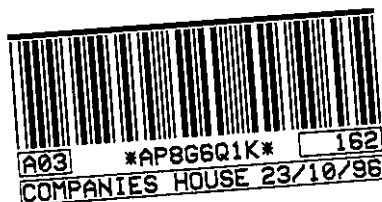


Nokia (UK) Limited

1800669

Annual report for the year ended 31 December 1995

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Directors and advisers

Directors

H Mustonen	(appointed 13 September 1995)
O J Kallasvuo	(resigned 13 September 1995)
P B Heffernan	
Mrs S K U Ranin	

Secretary and registered office

T Karppinen
Headland House
Chord Business Park
London Road
Godmanchester
Cambridgeshire
PE18 8NX

Registered Auditors

Coopers & Lybrand
Abacus House
Castle Park
Gloucester Street
Cambridge
CB3 0AN

Solicitors

Clyde & Company
51 Eastcheap
London
EC3M 1JP

Bankers

National Westminster Bank plc
Wembley Park Branch
15 Bridge Road
Wembley Park
Middlesex
HA9 9AE

**Directors' report
for the year ended 31 December 1995**

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activities, business review and future developments

The principal activity of the company is to hold investments and act as a holding company.

The principal activities of the group are the manufacturing, marketing, sales, implementation and servicing of telecommunications equipment from subscriber equipment to completed fixed and mobile network systems. In addition the group is involved in the marketing, distribution and servicing of colour television sets, video recorders and satellite reception equipment.

On 16 February 1995 the company acquired 2,103,500 £1 ordinary shares in Nokia Consumer Electronics (UK) Limited to provide additional working capital for this subsidiary undertaking. Details of this acquisition and of a share capital reduction undertaken by Nokia Consumer Electronics (UK) Limited in the year are set out in note 13.

On 21 November 1995 the company acquired the whole of the issued share capital of Technophone Limited. This was a dormant company, which on 30 November 1995 acquired freehold land with the intention of constructing a research and development centre. Details of this acquisition are set out in note 19. On 23 December 1995 the company acquired a further 3,000,000 £1 ordinary shares in Technophone Limited to finance this land purchase.

On 14 December 1995 the company acquired 12,700,000 £1 ordinary shares in Nokia Telecommunications Limited to provide additional working capital to support the continued development of the telecommunications activities of the group.

These investments were funded by share issues made by Nokia (UK) Limited in the year, as set out in note 18.

The directors believe that this additional investment, combined with Nokia's reputation for technical excellence, innovation and quality, has ensured that the group is well placed for continued growth in 1996.

Post balance sheet events

On 28 February 1996 an announcement was made that Nokia would withdraw from the consumer electronic business at some time in the future. A provision has been made by OY Nokia Ab in Finland to meet the costs of this withdrawal.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend in respect of the ordinary shares for the year ended 31 December 1995 (1994: £Nil).

The profit for the financial year of £5,254,000 (1994: £1,309,000) will be transferred to the group's reserves.

Group research and development activities

The group is committed to a programme of research and development activities which will ensure that its products incorporate the latest technology.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 12 and 13 to the financial statements.

Directors

The directors of the company at 31 December 1995, are listed on page 1.

Directors' interests

No directors held an interest at any time during the year in the shares of the company or in any significant contracts entered into by the group.

Employees

Disabled employees

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them and on the various factors affecting the performance of the group.

Insurance of directors

As permitted by the Companies Act 1985, the group has purchased insurance cover for the directors against liabilities in relation to the group.


Taxation status

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

In accordance with Section 386 of the Companies Act 1985 the company passed an elective resolution on 18 May 1991 to dispense with the obligation to appoint an auditor annually. Coopers & Lybrand will therefore continue in office as auditors.

