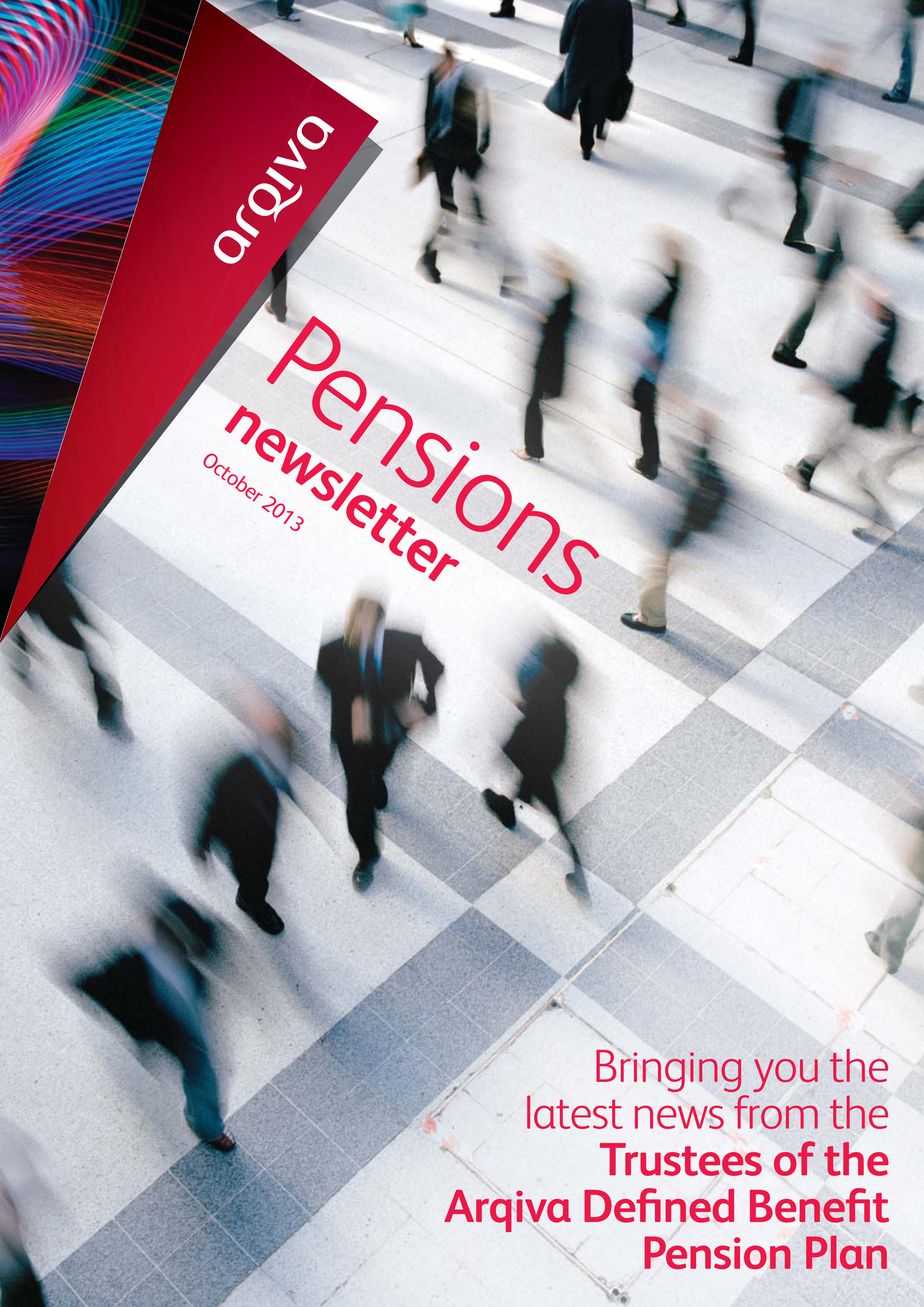


Pensions newsletter

October 2013

Bringing you the latest news from the **Trustees of the Arqiva Defined Benefit Pension Plan**

Message from Peter Douglas

Chairman of the Trustees.

