Arqiva Defined Benefit Pension Plan
Trustee Newsletter — September 2009

Message from the Chairman of the Trustees, Peter Douglas

Welcome to the September 2009 Trustee report to members of the Arqiva Defined Benefit Pension Plan.

Escalating pension liabilities and record market losses have hit the headlines with such increasing frequency during the past year that it's been difficult to ignore the impact this is having on the future of many defined benefit pension plans.

I am, therefore, delighted to be in a position, once again, to provide a positive update on the future of the Arqiva Plan. As in previous years, I can confirm that the Company has told the Trustees that it is as firmly committed to providing you with your promised benefits as it was when the Plan was first introduced. In addition the Trustees have received regular financial updates from the Company and commentary from advisors on the Arqiva business performance which has resulted in an assessment that the Company covenant supporting the Plan is broadly unchanged since the last review.

Of course, the Plan which is, in the main, invested in equities, has not been immune from the turmoil in market performance over the last year and the fund value has suffered despite receiving agreed additional Company contributions to fund the deficit identified at the 2006 valuation.

However, as a result of the Trustees gaining agreement to bring forward the date of the triennial valuation and working together with Arqiva to review the results, I am pleased to tell you that a revised funding plan which addresses the newly identified deficit has just been agreed. This issue of this newsletter was delayed so that details of the new funding plan and commentary on the valuation could be included.

Bringing forward the valuation date has enabled the Trustees to secure early additional payments, as well as addressing the adverse effect of redundancies arising out of the NGW integration and to better position the Plan in advance of the anticipated refinancing of the Company in 2012. In addition, it aligns the valuation date of the Arqiva Plan with that of the legacy NGW Defined Benefit Plan, now known as the Arqiva Services Limited Pension Scheme. With the support of our advisors, we will be moving into a period of discussions with both the Trustees of this Plan and the Company on the potential merger of the two Plans and the benefits that one combined scheme might bring. We will work closely with the Company on developing further communications on this as it progresses.

Whilst the valuation has been the main focus of our meetings there have also been other developments through the year and these are covered in more detail in the 'Plan Changes and Information' section at the end of this newsletter.

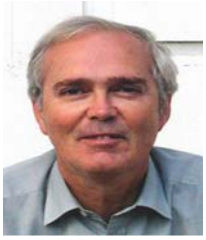
Through much of the year we have been operating as a five member Trustee Board following the resignation of Derek Bradbury. Derek stepped down in September last year to avoid any potential conflict during the NGW integration process. Frank Brown has continued as the BECTU representative and we welcomed Dick Buckle, elected as the new Member Nominated Trustee in December, replacing Mark Jacobs who we thank for his contribution in this role since plan inception.

Finally, it is worth noting that the Trustees have received reassurance from the Company that the recent Macquarie Communications Infrastructure Group transfer of its 48% shareholding in Arqiva to the Canadian Pension Plan Investment Board has no impact on the strength of the Company covenant.

I hope you find this newsletter a useful update.

Best regards

Plan Trustees

 Derek Bradbury Employer Nominated (to 09.08)	 Frank Brown Member Nominated	 Peter Douglas Employer Nominated
 Peter Heslop Employer Nominated	 Dick Buckle Member Nominated	 Tom O'Connor Employer Nominated

Trustee Professional Advisors

Scheme Actuary - Robert Bass, KPMG LLP
Arlington Business Park, Theale,
Reading, Berkshire, RG7 4SD

Auditors – Horwath Clark Whitehill LLP
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Bankers – Lloyds TSB

Pension administrators & investment consultants – KPMG LLP
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Reading, Berkshire, RG7 4SD

Investment Manager – State Street Global Advisors
25 Bank Street
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Legal Advisors – Baker & McKenzie LLP
100 New Bridge Street
London, EC4V 6JA

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

The Auditors have confirmed that the full financial statements in the Trustees' Report and Accounts for 1 July 2007 - 30 June 2008 are correct. Copies are available for members to view on request.

While the 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

Active Members	**336**
Pensioners	**101**
Deferred pensioners	**66**
Total	**503**

Benefit Information

All contributing members of the fund receive a personalised benefit statement on an annual basis. In addition, Member handbooks are available from the plan administrator or for those with access to the HR Intranet site at http://arg/corporate_support/01_hr/02_rewards_&_benefits/04_pension/db.asp

If you have questions about the Plan or queries about your benefits that are not answered by these sources, our Plan administrators, KPMG, will be pleased to help you.

