

# **PENSIONS**

Report and Financial Statements for the year ended 31 March 2009

## **HARMSWORTH PENSION SCHEME**

# **2009**

*Report and Financial Statements*

*for the year ended 31 March 2009*

10 Bedford Street  
Covent Garden  
London WC2E 9HE

# HARMSWORTH PENSION SCHEME

# HARMSWORTH PENSION SCHEME

**Scheme Number: 101324297**

## **TRUSTEE**

**Northcliffe Trustees Limited**  
10 Bedford Street  
Covent Garden  
London  
WC2E 9HE

## **INDEPENDENT DIRECTOR**

C A Wood OBE

Chairman

## **COMPANY APPOINTED DIRECTORS**

C J F Sinclair CBE

(Resigned 30 September 2008)

S Dyson MBE

(Appointed 30 September 2008)

J P Williams

K N Thompson

N D Jennings

(Resigned 10 June 2008)

A V Hilton

(Appointed 10 June 2008, resigned 27 February 2009)

## **MEMBER-NOMINATED DIRECTORS**

P G Newman

(Re-appointed 10 June 2008)

P Hutchings

(Resigned 10 June 2008)

G V Young

(Resigned 10 June 2008)

L Hollamby

(Re-appointed 10 June 2008)

P Ash

(Appointed 10 June 2008)

S J Torrington

(Appointed 10 June 2008)

## **COMPANY SECRETARY**

G M Staines, FPMI

## **INVESTMENT COMMITTEE**

S M Gray (Chairman – resigned 31 July 2009)

A V Hilton

J P Williams

S Bates (appointed 9 December 2008)

S J Torrington

P Fallon (resigned 2 September 2008)

C A Wood OBE

A Perry (appointed 25 November 2008)

M McGregor-Smith (appointed 9 December 2008)

C J F Sinclair CBE (resigned 30 September 2008)

# HARMSWORTH PENSION SCHEME

## PROFESSIONAL ADVISERS

### **ACTUARIAL ADVISERS**

Watson Wyatt Limited (resigned 31  
March 2009)  
Watson House  
London Road  
Reigate  
Surrey RH2 9PQ

Hewitt Associates Limited (appointed  
1 April 2009)  
6 More London Place  
London  
SE1 2DA

### **SCHEME ACTUARY**

Kevin Ellis FIA (resigned 31 March  
2009)

Richard Whitelam FIA (appointed  
1 April 2009)

### **ADMINISTRATOR**

DMGT Pensions  
10 Bedford Street  
London WC2E 9HE

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Hay's Galleria  
1 Hay's Lane  
London  
SE1 2RD

### **COVENANT ADVISER**

Watson Wyatt Limited  
21 Tothill Street  
Westminster  
London SW1H 9LL

### **BANKERS**

NatWest  
Bishopsgate Branch  
PO Box 34  
15 Bishopsgate  
London EC2P 2AP

### **CUSTODIAN**

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

### **INVESTMENT CONSULTANT**

Watson Wyatt Limited  
21 Tothill Street  
Westminster  
London SW1H 9LL

### **INVESTMENT MANAGERS**

(see APPENDIX 1 on Page 32)

### **PERFORMANCE MEASUREMENT SPECIALISTS**

The WM Company  
525 Ferry Road  
Edinburgh EH5 2AW

### **SOLICITORS**

Linklaters LLP  
One Silk Street  
London EC2Y 8HQ

# HARMSWORTH PENSION SCHEME

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# HARMSWORTH PENSION SCHEME

## TRUSTEE'S REPORT

### Constitution of the Scheme

The Harmsworth Pension Scheme (the "Scheme") is a defined benefit scheme providing salary-related benefits for the employees of certain subsidiary companies of Daily Mail and General Trust plc ("DMGT"). It is established under and governed by a Trust Deed and Rules administered by a Trustee specially appointed for this purpose. The Scheme is a registered pension plan under the Finance Act 2004. To the Trustee's knowledge there is no reason why such registration should be prejudiced or withdrawn.

The Scheme is contracted-out of the State Second Pension.

### Contingent asset following merger

The Trustee executed a Transfer Agreement dated 30 November 2007 that merged the Mail Newspapers Pension Scheme (MNPS) into the Scheme. This event was accounted for as a group transfer-in of assets and liabilities in 2008.

As a condition of this merger, DMGT has provided a letter of credit for £40 million during the period to 1 December 2011. The Trustee has a call on this contingent asset in the event that the Scheme begins to be wound up before 1 December 2011 and the assets of the Scheme are insufficient to provide benefits in full for all members.

### Membership

Membership of the Scheme under the various categories is shown below:

	<b>2008</b>	<b>Additions</b>	<b>Withdrawals</b>	<b>2009</b>
Members in service	4,555	335	(1,012)	3,878
Deferred members	7,750	664	(304)	8,110
Retired members*	9,420	634	(399)	9,655
<b>TOTAL</b>	<b>21,725</b>	<b>1,633</b>	<b>(1,715)</b>	<b>21,643</b>

\*Includes widow(er)s, adult dependants and children receiving a pension from the Scheme.

### Actuarial valuation and Scheme Specific Funding

Every three years the Scheme carries out an actuarial valuation. This is a financial assessment of the Scheme undertaken by the Scheme Actuary. The Actuary looks at the value of the assets of the Scheme and compares these with the value of the benefits that are either already being paid or are to be paid in the future i.e. the liabilities. A number of assumptions are made by the Actuary and these are agreed with the Trustee in advance of the valuation.

The last valuation was completed as at 31 March 2007 and this was the first valuation undertaken in accordance with the Scheme funding provisions under the Pensions Act 2004. This replaced the Minimum Funding Requirement legislation and introduced a requirement for the trustees of defined benefit occupational pension schemes to enter into discussions with the scheme sponsor to determine a suitable, prudent, ongoing funding basis for the Scheme. In addition, where a deficit exists on that basis, there is a requirement to agree an appropriate recovery plan for removing it.

The agreed funding strategy made allowance for assumed future investment returns on the Scheme's assets of 3.3% p.a. above price inflation, compared with the real return of some 2.6% p.a. implicit within the calculations of the Technical Provisions (i.e. the value of the Scheme's benefit liabilities). The Trustee agreed that this margin could be covered by a contingent asset and the Company has put in place a letter of credit (to be updated annually)

## HARMSWORTH PENSION SCHEME

of an amount sufficient to cover any potential shortfall in this additional investment return arising prior to the next triennial valuation. At 31 March 2009, the letter of credit had a value of £32.1 million.