As usual, it has been a busy year. Among other things, we have continued our review of the Plan's investments and the assessment of the financial strength of the Arqiva business as well as held elections for all our Member Nominated Trustee roles

Throughout this issue we have taken the opportunity to tell you about some of the changes to the Plan over the last 12 months; to explain the way assets are invested; to hear from our investment advisers Mercer about the outlook for investment markets and how this might affect the Plan and also give you the latest membership data.

In addition, there's the usual annual funding statement which provides information on the Plan's financial position. This will help you understand more about how your pension is funded and give you an update on the Plan's finances.

Finally, there's news about the Plan and pensions in general. You can find out more about topics such as recent changes to state pensions, the rise in 'pension liberation fraud' – when companies claim that they can help you to access money from your pension earlier than normal – and auto-enrolment.

We are always looking for ways to improve our communication to members and so have taken on board your feedback and updated the format of this newsletter which we hope you'll find informative and enjoyable to read.

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

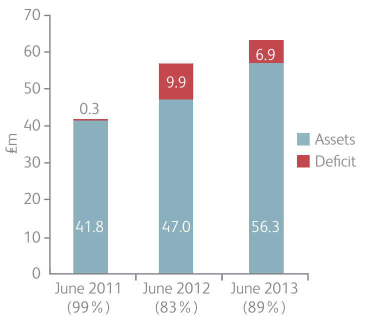
Scheme funding

The formal actuarial valuation of the Plan as at 30 June 2011 was completed in September 2012 and the results were communicated to you in last year's newsletter. In the years where there is not a formal valuation, the Plan actuary produces an update of the funding position so that we can keep track of whether or not the valuation objectives are being met.

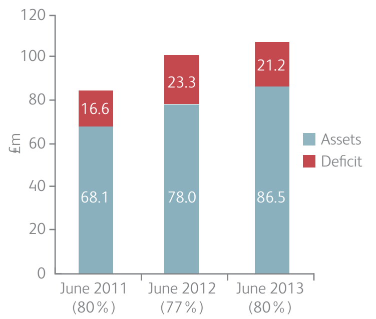
The charts show the progression of the funding levels since the formal 2011 valuation. The deficit is calculated as the difference between the asset value and the liability value. The funding level is shown underneath the bars in brackets.

The next formal valuation of the Plan will have an effective date of 30 June 2014.

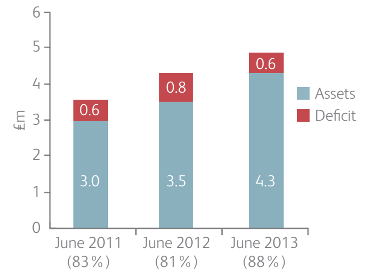
NTL Broadcast



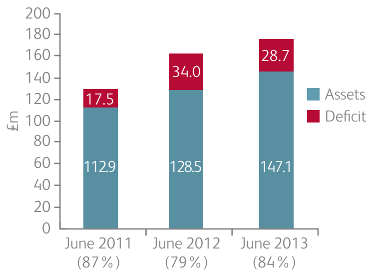
NGW



NGUK/ESPS



Plan in total



Assets and liabilities

The Plan's asset value is the sum of all the Plan's investments, which are obtained from the Plan's various investment managers.

The liability of the Plan is the estimated amount of money, expressed in current terms, that needs to be held in order to meet all future expected pension payments of the Plan members. It is calculated using a set of assumptions which are discussed and agreed between ourselves and Arqiva. Because the assumptions are long term in nature, it is impossible to predict them with 100% certainty.

Future pension payments (and these can be in many years' time) are expressed in today's terms using assumed future rates of interest and inflation. The three key assumptions used to value the Plan's liability are:

- Future interest rates: the lower the interest rate assumed, the higher the current value of the liability
- Future inflation: the higher the inflation rate assumed, the higher the current value of the liability
- Future mortality rates: the lower the mortality rates assumed the higher the current value of the liability

Changes in funding levels

The improvements in the funding level since last year's actuarial update are a result of the following:

- Strong asset performance over the year
- An increase in government bond yields affecting the interest rate used in the liability calculation. This means the liability value has reduced

The two positive contributors above have been offset slightly by an increase in future inflation expectations, which means the liability value increases.