Contact: Daniel Bell Telephone: 0118 373 1354 Fax: 0118 373 1373 email: daniel.bell@kpmg.co.uk

You should 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

£000s	Formal Valuation 30 June 2006	Actuarial Report 30 June 2007	Formal Valuation 30 June 2008
Assets	**6,122**	**12,570**	**16,611**
Liabilities	**7,100**	**11,700**	**20,910**
Surplus / (Deficit)	**(978)**	**870**	**(4,299)**
Funding Level	**86.2%**	**107.4%**	**79.4%**

Formal Valuation at 30 June 2008

The valuation has now been completed following extensive discussion between the Trustees and the Company. As the table above shows, the valuation of the Plan revealed a deficit of £4.3m at 30 June 2008 and it has been agreed that the Company will pay

Due by	Existing Recovery payments (£000s)	New Recovery Plan (£000s)	Total (£000s)
31 December 2009	200	1,102	1,302
1 July 2010	150	1,102	1,252
1 July 2011	-	1,102	1,102
1 July 2012	-	1,102	1,102
1 July 2013	-	328	328
Total (£000s)	350	4,736	5,086

In addition to these amounts the Company will pay 26.3% per annum of pensionable salaries into the Plan in respect of the accrual of future service. Company contributions in respect of Added Years AVCs are payable on top of this figure.

The funding position has worsened since the 2006 valuation primarily due to poor asset returns and a strengthening of the assumptions used to value the liabilities.

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 (full solvency) was £31.9m. Inclusion of this information does not imply that the Company is thinking of winding up the Plan.

New mortality tables were released in 2008 which have shown that there can be big differences in life expectancy depending on where someone lives and the size of their pension. Estimating life expectancy is crucial in determining the value of the liabilities because it determines how long a pension is expected to be paid. An analysis of the Plan's membership was undertaken as part of the valuation process and the results showed that on average the life expectancy of the Plan's membership was expected to be in line with the UK population as a whole. These results have been incorporated into the valuation results.

The next formal valuation must be conducted with an effective date of no later than 30 June 2011.

Plan Changes and Information

Early retirement change reminder

At the moment, some members of the Plan are entitled to take early retirement from the Plan from age 50. From **6 April 2010** this will change and the earliest age you can retire will be 55. However under certain circumstances, members who leave (or have left) the Plan due to redundancy will still be able to retire from age 50 from 6 April 2010. Further details are available from the plan administrator.

Flexible retirement

From 1st April 2008 members have been able to take their pension on a more flexible basis. If you do not wish to retire on reaching the plan retirement age of 60, 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 of 2% or 4%, attracting a company contribution of 6% or 8% respectively.

Money Purchase AVC (MPAVC)

The MPAVC policy, currently through Friends Provident, which is available to all active members will continue to offer members at retirement with MPAVC funds of less than £10k an option of having their MPAVC benefit provided from the Arqiva Plan (subject to a charge of £500). The Trustees introduced this additional option to support members who might have difficulty in securing an annuity with this level of MPAVC fund.

Trustee Risk Register

In line with guidance from the Pensions Regulator, the Trustees have established a risk register for the Plan which covers areas in addition to those reviewed in the formal annual Plan audit. The Trustees use the register to list possible risks in the standard Arqiva format and then record the actions that have been taken to mitigate the risks. The register is then reviewed at every Trustee meeting.

Data sharing

Many 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.

Changes to LPI (Limited Price Indexation) Cap in Deferment

A statutory change to the LPI cap on increases to the value of pension in deferment from 5% to 2.5% became effective within the Plan on 6 April 2009. This change, from 5% to 2.5%, applies only to benefits accrued from 6 April 2009 and to members who leave the Plan. Benefits accrued before this date are unaffected. An explanatory note was sent to all members earlier this year by the company. Further copies are available on request.

Transfer Value Basis

New regulations from 1 October 2008 placed the responsibility for determining the assumptions to be used in the calculation of transfer values on Trustees. Assumptions were agreed by the Trustees following consideration of actuarial advice and apply to requests from members who have left the Plan and who want to transfer or who are considering transferring their fund to another pension arrangement.

Conflicts of Interest Protocol

Trustees agreed and implemented a Conflicts of Interest Protocol as a result of new legislative requirements effective in October 2008. The protocol sets out how conflicts of interests should be managed by the Trustees both as a group and as individuals and a Register of Interests, reviewed at the start of each Trustee meeting, records all acknowledged conflict situations.

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