



DMGT AVC PLAN

2010

Report and Financial Statements

for the year ended 31 March 2010

10 Bedford Street
Covent Garden
London WC2E 9HE

DMGT AVC PLAN

DMGT AVC PLAN

Fund Number: 101324285

TRUSTEE

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

INDEPENDENT DIRECTOR

C A Wood OBE (Chairman)

COMPANY SECRETARY

G M Staines, FPMI

COMPANY APPOINTED DIRECTORS

J P Williams
K N Thompson
N Jennings (appointed 24 February 2010)
S Dyson OBE (resigned 30 November 2009)

MEMBER-NOMINATED DIRECTORS

P G Newman
L Hollamby
P Ash
S J Torrington

INVESTMENT SUB-COMMITTEE

J P Williams
S Bates
A Brummer (appointed 10 June 2010)
A V Hilton (resigned 10 June 2010)
M McGregor-Smith
A Perry
S J Torrington
C A Wood OBE

FUNDING SUB-COMMITTEE

C A Wood OBE
M Newman
P G Newman
S J Torrington
K N Thompson
J P Williams

ADMINISTRATION SUB-COMMITTEE

P Ash
L Hollamby
K N Thompson

FINANCE & RISK SUB-COMMITTEE

P G Newman
C A Wood OBE

HEAD of INVESTMENT

M Weston – DMGT Pensions

DMGT AVC PLAN

PROFESSIONAL ADVISERS

ACTUARIAL ADVISERS

Hewitt Associates Limited
6 More London Place
London SE1 2DA

SCHEME ACTUARY

Richard Whitelam FIA

ADMINISTRATOR

DMGT Pensions
10 Bedford Street
London WC2E 9HE

INDEPENDENT AUDITORS

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

BANKERS

National Westminster Bank Plc
Bishopsgate Branch
PO Box 34
15 Bishopsgate
London EC2P 2AP

COVENANT ADVISERS

Towers Watson Limited
21 Tothill Street
Westminster
London SW1H 9LL

Lincoln International
16 Garrick Street
Covent Garden
London WC2E 9BA

CUSTODIAN

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

EXISTENCE CHECKING

Tracesmart Limited
2 Sovereign Quay
Havannah Street
Cardiff CF10 5SF

INVESTMENT CONSULTANT

Towers Watson Limited
21 Tothill Street
Westminster
London SW1H 9LL

INVESTMENT MANAGERS

(see APPENDIX 1 on Page 30)

MORTALITY EXPERIENCE CONSULTANTS

Club Vita LLP
One London Wall
London EC2Y 5EA

PERFORMANCE MEASUREMENT SPECIALISTS

The WM Company
525 Ferry Road
Edinburgh EH5 2AW

RISK ANALYSTS

PensionsFirst Analytics
90 Long Acre
Covent Garden
London WC2E 9RA

SOLICITORS

Linklaters LLP
One Silk Street
London EC2Y 8HQ

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**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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TRUSTEE'S REPORT

Constitution of the Plan

The DMGT AVC Plan (the Plan) was established to enable members of the defined benefit schemes of the DMGT Group to make additional voluntary contributions (AVCs) to enhance their future pension benefits. The Plan is established under and governed by a Trust Deed and Rules administered by a Trustee specially appointed for this purpose. The Plan 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 Plan is not contracted-out of the State Second Pension.

Membership

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

	2009	Additions	Withdrawals	2010
Members in service	516	0	(116)	400
Deferred members	855	34	(75)	814
Retired members*	2,630	153	(45)	2,738
TOTAL	4,001	187	(236)	3,952

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

The further significant reduction in members in service reflects the action taken by Participating Companies to reduce headcount as part of a broad reorganisation aimed at reducing the cost base of those businesses.

Plan closed to new investment

Legal advice to the Trustee resulted in the With Profits fund in the Plan being classified as a defined benefits arrangement. Following that legal advice, the Trustee closed the Plan to new investment, including transfers from other pension arrangements.

AVC facilities involving a range of unit-linked investments are now offered to members of the Harmsworth Pension Scheme and the DMGT Senior Executives Pension Fund within those schemes.

