
AT&T ISTEEL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

FRIDAY



A6F0H268

A10

15/09/2017

#161

COMPANIES HOUSE

Registered No. 03531467

Contents

Pages

2	Corporate Information
3-4	Strategic report for the year ended 31 December 2016
5-6	Directors' report for the year ended 31 December 2016
7-8	Independent auditors' report to the members of AT&T ISTELE
9	Profit and Loss account for the year ended 31 December 2016
9	Statement of Comprehensive income for the year ended 31 December 2016
10	Statement of Financial Position as at 31 December 2016
11	Statement of Changes in equity for the year ended 31 December 2016
12-33	Notes to the financial statements for the year ended 31 December 2016

AT&T ISTEEL**CORPORATE INFORMATION****for the year ended 31 December 2016****Directors**

Michael Springham

Ian Crowther

Pascale Frossard

Registered office

Highfield House

Headless Cross Drive

Headless Cross

Redditch

B97 5EQ

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

Lawyers

Gowling WLG

Two Snow Hill

Birmingham

B4 6WR

Bankers

HSBC plc

Church Green West

Redditch

Worcestershire

B97 4EA

Citibank

Canada Square

Canary Wharf

London

E14 5LB

Bank Mendes Gans

Herengracht 619

1017 CE Amsterdam

The Netherlands

AT&T ISTELE

Registered No. 03531467

STRATEGIC REPORT

for the year ended 31 December 2016

The directors submit their Strategic report for the year ended 31 December 2016.

Principal activities

The principal activity of AT&T ISTELE ("the Company") during the year was the provision of communication services to third party customers and the provision of accounting and administrative support to companies within the AT&T Inc. group.

Review of the business

The Profit and Loss account for the year is set out on page 9.

The Company provides network telecommunication services and support functions to companies within the AT&T Inc. group. No significant changes are expected to the operations in the near future.

Turnover, which under the AT&T Global Intercompany Trading Agreement "AGITA" and separate Service Agreement is based on support for telecommunications and related support functions respectively provided to the group, increased from £62,732,000 to £63,768,000.

The average number of persons employed by the Company during the year was 396 (2015: 432).

Future outlook

No significant events have occurred after the balance sheet date affecting the Company's financial position as at the balance sheet date. Trading in 2017 is expected to remain consistent with the year ended 31 December 2016.

Principal risks and uncertainties**Business risks**

The telecommunication industry is dependent on the general economic environment of the country and the international markets it operates in. The operation of the AGITA and Service Agreement limits the risks faced by the Company, however any potential decline in the commercial activities of the group would have an indirect adverse influence on the Company.

Financial risks

The Company continues to operate under the AGITA and Service Agreement for its international operations. Under this model the Company provides network, sales and marketing and general administrative support to its intermediate parent company AT&T Corp. As a result the Company bears limited risk in relation to its local business. The agreements include a 3-month termination period, however, the Directors do not have any intention to terminate these agreements within the next year from the date of these financial statements and to the best of their knowledge, are not aware of any intention to terminate the agreements from the side of the intermediate parent company.

STRATEGIC REPORT
for the year ended 31 December 2016 (continued)

Key performance indicators (“KPI”)

AT&T Inc. is the ultimate parent and controlling company. The AT&T Inc. group provides managerial coordination, direction and support to AT&T ISTELE and manages the group on a functional basis. For this reason the directors believe that analysis using KPI's is not appropriate for an understanding of the development, performance or position of the business. Details of the business services division of the group, which includes the company, are discussed in the AT&T Inc. group's annual report and does not form part of this report.

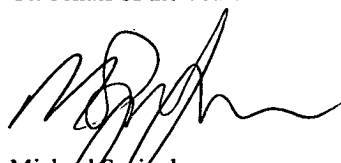
Results and dividends

AT&T ISTELE's profit for the financial year is £1,405,000 (2015: £2,691,000). The directors do not recommend the payment of a dividend (2015: £nil) and the profit will be transferred to reserves.

AT&T ISTELE's net current assets for the financial year are £53,289,000 (2015: £50,726,000), with a cash balance of £38,160,000 (2015: £32,228,000).