By order of the board



T Karppinen
Company secretary


Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



T Karppinen
Company secretary

Report of the auditors to the members of Nokia (UK) Limited

We have audited the financial statements on pages 7 to 25.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

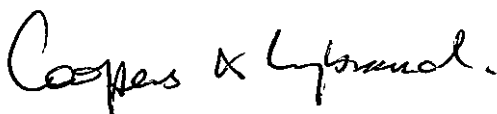
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 December 1995 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Cambridge

2 May 1996

Consolidated profit and loss account for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Turnover	2,3		
Continuing operations		602,449	348,259
Acquisitions		-	7,333
		<hr/>	<hr/>
Total turnover		602,449	355,592
Cost of sales	4	(555,293)	(316,202)
		<hr/>	<hr/>
Gross profit	4	47,156	39,390
Net operating expenses		(36,595)	(29,987)
Exceptional operating expenses		-	(1,146)
		<hr/>	<hr/>
Total operating expenses	4	(36,595)	(31,133)
		<hr/>	<hr/>
Operating profit	4		
Continuing operations		10,561	10,121
Acquisitions		-	(1,864)
		<hr/>	<hr/>
Total operating profit		10,561	8,257
Investment income	7	2,376	635
Interest payable and similar charges	8	(4,210)	(5,228)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	9	8,727	3,664
Tax on profit on ordinary activities	10	(3,473)	(2,355)
		<hr/>	<hr/>
Retained profit for the year	20	5,254	1,309
		<hr/>	<hr/>

The group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

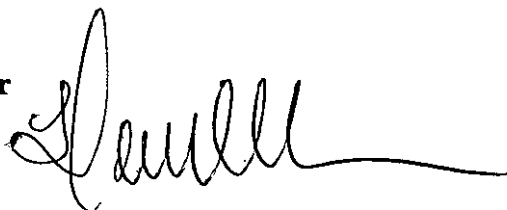
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Balance sheets at 31 December 1995

	Notes	Group		Company	
		1995 £'000	1994 £'000	1995 £'000	1994 £'000
Fixed assets					
Tangible assets	12	65,448	21,186	-	-
Investments	13	-	-	24,640	8,940
		<u>65,448</u>	<u>21,186</u>	<u>24,640</u>	<u>8,940</u>
Current assets					
Stocks	14	83,172	55,948	-	-
Debtors	15	126,377	73,585	946	3,065
Cash at bank and in hand		19,774	1,423	12	17
		<u>229,323</u>	<u>130,956</u>	<u>958</u>	<u>3,082</u>
Creditors: amounts falling due within one year	16	(222,979)	(119,172)	(155)	(2,270)
Net current assets		<u>6,344</u>	<u>11,784</u>	<u>803</u>	<u>812</u>
Total assets less current liabilities		<u>71,792</u>	<u>32,970</u>	<u>25,443</u>	<u>9,752</u>
Provisions for liabilities and charges	17	(29,514)	(13,749)	-	-
Net assets		<u><u>42,278</u></u>	<u><u>19,221</u></u>	<u><u>25,443</u></u>	<u><u>9,752</u></u>
Capital and reserves					
Called-up share capital	18	27,653	9,850	27,653	9,850
Profit and loss account	20	14,625	9,371	(2,210)	(98)
Equity shareholders' funds	21	<u><u>42,278</u></u>	<u><u>19,221</u></u>	<u><u>25,443</u></u>	<u><u>9,752</u></u>

The financial statements on pages 7 to 25 were approved by the board of directors on 28 February 1996 and were signed on its behalf by:

Director



**Consolidated cash flow statement
for the year ended 31 December 1995**

	Notes	1995 £'000	1994 £'000
Net cash inflow from continuing operating activities (reconciliation to operating profit on page 10)		22,493	374
Returns on investments and servicing of finance			
Interest received		3,665	615
Interest paid		(4,210)	(3,755)
Net cash outflow from returns on investments and servicing of finance		(545)	(3,140)
Taxation			
Corporation tax paid		(2,031)	(580)
Investing activities			
Proceeds on sale of tangible fixed assets		65	73
Purchase of tangible fixed assets		(50,770)	(10,453)
Purchase of subsidiary (net of cash acquired)	19	-	(2,349)
Net cash outflow from investing activities		(50,705)	(12,729)
Net cash outflow before financing		(30,788)	(16,075)
Financing			
New loans		-	9,984
Repayment of loans		(10,700)	-
Loan converted to share capital post year end		-	2,104
Issue of share capital		15,699	-
Net cash inflow from financing activities	25	4,999	12,088
Decrease in cash and cash equivalents	24	(25,789)	(3,987)

