Arqiva Defined Benefit Pension Plan
Trustee Newsletter — September 2010

Message from the Chairman of the Trustees, Peter Douglas

Welcome to the annual Trustee report to members of the Arqiva Defined Benefit Pension Plan.

Pensions – in particular Final Salary and other Defined Benefit Plans – continue to make front page news. Whether this is reporting on new government proposals or tabloid speculation about the future of pensions in general, the topic seems to get more column inches than ever before.

So, I am pleased to reassure you that both the Trustees and the Company are committed to keeping you informed of any material developments to the Arqiva Pension Plan so that you are able to put all the press reports into context. This newsletter is part of the ongoing process of communication and I hope that you find it interesting and informative.

Since last year's update, you will already be aware that the most significant change has been the merger of the Arqiva Defined Benefit Pension Plan and the Arqiva Services Limited Pension Scheme (previously the National Grid Wireless Pension Scheme). The merger took place on 31 December 2009 and whilst it brought together the two plans, separate benefit structures for the various different groups of members remain as well as segregated funds which currently mirror the previous arrangements.

The same Trustees who were in place pre-merger continue to manage the Plan and hold full Board meetings on a quarterly basis. As well as bringing together the actuarial, administrative and legal support, the Trustees' focus since the beginning of the year has been on the review of investment advice. We are currently nearing completion of this review and once our ongoing investment advisers have been appointed we will begin work with them to review the Plan's Investment Strategy and ensure that the Plan's assets are optimised to reflect the changing market conditions and membership profile.

As at 31 August 2010 the unaudited value of the invested assets (excluding money purchase AVCs) was £97.3m. Details of the deficit payments agreed with the Company at the end of September last year are set out on page 4 and these are in addition to the standard ongoing monthly contributions. A total of £6 million has been paid by Arqiva into the Plan in lump sum payments in the last 10 months.

A further £3 million is due by 1 July 2011 and 2012 with just over another £2 million by July 2013. You will see from the Actuary's report that these payments keep us on track to recover the deficit that was identified at the last Plan valuation. In addition the overall employer percentage contribution level, processed by payroll each month, increased. An annual actuarial assessment of the Plan's liabilities against the assets ensures that the Trustees are kept fully informed of the Plan's performance.

If you have any questions about your own benefits within the Plan, you can contact KPMG, our Plan administrators. Their contact details are given in this newsletter.

Finally, I trust that you will find this newsletter useful including the last page which contains a summary of Plan changes and information.

Best regards

Peter Douglas

Chairman, Arqiva Defined Benefit Pension Plan Trustees

Plan Trustees

Frank Brown
Member Nominated

Dick Buckle
Member Nominated

Peter Douglas
Employer Nominated

Jack FitzSimons
Member Nominated

Peter Heslop
Employer Nominated

Nathan Hodge
Employer Nominated

Kevin Moroney
Employer Nominated

Tom O'Connor
Employer Nominated

Peter Sanders
Employer Nominated

Alan Taylor
Member Nominated

Trustee Professional Advisors

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AVC Managers
Legacy Arqiva Members:
Friends Provident Pensions Limited

Legacy NGW Members:
The Equitable Life Assurance Society
Clerical Medical
Legal & General Investment Management
Aviva

Investment Consultants (under review)

Pension Administrators
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Investment Managers
NTL Broadcast Sub-Fund:
State Street Global Advisors
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NGW Sub-Fund:
Legal & General Investment Management
One Coleman Street
London EC2R 5AA

NGUK/ESPS Sub-Fund:
Legal & General Investment Management
One Coleman Street
London EC2R 5AA

Bankers
Lloyds TSB

Trustee Report and Accounts 01/07/08 - 30/06/09

Report and Accounts were produced separately for the Arqiva Defined Benefit Pension Plan and the Arqiva Services Limited Pension Scheme before the merger on 31/12/09.

The Auditors have confirmed that the full financial statements in both Trustees' Report and Accounts for 1 July 2008 - 30 June 2009 are correct. Copies are available for members to view on request.

While the merged Plan remains ongoing, even though funding may at times temporarily be below target, benefits will continue to be paid in full. However, transfer values may be reduced depending on the prevailing estimated financial position, although at the time of writing, transfer values are being paid in full.

The Trustees strongly recommend that any members considering ceasing active membership or transferring benefits out of the Plan should consult a professional adviser before taking any action.

