



HBOS Group Money Purchase Scheme trustees' report and auditors' statement

Year ended 31 March 2008

Pension Schemes Registry Number: 10245492



From Your
Trustees

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introduction from the chairman



Dear Scheme Member

On behalf of the Trustees, I am pleased to present the Trustees' Report and Auditors' Statement for the year ended 31 March 2008.

In this year's Report we set out the notable events over the year and also, importantly, our activities relating to governance of the Scheme.

As one of the largest Schemes of its kind in the UK and with new recruits to HBOS automatically joining the Scheme, the HBOS Group Money Purchase Scheme has an ever increasing membership. It currently stands at over 32,000 contributing members, with an additional membership in excess of 4,000 holding a preserved benefit.

In May 2007, the first automatic pension contribution increase of 1% was successfully applied to the members that were previously automatically enrolled in the Scheme in May 2006.

There was also cause for celebration in October 2007 at the Professional Pensions Annual Awards where the HBOS Group Money Purchase Scheme was recognised with the award for 'Best Communication Strategy'.

I hope that you find this report informative. If you have any queries about the Scheme, please contact Group Pensions (details on page 16).

Best wishes



David Nicholson
Chairman of the Trustees
27 October 2008

about the trustees

The Scheme is managed on your behalf by the Trustees. The Trustees meet at least four times a year to review the management of the Scheme and to make decisions. Where appropriate, they take advice from a number of specialist advisors.

The Trustees are also responsible for the Scheme's investments and other assets, and these are held separately from those of HBOS.

Management Trustees

David Nicholson (Chairman – from 11 May 2007)
Managing Director, Retail Distribution
Chair of Trustees

Jonathan Kennedy
Director, IT Strategy Implementation Group IT

Stephen Krag
Chief Operating Officer, HBOS Treasury Services
Chair of Investment Committee

David Latto
Head of Corporate BOS, Corporate Banking
Chair of Communication & Administration Committee

John Veale
General Counsel
Insurance, Investment & International

Member Trustees

Sandra Chatburn
Customer Service Manager, Clerical Medical

Gerald McLarnon
Head of Sales and Marketing, Banking, Retail

Alastair Shand (from 6 December 2007)
Head of Planning, Insurance & Investment Finance

John Giles (from 6 December 2007)
Head of Group Credit: Financial Institution & Sovereign
Assets, Group Risk

Independent Trustee

Michael Deakin
Independent Trustee

Appointment of Trustees

A full nomination and selection process commenced during 2007. All members were invited to nominate themselves or another Scheme member to act as a Trustee. A selection committee made up of Trustee, company and union representatives selected John Giles and Alastair Shand who were appointed Member Trustees on 6 December 2007 from the nominations. Sandra Chatburn and Gerald McLarnon were reselected.

This procedure was carried out in accordance with the arrangements that we have implemented under the requirements of the Pensions Act 2004 and the Occupational Pension Schemes (Member nominated Trustees and Directors) Regulations 2006. In accordance with these arrangements and the Pension Regulator's guidance on this area, the Trustees will review these arrangements every three years.

Final responsibility for appointing and removing Trustees lies with the principal employer, HBOS plc.

Other Trustees During the Year Ended 31 March 2008

Neil Chandler resigned as a Member Trustee on 6 December 2007.
Glenn Miller resigned as a Member Trustee on 6 December 2007.
Mike Wooderson resigned as a Management Trustee on 11 May 2007.

trustees' summary of the year

This section of the report summarises notable events during the year.

A Smarter Way to Pay Pension Contributions

A new arrangement for paying contributions was introduced on 1 June 2008, providing a reduction in National Insurance (NI) for the majority of the Scheme's members and HBOS. Most colleagues were automatically included and taking part was a change to contractual terms and condition of employment with colleagues agreeing to reduce their gross salary.

As participants, members stop paying contributions, with HBOS paying an amount directly into the Scheme equal to the percentage that members were contributing and members' existing salaries reduced by an equal amount. By reducing existing salary colleagues pay less NI so their take home pay increases, with a corresponding reduction in the NI HBOS pays.