In addition the employer has paid annual contributions of 18% of members' Scheme Salaries up to 31 December 2008. From 1 January 2009, in accordance with the Schedule of Contributions certified by the Actuary on 10 June 2008 and following agreement by most active members to accept a salary sacrifice arrangement, contributions paid by the employer for those employees in the new arrangement were increased by an amount equal to the contributions that would have been paid by the employee. Contributions for all other employees remained unchanged.

The funding target now in place is higher than that in place prior to the valuation date.

Market movements in the very difficult financial condition of recent months have reduced the proportion of performance-seeking assets (i.e. equities, property and various alternative assets such as hedge funds) to just above 70% of the total portfolio. In June 2009 the Trustee agreed to adjust its asset allocation so that 72% of the portfolio is in performance seeking assets. This relatively high exposure was agreed by the Trustee given the strength of covenant of DMGT, an assessment of which has been carried out with help from specialists at Watson Wyatt. Following the impact of the credit crunch on companies and markets, the Trustee decided to monitor the covenant strength of DMGT more closely. Accordingly this is now being monitored at quarterly intervals and, at least twice each year, an independent covenant adviser from Watson Wyatt assists the Trustee in analysing quarterly presentations and reports to the Trustee from the Deputy Finance Director.

The combined accumulated assets of the Scheme as at 31 March 2007 represented 99% of the combined Scheme's Technical Provisions in respect of past service benefits. However, in common with the majority of defined benefit schemes, there was a sharp deterioration over the following twelve months, with the equivalent funding level falling to 84% as at 31 March 2008.

The next full valuation of the Scheme is scheduled for 31 March 2010.

The key financial assumptions used in the 2007 actuarial valuation are shown below:

	<b>2007 Nominal</b>	<b>2007 Real</b>
	<b>% pa</b>	<b>% pa</b>
<b>Financial Assumptions</b>		
Price inflation	3.0	-
Pension increases (on excess over GMP)	3.0	0.0
General increases in pensionable earnings	4.3	1.25
Increases in pensionable earnings deductions	3.0	0.0
Discount Rates:		
- Pre-retirement	6.4	3.3
- Post-retirement	4.8	1.8

### **Review of Actuarial Factors**

Following completion of the valuation and agreement between the Trustee and the Company concerning an appropriate funding strategy, a review has been undertaken of early and late retirement factors, together with the commutation factors used to convert pension to cash at retirement. A key reason for this review is to reflect the greater value attributed to Scheme benefits by the increases in longevity.

## HARMSWORTH PENSION SCHEME

Having taken actuarial advice, the revised factors were approved by the Trustee on 12 June 2008 and have been used as the basis for benefit calculations that have an effective date on or after 1 September 2008.

### Asset Allocation

In parallel with the scheme specific funding discussions between the Trustee and the Company a comprehensive review of the investment strategy has been undertaken with the aim of delivering at least the annual return implied by the agreed funding basis.

This detailed and complex work has now been completed, with implementation successfully achieved on 1 June 2008, as planned. Further information is contained in the Investment Report on page 11.

### Financial Development of Scheme

The net assets of the Scheme decreased by £374.2 million, or 26.2%, from £1,428.2 million to £1,054.0 million.

	<b>£m</b>	<b>£m</b>
Contributions and transfers receivable	33.0	
Benefits payable and payments to and on account of leavers	(68.3)	
<b>Net withdrawals</b>		(35.3)
Investment income	19.1	
Change in market value of investments	(354.6)	
Investment management expenses	(3.4)	
<b>Net returns on investments</b>		(338.9)
<b>Net decrease in the fund during the period</b>		<u><b>(374.2)</b></u>

The financial statements have been prepared and audited in compliance with Regulations 41 (1) and 41 (6) of the Pensions Act 1995.

### Member Contributions

Pension contributions paid by members in the Pension+ section of the Scheme are 7.5% of Scheme Salary. Contributions for members in the Standard section are 5% of Scheme Salary.

However, as explained on page 7, from 1 January 2009 most active members agreed to accept a salary sacrifice arrangement under which contributions paid by the employer were increased by an amount equal to the contributions that would have been paid by those members. Contributions for all other employees remained unchanged.

### Transfer Payments from Other Pension Arrangements

The Trustee has resolved not to accept payments from other pension arrangements in respect of active Scheme members. This change, which became effective from 1 April 2006, reflects the broader range of options available to individuals in the pensions market from "A Day" and the potential cost to the Scheme of offering a final salary benefit in return for a transfer payment that was often being received from a money purchase pension plan.

### Additional Voluntary Contributions (AVCs)

An AVC facility is available in the Scheme to replace the facility in the DMGT AVC Plan previously available to Scheme members. However, the investment options in this new facility exclude the With Profit fund, which was closed to new investment within the DMGT AVC Plan with effect from 31 March 2006. (Existing with profits AVC benefits were retained in that plan with the segregated assets invested to support these benefits.) Since that date, the ownership of various AVC insurance policies has been altered by deed to reflect this change.

## HARMSWORTH PENSION SCHEME

Based on professional advice, the Trustee is of the view that the various fund options being offered to members for AVC investment are appropriate regarding diversity and performance although the addition of a cash fund is likely to be considered shortly. However, as part of its ongoing monitoring procedures, the Trustee has undertaken to carry out a further review of these fund options.

### **Pension Increases**

The level of increase to pensions in payment granted during the year was in accordance with the rules of the Scheme. Accordingly, the basic increase awarded in April this year was 0.9%, in line with the movement in the Retail Prices Index in the last calendar year. This increase has been applied to the pension, excluding any Guaranteed Minimum Pension in payment.

Deferred pension benefits were increased by the statutory rate, 5.0%, from the same date, reflecting the annual increase in the Retail Price Index to September 2008.

A history of recent pension increases is shown below:

<b>Date</b>	<b>%</b>
1.4.04	2.8
1.4.05	3.5
1.4.06	2.2
1.4.07	4.4
1.4.08	4.0
1.4.09	0.9

### **Trustee**

Details of the Trustee of the Scheme are shown on page 3 of this Report. Northcliffe Trustees Limited, which was incorporated on 30 June 1997, was appointed Trustee of the Scheme by a Deed dated 2 September 1997. The Directors of this Company, as listed on page 3, jointly hold all the issued ordinary shares.