Reconciliation of consolidated operating profit to net cash inflow from operating activities

	1995 £'000	1994 £'000
Continuing operating activities		
Operating profit	10,561	8,257
Depreciation on tangible fixed assets	6,484	3,292
(Gain)/loss on sale of tangible fixed assets	(41)	25
Goodwill written off	-	1,146
Increase in stocks	(27,224)	(24,243)
Increase in debtors	(54,683)	(22,353)
Increase in creditors	71,631	26,175
Increase in provisions	15,765	8,075
Net cash inflow from continuing operating activities	<u>22,493</u>	<u>374</u>

**Notes to the financial statements
for the year ended 31 December 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important group policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the company and all its subsidiary undertakings, other than Bearcat Limited and Nokia (UK) Pension Trustees Limited. The accounts of these two companies have not been consolidated with those of the company as the directors consider that the amounts involved are not material. The results of subsidiaries acquired or disposed of are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Internal sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Goodwill

Goodwill represents the excess of the cost attributed to investments in subsidiaries over the fair value of the underlying net assets at the date of their acquisition. Goodwill is written off on a straight line basis over its useful economic life or ten years, whichever is the shorter.

Tangible fixed assets

Tangible fixed assets are stated at cost to the group. Depreciation and amortisation are calculated to write off the cost of the assets, less their estimated residual values on a straight line basis, over their expected useful economic lives. The principal annual rates used for this purpose are:

Freehold properties	4 - 20%
Plant and machinery	10 - 33%
Fixtures, fittings and equipment	10 - 33%

Leasehold land and buildings are amortised over the period of the lease.

Freehold land is not depreciated.

Fixed asset investments are stated at cost less any permanent diminution in value.

Research and development

Research and development expenditure is written off in the period in which it is incurred, except for expenditure on related fixed assets which is written off over the expected useful lives of those assets.

Stocks

Stocks have been valued at the lower of cost and net realisable value, after making allowances for any obsolete or slow moving items. Cost comprises the original purchase price and any direct costs attributable to location and condition. Net realisable value is the amount estimated to be subsequently receivable less costs to completion and related selling and distribution costs. In the opinion of the directors, this valuation of stocks is not materially different from replacement cost.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are converted into sterling at the rate ruling on the transaction date. Outstanding balances are converted at the rate ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

Foreign exchange contracts and currency options are used to hedge the potential exchange rate exposure and the profit or loss on such transactions is taken to the profit and loss account.

The group's open forward contracts and currency options at 31 December 1995 are revalued at year end closing rates.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted.

Turnover

Turnover represents the amount receivable in the ordinary course of business for goods sold and services provided after deducting value added tax and trade discounts and eliminating sales within the group.

Warranty

Provision is made for the estimated costs of carrying out work on all products still under warranty.

Pension scheme

There is a funded group pension scheme which provides both benefits based on final pensionable pay and benefits dependent upon contributions paid. Three subsidiaries, Nokia Telecommunications Limited, Nokia Consumer Electronics (UK) Limited and Nokia Mobile Phones (UK) Sales Limited have been participating companies of the Nokia Group (UK) Pension Scheme since 1 June 1990. The assets of the scheme are held separately from those of the group, being invested with London & Manchester (Managed Funds) Limited.

Contributions to the defined benefit tier of the scheme are based upon pension costs across the group as a whole, whereas contributions to the defined contribution tier of the scheme are fixed. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the participating companies.

2 Segmental analysis by class of business

The analysis by class of business of the group's turnover, profit before taxation and net assets is set out below:

Class of business	Turnover		Profit before taxation		Net assets	
	1995	1994	1995	1994	1995	1994
	£'000	£'000	£'000	£'000	£'000	£'000
Telecommunication systems and equipment	579,908	348,259	11,623	6,708	45,128	21,217
Investment activity	-	-	(3)	11	945	(1,152)
Consumer electronics	22,541	7,333	(2,893)	(1,909)	(3,795)	(844)
	<u>602,449</u>	<u>355,592</u>	<u>8,727</u>	<u>4,810</u>	<u>42,278</u>	<u>19,221</u>
Goodwill written off			-	(1,146)		
			<u>8,727</u>	<u>3,664</u>		

3 Analysis by geographical area

All turnover and profit originate in the United Kingdom. Intersegmental turnover is not significant.