Contribution Increase

The Company and Trustees were successful in automatically enrolling around 20,000 colleagues into the Scheme in May 2006. Contributions for these colleagues commenced at 2%, with a view to increasing contributions up to 4%, the default level by May 2008.

The second phase of this process was completed in May 2007, with contributions set at 3%, unless members chose otherwise. In May 2008 the final increase applied and the phasing process for the members that were auto-enrolled into the Scheme was complete.

Scheme Communication

Updated Scheme and Investment Guides and a guide to the new arrangement for paying contributions are available on the Group Money Purchase Scheme website at www.hbosgmps.co.uk. You should check this site periodically for the latest news about the Scheme.

An annual newsletter was issued to all members of the Scheme in November 2007 which included details from the full Trustees' Report and Auditors' Statement and an up to date individual fund value statement to 30 September 2007.

Annual Benefit Statements

During July 2008 all colleagues who were in the Scheme at 31 March 2008 received a Benefit Statement. This included an illustration of their individual retirement account, with expected pension at normal retirement date in today's prices, and a breakdown of contributions and funds.

As with Statements that were issued in 2007, the design has been harmonised with Total Reward communications.

Pension Planner

The Pension Planner gives at a glance information on how your pension benefits might look at retirement and the actual value of HBOS contributions and tax relief. The planner can be used to model the effects of changing your contribution rates and of different investment returns and retirement dates.

Visit the Pensions Planner at www.hbospensionplanner.co.uk

Investment Self Assessment Questionnaire

Everyone's attitude to risk is different - particularly where money is involved, therefore it is important for members to understand that different types of investment offer potentially different returns and attract different risks. The online investment self assessment questionnaire encourages members to think about their attitude to investment-related risks and helps them decide which funds/investment strategies are most suitable for their attitude towards risk.

Access the online investment self assessment tool via the Group Money Purchase Scheme website at www.hbosgmps.co.uk

Online Nomination Forms

During the year the Trustees developed an online nomination form enabling colleagues to nominate beneficiaries for lump sum payments on the event of their death. The nomination form can be accessed via the Group Money Purchase Scheme website at www.hbosgmps.co.uk

Scheme Constitution and Governance

The Scheme is a registered pension scheme under Chapter 2 Part 4 of the Finance Act 2004 and so continues to qualify for the tax advantages for both the members and the employer. The Scheme is not contracted out of the earnings-related part of the state pension scheme, the state second pension, as permitted by the Pension Schemes Act 1993.

During the year to 31 March 2008, the Trustees met on five occasions. In addition, the Trustee's two sub-committees, the Investment Committee and the Administration and Communications Committee, set up to help them carry out their detailed business, met on four occasions each.

The Investment Committee, chaired by Stephen Krag, helps to develop investment strategy and monitors the performance of the Scheme's external investment managers. The Administration and Communication Committee, chaired by David Latto, manages the detailed administration issues and communications affecting the Trustees and the members.

The Trustees have continued to work towards the completion of a training framework to help them meet the requirements of the recently introduced code on Trustee Knowledge and Understanding. These requirements expect Trustees to be conversant with the principles of funding and investment, to have an understanding of trust and pensions law and be familiar with their Scheme documentation. In addition, Trustees may need to seek expert advice from time to time. The Trustees' current advisers are set out below.

The Trustees are also keenly aware of the risks inherent in operating and administering a pension scheme and are mindful of the requirements of internal controls legislation and further guidance on the subject issued by the Pensions Regulator. During 2007 the Trustees continued to review their risk register to satisfy themselves that their internal controls are proportionate and adequate.

Scheme Administrators

The Scheme administrators are the Group Pensions department of HBOS plc and Clerical Medical. The Trustees have a service agreement in place with HBOS plc and this sets out both how decisions will be made and how quickly cases should be dealt with. The key service standards are:

- **Written enquiries will receive a response within five working days.**
- **Any communication relating to a death will always be responded to within two working days.**
- **90% of all retirement quotations will be provided within five working days of request and 100% will be provided within 10 working days.**
- **Lump sum retirement payments will be made within five working days of retirement.**

Trustees receive a quarterly report which shows how the administration has been carried out and details compliance with the service agreement and legal requirements. The Trustees carried out a review of the administration of the Scheme including the appropriateness of the service standards during the period and continue to monitor these standards.