Actuarial valuation and Scheme Specific Funding

Every three years the Plan carries out an actuarial valuation. This is a financial assessment of the Plan undertaken by the Plan Actuary. The Actuary looks at the value of the assets of the Plan 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 first valuation in accordance with the scheme specific funding provisions under the Pensions Act 2004 was undertaken as at 31 March 2008 by Colin Smith of Watson Wyatt Limited who was the Plan Actuary at that time. This 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 Plan. In addition, where a deficit existed on that basis, there is a requirement to agree an appropriate recovery plan for removing it. This valuation was also the first to have been undertaken following the re-classification of the Plan as a defined benefit arrangement.

The results of the valuation were set out in a report from the Plan Actuary dated 27 March 2009. The main conclusions in this report were:

DMGT AVC PLAN

1. The accumulated assets of the Plan at the valuation date represented 100% of the Plan's Technical Provisions (i.e. the value of the Plan's benefit liabilities) in respect of past service benefits.
2. Compared with the position at the previous valuation either long-term bonus expectations would be lower or higher investment returns would be required in future to meet previous bonus expectations.
3. Over the long term, investment returns on the Plan's assets would need to exceed those on fixed interest gilts by more than 1.4% pa (2005, 1.0% pa) to generate funds that could be utilised to provide future bonuses. The main reason for this increase is the allowance made by the Plan Actuary for greater life expectancy.
4. At the valuation date, the ratio of the market value of the Plan's assets to the value of accrued benefit liabilities assessed using a discount rate in line with the yields available on UK Government Fixed Interest Gilts was 85%.
5. If the Plan had been discontinued as at 31 March 2008 there would have been insufficient assets to buy out the accrued benefits through the purchase of annuity policies with an insurance company. The funding level on this basis at the valuation date was assessed to be 79%.

Following discussions of these results between the Trustee and the company, it was agreed that no special bonus would be awarded to benefits in the Plan as at 1 April 2008.

In common with the majority of defined benefit schemes there was a sharp deterioration in the funding position of the Plan over the following twelve months with the funding level, measured on a Technical Provisions basis, falling to 80% as at 31 March 2009. However, recent quarterly updates provided to the Trustee indicate that the funding position has since improved. The financial position of the Plan will next be reviewed by the Plan Actuary as at 31 March 2011.

De-Risking

The Trustee is aware that the significant pension liability (risk) being carried by the Company on its balance sheet is an ongoing concern and, for this reason, steps are being taken to develop a long-term de-risking strategy. When in place, this will be used as a benchmark against which specific de-risking proposals will be assessed.

A Risk Management Working Group (RMWG) has been set up by the Company as the body responsible for assessing first stage de-risking proposals through feasibility studies carried out with help from external specialists. A senior representative from the Hewitt actuarial team has joined the RMWG to add her de-risking experience and to ensure that any proposal is subjected to appropriate scrutiny in preparation for Trustee engagement where further analysis is justified.

The Trustee has appointed a risk analyst (see page 4) to work with DMGT Pensions in examining selected de-risking proposals. The specialist software supplied to DMGT Pensions by that organisation is designed to help the Trustee and the Company optimise its de-risking activity.

Asset allocation

Following the decision by the Trustee to close the Plan to new investments and a comprehensive review of the investment strategy of the Plan in mid-2008, further analysis of the portfolio asset allocation is being carried out to establish the asset mix that has appropriate characteristics and is expected to deliver cashflows that match benefit cashflows as closely as possible.

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Financial development of the Plan

The net assets of the Plan increased by £5.1 million, or 10.8%, from £47.1 million to £52.2 million.

	£m	£m
Contributions and transfers receivable	-	
Benefits payable and payments to and on account of leavers	(5.6)	
Net withdrawals		(5.6)
Investment income	0.4	
Change in market value of investments	10.4	
Investment management expenses	(0.1)	
Net returns on investments		<u>10.7</u>
Net decrease in the Plan during the period		5.1

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

Bonuses

After taking advice from the Plan Actuary, the Trustee determined that no interim bonus should be awarded as at 1 April 2010. This repeat of the action taken by the Trustee in recent years was in recognition of continuing adverse financial, economic and demographic factors impacting on the Plan.

A history of recent interim and special bonuses (all payable at the Trustees' discretion) is shown below:

Date	%	
1.4.00	1.0	
1.4.01	1.0	
1.4.02 to 1.4.10 (inclusive)		No bonus awarded

Transfer Payments from Other Pension Arrangements

The Trustee has resolved not to accept payments from other pension arrangements in respect of active Plan members. This change reflects the broader range of options now available to individuals in the pensions market.