Membership of the Plan as at 30 June 2009

Sub-fund	Section	Actives	Deferreds	Pensioners	Total
NTL Broadcast sub-fund	Non-DTELS	213	31	80	**324**
	DTELS	40	30	31	**101**
	MPS	5	35	10	**50**
	BT Section A/B	13			**13**
	BT Section C	13	1		**14**
NGW sub-fund	NGW	134	148	125	**407**
NGUK/ESPS sub-fund	NGUK	1	1		**2**
	ESPS	11	4		**15**
Total		**430**	**250**	**246**	**926**

All contributing members of the fund receive a personalised benefit statement on an annual basis. Member handbooks are currently being updated but some are available on our Pensions webpage on the HR Intranet site: http://intranet/hrd/reward%20&%20benefits/pension/_DBPP/default.htm or from the Plan administrator for those without access to the Arqiva intranet.

If you have questions about the Plan or queries about your benefits that are not answered by these sources, KPMG, our Plan administrators will be pleased to help you. Contact Daniel Bell on 0118 373 1354.
fax : 0118 373 1373 or email daniel.bell@kpmg.co.uk

Please keep the administrators informed of any change of circumstances such as a change of address, updated beneficiary nominations and marital / civil partnership status.

Scheme Funding

The (pre merger) formal actuarial valuations were completed as at 30 June 2008 and the results are set out in the table below:

Valuations as at 30 June 2008			
£000s	Arqiva DB Pension Plan (NTL Broadcast)	Arqiva Services Scheme (Main Section)	Arqiva Services Scheme (New Section)
Assets	16,600	46,900	3,000
Liabilities	20,900	54,900	3,400
Surplus / (Deficit)	(4,300)	(8,000)	(400)
Funding Level	79%	85%	88%

It was agreed that the Company would pay the following amounts (£000s) in order to correct the deficits:

Due by	Arqiva DB Pension Plan (NTL Broadcast)	Arqiva Services Scheme (Main Section)	Arqiva Services Scheme (New Section)
31 December 2009	1,302	1,596	102
1 July 2010	1,252	1,643	105
1 July 2011	1,102	1,784	114
1 July 2012	1,102	1,784	114
1 July 2013	328	1,653	105

At the valuation date of 30 June 2008, the estimated amount required so that all members' benefits could have been paid in full if the plans were wound up (full solvency) were:
Arqiva DB Pension Plan (NTL Broadcast): £31.9 m (i.e. a shortfall of £15.3 m)
Arqiva Services Scheme (Main Section): £84.9 m (i.e. a shortfall of £38.0 m)
Arqiva Services Scheme (New Section): £5.3 m (i.e. a shortfall of £2.3 m)

Inclusion of this information does not imply that the Company is considering winding up the plans

Actuarial Reports were carried out as at 30 June 2009 and the results are shown in the table below

Actuarial Reports as at 30 June 2009			
£000s	Arqiva DB Pension Plan (NTL Broadcast)	Arqiva Services Scheme (Main Section)	Arqiva Services Scheme (New Section)
Assets	19,200	46,700	3,000
Liabilities	33,400	62,300	4,200
Surplus / (Deficit)	(14,200)	(15,600)	(1,200)
Funding Level	57%	75%	72%

The key reasons for the deterioration of the funding levels between June 2008 and June 2009 were the lower than expected returns achieved on the plan's assets and the change in market conditions used to value the liabilities.

More up-to-date information

An estimated position of the Arqiva DB Pension Plan was obtained as at the merger date and the results are shown in the table below:

Post merger funding update as at 31 December 2009			
£000s	**NTL Broadcast Sub-Fund**	**NGW Sub-fund**	**NGUK/ESPS Sub-fund**
Assets	**28,400**	**56,000**	**3,700**
Liabilities	**34,500**	**61,300**	**4,100**
Surplus / (Deficit)	**(6,100)**	**(5,300)**	**(400)**
Funding Level	**82%**	**91%**	**90%**

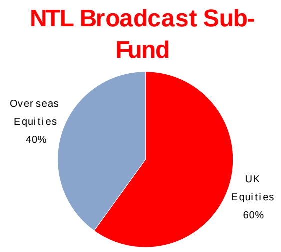
As can be seen from the numbers in the tables, pension scheme funding can be very volatile. However with the deficit contribution repayment schedule agreed with the Company, the Actuary's report estimates that the three sub-funds will be in a fully funded status at the end of the respective recovery plans.