Scheme Advisors

Auditors

KPMG LLP, 1 The Embankment, Neville Street, Leeds LS1 4DW

Scheme Managers and Administrators

Group Pensions, HBOS plc, Trinity Road, Halifax HX1 2RG
Clerical Medical Investment Group Ltd, 10 Cannons Way, Bristol, BS1 5LF

Legal Advisors

Allen & Overy LLP, One Bishops Square, London E1 6AO

Investment/Actuarial Advisors

Watson Wyatt Ltd, 1 Wellington Place, Wellington Street, Leeds LS1 4AP

Trustee Contact Details

The Trustees, c/o The Secretary HBOS plc, The Mound, Edinburgh EH1 1YZ

investment summary for the year ended 31 March 2008

A year can be a very short period of time when investing for a pension. Some members of the HBOS Group Money Purchase Scheme will be investing for 40 years or more before retirement, so long-term investment performance is likely to be more important for most members than the performance in any one 12 month period. It is important to remember this when looking at investment performance during the last Scheme year.

During the year ended 31 March 2008, share markets around the World were affected by the increasing price of oil and other resources driven by demand in developing countries such as India and China, uncertainty about the level of inflation in a number of major economies, and the higher cost and lower availability of credit following the knock-on effects of loan defaults in the US (commonly referred to as the 'credit crunch').

These factors together meant that individuals and companies found every day costs increasing, which in turn led to reduced spending by consumers on non-essential goods, a slow-down in investments made by companies (which affected the commercial property sector) and ultimately an expectation that company profits would be lower in the future, which in turn forced down the share price of many companies. Government bonds (gilts), however, saw their prices benefit as investors turned to the financial stability of Government backed bonds in times of increased caution around corporate creditworthiness and uncertainty about inflation.

As a result of these Global economic conditions, the last year saw some of the funds within the Scheme deliver negative investment returns, in particular those funds that invest in company shares (equities) and property. It is not unusual for these types of investment to go down in value in the short-term, and historically increases in value over the longer term have always more than offset any short-term falls. For example, UK share markets (as measured by the FTSE All Share Index) delivered returns of -7.7% during the year ended 31 March 2008, however, over the longer term, the average return has still been around +6% per year over the last 10 years and around +11% per year over the last 20 years, which is higher than the return from a typical cash savings account during that period (there is of course no guarantee that this performance will be repeated in the future).

The Trustees and their advisers acknowledge the current market conditions but believe that equities continue to offer potential to maximise investment returns over the medium to long term.

The Occupational Pension Schemes (Investment) Regulations 2005 do not permit employer-related investments to exceed 5% of the current market value of the Scheme's resources at any time. It is confirmed that the Scheme had no such directly held investments at 31 March 2008.

Funds Available to All Members

All members of the HBOS Group Money Purchase Scheme can choose to invest in any of the following funds:

UK Equity Tracker Fund	Global Equity Tracker Fund
UK Fixed Interest Gilt Tracker Fund	UK Index-Linked Gilt Tracker Fund
Corporate Bond Tracker Fund	Cash Fund
Property Fund	Lifestyle Options 1, 2 or 3

The Property Fund was introduced to the Scheme in January 2007 and all other funds were introduced to the Scheme in April 2006.

The performance of the funds (net of annual management charge) during the year ended 31 March 2008 is shown in the following table.

The tracker funds aim to deliver investment returns that are as close as possible to the performance of the overall markets in which they invest. **The figures show that the tracker funds achieved this.** The Cash Fund and Property Fund are not tracker funds, but they aim to deliver returns that are at least as good as the overall markets in which they invest. The Cash

Fund achieved this but the Property Fund did not as it underperformed its benchmark by 6.2%. However, 6.0% of this was due to a change in how the Property Fund's unit price was calculated. This change was made in accordance with the Association of British Insurers' best practice guidelines and was to ensure that any investors who left the Fund did not receive more than their fair share of the Fund's value. Depending on future investor activity, the unit pricing basis will revert back to how it was calculated previously.