On behalf of the board

6 September 2017



Michael Springham
Director

DIRECTORS' REPORT
for the year ended 31 December 2016

The directors submit their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

Directors

The details of the directors who served during the year and up to the date of signing of the financial statements are as follows:

- Michael Springham
- Ian Crowther
- Pascale Frossard

Directors' indemnities

During the financial year and at the date of approval of the financial statements, the directors of the Company were indemnified by a group insurance policy with respect to Directors' and Officers' liability held by the ultimate parent company AT&T Inc.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT
for the year ended 31 December 2016 (continued)**Employee consultation and communications**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through regular briefing of employees at all levels, publication of in-house information bulletins, holding of site-based communication meetings and formal arrangements with recognised trade unions.

Disabled persons

The Company has a policy of giving every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by those persons. With regard to existing employees who are or have become disabled, the Company has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development wherever possible.

Modern Slavery Act

For the financial year, AT&T has continued to comply with, and has legally obligated its suppliers to comply with, the policies set forth at:
http://www.about.att.com/content/dam/csr/FAQpdfs/Human_Rights_Communications_Policy.pdf

Future developments

There are no significant future developments for the Company which are not currently disclosed.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil) and the profit will be transferred to reserves.

Political donations

In 2016 the Company made a donation of £10,387 to the Liberal Democrats (2015: £8,530).

Financial risk management

The financial risks of the Company have been disclosed in the Strategic Report.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial and business risks are described in the Strategic report. The Company has assessed its financial resources together with its customer and supplier base. The directors believe that the Company is well placed to manage its business risks successfully. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Independent auditors

A resolution has been passed to dispense with the obligation to appoint auditors annually in accordance with Companies Act 2006. Accordingly, PricewaterhouseCoopers LLP shall be deemed to be re-appointed as auditors 28 days after the financial statements are sent to the member.

On behalf of the board

6 September 2017



Michael Springham
Director

Independent auditors' report to the members of AT&T ISTELE

Report on the financial statements

Our opinion

In our opinion, AT&T ISTELE's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Profit and Loss Account and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

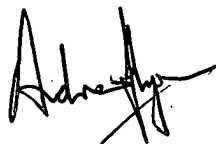
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Andrew Lyon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
6 September 2017

AT&T ISTEEL**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2016**

		2016	2015
	Note	£'000	£'000
Turnover	5	63,768	62,732
Cost of sales		(61,569)	(60,409)
Operating profit		2,199	2,323
Interest receivable and similar income	6	76	82
Interest payable and similar charges	7	-	(8)
Other finance income	8	707	441
Profit on ordinary activities before taxation	10	2,982	2,838
Tax on profit on ordinary activities	11	(1,577)	(147)
Profit for the financial year		1,405	2,691

STATEMENT OF COMPREHENSIVE INCOME**for the year ended 31 December 2016**

		2016	2015
	Note	£'000	£'000
Profit for the financial year		1,405	2,691
Other comprehensive income:			
Re-measurements of net defined benefit obligation:			
- Actuarial gain on pension scheme	17	11,748	5,892
- Movement on deferred tax relating to pension scheme	15	(4,112)	(2,062)
Other comprehensive income for the year, net of tax		7,636	3,830
Total comprehensive income for the year		9,041	6,521

The notes on pages 12 to 33 form an integral part of these financial statements.

AT&T ISTELE

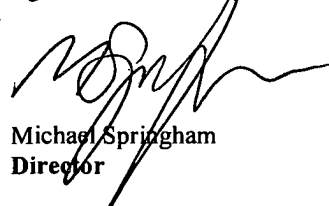
STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	196		152	
Tangible assets	13	21,184		22,930	
			21,380		23,082
Current assets					
Debtors: amounts falling due within one year	14	17,939		28,133	
Debtors: amounts falling due after more than one year	14	7,745		8,958	
Cash at bank and in hand		38,160		32,228	
		63,844		69,319	
Creditors: amounts falling due within one year	15	(10,555)		(18,593)	
Net current assets			53,289		50,726
Total assets less current liabilities			74,669		73,808
Creditors: amounts falling due after more than one year	15		(11,475)		(7,137)
Provisions for liabilities	16		(153)		(216)
Net assets excluding pension asset			63,041		66,455
Pension asset	17		31,041		18,586
Net assets			94,082		85,041
Capital and Reserves					
Called up share capital	18		85,414		85,414
Retained Earnings			8,668		(373)
Total equity			94,082		85,041

The notes on pages 12 to 33 form an integral part of these financial statements.