### **Trustee Directors**

On 30 September 2008, Mr Charles Sinclair CBE resigned from the Board of Northcliffe Trustees Limited following his retirement from the DMGT Group. Mr Sinclair was thanked by the Board for his contribution to the work of the Trustee over many years. On the same date, Mr Simon Dyson MBE was appointed as a new, Company Appointed Trustee Director.

In June 2008 the Trustee Board was restructured, prompted by the introduction of new member-nominated Director (MND) requirements.

Board meetings of the Trustee have been held quarterly. Certain decisions of the Trustee have been delegated to sub-committees set up under formal terms of reference to deal with administration, funding, finance & risk and investment.

### **The Pensions Regulator**

The Pensions Regulator was established by the Pensions Act 2004 to oversee the operation of occupational pension schemes. The Regulator has far reaching powers and is able to intervene in the running of schemes in the event of any failure by trustees, employers, or professional advisers regarding their duties. He has the power to issue orders to sponsoring companies where corporate transactions might impact on the financial position of pension schemes.

## HARMSWORTH PENSION SCHEME

### The Pensions Regulator and Pension Protection Fund Levies

The Pensions Regulator (TPR) collects a General Levy from all UK occupational pension schemes. It also collects an Administration Levy on behalf of the Pension Protection Fund (PPF). In addition, the PPF collects directly from schemes a Scheme-based levy and a Risk-based levy. The level of Risk-based levy, although higher than in 2008, was significantly reduced following the decision by DMGT to offer a parent company guarantee in the form prescribed for that purpose by the PPF Board.

The total levy for the Scheme is the responsibility of the Trustee but, at present, is reimbursed by the Company.

Details regarding the levies collected during the year are shown in the table below:

<b>Levy</b>	<b>Collected by</b>	<b>2009 £'s</b>	<b>2008 £'s</b>
General Levy	TPR	14,300	10,600
Admin Levy	TPR for PPF	18,400	15,690
Scheme-based levy	PPF	226,348	74,096
Risk-based levy	PPF	54,472	16,526
		<b>313,520</b>	<b>116,912</b>

### Statement of Trustee's Responsibilities

The Trustee's responsibilities in respect of the financial statements are set out in more detail in the Compliance Statement on page 14.

### Further Information

Further information about the Scheme generally, or about members' individual entitlements to benefit is available from:

**The Secretary  
Harmsworth Pension Scheme  
DMGT Pensions  
10 Bedford Street  
Covent Garden  
London  
WC2E 9HE**

or from the website [www.dmgtpensions.co.uk](http://www.dmgtpensions.co.uk)

By order of the Trustee



**Geoffrey Staines  
Secretary**

# HARMSWORTH PENSION SCHEME

## INVESTMENT REPORT

### Policy

The Trustee has ultimate responsibility for decision-making on investment matters. However, an Investment Committee handles the majority of investment matters and makes recommendations to the Trustee where decisions are required to be taken. The members of the Investment Committee are listed on page 3.

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the expertise of their internal advisers and, where necessary, employs the skills and expertise of external advisers, including external sub-committee members, investment managers, the custodian, the investment consultant and the Scheme Actuary.

A key element of overall investment policy is a scheme-specific asset allocation benchmark. This benchmark is incorporated in the Statement of Investment Principles (SIP), which is reviewed annually or otherwise updated as necessary. The assets are monitored so that overall asset allocation can be maintained in line with this scheme-specific allocation.

The scheme-specific allocation is the Trustee's long-term strategy for meeting agreed investment objectives. As explained in more detail below, during the year a review of investment strategy was undertaken which has resulted in a new benchmark allocation being put in place.

### Asset Allocation

The underlying asset allocation at the beginning and end of the year under review is shown below, together with the new asset allocation benchmark from 1 June 2008:

	<b>31.03.09</b>	<b>31.03.08</b>	<b>Benchmark</b>	<b>Benchmark</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Growth assets</b>			75	
Global equities*	45.5	64.6		47
Fund of hedge funds	7.3	-		6
Infrastructure	2.7	1.9		6
Private equity	6.6	3.8		6
Property	9.7	8.9		10
<b>Matching assets</b>			25	
Index-linked gilts	16.3	-		15
High alpha bonds	11.9	-		10
Bonds (general)	-	20.8		-
	100.0	100.0	100	100

\* The Trustee's aim is to allocate 30% of Global Equities to the UK.

In conjunction with the new scheme-specific asset allocation benchmark, a re-allocation of Scheme assets commenced early in 2008 with the implementation of a schedule for moving assets from UK equities into bonds. Later in the year the Scheme made its first investment in infrastructure funds. This meant that at the end of 2008 the assets held were not in line with the benchmark set under the SIP in force at that time. However, the Trustee considered that

## HARMSWORTH PENSION SCHEME

this was acceptable in view of the new asset allocation benchmark being developed. For further details concerning the SIP see page 15.

The majority of asset movements were completed by 1 June 2008.

Variations in actual asset weightings compared with the benchmark can arise due to market movements. From 1 June 2008, the Trustee appointed Legal & General Investment Management Limited to monitor and re-align the weighting between growth and matching assets to respond to market movements. However, due to extreme market volatility towards the year-end, automatic re-balancing from matching to growth assets was temporarily suspended; however this was reinstated in June 2009 based on the actual split between growth and matching assets, which was 72:28. The temporary suspension of re-balancing meant that at 31 March 2009 the asset weightings were not in line with the benchmark set under the SIP in force at the time. Once again, the Trustee considered that this was acceptable in view of the particular market conditions prevailing.

DMGT Pensions continues to monitor overall asset allocation and to make recommendations for change as necessary.

### **Management**

The Trustee appoints investment managers to manage assets of the Scheme. A list of the investment managers and the asset classes that they manage is shown in Appendix 1 on page 32.

All investment managers appointed by or on behalf of the Trustee to manage Scheme funds under section 34 (3) of the Pensions Act 1995 are appropriately authorised or exempt under the Financial Services and Markets Act 2000.

Investment managers' fees, calculated on either a fixed or a diminishing sliding ad valorem scale in relation to the market value of the portfolio, are paid by the Scheme. Property managers' fees are monitored and paid by the Harmsworth Pooled Property Unit Trust.