Fund	Investment Manager	12 months ended 31 March 2008	
		Fund	Benchmark*
UK Equity Tracker Fund** (Benchmark: FTSE All Share Index)	Barclays Global Investors Limited	-7.8%	-7.7%
Global Equity Tracker Fund (Benchmark: FTSE All World Developed (ex-UK) Index)	Barclays Global Investors Limited	-3.4%	-3.6%
Property Fund (Benchmark: IPD UK All Property Monthly (£50m-£500m) Index)	Invista Real Estate Management Limited	-15.5%	-9.3%
UK Index-Linked Gilt Tracker Fund (Benchmark: UK Gilt Index-Linked Over 15 Years Index)	Barclays Global Investors Limited	13.4%	13.5%
UK Fixed Interest Gilt Tracker Fund (Benchmark: UK Gilt Over 15 Years Index)	Barclays Global Investors Limited	5.1%	5.1%
Corporate Bond Tracker Fund (Benchmark: iBoxx Sterling Non-Gilt Index)	Barclays Global Investors Limited	-0.6%	-0.6%
Cash Fund (Benchmark: LIBID Sterling 7Day)	Barclays Global Investors Limited	5.9%	5.8%

Lifestyle Options 1, 2 and 3 invest in different combinations of these funds (excluding the Property Fund). The mix of funds is rebalanced every year and the mix changes during the 10 years before retirement. The Scheme's Investment Guide explains more about this and is available on the Group Money Purchase Scheme website at www.hbosgmps.co.uk

The investment performance of an individual member's own investments in Lifestyle Option 1, 2 or 3 will therefore depend on how close the member is to retirement. A member who was more than 10 years from retirement would have seen the following investment returns over the 12 months to 31 March 2008:

Fund	Investment Manager	12 months ended 31 March 2008	
		Fund	Benchmark*
Lifestyle Option 1 (Benchmark: composite of the funds in which it invests)	Barclays Global Investors Limited	-5.6%	-5.7%
Lifestyle Option 2 (Benchmark: composite of the funds in which it invests)	Barclays Global Investors Limited	-2.6%	-2.6%
Lifestyle Option 3 (Benchmark: composite of the funds in which it invests)	Barclays Global Investors Limited	0.4%	0.4%

* The benchmark is a measure of the performance of the market in which each fund invests. For example, the FTSE All Share Index measures the performance of the majority of company shares in the UK, so it is possible to compare how the UK Equity Tracker Fund has performed against UK share markets as a whole.

** Although the UK Equity Fund (see page 9) and UK Equity Tracker Fund share the same benchmark (the FTSE All Share Index), the two funds are valued at different times of the day. The movement in the Index is therefore different for each of these funds as it is measured at the time when each fund is valued.

Closed Funds

The following funds ceased to be available to new members from April 2006:

UK Equity Fund	International Fund
Bond Fund	Cash Fund
With Profits Fund	Lifestyle Fund

The performance of the funds (net of charges) over the 12 months, three years and five years to 31 March 2008 is shown in the following table.

These funds aim to deliver investment returns that are better than the performance of the overall markets in which they invest. The figures show that only the UK Equity Fund achieved this and only during the 12 months ended 31 March 2008.