The financial statements on pages 9 to 33 were approved by the board of directors on 6 September 2017 and were signed on its behalf by:



Michael Springham
Director

Registered number: 03531467

AT&T ISTEEL**STATEMENT OF CHANGES IN EQUITY****for the year ended 31 December 2016**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2015	85,414	(6,894)	78,520
Profit for the financial year	-	2,691	2,691
Other comprehensive income for the year	-	3,830	3,830
Total comprehensive income for the year	-	6,521	6,521
Balance as at 31 December 2015	85,414	(373)	85,041
Balance as at 1 January 2016	85,414	(373)	85,041
Profit for the financial year	-	1,405	1,405
Other comprehensive income for the year	-	7,636	7,636
Total comprehensive income for the year	-	9,041	9,041
Balance as at 31 December 2016	85,414	8,668	94,082

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****1. General information**

The principal activity of AT&T ISTELE was the supply of telecommunication and related services to local and global customers as well as to business partners on a country and regional basis.

The Company is a private unlimited company incorporated in United Kingdom. The registered office is Highfield House, Headless Cross Drive, Headless Cross, Redditch, B97 5EQ.

2. Statement of compliance

The individual financial statements of AT&T ISTELE have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently during the financial year.

a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements are prepared in sterling which is the functional currency, and rounded to the nearest £'000.

b) Going concern

In considering the going concern basis, the Directors have reviewed the future funding arrangements available from the AT&T Inc. group, and believe that these arrangements are adequate to enable AT&T ISTELE to meet its liabilities, including those to the Pension Plans (note 17), as they fall due.

Consequently the directors believe that it is appropriate for these financial statements to be drawn up on a going concern basis.

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions.

The Company is a wholly owned indirect subsidiary of AT&T Inc., and its cash flows are included in the consolidated financial statements of AT&T Inc., which are publicly available. Consequently the Company takes advantage of the exemption from producing a cash flow statement under the terms of Financial Reporting Standard 102.

The Company is also exempt under the terms of Financial Reporting Standard 102 from disclosing related party transactions with entities that are 100% owned by the AT&T Inc. group or investees of the AT&T Inc. group.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****3. Summary of significant accounting policies (continued)*****d) Foreign currency******i. Functional and presentation currency***

The Company's functional and presentation currency is the pound sterling.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the profit and loss account within 'operating costs'.

e) Turnover and revenue recognition

Turnover represents the income received from other group undertakings in accordance with the AGITA and Service Agreement. Under these agreements the Company provides network, sales and marketing and general administrative support to its ultimate parent company. Income is related to these costs and may increase if the annual growth in third party revenue is substantial. Amounts invoiced to third party customers are accounted for as due to this group undertaking, under the terms of the aforementioned agreements because the legal debt is owed to the Company, even though it is not included in revenue as it does not bear the risks and rewards associated with these invoices.

Revenue is recognised in the accounting period in which the services are rendered, taking into account the extent to which the given transaction is completed. This extent is assessed based on the actual services provided as a proportion of the total services agreed.

Turnover is stated net of value added tax and similar sales based taxes.

f) Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

g) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****3. Summary of significant accounting policies (continued)***ii. Defined contribution pension plans*

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company-in independently administered funds.

iii. Defined benefit pension plan

The company operates a defined benefit plan, which is closed to new entrants and future accrual, for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation at the end of the reporting date. Under FRS 102, given the nature of the scheme rules, the company has to recognise the pension schemes surplus along with the associated deferred tax liability.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit liability'.

