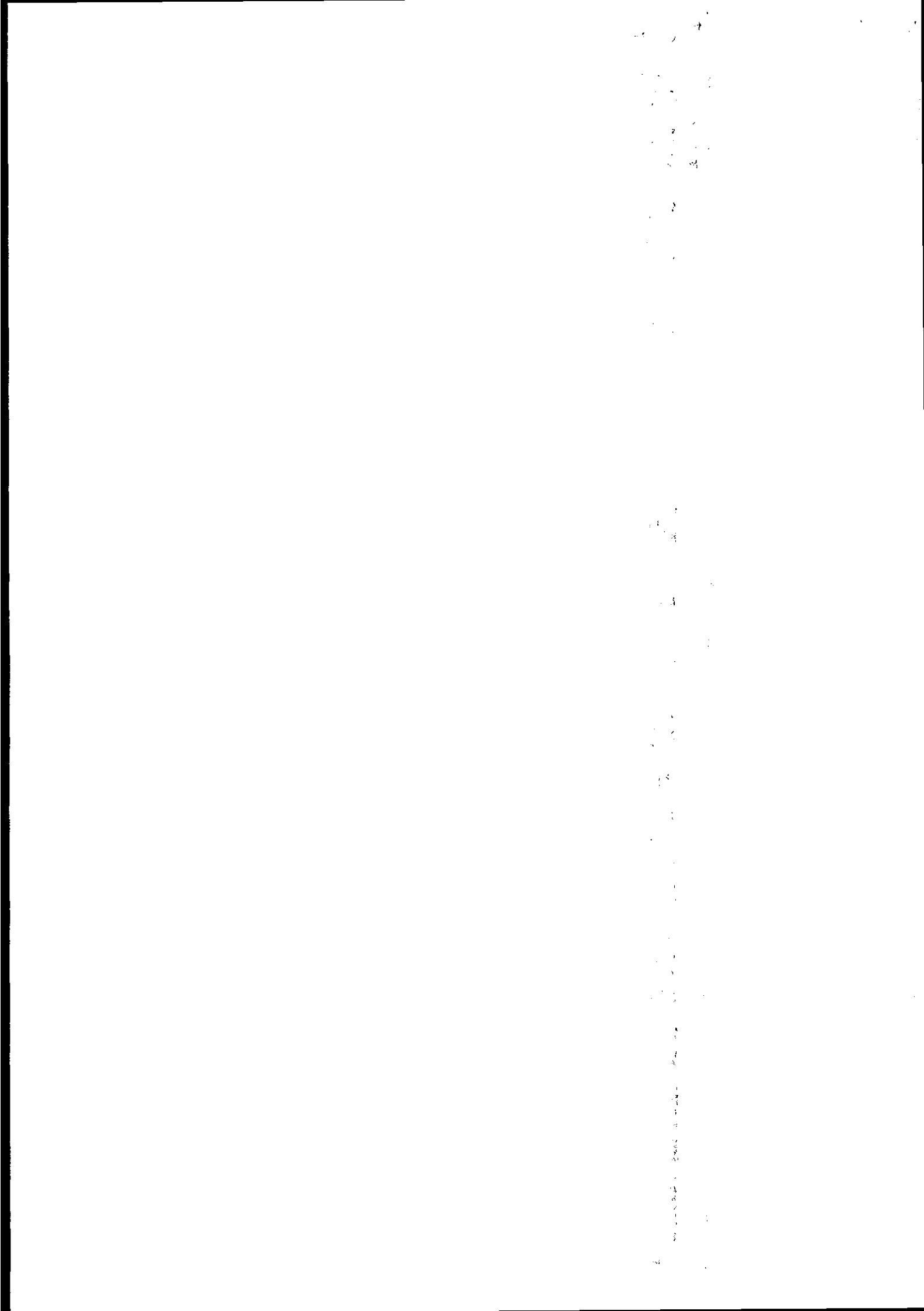
S Mayer

Registered Office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Registered Auditors

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW



Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December, 2002.