Fund	Investment Manager	1 Year		3 Years (% per year)		5 Years (% per year)	
		Fund	Benchmark*	Fund	Benchmark*	Fund	Benchmark*
UK Equity Fund** (Benchmark: FTSE All Share Index)	Insight Investment Management Limited	-7.3%	-7.7%	8.1%	9.3%	12.7%	14.7%
International Fund (Benchmark: FTSE World Index)	Insight Investment Management Limited	-4.4%	-3.7%	7.3%	8.8%	9.5%	12.3%
Bond Fund (Benchmark: 60% FTSE AA UK Gilt All Stocks Index & 40% Merrill Lynch £ Non-Gilt All Stocks Index)	Insight Investment Management Limited	3.4%	4.0%	4.0%	4.2%	4.0%	4.5%
Cash Fund (Benchmark: LIBID Sterling 7 Day)	Insight Investment Management Limited	5.3%	5.8%	4.8%	5.1%	4.4%	4.7%

* The benchmark is a measure of the performance of the market in which each fund invests. For example, the FTSE All Share Index measures the performance of the majority of company shares in the UK, so it is possible to compare how the UK Equity Tracker Fund has performed against UK share markets as a whole.

** Although the UK Equity Fund and UK Equity Tracker Fund (see page 8) share the same benchmark (the FTSE All Share Index), the two funds are valued at different times of the day. The movement in the Index is therefore different for each of these funds as it is measured at the time when each fund is valued.

The **Lifestyle Fund** invests in a combination of the UK Equity Fund, International Fund, Bond Fund and Cash Fund. **The Lifestyle Fund is different to Lifestyle Options 1, 2 and 3, which were introduced in April 2006.** The mix of funds is rebalanced every year and the mix changes during the five or seven years before retirement, depending on when members joined the Scheme.

The investment performance of an individual member's own investments in the Lifestyle Fund will therefore depend on how close the member is to retirement. A member who was more than seven years from retirement would have seen the following investment returns over the 12 months to 31 March 2008:

Fund	Investment Manager	12 months ended 31 March 2008	
		Fund	Benchmark*
UK Equity Fund (closed option) (Benchmark: composite of the funds in which it invests)	Insight Investment Management Limited	-5.9%	-5.7%

* The benchmark is a measure of the performance of the market in which each fund invests. For example, the FTSE All Share Index measures the performance of the majority of company shares in the UK, so it is possible to compare how the UK Equity Tracker Fund has performed against UK share markets as a whole.

The performance of the **With Profits Fund** is not shown here as it is not the same as the return on each individual member's own investment in the Fund. The insurance company that manages the Fund can pay out extra bonuses from investment returns earned in previous years, or it can hold back some of the Fund's investment return from the current year to pay out bonuses in future years. Members who are invested in the With Profits Fund can check the value of their investments on their annual Benefit Statement.

Switching Between Funds

All members of the HBOS Group Money Purchase Scheme can choose to switch some or all of their investments into the funds that are available to all members at any time (members cannot switch investments into the closed funds). More information about the funds can be found on the Group Money Purchase Scheme website at www.hbosgmmps.co.uk

Members who have investments in the With Profits Fund should be aware that the insurance company that manages the Fund may apply a market value adjustment if units are switched out of the Fund before retirement.

Please note that past performance is not a guide to future performance. Market and exchange rate movements may cause the value of investments to go down as well as up.

Myners' Principles and Statement of Investment Principles

In March 2000, the Chancellor of the Exchequer commissioned Paul Myners to conduct a review of institutional investment in the UK. The conclusion of Mr Myners' review, published in 2001 and amended in 2004, was that investment-related decision making by pension scheme trustees could be improved if trustees adopted a series of best practice principles, now commonly known as the Myners Principles. The Government endorsed Mr Myners' recommendations and expects all trustees to comply with the principles on a voluntary basis, or explain why if there are instances of non-compliance.

The Trustees of the HBOS Group Money Purchase Scheme undertook a review of the principles during 2007 and are fully compliant at this present time. A new version of Paul Myners' principles of best practice in investment decision-making has now been published following a review undertaken by the National Association of Pension Funds in late 2007. The Trustees will undertake a further review of compliance with the revised principles during the coming year.