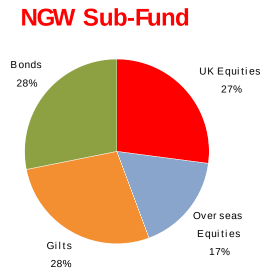
Asset values

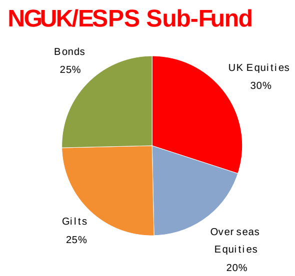
As at 31 August 2010 the Plan had invested assets totalling £97.3m (unaudited) which can be broken down as follows:

NTL Broadcast Sub-fund: £31.9m invested with State Street
NGW Sub-fund: £61.6m invested with Legal & General
NGUK/ESPS Sub-fund: £3.8m invested with Legal & General

The charts below show the breakdown of the funds by asset class.







Plan Changes and Information

Early retirement change reminder

Legislation has now changed the earliest age that you can retire**.** From 6 April 2010, this became 55 years where it was previously 50 years of age. However under certain circumstances, members who leave (or have left) the Plan due to redundancy will still be able to retire from age 50. Further details are available from the Plan administrator.

Flexible retirement

If you do not wish to retire on reaching the Plan retirement age applicable to your benefit section, you have the option to:

- continue working for Arqiva and accruing benefits in the Plan (subject to any maximum specified in the rules) until retirement or up to the Company retirement age of 65 years, whichever is the earlier.
- draw your full pension from the Plan, and money purchase AVCs if applicable, while continuing to work for Arqiva. You then have an option to join the Arqiva Group Personal Pension Plan which has a minimum employee contribution on joining of 2% of salary, attracting a company contribution of 6% which increases to a minimum of 4% employee and 8% Arqiva contribution after two years.

Data sharing

Many legacy Arqiva Plan members also have a deferred ntl pension. KPMG administer both Plans and are able to share data between the ntl Pension Plan and the Arqiva Pension Plan where it is appropriate to do so. This has proved beneficial to members and will continue although individual members have the option to request this not be done for their own personal data.

Notification ref Section 251 and proposal to retain power to repay surplus to the Employer

The Trustee is required by law to pass a resolution before 5 April 2011 if it is to preserve its existing powers under the Plan Rules to pay a surplus refund to the Employers. The Trustee has no intention of making a payment from the Plan to the Employer in the foreseeable future, nor could it do so under law when the Plan is subject to a deficit. Further, there is no intention of winding-up the Plan in the foreseeable future. If the Plan were to be wound-up, the Trustee has a discretion (with the consent of the Employer) to use any surplus to increase members' benefits before any payment is made to the Employer. However, the Trustee considers it appropriate to preserve its existing powers to refund surplus to the Employer in these limited circumstances, as it encourages the Employer to correct the deficit now without the risk of overpayments being trapped in the Plan in the future.

The Trustee has therefore decided to exercise its power under Sections 251(3) and (4) of the Pensions Act 2004 to pass a resolution with effect from 25 January 2011 confirming that its existing power to pay surplus to the Employer under the Plan Rules on an ongoing basis and in the event of wind-up should continue to apply. The resolution will also apply in respect of certain other payments that could be made to the Employer, e.g. a refund of overpaid administration expenses.

Government proposals to change some private sector pension indexation to CPI

There has been a lot of press coverage about the Government's intention to change the statutory inflation measure used in pension schemes from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). The key differences in RPI and CPI are the way in which they are constructed and the constituent parts of each index (for example housing costs are included in RPI but not CPI). Over the last 21 years RPI has generally been 0.6%-0.7% above CPI, with CPI exceeding RPI in 5 of those years.

At the time of writing the Government's intentions are not set in stone. However, assuming that the Government does confirm these changes, members' benefits will be affected as shown in the table below:

Sub-fund	Section	Revaluation rate in deferment (Applicable to members who have left or who leave the Company with preserved benefits in the plan)	Pension increases in payment
NTL Broadcast sub-fund	Non-DTELS	Statutory increases: RPI to 2010; CPI from 2011	No change
	DTELS	Statutory increases: RPI to 2010; CPI from 2011	No change
	MPS	Statutory increases: RPI to 2010; CPI from 2011	No change
	BT Section A/B	Statutory increases: RPI to 2010; CPI from 2011	CPI from 2011
	BT Section C	Statutory increases: RPI to 2010; CPI from 2011	No change
NGW sub-fund	NGW	Specified increases: RPI, maximum 10% (subject to minimum increases required by statute: RPI up to 2010 and CPI from 2011)	No change
NGUK/ESPS sub-fund	NGUK	Statutory increases: RPI to 2010; CPI from 2011	No change
	ESPS	No change (subject to minimum increases required by statute: RPI up to 2010 and CPI from 2011)	No change

Please note: If the above intention is not adopted and CPI becomes over-riding, members' benefits will change. The Trustees and/or the Company will contact you again with additional information should there be further developments or Government announcements.