The Trustee has appointed an Investment Committee which meets quarterly to discuss investment matters and review strategy and regular presentations are made to the Committee by the above managers. An Investment Sub-Committee comprising Trustee Directors only and having very specific decision-making powers as set out in its mandate, has now been formed.

Investment Managers with an overseas mandate have the option to enter into foreign exchange contracts in order to hedge, or partially hedge, the value of overseas investments to sterling or to enhance investment returns. In addition, on 19 December 2008, the Trustees appointed L&G with a mandate to hedge back into sterling 100% of certain overseas investment positions denominated in US dollars, Japanese Yen and Euros.

### **Investment Review & Performance**

Investment performance has been continuously monitored on a quarterly basis by comparing Scheme returns generated by The WM Company (the performance measurement specialist retained by the Trustee) with benchmark returns for that quarter.

For the principal markets in the period to 31 March 2009 the FTSE All-Share Index showed a total annual return of -29.3%, and the MSCI World Index a total return of -19.8%. The FTSE UK Gilts All Stocks Index showed a total return of -0.8%.

The Scheme itself achieved a return over the year to 31 March 2009 of -24.3% compared with a return of -21.3% achieved by the benchmark set by the Trustee for the same period. This means that, proportionally, the Scheme returned -3.8% below the benchmark over the year. For the three years to 31 March 2009 the Scheme showed an annualised return of -7.1% p.a., -0.9% below the benchmark. Over the five years to 31 March 2009 the Scheme achieved an annualised return of 2.7% p.a., an underperformance of 0.6% p.a. relative to the benchmark.

## HARMSWORTH PENSION SCHEME

### **UK Equities**

This section of the Scheme achieved a return of -28.9% in the year to 31 March 2009.

### **Overseas Equities**

This section of the Scheme achieved a return of -23.7% in the year to 31 March 2009.

### **Fixed Interest including Index-Linked**

This section of the Scheme achieved a return of -6.8% in the year to 31 March 2009.

### **Property**

The Trustees of the Harmsworth Pooled Property Unit Trust (HPPUT) monitor the performance of the Trust's property portfolio against the benchmark of the Investment Property Databank (IPD) All Funds Universe. IPD produce an annual report for the Trustees as at 31 December of each year. The total return achieved by the Trust for the year ended 31 December 2008 as reported by IPD was -18.8%. The IPD All Funds Universe returned -22.2% over the same period.

### **Marketability of Investments**

At the year end, £260.3m (25.4%) of investments were quoted on a recognised stock exchange and are therefore considered to be marketable on a short term basis. In addition £341.8m (33.3%) was held in L&G units and £123.5m (11.9%) was held in Aberdeen Asset Management High Alpha Bond units that can be sold on specific dealing dates and are also considered to be marketable on a short term basis. Holdings of units in HPPUT can usually only be realised over longer periods to allow for sale of the underlying property investments unless other participating schemes wish to acquire the units to be sold. The balance of investments is held in less liquid assets which may not be realisable on a short term basis.

### **Risk**

During the period covered by this report the Investment Committee has looked at the risk profile of the actively managed portfolios of quoted stock, and the aggregate portfolio. The historical (ex-post) risk has been evaluated using quarterly relative return and information ratio statistics provided by the managers, measured over rolling 3-year periods. This was supplemented by independent statistics supplied by The WM Company.

# HARMSWORTH PENSION SCHEME

## COMPLIANCE STATEMENT

### 1. Trustee Directors

Company-appointed Directors are appointed and can be removed by the remaining Directors. Member-nominated Directors are appointed by a selection panel.

### 2. Statement of Trustee's Responsibilities

The financial statements are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- Show a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), of the financial transactions of the Scheme during the Scheme Year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme Year, and
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions (other than voluntary 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 Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

Under trust law the Trustee has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the integrity of the administration systems database and the DMGT Pensions Trustee's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## HARMSWORTH PENSION SCHEME

### **3. Transfer Value Payments**

Transfer payments made in respect of members or ex-members with a deferred pension entitlement have been calculated in accordance with the provisions of the Occupational Pension Schemes (Transfer Values) Regulations 1996 using tables supplied by the Scheme Actuary. Transfer payments made during the year were calculated in accordance with instructions supplied by the Actuaries to reflect the full value of the deferred benefit rights and guaranteed increases to pensions in payment and were in accordance with the Regulations and guidelines issued by the Institute of Actuaries.

The Trustee has decided to exclude residual discretionary benefits from the transfer payment.

### **4. Property Investment**

The main property investments of the Scheme are held in the Harmsworth Pooled Property Unit Trust (HPPUT). Full details of all transactions in HPPUT are given in the annual Report and Financial statements for the Trust as at 31 March 2009, which is appended to this Report and Financial Statements.

### **5. Statement of Investment Principles**

The Trustee has produced a Statement of Investment Principles under Section 35 of the Pensions Act 1995 which sets out the policy it is following in investing the assets of the Scheme on behalf of Members. A copy of this Statement, which has been reviewed annually by the Trustee, is available for inspection at the address shown on page 10.

### **6. Custody of Assets**

The assets of the Scheme, apart from property, private equity, infrastructure and client-held investments in pooled investment vehicles, were held on behalf of the Trustee by the custodian bank shown on page 4 of this Report. Strict internal controls are in place regarding the movement or sale of these assets.

### **7. Employer-Related Investments**

The distribution and value of the investments at 31 March 2009 is analysed in note 11 of the financial statements on page 27. It should be noted that the Trust Deed explicitly prohibits investment of Scheme assets in employer-related investments, apart from those required in order that a passively managed UK Equity portfolio can be utilised by the Trustee.

# HARMSWORTH PENSION SCHEME

## Actuary's Statutory Certificate

Actuarial certification for the purposes of regulation 7(4)(a) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **The Harmsworth Pension Scheme**

### Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2007 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 10 June 2008.