The Myners Principles are and remain a voluntary code of best practice, but legislation does require the Trustees to set out their approach to governing and making investments in a Statement of Investment Principles (SIP). The Scheme's SIP is available on the Group Money Purchase Scheme website at www.hbosgmmps.co.uk

trustees' legislative report

Personal Accounts

Personal Accounts have received significant publicity. They are designed to be an opportunity for employees to contribute to low cost retirement saving. They will be introduced in 2012 and will be based on a band of earnings broadly between £5,000 and £33,000 per year. Employees will pay 3%, employers will pay 4% (though they will be phased in) and a further 1% will be paid in the form of tax relief.

Employees will be automatically enrolled into the personal account scheme unless they are already a member of an employer's scheme of broadly equal or better value. However, they may choose to opt out even if they are not in an employer's scheme. The Government has established the Personal Accounts Delivery Authority, which is a new non-departmental public body charged with advising on and implementing the new scheme. The Trustees will keep members informed of any developments that affect them.

State Pensions

At some point between 2012 and 2015 the Government will reintroduce the link between state pensions and earnings. Presently, state pensions are increased in line with the Retail Price Index.

The Government has also announced that the State Second Pension (S2P formerly called SERPS) will lose its earnings link and move to a flat rate pension. The timescale for this is broadly aligned with the basic state pension becoming earnings linked once again.

In addition, the Government has announced changes to the eligibility conditions for State benefits. Firstly, to help provide better state pensions for carers and others with fractured working patterns, the minimum number of years required to qualify for the full basic state pension will reduce to 30 years for those reaching State Pension Age from 2010. However, alongside this there will be changes to the State Pension Age for both men and women, moving to 66 years from 2024 through to 67 years in 2034 and to 68 years in 2044.

Simplification

The Government has indicated that it wants to simplify the regulatory environment in which occupational pension schemes operate. This is primarily aimed at how occupational and personal pension schemes interact with the state pension scheme. Trustees will communicate any changes to Scheme members where appropriate.

Minimum Retirement Age

Previously, and following a change in legislation, HBOS and the Trustees have agreed that the minimum age at which members could take retirement was to be increased to 55 from April 2010. However, following recent clarification on the legislation that was introduced in April 2006 it has become clear that the protected right to retire from age 50 will only apply if on 10 December 2003 the pension scheme rules have granted an unqualified right to retire. This means that the right to retire must have existed without seeking the permission of the Trustees or the Employer.

Before 6 April 2006, the Scheme rules allowed active members of the Scheme to retire from 50 without having to seek permission from HBOS or the Trustees.

Active members of the Scheme that joined on or after 6 April 2006 will still have to be at least 55 before being able to take benefits after 2010. This also applies to preserved members that left before April 2006, but members who joined before April 2006 will still be able to retire from age 50.

The age limit to take flexible retirement will still increase to age 55 from 2010. This information was communicated to members as part of the Benefit Statement mailing in July 2008.

scheme facts and figures

Scheme Membership

Members	As at 31 March 2008
Active	32,121
Members with deferred benefits at the end of the Scheme year who had not already attained normal retirement age	4,149
Total	36,270

Profile of active members at 31 March 2008

Membership Breakdown	Percentage
Under 30	48.02%
Age 30-39	30.07%
Age 40-49	15.43%
Over 50	6.48%
Total	100%

Membership profile by division at 31 March 2008

Division Breakdown	Percentage
Strategy & International	0.28%
Treasury	1.49%
Group Functions	7.31%
Corporate	9.40%
Insurance & Investment	15.63%
Retail	65.89%
Total	100%

Scheme Assets

Over the year to 31 March 2008, the total value of the Scheme Assets increased from £142.7m to £200.07m.

Quarter	Fund Size (£M)
End of June 2007	163.9
End of September 2007	182.6
End of December 2007	199.4
End of March 2008	200.7

Scheme Contributions

The majority of new contributions into the Scheme are invested in the UK Equity Tracker Fund and the Global Equity Tracker Fund. Total contributions as reported on by the Scheme auditor during the year to 31 March 2008 were £75.9m.

independent auditors' statement about contributions



Independent Auditors' Statement about Contributions, under Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of the HBOS Group Money Purchase Scheme.

We have examined the summary of contributions payable under the Payment Schedule to the HBOS Group Money Purchase Scheme in respect of the Scheme year ended 31 March 2008 which is set out on page 14.