	Turnover	
	1995 £'000	1994 £'000
By destination:		
United Kingdom	451,357	270,799
Continental Europe	109,126	78,960
Rest of World	41,966	5,833
	<u>602,449</u>	<u>355,592</u>

4 Cost of sales and other operating income and expenses

	1995 Continuing operations £'000	1994 Continuing operations £'000	Acquisitions £'000	Total £'000
Cost of sales	<u>555,293</u>	<u>308,759</u>	<u>7,443</u>	<u>316,202</u>
Gross profit/(loss)	<u>47,156</u>	<u>39,500</u>	<u>(110)</u>	<u>39,390</u>
Distribution costs	(1,531)	(618)	(55)	(673)
Administrative expenses	(17,978)	(9,573)	(1,699)	(11,272)
Exceptional administrative expense	-	(1,146)	-	(1,146)
Research and development costs	<u>(17,086)</u>	<u>(18,042)</u>	<u>-</u>	<u>(18,042)</u>
Net operating expenses	<u>(36,595)</u>	<u>(29,379)</u>	<u>(1,754)</u>	<u>(31,133)</u>
Operating profit/(loss)	<u>10,561</u>	<u>10,121</u>	<u>(1,864)</u>	<u>8,257</u>

5 Directors' emoluments

There were no emoluments paid or payable to either the chairman or the directors during the year (1994: £Nil).

6 Employee information

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

	1995 Number	1994 Number
Sales and marketing	344	261
Production	382	240
Research and development	223	161
Administration	84	61
	<u>1,033</u>	<u>723</u>
	<u>1,033</u>	<u>723</u>
	1995 £'000	1994 £'000
Staff costs (for the above persons):		
Wages and salaries	22,594	15,785
Social security costs	1,815	1,186
Other pension costs	949	659
	<u>25,358</u>	<u>17,630</u>
	<u>25,358</u>	<u>17,630</u>

7 Investment income

	1995 £'000	1994 £'000
Bank interest receivable	609	403
Interest receivable from fellow group undertakings	1,767	135
Other interest receivable	-	97
	<u>2,376</u>	<u>635</u>
	<u>2,376</u>	<u>635</u>

8 Interest payable and similar charges

	1995 £'000	1994 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	4,210	2,223
Loss on foreign exchange transactions	-	3,005
	<u>4,210</u>	<u>5,228</u>
	<u>4,210</u>	<u>5,228</u>

9 Profit on ordinary activities before taxation

	1995 £'000	1994 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of tangible assets	<u>41</u>	<u>-</u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	6,484	3,292
Provision for permanent diminution in value of intangible fixed assets	-	1,146
Auditors' remuneration for:		
Audit (company £4,500; 1994: £1,500)	110	92
Non-audit work	124	104
Hire of plant and machinery	19	912
Operating leases:		
Plant and machinery	1,262	807
Premises	2,607	1,870
Loss on disposal of tangible assets	-	25
Loss on foreign exchange transactions	<u>-</u>	<u>3,005</u>

10 Taxation

	1995 £'000	1994 £'000
Tax on profit on ordinary activities		
United Kingdom corporation tax at 33% (1994: 33%):		
Current	3,952	3,591
Deferred	128	(101)
(Over)/under provision in respect of prior years		
Current	(1,087)	(1,135)
Deferred	<u>480</u>	<u>-</u>
	<u>3,473</u>	<u>2,355</u>

11 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. Of the consolidated profit attributable to the shareholders of Nokia (UK) Limited a loss of £2,110,621 (1994: Profit of £4,000) has been dealt with in the financial statements of the company.