Other disclosure information from the 2011 valuation

At the valuation date the estimated amount required so that all members' benefits could have been paid in full if the Plan had started winding up and benefits were to be bought out with an insurance company, were:

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

Deficit payments

It was agreed that the company would pay contributions to correct the deficits identified at the 2011 valuation. The remaining deficit payments are:

£000s	NTL Broadcast	NGW	NGUK/ESPS	Total
Paid on 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

Investments

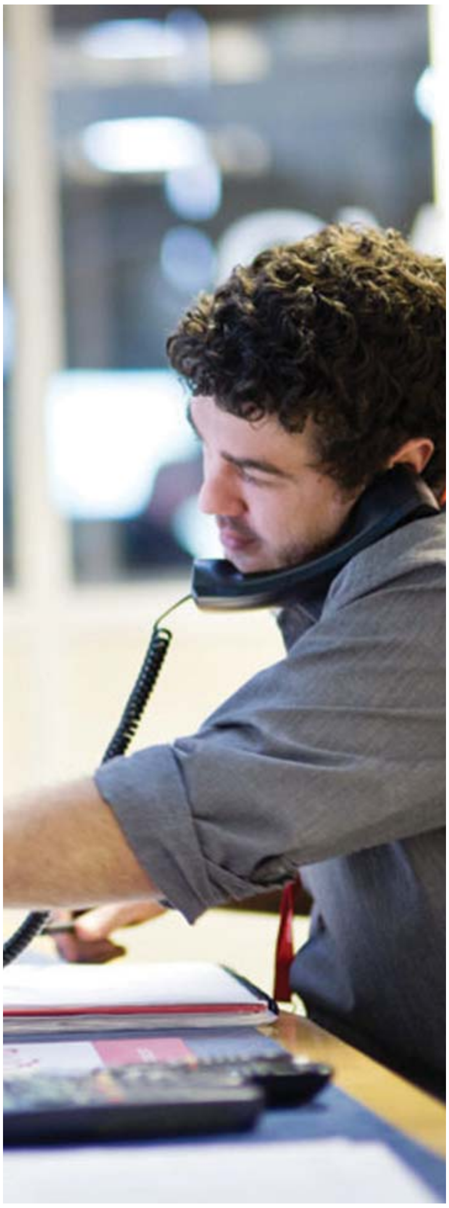
Mercer are the investment consultants for the Plan. They work with us and in particular the members of the Investment Sub Committee, to advise on investment strategy and where the Plan's money is invested. We asked Nathan Baker from Mercer to comment on how the markets have been performing over the past year and how this has affected the performance of the Plan.

What has been happening in the economy this year?

Global financial markets remained volatile over the year to 30 June 2013. After the US Presidential election in November 2012 and moves by US congress to address the "fiscal cliff" at the start of 2013, markets improved and investors adopted a more upbeat mood. However, uncertainty around the outcome of the Italian elections as well as the bail-out of Cyprus and the potential tapering of the US's quantitative easing (when a government prints money to buy their own bonds) triggered falls in markets across the globe.

The global recovery continued to be lacklustre. Recoveries appeared finally to be showing in the US and Japan and the downturn in the Eurozone also looked close to bottoming. The recovery in the UK continued to falter in the first half of 2013, with continued concerns over the weakness of the UK economy and its growth prospects. However, following the mid-point of 2013, economic data in the UK appears to have improved and alongside this hopes of a recovery have generally increased.

Growth in the emerging markets – South America, China, India and Malaysia among others – continued to be below expectations and concerns over growth in China remained.



What changes have been made to the Plan's investment strategy?

The Plan is currently split into three sub funds:

- **the NTL Broadcast sub-fund**
- **the NGW sub-fund**
- **the NGUK/ESPS sub-fund**

You can see in the actuary's report the value of the assets in each of these.

Our primary objective in managing these funds is to ensure that the assets in each are sufficient to pay your benefits (which are liabilities for the Plan). The Plan's assets are invested in

- **Company shares, known as equities and**
- **Bonds, including corporate bonds (loans to companies) and gilts (loans to governments)**

It is the balance of these different types of investments and the returns on them that we closely monitor and manage through our investment strategy.

This year the focus of the Investment Sub Committee (ISC) has been in two areas: the appointment of an "Absolute Return Bond Manager"' and developing a funding based de-risking strategy for the NTL Broadcast and NGW sub-funds.