This statement is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made there under. Our work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this statement, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

As described on page 14, the Scheme's Trustees are responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a Payment Schedule which sets out the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees have a general responsibility for procuring that contributions are made to the Scheme in accordance with the Payment Schedule.

It is our responsibility to provide a statement about contributions paid to the Scheme and to report our opinion to you.

We read the Trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

Basis of Statement About Contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid, at least in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work. Our work did not constitute an audit of the financial transactions and net assets of the Scheme and was performed solely for the purposes of making this statement about contributions.

Statement About Contributions Payable Under the Schedule

In our opinion contributions for the Scheme year ended 31 March 2008 as reported in the summary of contributions and payable under the schedule have in all material respects been paid at least in accordance with the Payment Schedule dated 21 February 2006.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

KPMG LLP
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

27 October 2008

statement of trustees' responsibilities in respect of contributions

This Statement forms part of the Trustees' annual report.

The Scheme's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and, from time to time, a revised Payment Schedule showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

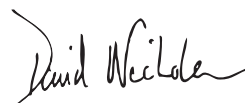
The Scheme's Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedule.

Trustees' Summary of Contributions Payable Under the Schedule in Respect of the Scheme Year Ended 31 March 2008

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the Employer and member contributions payable to the Scheme under the Payment Schedule dated 21 February 2006, in respect of the Scheme year ended 31 March 2008. The Scheme auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

Contributions payable under the Payment Schedule in respect of the Scheme year	£000's
Employer	
Normal contributions (including salary sacrifice)	47,416
Employer additional voluntary contributions	168
Member	
Normal contributions	28,279
Total Contributions payable under the Payment Schedule (as reported on by the Scheme auditors)	75,863

Signed on behalf of the Trustees



David Nicholson
Chairman of the Trustees
27 October 2008

other information

The following independent bodies have been set up to help pension scheme members who may have problems regarding administrators or trustees of their scheme:

The Pension Tracing Service

Formerly known as the Pensions Registry, the Pension Tracing Service's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and Trustees. The information provided includes details of the address at which the trustees of a pension scheme may be contacted.

To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

The Pension Service
Tyneview Park
Whitley Road
Newcastle Upon Tyne
NE98 1BA

Or visit the website www.pensionservice.gov.uk to trace a pension online.

The Group Money Purchase Scheme has been registered with the Pension Tracing Service.

The Pensions Advisory Service

Any concerns regarding this Scheme should be directed to the Secretary who will try to resolve the matter as quickly as possible. Members and beneficiaries of occupational pension schemes who have problems with their scheme that remain unresolved can approach the Pensions Advisory Service for help. A local advisor can usually be contacted through a Citizen's Advice Bureau. Alternatively the Pensions Advisory Service can be contacted at:

11 Belgrave Road
London
SW1V 1RB

Tel: 0845 6012923
Online: www.thepensionsadvisoryservice.org.uk

Pensions Ombudsman

In cases where a complaint or dispute cannot be resolved, normally after the intervention of the Pensions Advisory Service, an application can be made to the Pensions Ombudsman to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is as for the Pensions Advisory Service but other contact details are:

Tel: 0207 834 9144
Online: www.pensions-ombudsman.org.uk

Data Protection Act 1998

Trustees hold and process personal data on you in order to administer the Scheme. This data is held for the duration of your membership of the Scheme or for any longer period necessary to enable the Trustees to answer questions relating to your benefits.

Trustees may share or transfer this data with third parties or your employer (for example insurers and pension scheme administrators) providing services in connection with the administration of the Scheme. Every care is taken to ensure that personal data is held securely.

scheme contact details



By tel:
0845 605 4444 (option 4)



By email: GroupPensions@hbosplc.com



By post:
Group Pensions,
Trinity Road, Halifax,
HX1 2RG



Online:
www.hbosgmps.co.uk

Trustees Report, signed on behalf of the Trustees

David Nicholson
Chairman of the Trustees
27 October 2008