Arqiva Defined Benefit Pension Plan
Trustee Newsletter
September 2012

Message from the Chairman of the Trustees, Peter Douglas

Welcome to the annual Trustee newsletter for members of the Arqiva Defined Benefit Pension Plan (the Plan)

As we all know, it's been another challenging year for the world economy and no doubt we've all been affected in some way at one time or another. Of course, the changing market conditions have a direct impact on investments and businesses and so it is essential that Trustees of pension schemes ensure that both returns on plan assets are optimised as well as appropriate ongoing funding is maintained.

This year, the Trustee has been addressing all these issues and our focus has been on three major projects:

- The continuing review of the Plan's Investment Strategy
- The formal valuation which measures in detail the 'health' of the Plan
- A full review of Arqiva to assess the financial strength of the business supporting the Plan.

Investment Strategy

Last year I reported that the balance of investments would move towards an increase in bond holdings and a reduction in the current level of equity investments and triggers have been agreed to implement this when certain market conditions are met.
Further work has now concentrated on the Plan's remaining equity portfolio which is the main source of our long term investment return. Earlier this year, the Investment Sub Committee (ISC) considered a number of proposals and subsequently appointed Standard Life Investments to manage 25% of the Broadcast and NGW equities in their 'Absolute Return Fund'. This type of fund, which diversifies investments, provides an alternative source of generating growth for the Plan whilst still targeting a similar level of return to equities but with a lower level of volatility.
Once this review was completed the ISC turned its attention to the Plan's defensive (bond) portfolio and a review is currently underway to consider alternative options to bring diversification and maximise returns within this type of investment as well as work towards long term matching of Plan liabilities to asset classes.

Valuation

The Trustees have an obligation to carry out a full valuation of the Plan at least every three years. This actuarial valuation establishes how much the Plan's assets are worth and how much the Plan needs to pay in pensions as they fall due. The valuation reflects a particular point in time – for our Plan it is the 30 June 2011 - and it assumes that the Plan will continue in the future so the valuation also sets ongoing contribution rates. More information about the valuation is given by the Plan actuary later in this newsletter but some key points agreed with the Company are:

- Additional contributions to the Plan by the company of £5.7m in both July 2013 and July 2014 plus £4.1m in July 2015 to meet the identified deficit of £17.4m
- An increase in the company monthly percentage contribution levels for active members from 1 October 2012.

Company review

The Trustees engaged a specialist adviser to fully assess the strength of the business supporting the Plan, taking into consideration factors such as trading results, cash flow within the business and the re-financing of the business due by 2014. This gave the Trustees a valuable framework for agreeing the basis of the valuation, including the lump sum deficit payments into the Plan, and gave a greater understanding of the Company's financial position. It is worthwhile mentioning here that, at all times, the Trustees were given access to all the information needed and continue to receive regular financial updates from the Company at all Trustee quarterly board meetings.

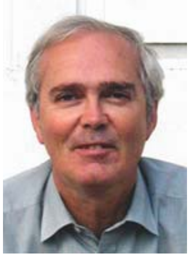
There's further information about the Plan and general updates at the end of the newsletter which I hope you find useful and informative. If you want to suggest topics for future editions please get in touch with the Plan administrators, KPMG or contact one of the Trustees.

Best regards

Peter Douglas

Plan Trustees


Frank Brown
Member Nominated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Jack FitzSimons
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Peter Heslop
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Trustee Report and Accounts: 1 July 2010 - 30 June 2011

The Report and Accounts for the 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 2012

Sub-fund	Section	Actives	Deferreds	Pensioners	Total
NTL Broadcast sub-fund	Non-DTELS	183	38	99	**320**
	DTELS	28	36	37	**101**
	MPS	5	35	12	**52**
	BT Section A/B	2	6	5	**13**
	BT Section C	10	3	1	**14**
NGW sub-fund	NGW	114	137	154	**405**
NGUK/ESPS sub-fund	NGUK	1	1	0	**2**
	ESPS	5	4	2	**11**
Total		**348**	**260**	**310**	**918**

All contributing members of the fund receive a personalised benefit statement on an annual basis. Access to the Plan's Trust Deed and Rules is available through the HR pension pages of Connect or further information is available from the Plan administrator for those without access.