12 Tangible fixed assets

The company has no tangible fixed assets. Details of those relating to the group are as follows:

	Freehold land and buildings £'000	Short leasehold £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 1995	5,761	5,164	1,049	17,886	29,860
Additions	27,817	1,300	168	21,485	50,770
Disposals	-	-	(5)	(81)	(86)
Reclassification	(110)	(327)	-	437	-
At 31 December 1995	33,468	6,137	1,212	39,727	80,544
Depreciation					
At 1 January 1995	372	1,932	824	5,546	8,674
Charge for year	209	577	133	5,565	6,484
Disposals	-	-	(5)	(57)	(62)
Reclassification	(4)	(384)	-	388	-
At 31 December 1995	577	2,125	952	11,442	15,096
Net book value					
At 31 December 1995	32,891	4,012	260	28,285	65,448
Net book value					
At 31 December 1994	5,389	3,232	225	12,340	21,186

13 Fixed asset investments

Company

	1995 £'000
Subsidiary undertakings:	
Cost	
At 1 January 1995	11,690
Additions	17,804
At 31 December 1995	29,494
Amounts written off	
At 1 January 1995	2,750
In year	2,104
At 31 December 1995	4,854
Net book value	
At 31 December 1995	24,640
At 31 December 1994	8,940

Interests in group undertakings

Name and activity of undertaking	Country of Incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
Nokia Telecommunications Limited (Telecommunication systems and equipment)	England and Wales	20,000,000 £1 ordinary shares	100	100
Nokia Mobile Phones (UK) Sales Limited (Mobile cellular telephones)	England and Wales	1,500,000 £1 ordinary shares	100	100
Nokia Consumer Electronics (UK) Limited (Consumer electronics)	England and Wales	544,500 £1 ordinary shares	100	100
Technophone Limited (Research and development)	England and Wales	3,000,002 £1 ordinary shares	100	100
Bearcat Limited (Dormant)	England and Wales	100 £1 ordinary shares	100	100
Nokia Capacitors Limited (Dormant)	England and Wales	140,000 £1 ordinary shares	100	100
Nokia (UK) Pension Trustees Company Limited (Dormant)	England and Wales	100 £1 ordinary shares	100	100

On 16 February 1995 the company acquired a further 2,103,500 £1 ordinary shares in Nokia Consumer Electronics (UK) Limited, increasing its holding to 13,613,500 £1 ordinary shares. This additional investment was fully written off to reflect the negative shareholders' funds of the subsidiary undertaking.

Nokia Consumer Electronics (UK) Limited then applied to the High Court and obtained approval to reduce its share capital from £13,613,500 to £544,500 by transferring £13,060,000 from reserves and reducing the number of ordinary shares to 544,500. This did not dilute the 100% holding of Nokia (UK) Limited in Nokia Consumer Electronics (UK) Limited.

On 21 November 1995 the company acquired a 100% holding in Technophone Limited (note 19). This shareholding was increased on 23 December 1995 with the acquisition of a further 3,000,000 £1 ordinary shares issued by Technophone Limited.

On 14 December 1995 a further 12,700,000 £1 ordinary shares were acquired in Nokia Telecommunications Limited.

14 Stocks

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Raw materials and consumables	32,737	13,609	-	-
Work in progress	3,626	2,717	-	-
Finished goods and goods for resale	46,809	39,622	-	-
	<u>83,172</u>	<u>55,948</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	83,924	47,481	-	-
Amounts owed by fellow group undertakings	39,233	18,525	943	3,053
Other debtors	1,635	5,144	3	12
Prepayments and accrued income	1,516	1,100	-	-
Deferred tax (note 17)	-	608	-	-
	<u>126,308</u>	<u>72,858</u>	<u>946</u>	<u>3,065</u>
Amounts falling due after more than one year				
Trade debtors	-	642	-	-
Pension prepayment	69	85	-	-
	<u>126,377</u>	<u>73,585</u>	<u>946</u>	<u>3,065</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Bank loans and overdrafts	72,370	38,930	-	-
Payments received on account	1,567	1,501	-	-
Trade creditors	20,895	14,489	-	-
Amounts owed to fellow group undertakings	91,479	49,778	-	2,104
Amounts owed to subsidiary undertakings	-	-	140	140
Other taxation and social security payable	16,505	1,168	-	-
Other creditors	1,337	62	9	6
Accruals and deferred income	14,227	9,479	-	9
Corporation tax payable	4,599	3,765	6	11
	<u>222,979</u>	<u>119,172</u>	<u>155</u>	<u>2,270</u>

Bank loans are all payable within one year and are unsecured.