The objective of the appointment of an Absolute Return Bond Manager is to generate greater returns from a portion of the Plan's defensive assets but without significantly increasing risk. After consideration, we invested a portion of the Plan's assets in a fund managed by Insight, a London based investment manager, in April 2013. The fund aims to achieve a long-term return equivalent to the return on cash plus 2% per annum.

The funding based de-risking strategy, developed by us and supported by the company, was put in place during July 2013. On an ongoing weekly basis, Legal & General, on our behalf, compare the ratio of the assets in the NTL Broadcast and NGW sub-funds to their respective liabilities (known as the funding level). Where the funding level for a sub-fund is in excess of set funding targets (measured as a percentage), a mechanism is in place for transferring some of the assets from equities to bonds. In this way, it is anticipated that over the long term, the portfolio will gradually de-risk into less volatile investments (bonds) whilst maintaining an appropriate funding level.

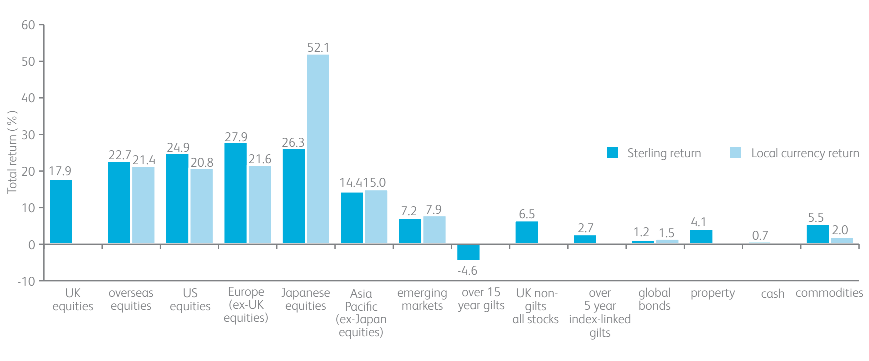
The ISC continually monitors all the Plan's investments for each of the sub-funds with Mercer and update the full Trustee board at every quarterly meeting. In the coming year they will be considering how best to further match the Plan's assets to the liabilities.

How have investment markets responded?

Amid the uncertainty, equity markets generally performed strongly, with returns on bonds being more mixed. The chart shows the returns for various types of asset over the 12 month period to 30 June 2013.

Within equity markets, "developed markets" (such as the UK and US) outperformed "emerging markets" (such as Brazil, China, and Russia). In bond markets, corporate bonds (shown as "non-gilts" in the chart) outperformed conventional gilts, which generated negative returns. Index-linked gilts (whose returns are linked to inflation), however, provided positive returns.

12 month performance to 30 June 2013



Source: Thomson Reuters Datastream, 2013

How has the Plan's investment strategy performed?

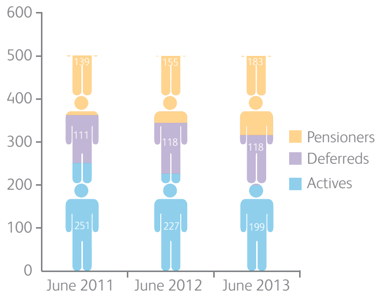
Despite difficult conditions for investors, the positive returns generated from equity markets over the year have meant that the three sub-funds have performed strongly. The NTL Broadcast, NGW and NGUK/ESPS sub-funds produced investment returns of 13.7%, 10.0%, and 12.3% respectively over the year ending 30 June 2013 (gross of fees).

The ISC will continue to monitor the on-going performance of the Plan's assets and, as part of the de-risking framework for the Broadcast and NGW sub-funds, how this compares to changes in the Plan's liabilities.

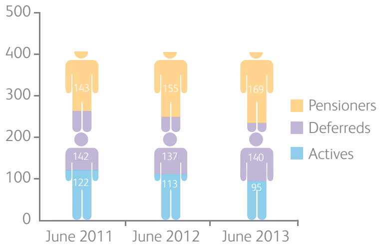
Membership of the Plan

The charts below show the membership of the different sub-funds of the Plan, and how the numbers have changed since the valuation in June 2011.

