

Birmingham Midshires Mortgage Asset No. 6 Limited

Directors' Report & Financial Statements

Year ended 31 December 2003

Registered No: 2091892



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

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Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December, 2003.

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 before tax for the year (2002: £nil). The directors recommend the payment of a dividend £3,000,000 (2002:nil).

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

(References to "HBOS plc shares" are to ordinary shares of 25p each in HBOS plc)

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.

The beneficial interests of the Directors and their immediate families in HBOS plc shares are set out below:-

	At 31.12.02 or date of appointment if later HBOS plc shares	At 31.12.03 HBOS plc shares
D J Watkins	Nil	4,515
P Beddows	Nil	Nil

Short-term Incentive Plan – HBOS scheme and former Halifax scheme

Certain Directors have conditional entitlements to shares arising from the annual incentive plan. Where the annual incentive for any year was taken in shares and these shares are retained in trust for three years, the following shares will also be transferred to the Directors:

	Grant effective from	Shares as at 31.12.03
D J Watkins	Nil	Nil
P Beddows	Nil	Nil

Long-term Incentive Plan – HBOS scheme and former Halifax scheme

Details of the shares which have been conditionally awarded to Directors under the plans are set out below. The conditions relating to the long-term incentive plan may be found in the HBOS plc Annual Report & Accounts 2003.

	Grant effective from	At 31.12.02 or date of appointment if later	Granted (G) or lapsed (L) in year	Added as a result of performance	Dividend reinvestment shares	Released in year	At 31.12.03
D J Watkins	January 2000	4,785	-	4,785	1,258	10,828	-
	January 2001	7,252	-	-	-	-	7,252
	January 2002	5,625	-	-	-	-	5,625
	January 2003	-	7,552	-	-	-	7,552
P Beddows	January 2000	3,027	-	3,027	796	6,850	-
	January 2001	3,282	-	-	-	-	3,282

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2000 grant ended on 31 December 2002 and, in the light of the performance outcome, grants were released at 200% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 26% of the original conditional grant were also released to participants in accordance with the rules of the plan

Long-term Incentive Plan HBOS Scheme, former Bank of Scotland scheme and former Halifax Scheme

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	Options outstanding At 31.12.02 or date of appointment	Granted (G), lapsed (L) or exercised (E) in year	At 31.12.03
D J Watkins	3,594	4,434	8,028
P Beddows	2,529	2,951	5,480

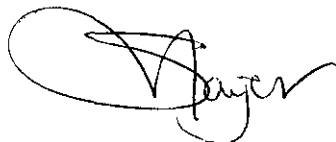
Sharesave Plan

Share options granted under these plans are set out below.

	At 31.12.02	Grant (G) lapsed (L) or exercised (E) in year	At 31.12.03
D J Watkins	1,417	642	2,059
P Beddows	4,115	Nil	4,115

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

19 February 2004

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 10.

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 accounts 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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
1 The Embankment
Neville Street
Leeds
LS1 4DW

19 February 2004

Profit and Loss Account

For the year ended 31 December, 2003

	Note	2003 £	2002 £
Interest receivable		-	-
Interest payable	2	-	-
Gross profit		-	-
Administrative expenses		-	-
Profit on ordinary activities before taxation	4	-	-
Taxation on profit on ordinary activities	5	-	-
Profit on ordinary activities after taxation		-	-
Dividends payable		(3,000,000)	-
Profit/(loss) on ordinary activities after taxation and dividends payable	8,9	(3,000,000)	-

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.

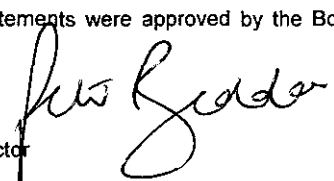
There is no difference between the profit on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Balance Sheet

as at 31 December, 2003

	Note	2003 £	2002 £
Current assets:			
Owed by parent undertaking		753,445	3,753,445
Total current assets		<u>753,445</u>	<u>3,753,445</u>
Net assets		<u>753,445</u>	<u>3,753,445</u>
Capital and reserves:			
Called up share capital	3	2	2
Profit and loss account	4	753,443	3,753,443
Equity shareholder's funds	5	<u>753,445</u>	<u>3,753,445</u>

The financial statements were approved by the Board of Directors on 19 February 2004 and were signed on its behalf by:


P. Beddows, Director

The notes on pages 9 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December, 2003

1 ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention. The accounts have been prepared in accordance with applicable accounting standards and pronouncements of the Urgent Issues Task Force ("UITF") and in accordance with applicable Statements of Recommended Practice, being those issued by the British Bankers' Association and the Finance and Leasing Association. Accounting policies are reviewed regularly to ensure they are the most appropriate to the circumstances of the company for the purposes of giving a true and fair view.

TAXATION

Deferred tax is recognised at the standard rate of corporation tax, 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 by the balance sheet date, (except as otherwise required by FRS 19) based on the corporation tax rate expected when the timing differences reverse.

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.

LOANS AND ADVANCES

Loans and advances are held at cost less provisions. Specific provisions are made for advances that are recognised to be bad or doubtful. Specific provisions are assessed on a case by case basis or, where this is not practical, as part of a portfolio of similar advances using loan loss estimation models. A general provision, to cover advances that are latently bad or doubtful, but not yet identified as such, is also maintained based on loan loss estimation models. The models reflect the historical loan loss experience relevant to the particular market segment or product and include adjustments for economic and business climate factors and management experience. Provisions made during the year are charged to the profit and loss account, net of recoveries. If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the profit and loss account. Provisions and suspended interest are written off to the extent that there is no longer any realistic prospect of recovery.

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 AND PAYABLE

Interest receivable and payable is recognised in the profit and loss account on an accruals basis.

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 STAFF AND STAFF COSTS

The company employed no staff during 2003 or 2002 and incurred no staff costs. None of the Directors received emoluments for their services in 2003 and 2002.

(No fees were paid in respect of this years audit by the company).

3 CALLED UP SHARE CAPITAL

	2003	2002
	£	£
Ordinary shares of £1 each:		
Authorised	100	100
Allotted, called up and fully paid	2	2

4 PROFIT AND LOSS ACCOUNT

	2003	2002
	£	£
At 1 January	3,753,443	3,753,443
Profit for the financial year	(3,000,000)	-
At 31 December	753,443	3,753,443

5 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2003	2002
	£	£
Profit for the financial year	(3,000,000)	-
Shareholder's funds at 1st January	3,753,445	3,753,445
Shareholder's fund at 31st December	753,445	3,753,445

6 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.

7 PARENT UNDERTAKINGS

HBOS plc is the ultimate parent undertaking of Birmingham Midshires Mortgage Asset No. 6 Limited and heads the largest group into which the accounts of the Company are consolidated. The consolidated accounts of HBOS plc may be obtained from its head office at The Mound, Edinburgh EH1 1YZ.

Halifax plc heads the smallest group into which the accounts of the Company are consolidated. The accounts of Halifax plc may be obtained from its head office at Trinity Road, Halifax HX1 2RG.