K D Ellis  
Fellow of the Institute of Actuaries  
Watson Wyatt Limited

10 June 2008

**Watson Wyatt Limited**  
**Watson House, London Road,**  
**Reigate, Surrey RH2 9PQ**

Phone: +44 (0)1737 241144  
Fax: +44 (0)1737 241496

**Authorised and regulated by the Financial Services Authority**

# HARMSWORTH PENSION SCHEME

## Actuary's certification of the Schedule of Contributions

*Name of Scheme:* The Harmsworth Pension Scheme

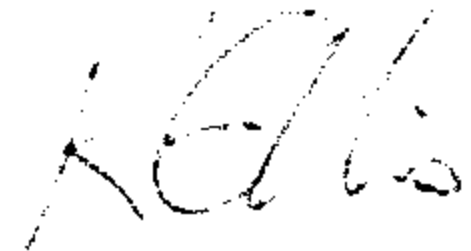
### **Adequacy of rates of contributions**

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected at 31 March 2007 to be met by the end of the period specified in the recovery plan dated 10 June 2008.

### **Adherence to statement of funding principles**

I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 10 June 2008.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.



**K D Ellis** *Date: 10 June 2008*  
**Fellow of the Institute of Actuaries**  
**Watson Wyatt Limited**

**10 June 2008**

**Watson House**  
**London Road**  
**Reigate**  
**Surrey**  
**RH2 9PQ**

## HARMSWORTH PENSION SCHEME

### INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF THE HARMSWORTH PENSION SCHEME

We have examined the Summary of Contributions to the Harmsworth Pension Scheme for the year ended 31 March 2009 which is set out on the following page.

#### Respective responsibilities of Trustee and Auditors

The Trustee's responsibilities for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions are set out in the statement of Trustee's responsibilities.

Our responsibility is to provide a statement about contributions to the Scheme in accordance with relevant legislation and to report our opinion to you. This report, including the statement about contributions, has been prepared for and only for the Scheme's Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this statement, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### 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 provide us with sufficient evidence to give reasonable assurance that contributions reported in the Summary of Contributions have been paid 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 under the schedules of contributions. Our statement about contributions is required to refer to those breaches of the schedules of contributions which we consider to be material for this statement and which come to our attention in the course of our work.

#### Statement about contributions to the Scheme

In our opinion, the contributions payable to the Scheme required by the schedule of contributions during the year ended 31 March 2009, as reported in the Summary of Contributions on the following page, have in all material respects been paid in accordance with the schedules of contributions certified by the Actuary on 25 May 2005 and 10 June 2008.

*PricewaterhouseCoopers LLP*

#### PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London

Date *8 October 2009*

## HARMSWORTH PENSION SCHEME

### Summary of Contributions payable in the year to 31 March 2009

During the year to 31 March 2009, the contributions payable to the Scheme by the Employer were as follows:

	<b>Employee £'000</b>	<b>Employer £'000</b>
<b>Required by the schedules of contributions</b>		
Normal contributions	6,822	24,713
Additional funding payment	-	65
<b>Total</b>	<b>6,822</b>	<b>24,778</b>
<b>Other contributions payable</b>		
Augmentations of individual members' benefits	-	782
Additional Voluntary Contributions	579	-
<b>Total (as per Fund Account)</b>	<b>7,401</b>	<b>25,560</b>

Signed on behalf of the Trustee:



**Geoffrey Staines**  
**Secretary**

Date: 23 September 2009

# HARMSWORTH PENSION SCHEME

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE HARMSWORTH PENSION SCHEME

We have audited the financial statements of the Harmsworth Pension Scheme for the year ended 31 March 2009 which comprise the Fund Account, the Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Trustee and Auditors**

The Trustee's responsibilities for obtaining an Annual Report and audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the statement of Trustee's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Trustee as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustee's Report, the Investment Report, the Compliance Statement, the Actuary's Certificates, the Summary of Contributions Payable and the Appendices. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 or on behalf of the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scheme'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Scheme during the year ended 31 March 2009, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year, and

## HARMSWORTH PENSION SCHEME

- the financial statements contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
London

Date 8 October 2009

**HARMSWORTH PENSION SCHEME**  
**FUND ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2009**

	<u>Note</u>	<u>2009</u> <u>£000's</u>	<u>2008</u> <u>£000's</u>
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions receivable	3	32,961	20,154
Group transfers in from other schemes	4	-	893,419
Individual transfers in from other schemes	4	13	82
Other income	5	29	3
		<u>33,003</u>	<u>913,658</u>
Benefits payable	6	65,545	33,517
Payments to and on account of leavers	7	2,661	1,215
Other payments	8	50	23
		<u>68,256</u>	<u>34,755</u>
<b>Net (withdrawals)/additions from dealings with members</b>		<u>(35,253)</u>	<u>878,903</u>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	10	19,065	18,515
Change in market value of investments	11	(354,598)	(90,600)
Investment management expenses	12	(3,411)	(2,084)
<b>Net returns on investments</b>		<u>(338,944)</u>	<u>(74,169)</u>
<b>Net (decrease)/increase in the fund during the year</b>		(374,197)	804,734
<b>NET ASSETS OF THE SCHEME AT 1 APRIL 2008</b>		<u>1,428,146</u>	<u>623,412</u>
<b>NET ASSETS OF THE SCHEME AT 31 MARCH 2009</b>		<u><b>1,053,949</b></u>	<u><b>1,428,146</b></u>

The accounting policies and notes on pages 24 to 31 form part of these financial statements.



## HARMSWORTH PENSION SCHEME

### NET ASSETS STATEMENT AS AT 31 MARCH 2009

	<u>Note</u>	<u>2009</u> <u>£000's</u>	<u>2008</u> <u>£000's</u>
Investment assets		1,035,518	1,398,754
Investment liabilities		(1,054)	(1,487)
<b>TOTAL INVESTMENTS</b>	11	1,034,464	1,397,267
<b>CURRENT ASSETS</b>	13	21,202	44,594
<b>CURRENT LIABILITIES</b>	14	(1,717)	(13,715)
<b>NET ASSETS OF THE SCHEME AT 31 MARCH 2009</b>		<b>1,053,949</b>	<b>1,428,146</b>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the certificate by the actuary on page 16 of the annual report and in the information disclosed in the Trustee's Report on pages 6 and 7 and these financial statements should be read in conjunction with it.

These financial statements were approved by the Trustee and signed on its behalf on 23 September 2009 by:

<b>C A Wood OBE</b>	) 	Director
<b>J P Williams</b>	) 	Director

The accounting policies and notes on pages 24 to 31 form part of these financial statements.

# HARMSWORTH PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009

### 1. BASIS OF PREPARATION

- (i) The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

### 2. ACCOUNTING POLICIES

#### Accruals Basis

- (i) The financial statements have been prepared on an accruals basis. Thus, apart from exceptions listed below, income and expenditure are recognised as they are earned or fall due, rather than when they are received or paid.