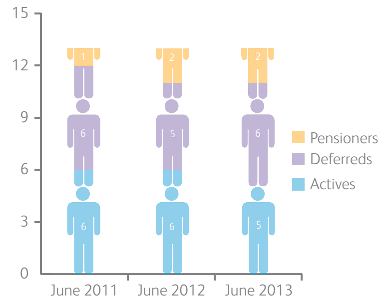
NTL Broadcast membership



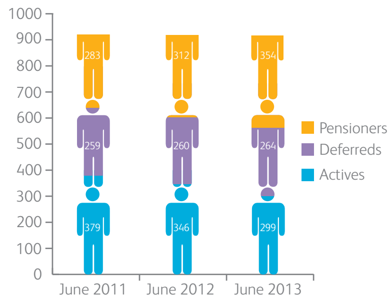
NGW membership



NGUK/ESPS membership



Plan membership in total



Plan
and pension news

Trustee elections

Many thanks to all of you who voted in the recent Member Nominated Trustee election. There is a legal requirement for at least a third of Trustees to be appointed by members and these are elected by the active and pensioner members of the Plan.

Congratulations to Dick Buckle, Jack FitzSimons and Alan Taylor who were re-elected for another three year term. Thanks to the other nominees, Brian Latimer and Richard Starkey, for their interest.

A fourth BECTU nominated position also became vacant at the same time. Frank Brown, who has served as a Trustee for many years was re-elected and continues to represent you in this role.

Your comments on our communications

We had over 100 responses from our active members to a recent survey asking for feedback on our communication – thank you to everyone who took part.

The results showed that the majority of you found this newsletter and other communication useful. A recurring theme was that the information about how the Plan was performing and the fund information was particularly interesting. So, in response to your comments, we've improved the content and presentation of the newsletter this year.

Trustee report and accounts (year to 30 June 2012)

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 you 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.

We strongly recommend that if you are considering leaving the Plan or transferring benefits out of the Plan you consult a professional adviser before taking any action.

Member booklet

We reviewed and updated all the member booklets this year. Active members can find copies of these on Connect (our intranet). For other members they are available in soft copy from the administrators.

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 may be able to take your pension early whether or not you are employed at Arqiva or elsewhere.

Transferring your money purchase AVCs

Last year we introduced more flexibility for you to manage your money purchase AVCs (not Added Years AVCs). If you have an AVC money purchase fund you can now transfer it to another provider outside the Plan without also transferring your main Plan benefits.

You can get further information about this option from the administrators, KPMG.

Remember, if you are an active member, you also have the option of building additional pension provision through the Arqiva Group Personal Pension Plan (GPP). You can join and manage your own plan and investment through an on online system called Orbit which offers access to over 250 different investment funds as well as a pension planning tool. Take a look at the pension pages on Connect to find out more.

Auto-enrolment

From August 1 this year, all Arqiva employees received information from the company about the new employer duties which broadly meant that anyone not in a pension plan had to be automatically enrolled in a 'qualifying scheme'. The company's GPP is the scheme that is being used for auto-enrolment.

The benefits provided by the Arqiva Defined Benefit Pension Plan are well above the Government minimums and so members of the Plan are not affected by the new requirements and there are no changes.

Annual allowance

We included some information in last year's newsletter but since then the Government has announced some changes to the amount of the allowance.

In its simplest terms the annual allowance sets a value on the amount of tax free pension benefit you can accrue in a specified 12 month period. Benefits can be accrued above this limit but they don't attract any tax relief.

Since 2011 the annual allowance has been £50,000 but this will be reducing to £40,000 from the 2014/15 tax year.

Our administrators can only review the value of benefits that you are accruing under this Plan and so you may need to consider other pension benefits you have elsewhere.

If you want to know more about the annual allowance take a look at the Government website at **www.hmrc.gov.uk**

Lifetime allowance

Most people won't have pension savings worth more than the £1.5 million lifetime allowance (£1.25 million from 6 April 2014). However, if your total pension savings are worth more than this when you take your benefits, you'll have to pay a lifetime allowance tax charge on the excess unless you have some form of lifetime allowance protection.

Because the allowance is being reduced a new form of protection, called Fixed Protection 2014, was introduced from August this year for pension savings before 6 April 2014. This is to protect those who have built up pension pots of more than £1.25m but no more than £1.5 million.

There's detailed information at **www.hmrc.gov.uk** and if you think you might be affected you should consider consulting an Independent Financial Adviser.