Trustee Directors

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. Certain specialists and selected internal attendees have been co-opted to the sub-committees to assist their work. Trustee-Director members of the sub-committees are listed on page 3 of this report.

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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.

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 total levy for the Plan 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:

Levy	Collected by	2010 £'s	2009 £'s
General Levy	TPR	7,689	7,759
Admin Levy	TPR for PPF	9,939	10,029
Scheme-based levy	PPF	15,839	15,273
Risk-based levy	PPF	27,415	36,903
		60,882	69,964

Daily Mail and General Holdings Limited (DMGH) has provided the Trustee with a guarantee in the form prescribed by the PPF. This guarantee effectively substitutes the low default risk of DMGH for the list of participating companies, some of which have a higher default risk according to the Dun & Bradstreet scoring system. The recognition by the PPF of this guarantee significantly reduces the risk-based levy charged to the Plan.

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 13.

Further Information

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

**The Secretary
DMGT AVC Plan
DMGT Pensions
10 Bedford Street, Covent Garden
London WC2E 9HE**

Or from the website www.dmgtpensions.co.uk

By order of the Trustee

**Geoffrey Staines
Secretary**

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INVESTMENT REPORT

Policy

The Trustee has ultimate responsibility for decision-making on investment matters. However, an Investment Sub-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 Sub-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 Plan. 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 Plan 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). 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.

Asset Allocation

The underlying asset allocation at the beginning and end of the year under review is shown below:

	31.03.10	Benchmark	31.03.09	Benchmark
	%	%	%	%
Growth assets		<i>40</i>		<i>50</i>
Global equities	26.1	26.5	26.9	36.5
Fund of hedge funds	7.1	6.0	6.7	6
Property	7.5	7.5	7.9	7.5
Matching assets		<i>60</i>		<i>50</i>
Fixed interest gilts	16.9	20.0	35.6	30
Corporate bonds	15.5	20.0	22.9	20
High Alpha bonds	26.9	20.0	-	-
	100.0	100.0	100	100

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 end of 2008, 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 42:58 and subsequently adjusted to 40:60. 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. The Trustee considered that this was acceptable in view of the particular market conditions prevailing. The SIP has since been updated and asset weightings are within agreed tolerances.

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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 Plan. A list of the investment managers and the asset classes that they manage is shown in Appendix 1 on page 30.

All investment managers appointed by or on behalf of the Trustee to manage Plan 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 Plan. Property managers' fees are monitored and paid by the Harmsworth Pooled Property Unit Trust.

The Trustee has appointed an Investment Sub-Committee which meets quarterly to discuss investment matters, review strategy and make recommendations to the Board. Regular presentations are made to the Sub-Committee by investment managers, independent specialists and advisers. The Sub-Committee has very specific decision-making powers as set out in its mandate.

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 Trustee 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 Plan 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 year to 31 March 2010 the FTSE All-Share Index showed a total annual return of 52.3%, and the MSCI World ex UK Index a total return of 44.8%. The FTSE UK Gilts All Stocks Index showed a total return of 0.8%.

The Plan itself achieved a return over the year to 31 March 2010 of 25.1% compared with a return of 21.4% achieved by the benchmark set by the Trustee for the same period. This means that, proportionally, the Plan returned 3.0% above the benchmark over the year. For the three years to 31 March 2010 the Plan showed an annualised return of 3.0% p.a., -0.1% below the benchmark. Over the five years to 31 March 2010 the Plan achieved an annualised return of 7.6% p.a., an outperformance of 0.1% p.a. relative to the benchmark.

UK Equities

This section of the Plan achieved a return of 53.0% in the year to 31 March 2010.

Overseas Equities

This section of the Plan achieved a return of 57.3% in the year to 31 March 2010.

Index-Linked

The Index-Linked section of the Plan returned 13.1% in the year to 31 March 2010.

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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 2009 as reported by IPD was 8.8%. The IPD All Funds Universe returned 3.0% over the same period.

Marketability of Investments

At the year end, £5.2m (10.3%) of investments were quoted on a recognised stock exchange and are therefore considered to be marketable on a short term basis. In addition £37.8m (74.4%) was held in unitised funds 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 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.

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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 Plan members, beneficiaries and certain other parties, audited financial statements for each Plan 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 Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan 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 Plan 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 Plan by or on behalf of the employer and the active members of the Plan 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 Plan and for monitoring whether contributions are made to the Plan 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 Plan 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.

