Arqiva Defined Benefit Pension Plan
Trustee Newsletter
September 2011

Message from the Chairman of the Trustees, Peter Douglas

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

At the time of last year's edition, the Trustees had just appointed Mercer as the Plan's investment adviser with the intention of reviewing the ongoing Investment Strategy.

Ensuring that the Plan's assets are optimised to reflect the changing market conditions and membership profile is one of our key responsibilities as Trustees and so the review has been an extremely thorough exercise carried out with the support of expert advisers.

The Trustees have had a busy year in general and so, to maintain a focus on this important project, a separate Investment Sub-Committee has been set up. This is made up of Frank Brown, Dick Buckle, Jack Fitzsimons, Nathan Hodge, Tom O'Connor and myself. We have been working closely with Mercer throughout the year to determine both the strategy going forward and also the most appropriate investment manager for the funds.

As you may be aware from previous newsletters, investments are currently held in three separate funds:

- Broadcast Sub-Fund: 100% invested in equity markets and managed by State Street Global Advisors (SSgA)
- NGW Sub Fund: 45% equity; 55% bond and managed by Legal & General Investment Management Limited (L&G)
- NG(UK)/ESPS Sub Fund: 50% equity: 50% bond and also managed by L&G

The most significant outcomes of the review so far are

- that balance of investments held in each of the Broadcast and NGW funds will move towards an increase in bond holdings and a reduction in the current level of equity investments
- there is no change to the strategy for the NG(UK)/ESPS sub fund
- all three separate funds will be managed by L&G

There is still further work to do before the new strategy is put in place. Any changes will not have a direct impact your own benefits but will aim, amongst other things, to minimise funding volatility as well as reduce investment risk and protect investment gains.

You can find further details about the value of the Plans assets in the actuarial section of the newsletter where you will see confirmation of the annual payment made by the Company to fund the deficit. This has been £3 million paid in July this year and is in addition to the standard ongoing monthly contributions. Another £3m is due in July 2012 and just over £2 million in July 2013.

A full valuation of the Plans assets and liabilities, which measures in detail the 'health' of the Plan, is now underway and we will be covering the results next year.

In the last section of the newsletter there is information about changes which we have adopted as a result of a review of some of the differences in the Plan rules across the various benefit sections. Again, a separate sub-Committee met to recommend changes which were in the interests of the Plan and its members.

It is difficult to cover all events in this newsletter, but I hope you find it useful and informative. If you want to suggest topics for future editions or if you have any questions about your benefits please get in touch with the Plan administrators KPMG or contact one of the Trustees.

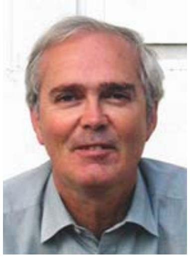
Finally, I'd like to take this opportunity to express thanks to Peter Sanders, who stepped down as Trustee earlier this year on leaving the Company, for his past contribution to the Plan and to the Arqiva Services (legacy NGW) Scheme.

Best regards

Peter Douglas

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
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Alan Taylor
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Friends Provident Pensions Limited
Legacy NGW Members:
The Equitable Life Assurance Society
Clerical Medical
Legal & General Investment Management
Aviva

Bankers
Lloyds TSB

Pension Administraters
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Trustee Report and Accounts: 1 July 2009 - 30 June 2010

The first Report and Accounts for the merged Plan were produced this year and the Auditors have confirmed that the full financial statements are correct. Copies are available for members to view on request.

Whilst the sub-funds remain underfunded on the Technical Provision basis, it is possible for transfer values to be reduced; however full transfer values are currently being paid from the three sub-funds.

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 2011

Sub-fund	Section	Actives	Deferreds	Pensioners	Total
NTL Broadcast sub-fund	Non-DTELS	200	32	89	**321**
	DTELS	34	33	34	**101**
	MPS	6	35	11	**52**
	BT Section A/B	11	1	1	**13**
	BT Section C	12	1	1	**14**
NGW sub-fund	NGW	124	142	141	**407**
NGUK/ESPS sub-fund	NGUK	1	1	0	**2**
	ESPS	5	5	1	**11**
Total		**393**	**250**	**278**	**921**

All contributing members of the fund receive a personalised benefit statement on an annual basis. Member handbooks are to be updated but some are available on the HR pension pages of Connect 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 - Telephone: 0118 373 1354 Fax: 0118 373 1373 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	NTL Broadcast sub-fund	NGW sub-fund	NGUK/ESPS sub-fund
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	NTL Broadcast sub-fund	NGW sub-fund	NGUK/ESPS sub-fund
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 the estimated amount required so that all members' benefits could have been paid in full if the plans had starting winding up (full solvency) were:
Arqiva DB Pension Plan (NTL Broadcast sub-fund): £31.9m (i.e. a shortfall of £15.3m)
Arqiva Services Scheme (NGW sub-fund): £84.9m (i.e. a shortfall of £38.0m)
Arqiva Services Scheme (NGUK/ESPS sub-fund): £5.3m (i.e. a shortfall of £2.2m)

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

More up-to-date information

Actuarial Reports were carried out as at 30 June 2010 and the results are shown in the table below

Actuarial Reports as at 30 June 2010			
£000s	NTL Broadcast sub-fund	NGW sub-fund	NGUK/ESPS sub-fund
Assets	29,000	56,800	3,800
Liabilities	38,400	58,700	4,700
Surplus / (Deficit)	(9,400)	(1,900)	(900)
Funding Level	76%	97%	82%

The key reasons for the change in funding levels between June 2008 and June 2010 were the differences between actual and expected returns achieved on the sub-funds' assets and the change in market conditions used to value the liabilities.