#### Contributions receivable

- (ii) Contributions receivable are accounted for on an accruals basis at rates agreed by the Trustee and as recommended by the Actuary and documented in the schedule of contributions.

#### Transfers to and from other schemes

- (iii) Transfer values have been included in the financial statements when the Trustee has accepted or transferred the liability. This will usually be when a transfer value has been received or paid.

#### Benefits payable

- (iv) Benefits payable are accounted for on an accruals basis and represent all valid benefit claims in respect of the Scheme year.

#### Market value of investments

- (v) Investments are valued at bid price. The market value of investments is determined as follows:
- UK Quoted Securities - On the basis of the market convention where primarily traded, which is either the last traded or bid market price ruling at valuation point.
  - Unquoted Equities - Values based on the manager's last set of audited accounts adjusted for cash movements up to 31 March 2009.
  - Overseas Investments - On the basis of the market convention where primarily traded, where possible, which is either the last traded or bid market price ruling at valuation point. Assets and liabilities in overseas currencies are translated into sterling at the rates of exchange ruling at 31 March 2009. For investments, exchange gains and losses arising on translations are included as part of the change in market value.
  - Fixed Interest Securities - Fixed Interest Securities are priced on a 'clean' basis, i.e. excluding accrued income.

## HARMSWORTH PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2008 (Continued)

- Pooled Investment Vehicles - By reference to prices as advised by the Investment Managers. These may be single prices, or bid market prices where these are available. Unit values for units held in the Harmsworth Pooled Property Unit Trust (HPPUT) as at 31 March are provided by the Trustees of HPPUT.
- Foreign Exchange - Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the period end with an equal and opposite contract.

#### Investment management expenses

- (vi) Investment management fees are accounted for on an accruals basis. In the case of pooled investment vehicles, investment charges are integrated with the change in the unit prices and are therefore included within the change in market value.

#### Investment income

- (vii) Income from investments and interest arising on short-term money transactions is taken into account on an accruals basis.
- (viii) Income generated by the pooled investment vehicles, apart from HPPUT, is not distributed, but retained within the pooled investment vehicles and is reflected in the value of the units. Distributions from HPPUT are accounted for on an accruals basis.
- (ix) Income from unlisted securities is recognised as it is received.

#### Acquisition costs of assets

- (x) Acquisition costs of assets include all costs associated with those purchases including fees, commissions, stamp duty and other fees.

	<b>2009</b>	<b>2008</b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b>3. CONTRIBUTIONS RECEIVABLE</b>		
<b>Employers</b>		
Normal	24,713	14,046
Additional funding payments	-	352
Additional individual augmentations	782	48
Additional annual funding payment	65	65
<b>Members</b>		
Normal	6,822	5,335
Additional Voluntary Contributions	579	308
	<u>32,961</u>	<u>20,154</u>

Additional funding payments in 2008 were payments made under Section 75 of the Pensions Act 2004 following the sale by the Company of Northcliffe Retail Limited and the closure of Company sites at Taunton and Staverton. Additional individual augmentations are payments by the employer to enhance individual benefits agreed on a case-by-case basis.

The additional annual funding payment of £65 thousand was agreed by the Trustee and the Principal Employer following the transfer-in of members of the Tamworth Herald Company Ltd and the Lichfield Mercury Ltd Retirement Benefits Scheme in 2002. These annual payments will cease in 2012.

## HARMSWORTH PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009 (Continued)

In accordance with the Schedule of Contributions signed on 12 May 2005, contributions were paid at the following rates up to 31 December 2008: Employers normal – 18%, members normal – different rates dependant on employee choice of section (see Trustee’s Report on page 8 for further details). From 1 January 2009, in accordance with the Schedule of Contributions certified by the Actuary on 10 June 2008 and following agreement by most active members to accept a salary sacrifice arrangement, contributions paid by the employer for those employees in the new arrangement were increased by an amount equal to the contributions that would have been paid by the employee. Contributions for all other employees remained unchanged.

	<b>2009</b>	<b>2008</b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b>4. TRANSFERS IN</b>		
Group transfers in from other schemes	-	893,419
Individual transfers in from other schemes	13	82
	<u>13</u>	<u>893,501</u>
<p>In 2008, group transfers in from other schemes is the group transfer from the Mail Newspapers Pension Scheme on 30 November 2007 which included assets transferred in-specie to the value of £861,395 thousand, cash of £30,788 thousand and £1,236 thousand of other current assets and liabilities.</p> <p>Individual transfers in represents a number of insurance policies established for the purpose of AVC investment that were re-assigned to the Scheme. The Trustee agreed to accept these policies as they have no impact on the defined benefit obligation of the Scheme.</p>		
<b>5. OTHER INCOME</b>		
Receipts from DWP	1	3
Other	28	-
	<u>29</u>	<u>3</u>
<b>6. BENEFITS PAYABLE</b>		
Pensions	51,405	28,013
Commutations and lump sum retirement benefits	13,010	4,577
Annuities bought	59	2
Lump sum death benefits	1,071	925
	<u>65,545</u>	<u>33,517</u>
<b>7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS</b>		
Refunds to members leaving service	40	37
Payments for members joining state scheme	94	24
Individual transfers to other schemes	2,527	1,154
	<u>2,661</u>	<u>1,215</u>

## HARMSWORTH PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009 (Continued)

	<b>2009</b>	<b>2008</b>
	<b><u>£000's</u></b>	<b><u>£000's</u></b>
<b>8. OTHER PAYMENTS</b>		
Sundry payments	50	23
	<u>50</u>	<u>23</u>
<b>9. ADMINISTRATIVE EXPENSES</b>		
<p>Apart from bank charges, all other costs of administration are borne by Daily Mail and General Trust plc (DMGT) and its subsidiaries. As noted on page 10, the PPF levy is currently borne by DMGT.</p>		
<b>10. INVESTMENT INCOME</b>		
Income from fixed interest securities	61	6,582
Dividends from equities	11,607	5,676
Income from pooled investment vehicles *	6,291	4,872
Interest from cash deposits	1,655	1,855
Other	592	57
	<u>20,206</u>	<u>19,042</u>
Irrecoverable withholding tax	(1,141)	(527)
Total investment income	<u>19,065</u>	<u>18,515</u>

\* Income from pooled investment vehicles includes distributions from the Harmsworth Pooled Property Unit Trust for the year of £6,288 thousand (year to 31 March 2008 - £4,847 thousand).