Business objectives and principal activities

The company's principal activity was mortgage related finance. The company has not traded during the year and is not expected to trade in the foreseeable future.

Results for the year

The company did not make a profit for the year (2001: £1,141,615). The directors do not recommend the payment of a dividend (2001:nil).

Payment to suppliers

It is the company's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers.

The number of days credit taken at 31 December 2002 was 16 days.

Directors and Directors' Interests

The directors who have served during the year were as follows:

D J Watkins
P Beddows

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:-

	At 31 December, 2001 Ordinary Shares of 25p each	At 31 December, 2002 Ordinary Shares of 25p each
D J Watkins	Nil	Nil
P Beddows	Nil	Nil

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.

	#Shares granted in year	#Shares held as at 31 December, 2002
D J Watkins	Nil	Nil
P Beddows	Nil	Nil
# Ordinary Shares of 25p each		

Long term bonus scheme

Conditional awards of ordinary shares of HBOS plc were granted to directors during the period to 31 December, 2002 as follows:

	#Conditional Awards held as at 1 January, 2002	#Awards granted	#Awards lapsed	#Conditional Awards held as at 31 December, 2002
D J Watkins	12,037	5,625	Nil	17,662
P Beddows	6,309	Nil	Nil	6,309
# Ordinary Shares of 25p each				

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.

Sharesave Plan

Options to subscribe for ordinary shares of HBOS plc under sharesave plans as at 31 December, 2002 were as follows:

	#Options held as at 1 January, 2002	#Options granted	#Options exercised /lapsed	#Options held as at 31 December, 2002
D J Watkins	1,417	Nil	Nil	1,417
P Beddows	4,115	Nil	Nil	4,115
# Ordinary Shares of 25p each				

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 31 December, 2002 were as follows:

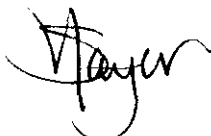
	#Options held as at 1 January, 2002	#Options granted	#Options exercised /lapsed	#Options held as at 31 December, 2002
D J Watkins	Nil	3,594	Nil	3,594
P Beddows	Nil	2,529	Nil	2,529

Ordinary Shares of 25p each

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

Auditors & Annual General Meeting

Following a resolution passed by the members, the company has elected to dispense with the holding of Annual General Meetings, of laying financial statements and reports before the Company in General Meeting, and with the obligation to reappoint auditors annually.



By order of the Board
S Mayer
Secretary
Halifax

21 February 2003

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 and loss of the company 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.

Independent auditors' report to the members of Birmingham Midshires Mortgage Asset No. 6 Limited

We have audited the accounts on pages 7 to 11.

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, as described on page 5, 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 accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its result 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
1 The Embankment
Neville Street
Leeds
LS1 4DW

21 February 2003

Profit and Loss Account

For the year ended 31 December, 2002

	Note	2002 £	2001 £
Interest receivable		-	5,908,876
Interest payable	2	-	(3,895,123)
Gross profit		-	2,013,753
Administrative expenses		-	(382,875)
Profit on ordinary activities before taxation	4	-	1,630,878
Taxation on profit on ordinary activities	5	-	(489,263)
Profit on ordinary activities after taxation	8,9	-	1,141,615

The company had no acquisitions in the period. The above profit and loss account is in respect of discontinued operations.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.


There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance Sheet

as at 31 December, 2002

	Note	2002 £	2001 £
Current assets:			
Owed by parent undertaking		3,753,445	3,753,445
Total current assets		<u>3,753,445</u>	<u>3,753,445</u>
Net assets		<u>3,753,445</u>	<u>3,753,445</u>
Capital and reserves:			
Called up share capital	7	2	2
Profit and loss account	8	3,753,443	3,753,443
Equity shareholder's funds		<u>3,753,445</u>	<u>3,753,445</u>

The financial statements were approved by the Board of Directors on 21 February 2003 and were signed on its behalf by:



P. Beddows, Director

The notes on pages 9 to 11 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December, 2002

1 ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. There have been no changes to the company's accounting policies. A summary of the more important accounting policies which have been applied consistently is set out below.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention.