If you have questions about the Plan or queries about your benefits that are not answered by these sources, KPMG 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 formal actuarial valuations were completed as at 30 June 2011 and the results are set out below:

Valuations as at 30 June 2011				
£000s	NTL Broadcast sub-fund	NGW sub-fund	NGUK/ESPS sub-fund	Total
Assets	41,794	68,099	3,049	112,942
Liabilities	42,044	84,673	3,640	130,357
Surplus / (Deficit)	(250)	(16,574)	(591)	(17,415)
Funding Level	99%	80%	84%	87%

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

£000s	NTL Broadcast sub-fund	NGW sub-fund	NGUK/ESPS sub-fund	Total
Paid on 1 July 2011	1,102	1,784	114	3,000
Paid on 29 June 2012	1,102	1,784	114	3,000
Due by 31 July 2013	-	5,557	143	5,700
Due by 31 July 2014	-	5,557	143	5,700
Due by 31 July 2015	-	3,996	143	4,139

At the valuation date the estimated amount required so that all members' benefits could have been paid in full if the Plan had starting winding up (full solvency) were:

NTL Broadcast sub-fund: £66.2m (i.e. a shortfall of £24.4m)
NGW sub-fund: £123.0m (i.e. a shortfall of £54.9m)
NGUK/ESPS sub-fund: £6.0m (i.e. a shortfall of £3.0m)

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

Plan Changes and Information

Early Retirement after leaving the Plan

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.

Money Purchase Additional Voluntary Contributions (AVC) Review

One of the key reasons for merging Arqiva's two Defined Benefit plans at the end of 2010 was to simplify administration and reduce the level of governance required. As part of this ongoing objective, the Trustees carried out a review of the Money Purchase AVC's offered by the Plan (not Added Years AVC's).

The Trustees decided that the range of Legal & General funds, which are the same funds in which a significant proportion of the main Plan assets are invested, offered a suitable variety to members wishing to pay AVCs. Legal & General are, therefore, now the Plan's only Money Purchase AVC provider for active members from 1 July 2012 onwards.

Transfer of Money Purchase AVCs

Historically the Rules of the Plan did not allow members to transfer their Money Purchase AVCs outside of the Plan without also transferring their main Plan benefits. The Trustees wanted to introduce more flexibility for members and so agreed with the Company to a rule amendment. This now means that any member who has an AVC Money Purchase fund can transfer it to another provider outside of the Plan without also transferring their defined benefit pension rights.

If you would like further information on how to take up this option just get in touch with KPMG (contact details above.)

Arqiva Group Personal (GPP) Pension Plan

As well as having the option to build additional pension provision through the AVC with Legal & General, mentioned above, all active members can also join Arqiva's Group Personal Pension Plan. Membership of the plan is another way to accrue additional pension and active members of the DB Plan can join on an employee only contribution basis.

The GPP is managed through an online system called Orbit and offers access to over 250 different investment funds as well as a pension planning tool. To login to the system and find out more go to https://orbit.orbitbenefits.com/login/login.html .

Pension Tax Relief

Pension tax changes introduced from April 2011 restricted the amount of pension benefit that can be built up by an individual before tax penalties are imposed. These 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 broadly measured 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 annual 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) reduced from £1.8m to £1.5m from April 2012. For defined benefit arrangements such as the Arqiva Plan, the factor used for valuing a pension for Lifetime Allowance purposes is 20, so as a guide, an annual pension of less than £75,000 would be within the limits of the allowance.

Further detailed information about the changes can be found on the HMRC website at www.hmrc.gov.uk/ .

Pension Benefit Statements

In last year's newsletter it was highlighted that benefit statements for active members would be produced as at 1 July for all members of the Plan. This was to enable Annual Allowance information to be more easily calculated. Following clarification of the Annual Allowance disclosure requirements, it was subsequently agreed to retain the benefit statement date of 1 April for NGW and NGUK/ESPS members. The benefit statement date for NTL Broadcast members will continue to be 1 July.

Non-discrimination on insurance

The European Court of Justice (ECJ) has ruled that differential male and female rates for insurance contracts invalidate the principle of equal treatment between men and women, and that such practice must cease by 21 December 2012. The prices of all insurance contracts will therefore have to be on a gender-neutral basis.

On the face of it, this ruling should not affect defined benefit pension schemes because occupational pension schemes have an exemption. However, lawyers are pointing out that the UK and other governments may feel obliged to remove occupational pensions exemptions from domestic legislation, either because they believe to do so would be consistent with the insurance changes or because they otherwise expect further European rulings which would have that effect.

If the exemption is removed, it would be necessary for the Plan to implement gender-neutral actuarial factors. Most of the factors in force are, in fact, already gender-neutral e.g. commutation factors and early/late retirement factors. If, however, there are any significant developments affecting benefits, members will be advised.

Removal of Default Retirement Age

Historically many employers would have had a default retirement age, a point at which employees would reach compulsory retirement. Last year, from 1 October 2011, the Government abolished this. The change did not directly concern pension schemes but related to retirement from employment. Where employees stay with the Company beyond the Plan's various normal retirement dates, pension provision is still available.

Auto-Enrolment

There has been considerable news coverage about future changes which mean that the majority of UK employees will need to be automatically enrolled into a pension scheme on a minimum level of contributions some time after October 2012. Employers can auto-enrol employees into their own "qualifying" scheme or the government's National Employment Savings Trust (NEST).

The benefits provided by the Arqiva Defined Benefit Pension Plan are well above the Government minimums and so members of the Plan will not be affected by the new requirements.

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.