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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 Actuary 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 Plan 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 2010, 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 Plan 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 9.

6. Custody of Assets

The assets of the Plan, 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 2010 is analysed in note 9 of the financial statements on page 25. It should be noted that the Trust Deed explicitly prohibits investment of Plan assets in employer-related investments, apart from those required in order that a passively managed UK Equity portfolio can be utilised by the Trustee.

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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: **DMGT AVC Plan**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Plan's Technical Provisions as at 31 March 2008 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 Plan and set out in the Statement of Funding Principles dated March 2009.



C P Smith
Fellow of the Institute of Actuaries
Watson Wyatt Limited

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

27 March 2009

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

Authorised and regulated by the Financial Services Authority

DMGT AVC PLAN

Actuary's certification of the Schedule of Contributions

Name of Plan: DMGT AVC Plan

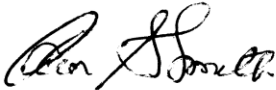
Adequacy of rates of contributions

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 2008 to be met for the period for which the schedule is to be in force.

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 March 2009

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 Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.



C P Smith
Fellow of the Institute of Actuaries
Watson Wyatt Limited

Watson House
London Road
Reigate
Surrey
RH2 9PQ

22 April 2009

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INDEPENDENT AUDITORS' STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE OF DMGT AVC PLAN

We have examined the Summary of Contributions to DMGT AVC Plan for the year ended 31 March 2010 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 Plan 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 Plan'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 schedule of contributions. Our statement about contributions is required to refer to those breaches of the schedule 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 Plan

In our opinion, the contributions payable to the Plan required by the schedule of contributions during the year ended 31 March 2010, as reported in the Summary of Contributions on the following page, have in all material respects been paid in accordance with the schedule of contributions certified by the Actuary on 22 April 2009.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

Date

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Summary of Contributions payable

The contributions payable to the Plan in respect of the year ended 31 March 2010 were £nil.

Signed on behalf of the Trustee:

C A Wood OBE
Director

Date: 23 September 2010

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INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF DMGT AVC PLAN

We have audited the financial statements of DMGT AVC Plan for the year ended 31 March 2010 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 Plan'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 Plan during the year ended 31 March 2010, 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

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- 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

Chartered Accountants and Statutory Auditors
London
Date

DMGT AVC PLAN
FUND ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

	<u>Note</u>	<u>2010</u> <u>£000's</u>	<u>2009</u> <u>£000's</u>
CONTRIBUTIONS AND BENEFITS			
Contributions receivable	3	-	-
Transfers in	4	-	-
		<hr/>	<hr/>
		-	-
Benefits payable	5	5,557	5,101
Payments to and on account of leavers	6	21	80
Other payments	7	-	-
		<hr/>	<hr/>
		5,578	5,181
Net withdrawals from dealings with members		<hr/>	<hr/>
		(5,578)	(5,181)
RETURNS ON INVESTMENTS			
Investment income	8	376	759
Change in market value of investments	9	10,405	(9,380)
Investment management expenses	10	(135)	(150)
		<hr/>	<hr/>
Net returns on investments		10,646	(8,771)
Net increase/(decrease) in the fund during the year		5,068	(13,952)
NET ASSETS OF THE PLAN AT 1 APRIL 2009		<hr/>	<hr/>
		47,094	61,046
NET ASSETS OF THE PLAN AT 31 MARCH 2010		<hr/> <hr/>	<hr/> <hr/>
		52,162	47,094

The accounting policies and notes on pages 23 to 29 form part of these financial statements.

DMGT AVC PLAN

NET ASSETS STATEMENT AS AT 31 MARCH 2010

	<u>Note</u>	<u>2010</u> <u>£000's</u>	<u>2009</u> <u>£000's</u>
Investment assets		51,426	45,374
Investment liabilities		(665)	(12)
TOTAL INVESTMENTS	9	<u>50,761</u>	<u>45,362</u>
CURRENT ASSETS	11	1,463	1,778
CURRENT LIABILITIES	12	<u>(62)</u>	<u>(46)</u>
NET ASSETS OF THE PLAN AT 31 MARCH 2010		<u>52,162</u>	<u>47,094</u>

The financial statements summarise the transactions of the Plan 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 Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the certificate by the actuary on page 15 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 this information.