The funding positions are volatile, as financial assumptions used to calculate the Technical Provisions are based on gilt and corporate bond yields whilst a proportion of the sub-funds' assets are held in equities. The funding positions could be quite different if assessed on any other day than 30 June 2010.

Plan Changes and Information

Early Retirement after leaving the Plan

In general, pension benefits which are taken before normal Plan retirement date are reduced by early retirement factors to take account of early payment. The reduction factors that are applied vary between different sections and in some sections the rules specify that Company consent is required. Where these factors are advantageous to the individual member and disadvantageous to the remaining members because the Plan deficit would increase if consent was given, Company consent has been refused in the past.
So that the choice to take early retirement can become available to everyone and members can have greater flexibility over their retirement planning, the Company and Trustees have agreed that if 'cost neutral' factors are applied, then consent will now normally be given to any member who wishes to take their benefits early. (Please note that the Company and the Trustees reserve the right to change the policy in future.)

If you have left the Plan, are aged over 55 years and interested in taking your pension early, please get in touch with KPMG for more information. You can take your pension early whether or not you are employed at Arqiva or elsewhere.

Commutation Factors

At retirement, members have the option to commute part of their pension into a tax free cash sum. This is calculated using a 'commutation factor' which specifies the proportion of cash paid to pension commuted eg a 12:1 factor would give a member £12 cash for every £1 of pension that is exchanged. Within the Plan rules there are different commutation factors within the different member sections and these range from 10:1 to 15:1. Following a review, the Trustees and the Company agreed to offer members a commutation factor of 15:1 and this will now be available to all members when taking their benefits.

Election of Member Nominated Trustees (MNT)

At the merger of the two plans at the end of 2009 it was agreed that the MNT's would stay in post until the later of the end of their normal term of office (Autumn this year) and completion of the next valuation. As the deadline for completion of the next valuation is 30 September 2012, there will be no MNT elections held this year.

State Pension Age

Currently the State Pension Age (SPA) for men is 65. On 6 April 2010, the SPA for women started to increase gradually from 60 to 65, to match men by April 2020. The present Government has recently announced new proposals to increase the SPA. Under the new proposals, women's SPA will increase more quickly to 65 between April 2016 and November 2018. SPA will then increase to 66 for both men and women between December 2018 and April 2020. Women born before 6 April 1953 or men born before 6 December 1953 will not be affected by these proposals which are yet to become law.

The changes relate to State Pension Age only and do not affect the normal retirement age of each section of the Plan currently specified within the rules.

Pension Tax Relief

Pension tax changes introduced from April 2011 restrict the amount of pension benefit that can be built up by an individual before tax penalties are imposed. These will apply if the value of an individual's pension increases by more than £50,000 (the "annual allowance").

In calculating whether a tax charge applies, any unused amounts from the previous three years' annual allowance can be used to offset any excess in the current tax year.

The value of an individual's defined benefit pension built up over a year (known as the 'pension input period') is measured, broadly, by comparing the difference between the amount of pension payable at the start and the end of the year and multiplying this by 16. So an increase in pension built up by £1,000 will be worth £16,000 for annual allowance purposes. Any voluntary contributions would be added to this figure. Generally, any increase in deferred benefits will not count towards an individual's lifetime allowance.

The Lifetime Allowance (the overall maximum capital amount of tax exempt pension savings that an individual can build up in all their pension arrangements over their lifetime) will reduce from £1.8m to £1.5m from April 2012. For defined benefit arrangements such as the Arqiva Plan, the factor for valuing the lifetime allowance is 20 – so as a guide - an annual pension of less than £75,000 would be within the limits of the allowance

From next year annual benefit statements will show how much of the Annual Allowance and Lifetime Allowance has been used. Further detailed information about the changes can be found on the HMRC website.

Pension Benefit Statements

Annual benefit statements will be based on pensionable service and salary as at 1 July each year from 2012. Statements, which are prepared by KPMG, are sent to all active members of the plan. Please ensure that you check any future benefit statements and contact KPMG if you have any queries.

Information by email

Plan information and communication is sent to current active members by email whenever possible. If you are a deferred or pensioner member and would also prefer to receive email communications please send your details to daniel.bell@kpmg.co.uk

Data sharing

KPMG continue to administer both the Arqiva Plan and the ntl (Virgin Media) Pension Plan and are able to share data between the two 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 by contacting KPMG.