

DMGT AVC Plan

Summary funding statement - June 2008

As a member entitled to a pension from the DMGT AVC Plan ('the Plan') we, the Trustee Directors of the Plan, are writing to provide you with an update of its financial position.

Much of this statement contains the same information as the statement issued last year as the 2008 actuarial valuation is still being worked on (see 'Plan health checks' below).

How the Plan operates

Before the Plan closed to new investment on 31 March 2006 you paid contributions to the with-profits fund, which was one of the investment options in the Plan. In return, we granted you an amount of pension payable from age 62. Your contributions were invested in a common fund; separate funds are not held for each individual.

We invest the contributions in a variety of assets. Following a recent review of our investment strategy our current long-term policy is to invest 42.5% of the assets in company shares or similar investments, 50% in bonds, and 7.5% in property.

Plan health checks

We monitor the Plan and obtain regular actuarial valuations – or financial health checks. This process involves comparing the value of the investments held by the Plan with the amount we estimate is needed to pay the benefits built up to date. With help from the Plan Actuary we choose assumptions for our comparison regarding future unknown events, such as how long people will live and the returns that might be achieved in future on investments. Using this information, we consider the security of your benefits and the potential for awarding bonuses (increases to pensions).

Our objective is to have enough money in the Plan to pay pensions now and in the future. A formal actuarial valuation of the Plan is taking place at 31 March 2008, and we are currently in discussions with DMGT to agree a long-term funding policy. The results of the valuation, and agreed actions, will be finalised over the coming year.

The latest funding valuation

The last formal actuarial valuation of the Plan was carried out at 31 March 2005 and this indicated that the value of the investments were expected to be sufficient to pay the pensions granted to that date, on the basis of our assumed future investment return. However, the long-term expectation for future increases to pensions (ie bonuses) was very low, mainly as a result of a period of lower than anticipated returns on the Plan's investments in the period up to the valuation date, and the expectation that the cost of providing pensions would be more expensive in future because of increasing life expectancy and reductions in long-term interest rates.

Since 31 March 2005, the Plan's investments have generally generated higher than expected investment returns and the ongoing financial position of the Plan is expected to have improved (when assessed using the assumptions adopted for the 2005 valuation), although not as to materially affect our view on the long-term outlook for awarding bonuses.

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

Reclassification of the Plan

DMGT set up the Plan as a way of enabling employees to top up their retirement benefits on a 'defined contribution' basis. Following a High Court legal judgement in connection with another pension scheme the Plan has been reclassified from a 'defined contribution' plan to a 'defined benefit scheme', i.e. just like the Harmsworth Pension Scheme. While this has no impact for members of the Plan it has created profound regulatory implications for us, and for DMGT, who are faced with additional financial liabilities that were never anticipated.

Further information

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

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

Northcliffe Trustees Ltd

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

Pension Protection Fund

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

If the Plan winds up at some point in the future, you might not get the full amount of pension you have built up even though the Plan is fully funded on an ongoing basis. However, whilst the Plan carries on we will continue to pay pensions in full.

As an example, if the Plan had been wound up on 31 March 2005 then the additional assets required to meet all members' pensions in full were estimated to be around £25 million. On this basis the Plan was around 70% funded.

The above calculation assumes that all benefits would be secured with an insurance company, and insurance companies are obliged to take a very cautious view of the future, and need to make a profit. For these reasons it is common practice for pension plans such as yours to target a lower level of funding on an ongoing basis as there is no need to make a profit.

If the Plan were to wind up, DMGT would be required to pay enough into the Plan to enable members' pensions to be completely secured with an insurance company. It may be, however, that DMGT would not be able to pay this full amount. If DMGT became insolvent, the Pension Protection Fund might be able to take over the Plan and pay some compensation to members.

Inclusion of this information does not imply that DMGT is thinking of winding up the Plan. It would only be a concern if DMGT were unable to financially support the Plan in the future. We regularly monitor DMGT and rest assured, that as part of the discussions surrounding the long-term funding policy referred to earlier, we will be assessing carefully the financial strength of DMGT.

For further information on the Pension Protection Fund see the website at www.pensionprotectionfund.org.uk or write to the Pension Protection Fund, Knollys House, 17 Addiscombe Road, Croydon, Surrey, CRO 6SR.