These financial statements were approved by the Trustee and signed on its behalf on 23 September 2010 by:

C A Wood OBE) Director
J P Williams) Director

The accounting policies and notes on pages 23 to 29 form part of these financial statements.

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010

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 other schemes

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

Benefits payable

- (iv) Benefits payable are accounted for on an accruals basis and represent all valid benefit claims in respect of the Plan 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 the valuation point.
 - 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 the valuation point. Assets and liabilities in overseas currencies are translated into sterling at the rates of exchange ruling at 31 March 2010. For investments, exchange gains and losses arising on translations are included as part of the change in market value.
 - 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.

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010 (Continued)

- 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.

3. CONTRIBUTIONS RECEIVABLE

Following discussions with the Company, the Trustee closed the Plan to new investment with effect from 31 March 2006. As a result, no new contributions have been received into the Plan from that date forward.

4. TRANSFERS IN

The Trustee closed the Plan to new investment with effect from 31 March 2006. As a result, no transfers have been accepted into the Plan from that date forward.

	2010 £000's	2009 £000's
5. BENEFITS PAYABLE		
Pensions	4,214	4,050
Commutations and lump sum retirement benefits	1,316	980
Lump sum death benefits		
- paid from with profits fund	27	71
	5,557	5,101
	2010 £000's	2009 £000's
6. PAYMENTS TO AND ON ACCOUNT OF LEAVERS		
Individual transfers to other schemes	21	80
	21	80

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010 (Continued)

7. ADMINISTRATIVE EXPENSES

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 9, the PPF levy is currently borne by DMGT.

8. INVESTMENT INCOME

Dividends from equities	82	257
Income from pooled investment vehicles *	238	487
Interest from cash deposits	28	48
Other	34	2
	382	794
Irrecoverable withholding tax	(6)	(35)
Total investment income	376	759

* Income from pooled investment vehicles includes distributions from the Harmsworth Pooled Property Unit Trust for the year of £238 thousand (year to 31 March 2009 - £226 thousand).

	Value at 01.04.09 £000's	Purchases at cost + Derivative payments £000's	Sales Proceeds + Derivative receipts £000's	Change in market value £000's	Closing value at 31.03.10 £000's
9. INVESTMENTS					
Equities	3,222	2,055	(2,169)	2,096	5,204
Pooled investment vehicles	41,417	10,423	(15,151)	8,297	44,986
Derivatives - forward foreign exchange	251	573	(1,487)	12	(651)
	44,890	13,051	(18,807)	10,405	49,539
Other investment balances	472				1,222
	45,362				50,761

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

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 2010 amounted to £6 thousand (year to 31 March 2009, £35 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 Trustee.

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010 (Continued)

	2010 £000's	2009 £000's
Equities		
Global quoted	5,204	3,222
	5,204	3,222
Pooled investment vehicles		
Unit Trusts		
- property	3,652	3,251
- hedge funds	3,546	3,044
- equity	8,168	8,549
- fixed interest	29,620	26,573
	44,986	41,417

Unit Trusts – property, represents the Plan's holding of units in the Harmsworth Pooled Property Unit Trust (HPPUT) which at 31 March 2010 was 2,693.233 (31 March 2009 – 2,598.928). Total units in issue were 108,135.219 (31 March 2009 - 84,152.870). The value of a unit was £1,356.24 (31 March 2009 - £1,250.92). 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 2010 represents 7.0% of the net assets of the Plan (31 March 2009 – 6.9% of the net assets of the Plan). HPPUT is operated in the UK.

In addition to HPPUT mentioned above, the following asset holdings of the Fund represent more than 5% of the net assets of the Fund as at 31 March 2010:

L&G – UK All Share Index Equity Fund - £2,809 thousand = 5.4% (2009 - £2,846 thousand = 6.0%)
 K2 Overseas Fund of Hedge Funds - £3,546 thousand = 6.8% (2009 - £3,043 thousand = 6.7%)
 L&G over-15-year gilt index Fund - £8,461 thousand = 16.2% (2009 - £16,171 thousand = 34.3%)
 L&G AAA-AA-A Fixed Interest Fund - £7,826 thousand = 15.0% (2009 - nil)
 Aberdeen Global IV + Sterling Cr. Fund - £13,333 thousand = 25.6% (2009 - £10,403 thousand = 22.1%)
 Marathon New Global Fund - £2,987 thousand = 5.7% (2009 - £1,794 thousand = 3.8%)

Of pooled investment vehicles, £41,440 thousand represents vehicles operated in the UK and £3,546 thousand represents vehicles operated outside of the UK.