The net interest gain is calculated by applying the discount rate to the net balance of the fair value of plan assets and the defined benefit obligation. This income is recognised in profit or loss as 'Other financial income'.

iv. Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****3. Summary of significant accounting policies (continued)***i. Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

i) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

j) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

i. Land and buildings

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

ii. Plant and machinery and computer equipment

Plant and machinery and computer equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016
3. Summary of significant accounting policies (continued)
iii. Depreciation and residual values

Depreciation on assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Freehold land	- no depreciation is charged
Freehold buildings	- 44 years
Leasehold land and buildings	- shorter of the life of the lease and 44 years
Building improvements	- up to 44 years
Plant and machinery	- 10 to 15 years
Computer equipment	- 3 to 12 years
Assets under construction	- no depreciation is charged

The expected useful lives of the assets to the business are reassessed periodically in light of experience.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

iv. Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

v. Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

vi. Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Operating costs'.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****3. Summary of significant accounting policies (continued)*****k) Leased assets***

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i. Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

ii. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

iii. Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

3. Summary of significant accounting policies (continued)

l) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

n) Provisions and contingencies

i. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- (i) Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- (ii) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****3. Summary of significant accounting policies (continued)***ii. Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

o) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****3. Summary of significant accounting policies (continued)***ii. Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

q) Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

r) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****4. Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 3(j) for the useful economic lives for each class of assets.

ii. Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

iii. Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures relating to the defined benefit pension scheme.

iv. Deferred Tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base provided at the rate at which they are expected to reverse. A deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised, and this is based on a forecast of 10 years.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****5. Turnover**

All turnover originates in the United Kingdom from continuing operations. The analysis of Company turnover by destination is as follows:

Turnover by destination

	2016	2015
	£'000	£'000
Europe	32,078	30,363
USA	31,690	32,369
	63,768	62,732

The analysis of turnover by business is as follows

	2016	2015
	£'000	£'000
Group support	63,768	62,732

As stated in the accounting policies, amounts billed and accrued in respect of third party customers are not included in turnover. The aggregate amount involved is £12,037,000 (2015: £12,138,000).

6. Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest from bank deposits	76	82
	76	82

7. Interest payable and similar charges

	2016	2015
	£'000	£'000
Unwinding of discount on provisions	-	8
	-	8

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****8. Other finance income**

	2016	2015
	£'000	£'000
Expected return on pension scheme assets (note 17)	17,506	16,750
Interest on pension scheme liabilities (note 17)	(16,799)	(16,309)
	707	441

9. Employee information**(a) Staff**

The monthly average number of persons employed by the Company (including executive directors) during the year was:

By activity	2016	2015
	Number	Number
Administration	153	164
Marketing and service delivery	243	268
	396	432

	2016	2015
	£'000	£'000
Wages and salaries	32,991	32,130
Social security costs	3,991	3,953
Other pension costs (note 17)	3,563	2,429
	40,545	38,512

(b) Directors' emoluments

None (2015: none) of the directors received remuneration for their services as director of the Company. Benefits are accruing to nil directors (2015: nil directors) under the Company's defined benefit pension scheme and to 2 directors (2015: 2 directors) under the Company's defined contribution pension scheme. None (2015: none) of the directors exercised share options during the year.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****10. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2016	2015
	£'000	£'000
Auditors' remuneration - audit of AT&T ISTEEL	62	62
- audit of other EMEA companies	1,273	1,251
- Total audit fees	1,335	1,313
- Actuarial services	283	594
- Tax services	1,278	824
- Outsourcing services	34	-
- Total other fees	1,595	1,418
Total auditors' remuneration (a)	2,930	2,731
Amortisation of intangible fixed assets-owned (note 12)	153	227
Depreciation of tangible fixed assets-owned (note 13)	2,765	3,265
Operating lease rentals	1,703	1,839
Loss/(gain) on the sale of fixed assets	204	(2)
Net residual lease contracts	27	(31)
Exchange losses/(gains)	225	(34)

(a) Under the AGITA and Service Agreement, AT&T ISTEEL incurs the auditors' remuneration for other EMEA companies and recovers these costs by way of intercompany recharges. Other EMEA costs incurred centrally by AT&T ISTEEL include legal, consultancy and other accountancy costs.