	Value at 01.04.08	Purchases at cost	Sales Proceeds	Change in market value	Closing value at 31.03.09
	£000's	£000's	£000's	£000's	£000's
<b>11. INVESTMENTS</b>					
Fixed interest securities	211,430	1,939	(210,365)	(3,004)	-
Equities	417,291	290,972	(275,463)	(107,952)	324,848
Pooled investment vehicles	738,136	892,370	(810,738)	(145,085)	674,683
AVC Investments	3,600	587	(343)	(545)	3,299
Derivatives - forward foreign exchange	(586)		(23,818)	(98,012)	10,370
	<u>1,369,871</u>	<u>1,318,654</u>	<u>(1,320,727)</u>	<u>(354,598)</u>	<u>1,013,200</u>
Other investment balances	27,396				21,264
	<u>1,397,267</u>				<u>1,034,464</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year to 31 March 2009 amounted to £668 thousand (year to 31 March 2008, £191 thousand). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

## HARMSWORTH PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009 (Continued)

	2009	2008
	<u>£000's</u>	<u>£000's</u>
<b>Fixed interest securities</b>		
UK public sector quoted	-	109,639
UK corporate bonds	-	49,616
Overseas public sector	-	8,486
Overseas corporate bonds	-	36,689
Certificates of deposit	-	7,000
	<u>-</u>	<u>211,430</u>
<b>Equities</b>		
Overseas quoted	260,299	363,886
Private equity	64,549	53,405
	<u>324,848</u>	<u>417,291</u>
<b>Pooled investment vehicles</b>		
Managed Funds - infrastructure	27,658	12,385
- hedge funds	75,015	-
- insurance policies	5,286	6,574
Unit Trusts - property	90,338	119,917
- equity	185,045	522,677
- fixed interest	123,383	-
- index-linked	167,958	76,583
	<u>674,683</u>	<u>738,136</u>

Unit Trusts – property, represents the Scheme's holding of units in the Harmsworth Pooled Property Unit Trust (HPPUT) which at 31 March 2009 was 72,217.220 (31 March 2008 – 72,217.220). Total units in issue were 84,152.870 (31 March 2008 – 84,152.870). The value of a unit was £1,250.92 (31 March 2008 – £1,660.51). Details of transactions during the year are shown in the HPPUT financial statements which are appended to this Report and Financial Statements. The holding in the Trust as at 31 March 2009 represents 8.6% of the net assets of the Scheme (31 March 2008 – 8.4% of the net assets of the Scheme). HPPUT is operated in the UK.

Unit Trusts – equity, includes the Scheme's holding in the L&G – UK All Share Index Equity Fund which, at 31 March 2009, was £117,144 thousand (2008 – £493,226 thousand). This is an accumulation fund and, as such, no distributions of income are made. The holding in this fund as at 31 March 2009 represents 11.1% of the net assets of the Scheme (2008 – 34.5%).

Of pooled investment vehicles, £589,551 thousand represents vehicles operated in the UK and £85,132 thousand represents vehicles operated outside of the UK.

AVCs are invested separately in individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amount held to their account and the movement in the year.

	2009	2008
	<u>£000's</u>	<u>£000's</u>
<b>Other investment balances</b>		
Cash deposits	13,260	17,219
Amounts due from brokers	725	1,210
Amounts due to brokers	(680)	(879)
Outstanding dividend entitlements and recoverable withholding tax	7,959	9,846
	<u>21,264</u>	<u>27,396</u>

## HARMSWORTH PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009 (Continued)

	<b>2009</b> <b><u>£000's</u></b>	<b>2008</b> <b><u>£000's</u></b>	
<b>Foreign Exchange Contracts</b>			
Assets	10,744	22	
Liabilities	<u>(374)</u>	<u>(608)</u>	
	<u>10,370</u>	<u>(586)</u>	
	<b>Payments</b> <b><u>£000's</u></b>	<b>Receipts</b> <b><u>£000's</u></b>	<b>Net (loss)/ gain at 31 March</b> <b><u>£000's</u></b>
<b>Analysis of gains/losses on Foreign Exchange Contracts for the year to 31 March 2009</b>			
Up to 30 day contracts settled in year	(22,245)	13,212	(9,033)
31 – 90 day contracts settled in year	(29,372)	8,471	(20,901)
Over 90 day contracts settled in year	<u>(81,169)</u>	<u>2,135</u>	<u>(79,034)</u>
Total payments/receipts	(132,786)	23,818	(108,968)
Less unsettled trades at 31 March 2008	608	(22)	586
Plus unsettled trades at 31 March 2009	<u>(374)</u>	<u>10,744</u>	<u>10,370</u>
Total recognised foreign exchange losses			<u>(98,012)</u>
	<b>Liabilities</b> <b><u>£000's</u></b>	<b>Assets</b> <b><u>£000's</u></b>	<b>2009</b> <b><u>£000's</u></b>
<b>Analysis of unsettled trades in Foreign Exchange Contracts open at 31 March 2009</b>			
Up to 30 day contracts open at 31 March	(4)	2	(2)
31 – 90 day contracts open at 31 March	(26)	48	22
Over 90 day contracts open at 31 March	<u>(344)</u>	<u>10,694</u>	<u>10,350</u>
	<u>(374)</u>	<u>10,744</u>	<u>10,370</u>

All foreign exchange contracts are traded 'OTC', that is, they are over-the-counter contracts with another counterparty. The payments and receipts recognised during the period represent the net amounts paid or received.

Overseas investments result in foreign currency receipts and payments that require contracts to settle against sterling. These tend to be of varying duration as set out above. Although the underlying values of the currency trades are as high as the value of the associated stock purchases or sales, these foreign exchange trades are matched and settled net so that only the realised currency gain or loss is received or paid.

Investment Managers with an overseas mandate have the option to enter into foreign exchange contracts in order to hedge, or partially hedge, the value of overseas investments to sterling or to enhance investment returns. In addition, L&G were appointed on 19 December 2008 with a mandate to hedge back into sterling 100% of certain overseas investment positions denominated in US dollars, Japanese Yen and Euros. All of these contracts are included in the analysis above.