	2010 £000's	2009 £000's
Other investment balances		
Cash deposits	1,204	192
Amounts due from brokers	-	12
Amounts due to brokers	-	(3)
Prepaid distribution from HPPUT	(14)	-
Outstanding dividend entitlements and recoverable withholding tax	32	271
	1,222	472
Foreign Exchange Contracts		
Assets	-	260
Liabilities	(651)	(9)
	(651)	251

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010 (Continued)

	Payments £000's	Receipts £000's	Net (loss)/ gain at 31 March £000's
Analysis of gains/(losses) on Foreign Exchange Contracts for the year to 31 March 2010			
Up to 30 day contracts settled in year	(304)	178	(126)
31 – 90 day contracts settled in year	-	41	41
Over 90 day contracts settled in year	<u>(269)</u>	<u>1,268</u>	<u>999</u>
Total payments/receipts	(573)	1,487	914
Less open contracts at 31 March 2009	9	(260)	(251)
Plus open contracts trades at 31 March 2010	(651)	-	(651)
Total recognised foreign exchange gains			<u><u>12</u></u>

	Liabilities £000's	Assets £000's	2010 £000's
Analysis of open Foreign Exchange Contracts at 31 March 2010			
Up to 30 day contracts open at 31 March	-	-	-
31 – 90 day contracts open at 31 March	-	-	-
Over 90 day contracts open at 31 March	<u>(651)</u>	-	<u>(651)</u>
Total (liabilities)/assets	(651)	-	<u><u>(651)</u></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 the end of the period represent the fair value of unsettled foreign exchange contracts at that date. An analysis of these open contracts by currency is shown in the following table:

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010 (Continued)

Analysis of open contracts at 31 March 2010 by currency	Market value bought <u>£000's</u>	Book value bought <u>£000's</u>	Market value sold <u>£000's</u>	Book value sold <u>£000's</u>	Unrealised gain/(loss) at 31 March <u>£000's</u>
British pound sterling	10,159	10,159	-	-	-
Euro	-	-	(1,554)	(1,509)	(45)
Japanese Yen	-	-	(920)	(879)	(41)
US dollar	-	-	(8,336)	(7,771)	(565)
	<u>10,159</u>	<u>10,159</u>	<u>(10,810)</u>	<u>(10,159)</u>	<u>(651)</u>

10. INVESTMENT MANAGEMENT EXPENSES

The Fund 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.

	<u>2010</u> <u>£000's</u>	<u>2009</u> <u>£000's</u>
11. CURRENT ASSETS		
Administrative cash balances	<u>1,463</u>	<u>1,778</u>
	<u>1,463</u>	<u>1,778</u>
12. CURRENT LIABILITIES		
Investment management fees	(30)	(29)
Commutations	(32)	(17)
	<u>(62)</u>	<u>(46)</u>

13. CAPITAL COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

- (i) At 31 March 2010 (and 31 March 2009) there were no capital commitments.
- (ii) Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Plan at 31 March 2010 (and 31 March 2009).
- (iii) There were no material events after 31 March 2010 to record (and 31 March 2009).

14. TRANSACTIONS WITH RELATED PARTIES

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

DMGT AVC PLAN

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2010 (Continued)

15. EMPLOYER RELATED INVESTMENTS

The Trust Deed explicitly prohibits investment of Plan assets in employer-related investments, apart from those required in order that a passively managed UK Equity portfolio can be utilised by the Trustee.

DMGT AVC PLAN

APPENDIX 1

INVESTMENT MANAGERS

Asset Class/Manager	Date of appointment (if after 1 April 2009)
Global Equities	
Capital International	
Marathon Asset Management	
Pzena Investment Management	
Southeastern Asset Management	
Legal & General	
Bonds	
Aberdeen Asset Management	
Legal & General	
Fund of Hedge Funds	
K2 Advisors	
Property	
Harmsworth Pooled Property Unit Trust	
Foreign Exchange Hedging	
Legal & General	

DMGT AVC PLAN

APPENDIX 2

The following pages contain:

Harmsworth Pooled Property Unit Trust
Annual Report and Financial Statements
for the year ended 31 March 2010.