11. Tax on profit on ordinary activities**(a) Analysis of charge in the year**

	2016	2015
	£'000	£'000
Current tax		
United Kingdom corporation tax at 20% (2015: 20.25%)	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
Deferred tax in respect of:		
Origination and reversal of timing differences	786	(986)
Effect of changes in tax rate	544	979
Pension tax	247	154
Tax charge	1,577	147

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****11. Tax on profit on ordinary activities (continued)**

Tax losses carried forward estimated at £51.8 million at 31 December 2016 (2015: £53.2 million), are available to offset against future profits of the same trade. HM Revenue and Customs have agreed tax losses to be carried forward as at 31 December 2013 of £54.5 million.

(b) Factors affecting the tax charge in the year

The current tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	2,982	2,838
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	596	575
Effects of:		
Expenses not deductible for tax purposes	307	439
Effect of change in tax rate	542	940
Unrecognised deferred tax asset	132	(1,807)
Total tax charge for the year	1,577	147

(c) Factors that may affect future tax charges

The full rate of corporation tax has decreased to 19% from 1 April 2017 and is due to decrease to 17% from 1 April 2020. The reduction in the rate to 17% from 1 April 2020 was substantively enacted as part of Finance Act 2016 on 6 September 2016. The unrecognised deferred tax asset at 31 December 2016 has been re-measured accordingly.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****12. Intangible assets**

	Software £'000
Cost	
At 1 January 2016	650
Additions	197
At 31 December 2016	847
Accumulated Amortisation	
At 1 January 2016	(498)
Charge for the year	(153)
At 31 December 2016	(651)
Net book value	
At 31 December 2016	196
At 31 December 2015	152

13. Tangible assets

	Land and Buildings £'000	Plant and Machinery £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2016	34,629	1,194	15,840	51,663
Additions	159	-	1,064	1,223
Disposals	(45)	-	(1,834)	(1,879)
At 31 December 2016	34,743	1,194	15,070	51,007
Accumulated Depreciation				
At 1 January 2016	(16,338)	(884)	(11,511)	(28,733)
Charge for the year	(1,452)	(94)	(1,219)	(2,765)
Disposals	45	-	1,630	1,675
At 31 December 2016	(17,745)	(978)	(11,100)	(29,823)
Net book value				
At 31 December 2016	16,998	216	3,970	21,184
At 31 December 2015	18,291	310	4,329	22,930

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****13. Tangible assets (continued)**

Depreciation has not been charged on freehold land, which is stated at cost of £2,081,000 (2015: £2,081,000).

The net book value of land and buildings, including improvements, comprises:

	2016	2015
	£'000	£'000
Leasehold improvements	213	390
Freehold	16,785	17,901
	16,998	18,291

14. Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade debtors	2,232	2,573
Amounts owed by group undertakings	11,869	21,391
Other debtors	845	857
Deferred tax asset	722	839
Prepayments and accrued income	2,271	2,473
	17,939	28,133
Amounts falling due after more than one year		
Deferred tax asset	7,745	8,958
	7,745	8,958

The deferred tax asset in the financial statements and the amount of the total asset not provided are as follows:

	Amount provided		Not provided	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Tax effect of timing differences due to excess of depreciation over capital allowances	1,662	2,241	-	-
Trading tax losses	6,683	7,440	2,123	2,130
Provisions	122	116	-	-
	8,467	9,797	2,123	2,130

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****14. Debtors (continued)**

The movement in the deferred tax asset is analysed below:

	2016	2015
	£'000	£'000
At 1 January	9,797	9,790
Deferred tax (charged)/credited to profit and loss account (note 11)	(786)	986
Effect of change in tax rate	(544)	(979)
At 31 December	8,467	9,797

15. Creditors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Trade creditors	1,591	2,483
Amounts owed to group undertakings	1,190	8,084
Taxation and social security	959	997
Other creditors	4,017	4,119
Accruals and deferred income	2,798	2,910
	10,555	18,593

Amounts falling due after more than one year

	2016	2015
	£'000	£'000
Other creditors	611	632
Deferred tax liability	10,864	6,505
	11,475	7,137