The assets or liabilities recognised at 31 March 2009 represent the fair value of unsettled foreign exchange contracts at that date. An analysis of these unsettled trades by currency is shown in the following table:

# HARMSWORTH PENSION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009 (Continued)

Analysis of unsettled trades open at 31 March 2009 by currency	Market value bought	Book value bought	Market value sold	Book value sold	Unrealised gain/(loss) at 31 March £000's
	£000's	£000's	£000's	£000's	
Australian dollar	688	675	-	-	13
British pound sterling	319,104	319,104	(13,011)	(13,011)	-
Canadian dollar	-	-	(1,356)	(1,386)	30
Euro	2,344	2,366	(73,086)	(73,004)	(104)
Japanese Yen	3,124	3,278	(37,829)	(42,678)	4,695
New Zealand dollar	623	574	(448)	(448)	49
Norwegian Krone	1,299	1,272	(543)	(558)	42
Swedish Krona	-	-	(745)	(693)	(52)
Swiss Franc	-	-	(1,462)	(1,487)	25
US dollar	4,830	4,851	(193,162)	(198,855)	5,672
	<u>332,012</u>	<u>332,120</u>	<u>(321,642)</u>	<u>(332,120)</u>	<u>10,370</u>

### 12. INVESTMENT MANAGEMENT EXPENSES

The Scheme is responsible for the payment of investment management fees and custodian fees. All investment managers' fees are calculated and charged as a percentage of the asset value under the managers' control.

### 13. CURRENT ASSETS

	2009 £000's	2008 £000's
Contributions due :		
Company	2,119	-
Members	67	706
Administrative cash balances	18,988	43,863
Sundry debtors	28	25
	<u>21,202</u>	<u>44,594</u>

Contributions due from the employer relate to March 2009 and were paid in full directly to the Harmsworth Pension Scheme within the timescale required by the Schedule of Contributions currently in force and the Pensions Act 1995.

### 14. CURRENT LIABILITIES

	2009 £000's	2008 £000's
Contributions pre-paid by the employer	-	(11,827)
Investment management fees	(789)	(1,368)
Death benefits & commuted pensions	(853)	(407)
Leavers	(46)	(111)
Miscellaneous	(29)	(2)
	<u>(1,717)</u>	<u>(13,715)</u>

## HARMSWORTH PENSION SCHEME

### NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2009 (Continued)

#### 15. CONTRACTUAL COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

- (i) At 31 March 2009, and in accordance with its investment strategy, the Trustee had outstanding contractual commitments to private equity and infrastructure investments amounting to £122,031 thousand (£75,351 thousand at 31 March 2008). These commitments are called down by the investment managers only when and if the managers intend to acquire further investment holdings within their portfolio. A list of the current investment managers is contained in Appendix 1 on page 32.
- (ii) As a condition of the merger of the Mail Newspapers Pension Scheme (MNPS) into the Scheme on 30 November 2007 reported on page 6, DMGT has provided a letter of credit for £40 million during the period to 1 December 2011. The Trustee has a call on this contingent asset in the event that the Scheme begins to be wound up before 1 December 2011 and the assets of the Scheme are insufficient to provide benefits in full for all members.
- (iii) As described on page 6, DMGT has put in place a letter of credit (to be updated annually) in respect of a potential shortfall in investment returns arising prior to the next triennial valuation. At 31 March 2009, the letter of credit had a value of £32.1 million.
- (iv) Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Scheme at 31 March 2009 (and 31 March 2008).
- (v) There were no material events after 31 March 2009 to record (and 31 March 2008).

#### 16. TRANSACTIONS WITH RELATED PARTIES

The Scheme has entered into transactions in the year with one or more Trustee Directors, as shown on page 3, who are members of the Scheme. All transactions are in accordance with the Scheme rules and on terms normally granted to members. The running costs of DMGT Pensions are met by the employer.

Included in Group transfers in from other schemes in 2008 is the group transfer from the Mail Newspapers Pension Scheme on 30 November 2007 of £893,419 thousand. All assets and liabilities of the Mail Newspapers Pension Scheme were transferred in to the Scheme on that date.

#### 17. EMPLOYER RELATED INVESTMENTS

The Trust Deed explicitly prohibits investment of Scheme assets in employer-related investments, apart from those required in order that a passively managed UK Equity portfolio can be utilised by the Trustee. Technically, any contributions paid after the date required by the Schedule of Contributions are employer related investments up to the date at which they are paid.

# HARMSWORTH PENSION SCHEME

## APPENDIX 1

### INVESTMENT MANAGERS

<b>Asset Class/Manager</b>	<b>Date of appointment (if after 1 April 2008)</b>
<b>Global Equities</b>	
Alliance Bernstein Institutional Investment Management	
Capital International	
Marathon Asset Management	
Pzena Investment Management	(Appointed 1 June 2008)
Southeastern Asset Management	(Appointed 1 June 2008)
Legal & General	
<b>US Equities</b>	
Stralem & Company	
<b>Private Equity</b>	
Advent International	(Appointed 8 July 2008)
American Securities	(Appointed 31 July 2008)
AXA (3 funds)	
Bain Capital	
CCMP	
Cerberus (2 funds)	
Darwin Private Equity	
FLAG Group	(Appointed 27 August 2008)
Fortress Investment (2 funds)	
Greenhill Capital	
Herald Ventures	
HgCapital 6	(Appointed 7 November 2008)
Jegi Internet	
LODH Euro Choice IV	(Appointed 31 October 2008)
Matlin Patterson	
Montagu Newhall (3 funds)	
New Mountain Partners	
Pantheon Global (2 funds)	
Quester Venture	
RCP (2 funds)	
Schroder Private Equity	
Squadron (2 funds)	
SVG Capital/Permira (3 funds)	
<b>Bonds</b>	
Aberdeen Asset Management	
Legal & General	
<b>Fund of Hedge Funds</b>	
K2 Advisors	(Appointed 1 June 2008)
<b>Infrastructure Funds</b>	
Allinda Capital Partners	(Appointed 7 July 2008)
EQT Funds Management	
Semperian (formerly Land Securities Trillium)	
<b>Property</b>	
Harmsworth Pooled Property Unit Trust	
<b>Foreign Exchange Hedging</b>	
Legal & General	

# HARMSWORTH PENSION SCHEME

## APPENDIX 2

The following pages contain:

Harmsworth Pooled Property Unit Trust  
Annual Report and Financial Statements  
for the year ended 31 March 2009.