DEFERRED TAXATION

In the current year, the company implemented FRS 19 "Deferred Tax". Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed out by the balance sheet date, except as otherwise required by FRS19.

MORTGAGE INDUCEMENTS

Discounts on mortgages reduce interest receivable over an appropriate period. Cashback payments made as incentives to borrowers are charged to interest receivable as incurred.

PROVISION FOR LOSSES ON LOANS AND ADVANCES

Provision for losses on commercial assets, which include both those specifically identified and those provided for on a general basis, has been based upon a year end appraisal of the assets concerned. The amount charged to the profit and loss account represents losses written off in the period together with the increase in the ongoing provision less any releases. Interest charged to mortgage accounts relating to impaired loans which is considered to be irrecoverable is not recognised as interest receivable in the year.

CONSOLIDATED ACCOUNTS

Under the provisions of Section 228 of the Companies Act 1985 consolidated financial statements have not been prepared. Group financial statements incorporating the financial statements of Birmingham Midshires Mortgage Asset No.6 Limited and its subsidiary undertakings are prepared by the company's parent undertaking, Halifax plc and its ultimate parent undertaking, HBOS plc.

INTEREST RECEIVABLE

Interest receivable is stated net of discounts, commissions and management fees earned from the company's principal activity, in the United Kingdom.

AMORTISATION OF FAIR VALUE

Mortgage advances acquired are included at their fair value. Where the fair value of such assets exceeds the acquired book value the resulting premium is also included in mortgage advances, and is amortised over the economic life of the assets as an adjustment to interest receivable.

CASH FLOW STATEMENT

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking, and the consolidated financial statements of HBOS plc, in which the financial statements of the company are included, are publicly available.

2 INTEREST PAYABLE

	2002	2001
	£	£
On group balances	-	3,895,123

3 STAFF AND STAFF COSTS

The company employed no staff during 2002 or 2001 and incurred no staff costs.

None of the Directors received emoluments for their services in 2002 and 2001.

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£	£
This is stated after charging:		
Auditors' remuneration	-	5,000
Amortisation of fair value premium	-	619,485
(No fees were paid in respect of this years audit by the company).		

5 TAXATION ON PROFIT ORDINARY ACTIVITIES

	2002	2001
	£	£
United Kingdom Corporation Tax (credit) / charge at 30.0% (2001: 30.0%):		
Current	-	(3,314,060)
Deferred (see note 6)	-	3,803,323
	-	489,263

Factors affecting the Current Tax Charge/(Credit) for the period:

Profit on ordinary activities before taxation	-	1,630,878
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Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK

-	489,263
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Effects of:

Other short term timing differences	-	(3,803,323)
	-	(3,314,060)

6 DEFERRED TAXATION

	2002	2001
	£	£
Deferred taxation effect of timing differences due to short term timing difference on reserves	-	-

The movement on the deferred taxation debtor is as follows:

As at January 1	-	3,803,323
Transferred from Profit and Loss	-	(3,803,323)
At 31 December	-	-

7 CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Ordinary shares of £1 each:		
Authorised	100	100
Allotted, called up and fully paid	2	2

8 PROFIT AND LOSS ACCOUNT

	2002	2001
	£	£
At 1 January	3,753,443	2,611,828
Profit for the financial year	-	1,141,615
At 31 December	3,753,443	3,753,443

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2002	2001
	£	£
Profit for the financial year	-	1,141,615
Shareholder's funds at 1st January	3,753,445	2,611,830
Shareholder's fund at 31st December	3,753,445	3,753,445

10 RELATED PARTY TRANSACTIONS

The company's ultimate parent undertaking is HBOS plc. The consolidated financial statements of this company are publicly available and include all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No. 8, transactions with related parties of this company have not been disclosed other than as required under Companies Act 1985.

11 ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Halifax plc, with its ultimate parent undertaking being HBOS plc. Copies of HBOS plc Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh, EH1 1YZ.