Deferred tax liability disclosure

The movement in the deferred tax liability is analysed below:

	2016	2015
	£'000	£'000
At 1 January	6,505	4,289
Deferred pension tax charged to profit and loss account (note 11)	247	154
Deferred pension tax charged to other comprehensive income	4,112	2,062
At 31 December	10,864	6,505

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****16. Provisions for liabilities**

	Total £'000
At 1 January 2016	216
Charged to profit and loss account	27
Utilised in the year	(90)
At 31 December 2016	153

Provisions relate to lease contracts and are the estimated costs and financial commitments associated with the exiting of leasehold properties in use by the Company.

17. Pension asset

The Group operates two pension schemes, one defined benefit scheme being the AT&T ISTELE Pension Plan, and one defined contribution scheme being the AT&T Pension Scheme.

The Company accounts for defined benefit schemes under Financial Reporting Standard 102 – section 28 (FRS 102). The disclosures below relate to the AT&T ISTELE Pension Plan which is a defined benefit plan. The defined benefit scheme was closed to new members from 17 April 2001 and was closed to future accrual on 31 January 2010.

The last funding valuation of the Plan was carried out by a qualified actuary as at 31 March 2016 and based on this valuation no employer deficit contributions are expected to be paid into the Plan for the year starting on 1 January 2017. Employer contributions might be required if there are any benefit augmentations during the year.

The results of the latest funding valuation at 31 March 2016 have been adjusted to the balance sheet date taking account of experience over the period, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The latest actuarial valuation which was used for the purposes of 31 December 2016 financial statements, took place as at 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****17. Pension asset (continued)**

The principal assumptions used to calculate the liabilities under FRS102 are set out below:

	2016 %	2015 %
Discount rate	2.7	3.8
Rate of increase in salaries	N/A	N/A
Rate of guaranteed increase in pensions accrued prior to April 1997	3.0	3.0
Rate of discretionary increase in pensions accrued prior to April 1997	3.7	3.7
Rate of increase in pensions accrued since April 1997	3.7	3.7
Inflation assumption (CPI)	2.4	2.2
RPI Inflation	3.5	3.3

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The main demographic assumptions are:

	2016	2015
Life expectancy for male currently aged 60	27.6 years	28.2 years
Life expectancy for female currently aged 60	29.2 years	29.9 years
Life expectancy at 60 for male currently aged 40	28.9 years	29.8 years
Life expectancy at 60 for female currently aged 40	30.9 years	31.9 years

Cash commutation – for both years, 20% of members are assumed to take the maximum cash sum available at retirement

The assets in the AT&T ISTEEL Pension plan scheme are allocated as below:

	2016 %	Market Value as at 31 December 2016 £'000	2015 %	Market Value as at 31 December 2015 £'000
Equities	17.4	100,631	16.8	78,509
Hedge Funds	12.6	72,653	14.8	68,947
Property	8.7	50,111	9.6	44,928
Liability Driven Investments	53.5	308,521	48.3	225,951
Diversified Growth Fund	7.5	43,506	9.5	44,604
Cash	0.3	1,484	1.0	4,699
TOTAL	100	576,906	100	467,638

None of the Plan assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****17. Pension asset (continued)****a) Reconciliation of funded status to balance sheet**

	2016	2015
	£'000	£'000
Fair value of assets	576,906	467,638
Present value of funded defined benefit obligations	(545,865)	(449,052)
Funded status	31,041	18,586
Asset recognised on the balance sheet	31,041	18,586

When determining the asset recognised on the balance sheet, it has been assumed that the Company would be able to recover the surplus through a refund from the Plan in the future. This reflects the provisions of the plan documentation.

b) Amounts recognised in income statement

	2016	2015
	£'000	£'000
Operating cost	-	-
Financing cost:		
Interest on net defined benefit asset	707	441
Pension income recognised in profit and loss	707	441

The net charge to the profit and loss account for the AT&T Pension Defined Contribution Scheme was £3,563,000 (2015: £2,429,000) of which £nil was unpaid at 31 December 2016 (2015: £nil).