Pension liberation fraud

Some companies are singling out pension savers and claiming that they can help individuals cash in their pension early. If an individual agrees to this they could face a tax bill of more than half of their pension savings. 'Pension loans' or cash incentives are being used alongside misleading information to entice savers as the number of pension scams increases. This activity is known as 'pension liberation fraud' and it's on the increase in the UK.

In rare cases – such as terminal illness – it is possible to access funds before age 55. But for the majority, promises of early cash will be bogus and are likely to result in serious tax consequences.

Tax charges of over half the value of the pension could fall on an individual for taking an 'unauthorised payment' from a pension fund in this way. In addition, fees deducted from the pension fund for the transfer are unlikely to be recovered. Such fees tend to be very high and could be 20% or more of the pension savings in some cases.

Most of the time, people targeted by pension fraudsters or scammers are not informed of the potential tax consequences involved. So please be vigilant!

Changes to state pensions

Increases in life expectancy have seen costs of state pensions shoot up. As a result, the Government is increasing the age at which you can receive your state pension benefits. There is a calculator available at **www.gov.uk/calculate-state-pension** which will estimate how much you might expect to receive in today's money. You can also apply for a 'State Pension Statement' using this website.

In addition the Government has said that a single-tier pension will be brought in for anyone who reaches state pension age from 6 April 2016 onwards. Current pensioners and those reaching state pension age before then will not be affected. The new pension will make it easier to understand what you can expect to receive from the state and so what you need to save for your retirement. You can find more information at www.gov.uk

Your personal data

We've recently carried out a review of the quality of member data that KPMG hold and have achieved an excellent score of 99% against criteria specified by the Pension Regulator.

Please help us maintain our high standards by letting KPMG know about any change in your circumstances such as a change of address, updated beneficiary nominations and marital / civil partnership status.

Need more information?

Current active members can find links to the Plan's documents and member booklets on the pension pages of Connect. If you have left the Plan or receive a pension and have a question, just contact the Plan's administrators, KPMG.

Your Contacts

KPMG administrators	Daniel Bell KPMG Pensions, Arlington Business Park, Theale, Reading, RG7 4SD Tel: 0118 373 1354 Fax: 0118 373 1373 Email: daniel.bell@kpmg.co.uk
Arqiva	People and Organisation Helpdesk Tel: 01962 822424 Email: p&ohelpdesk@arqiva.com

Your Trustees

company appointed Trustee Directors	Peter Douglas (Chair) Tom O'Connor (Vice-chair) Peter Heslop Nathan Hodge Kevin Moroney
Member Nominated Trustee Directors (all re-elected from April this year)	Dick Buckle Frank Brown (BECTU nominated) Jack FitzSimons Alan Taylor

Our professional advisers

The Trustees are supported by a number of professional advisers:

Actuary and administrators	KPMG LLP
Legal advisers	Baker & McKenzie LLP
Investment advisers	Mercer
Auditors	Crowe Clark Whitehill LLP
Investment managers	Legal & General Investment Management Standard Life Investments Ltd Insight
AVC Managers	Legal & General Investment Management
Bankers	Lloyds TSB

Data sharing with the Virgin Media Pension Scheme

At the end of May this year the data sharing arrangement that our administrators had with the Virgin Media/NTL Plan came to an end. Because KPMG acted as advisers on a corporate basis within another part of the Virgin Media business, they were no longer able to act as administrators to the Trustees too. If you have benefits within the Virgin Media/NTL Plan, the Trustees contacted you at the time with further information and to let you know details of their new administrators, Punter Southall.

For you as an Arqiva member, it means that when you contact KPMG about your Arqiva pension, they will not be able to give you any information about any benefits that you might have accrued in the 'old NTL Plan'.

About Arqiva

Arqiva, the communications infrastructure and media services company, operates at the heart of the broadcast, satellite and mobile communications markets.

The company is at the forefront of network solutions and services in the digital world. Arqiva provides much of the infrastructure behind television, radio, satellite and wireless communications in the UK and has a significant presence in Ireland, mainland Europe and the USA. Customers include major broadcasters such as the BBC, ITV, BSkyB and the independent radio groups, major telco providers including the UK's four mobile network operators, and the emergency services.

www.arqiva.com