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Harmsworth Pension Scheme

Summary funding statement – September 2011

As a member entitled to benefits from the Harmsworth Pension Scheme ('the scheme') we, the trustee directors of the scheme, are writing to provide you with our regular annual update of its financial position.

How the scheme works

The participating employers (collectively 'DMGT'), and members currently employed by one of those employers, pay contributions to the scheme so it can pay benefits to members when they retire. These contributions are invested in a common fund; separate funds are not held for each individual.

We invest this fund (in other words the scheme's assets) in accordance with an investment policy and asset allocation benchmark incorporated in a Statement of Investment Principles (SIP) which we review annually. The current benchmark allocates 72% of assets to growth-seeking investments such as company shares and property with the remaining 28% allocated to income-generating investments such as government and corporate bonds.

The company announced this year that the scheme would be kept open until 31 March 2012 for current employees who are still eligible to join it. The scheme has been closed to new employees since 30 September 2009. Current members continue to pay contributions and earn further benefits in the scheme.

With effect from 1 April 2011 the benefit design of the scheme changed significantly to align with the company's objective of controlling risk and cost going forward. The scheme continues to operate on a defined benefit basis but retirement benefits are no longer linked to final salary at retirement.

Benefits earned from 1 April 2011 build up on a cash basis rather than the pension basis used previously, with members building up a credit account (a notional amount of cash) which is used to buy an annuity from an insurance company at retirement.

Benefits built up to 31 March 2011 remain on a pension basis, but they have been de-linked from pensionable salary. This part of a member's benefit will instead be increased in line with the retail prices index (RPI), capped at 5%.

Scheme health checks

We monitor the financial position and obtain regular valuations of the scheme with the assistance of the scheme actuary. The actuary calculates the amount needed to pay future benefits, compares this with the assets currently held and works out the level of future contributions required. His calculations are based on prudent assumptions regarding future events, such as how long people are expected to live and the returns that are expected on the scheme's investments.

In accordance with legislation, full, detailed valuations are carried out every three years, the most recent one being as at 31 March 2010. We use the results of these valuations, or health checks, in discussions with DMGT about the appropriate level of future contributions to be paid into the scheme. The agreement that is then reached with DMGT is called our 'funding plan'. We undertake annual reviews to monitor the scheme's progress against this funding plan.

Results of the 2010 funding valuation

The latest full valuation of the scheme, as at 31 March 2010, was recently completed within the statutory period on an 'ongoing basis' that assumes DMGT continues to sponsor the scheme.

The results of this latest valuation are shown in the table below, which also includes comparison figures against the previous valuation which was carried out as at 31 March 2007 and funding updates at 31 March 2008 and 2009.

Date	Shortfall (millions)	Funding level	Comment
31/03/2010	£275.0	83%	Takes account of scheme changes at 1 April 2011
31/03/2010	£359.0	79%	Full valuation
31/03/2009	£617.7	63%	Funding update
31/03/2008	£272.0	84%	Funding update
31/03/2007	£13.8	99%	Full valuation

The improvement in the funding position over the year to 31 March 2010 was due mainly to a recovery in the market value of assets.

Following the discussions with DMGT on funding described above, DMGT's ongoing support for the scheme is reflected in its commitment to a series of thirteen shortfall funding payments totalling £231.4 million over the period from October 2011 to October 2023.

Based on the assumptions used for the valuation, it is expected that these shortfall payments together with returns from the scheme's assets will be sufficient to eliminate the deficit of £275 million at 31 March 2010 by October 2023.

It was also agreed that DMGT will pay regular contributions to the scheme for current employees in respect of benefits earned in the future at the rate of 15% of members' pensionable pay for the Plus section and 10% for the Standard section.

The next valuation is due to be carried out at 31 March 2013, and DMGT's contribution requirement will be reassessed as part of that valuation.

Payments to the employer

We confirm that no payments have been made from the scheme to DMGT in the past 12 months.

Current financial markets

Since a low point for stock markets in March 2009, there have been gains which are reflected in the valuation as at 31 March 2010. Nevertheless, uncertainties remain about the strength of the economic recovery and the outlook for inflation.

Meanwhile, we will continue to closely monitor the financial health of the scheme and its sponsor, DMGT.

The strength of the scheme sponsor

As part of the 2010 valuation, and before reaching agreement on the long-term funding policy, we carried out a careful assessment of the financial strength of DMGT and put in place arrangements for this to be regularly monitored.

We receive regular business updates from DMGT, which allows us to assess its ongoing ability to provide the necessary financial support.

The funding plan we have agreed with DMGT, and our view regarding an appropriate investment strategy, depend on the sponsor's continued strength. We are reassured by DMGT's financial strength, its diversified portfolio of businesses and by its effectiveness in dealing with the very challenging trading conditions that continue to persist.

The Pensions Regulator

We have submitted details of the valuation outcome, as required, to the Pensions Regulator. To date, the Pensions Regulator has not given any directions, impositions or modifications in relation to the scheme.

Further information

If you have any questions, or would like more information, please contact us at the following address:

Northcliffe Trustees Ltd, c/o DMGT Pensions, 10 Bedford Street, Covent Garden,
London, WC2E 9HE

Northcliffe Trustees Ltd

The Pensions Regulator requires all pension schemes to make the following statements, in addition to the information already provided.

The following paragraphs outline what might happen if the scheme is wound up or closed down and the benefits secured with an insurance company instead. **Do not be alarmed by the references to winding up. We are legally obliged to provide you with this information and there are no plans to wind up the scheme.**

If the scheme winds up at some point in the future, you might not get the full amount of pension you have built up even if the scheme is fully funded on an 'ongoing basis'. However, whilst the scheme carries on, even though the funding may be temporarily below target, we will continue to pay benefits in full.

For example, if the scheme had been wound up on 31 March 2010 (the latest date at which this was estimated) then the additional assets required to meet all members' benefits in full were estimated to be around £1,062 million – on this 'winding up basis' the scheme was around 56% funded.

The above calculation assumes that we would secure all benefits with an insurance company, and insurance companies are obliged to take a very cautious view of the future, and need to make a profit. For these reasons it is common practice for pension schemes such as ours to target a lower level of funding on an ongoing basis as, with the ongoing support of DMGT, a longer-term view can be taken of the scheme's ability to continue to pay benefits in the future.

If the scheme was to wind up, DMGT would be required to pay enough into the scheme to enable members' benefits to be completely secured with an insurance company. It may be, however, that DMGT would not be able to pay this full amount. If DMGT became insolvent, the Pension Protection Fund might be able to take over the scheme and pay compensation to members, although this compensation is likely to be less than the benefits provided for under the scheme rules.

Inclusion of this information does not imply that DMGT is thinking of winding up the scheme. It would only be a concern if DMGT was unable to financially support the scheme in future.

For further information on the Pension Protection Fund see the website at www.pensionprotectionfund.org.uk or write to:

Pension Protection Fund
Knollys House
17 Addiscombe Road
Croydon, Surrey
CRO 6SR.