c) Amount recognised in other comprehensive income

	2016	2015
	£'000	£'000
Asset gains/(losses) arising during the year	105,829	(7,574)
Liability (losses)/gains arising during the year	(94,081)	13,466
Total amount recognised in other comprehensive income	11,748	5,892

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****17. Pension asset (continued)***d) Changes to the present value of the scheme liabilities during the year*

	2016	2015
	£'000	£'000
Opening scheme liabilities	449,052	459,744
Interest cost	16,799	16,309
Actuarial losses/(gains) on plan liabilities*	94,081	(13,466)
Net benefits paid out	(14,067)	(13,535)
Closing scheme liabilities	545,865	449,052

* - Includes changes to the actuarial assumptions and changes in the surplus deemed to belong to members.

e) Changes to the fair value of plan assets during the year

	2016	2015
	£'000	£'000
Opening fair value of plan assets	467,638	471,997
Interest income on plan assets	17,506	16,750
Gain/(loss) on plan assets	105,829	(7,574)
Net benefits paid out	(14,067)	(13,535)
Closing fair value of plan assets	576,906	467,638

f) Actual return on plan assets:

	2016	2015
	£'000	£'000
Interest income on plan assets	17,506	16,750
Gain/(loss) on plan assets	105,829	(7,574)
Actual return on plan assets	123,335	9,176

18. Called up share capital

	2016	2015
	£'000	£'000
Authorised		
100,000,000 (2015: 100,000,000) ordinary equity shares of £1 each	100,000	100,000
Allotted and fully paid		
85,413,539 (2015: 85,413,539) ordinary equity shares of £1 each	85,414	85,414

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 December 2016****19. Financial commitments****a) Lease commitments**

The Company leases certain land, buildings and vehicles on short and long term leases. At 31 December 2016, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods, which are subject to re-negotiation at intervals specified in the leases and in respect of which the Company pays all insurance, maintenance and repairs of these properties in the year are as follows:

	2016	2015
	£'000	£'000
Payments due:		
Not later than one year	1,380	1,283
Later than one year and not later than five years	2,332	2,934
Later than five years	23	35
	3,735	4,252

b) Cash Funding Arrangements

The Company is party to a cross-guarantee in respect of a cash pooling arrangement with certain fellow subsidiaries of AT&T Corp. Each member of the cash pooling arrangement may become individually overdrawn, as long as the overall balance across all subsidiaries remains zero or positive. Individual subsidiary overdrafts are therefore guaranteed by the positive balances of other cash pool members. At 31 December 2016, the Company had a positive cash balance within the pooling account of £37,529,000 (2015: £31,868,000) which guaranteed the overdrafts of other subsidiaries up to that amount).

The Company's bankers have guarantees with third parties totalling £50,000 (2015: £250,000) in respect of the Company.

c) Pension Funding Arrangements

As disclosed in note 17 the group operated two defined benefit schemes, the AT&T ISTEEL Pension Plan and the AT&T ISTEEL Supplementary Pension Plan, which were merged during 2007.

AT&T Corp. have provided a guarantee to the Pension Plans, to which the Trustees are agreeable, in respect of past pension liabilities.

20. Related party transactions

The Company recharges the AT&T ISTEEL Pension Plan with the cost of investment management expenses borne by the Company. The total amount recharged in the year ended 31 December 2016 was £370,000 (2015: £1,628,000), of which £223,000 (2015: £398,000) is recognised as a current asset at the year end.

21. Ultimate parent undertaking and controlling party

The immediate parent company of AT&T ISTEEL at 31 December 2016 was AT&T Communication Services Assets LLC, which is registered in the United States of America.

The Company's ultimate parent company and controlling party is AT&T Inc., which is registered in the United States of America. This is the parent company of the smallest and largest group to consolidate these financial statements. Copies of that company's consolidated financial statements are available from the Securities and Exchange Commission (www.sec.gov) or may be obtained by contacting AT&T Inc.'s investor relations department on the Web at www.att.com or at the following address: AT&T Inc., 208 S Akard St, Dallas, TX752 02, USA.