17 Provisions for liabilities and charges**Group**

	Other provisions £'000	Provision for contractual obligations and warranties £'000	Total £'000
At 1 January 1995	413	13,336	13,749
Profit and loss account	(145)	15,910	15,765
At 31 December 1995	<u>268</u>	<u>29,246</u>	<u>29,514</u>

Deferred taxation

The amount not recognised of the potential deferred tax asset is as follows:

Group

	Asset recognised		Asset not recognised	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(2,639)	(1,178)	144	132
Other	2,639	1,786	83	63
	<u>-</u>	<u>608</u>	<u>227</u>	<u>195</u>

In addition, Nokia Consumer Electronics (UK) Limited has tax losses of at least £15,300,000 to offset against future profits of the same trade.

	Deferred taxation £'000
Balance at 1 January 1995	608
Profit and loss account	(608)
Balance at 31 December 1995	<u>-</u>

The deferred tax asset at 1 January 1995 was included in other debtors (note 15).

Company

The company has no potential or actual liability for deferred tax.

18 Called-up share capital

	1995 £	1994 £
Authorised		
50,000,000 (1994: 50,000,000) ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, called up and fully paid		
27,653,500 (1994: 9,850,000) ordinary shares of £1 each	<u>27,653,500</u>	<u>9,850,000</u>

The company issued 2,103,500 £1 ordinary shares on 16 February 1995 (see note 26), 12,700,000 £1 ordinary shares on 14 December 1995 and 3,000,000 £1 ordinary shares on 23 December 1995. These shares were all issued at par to fund the additional investments in subsidiary undertakings made by the company in the year (see note 13).

19 Acquisitions

On 21 November 1995 the company acquired the whole of the issued share capital of Technophone Limited for a consideration of £2, paid in cash. This has been accounted for using the acquisition method.

The assets and liabilities of Technophone Limited acquired are set out below:

	£
Current assets	
Debtors	2
	<hr/>
Total assets	2
	<hr/>
Satisfied by	
Cash	£2
	<hr/>

Technophone Limited provided £30,000 of the group's net operating cash inflows, and had payments of £5,938,000 on investment activities.

20 Reserves

Group

	Profit and loss account £'000
At 1 January 1995	9,371
Profit for year	5,254
	<hr/>
At 31 December 1995	14,625
	<hr/>

Company

	Profit and loss account £'000
At 1 January 1995	(98)
Loss for year	(2,110)
	<hr/>
At 31 December 1995	(2,208)
	<hr/>

21 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Profit for the financial year	5,254	1,309
Issue of ordinary shares	17,803	-
Net addition to shareholders' funds	23,057	1,309
Opening shareholders' funds	19,221	17,912
Closing shareholders' funds	42,278	19,221

22 Capital commitments

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	11,480	7,903	-	-
Capital expenditure that has been authorised but not contracted for	6,201	23,185	-	-

23 Financial commitments

At 31 December 1995 the group had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	45	167	121	116
Expiring between two and five years inclusive	1,568	905	1,056	482
Expiring in over five years	1,004	-	714	-
	2,617	1,072	1,891	598

24 Cash and cash equivalents

	1995 £'000	1994 £'000
Changes during the year		
At 1 January	(26,807)	(22,820)
Net cash outflow	(25,789)	(3,987)
At 31 December	<u>(52,596)</u>	<u>(26,807)</u>

	1995 £'000	1994 £'000	1995 Change £'000	1994 £'000	1993 £'000	1994 Change £'000
Analysis of balances						
Cash at bank and in hand	19,774	1,423	18,351	1,423	7,250	(5,827)
Bank loans and overdrafts	(72,370)	(28,230)	(44,140)	(28,230)	(30,070)	1,840
At 31 December	<u>(52,596)</u>	<u>(26,807)</u>	<u>(25,789)</u>	<u>(26,807)</u>	<u>(22,820)</u>	<u>(3,987)</u>

25 Analysis of the changes in financing during the year

	1995 Loans £'000	1995 Share capital (including premium) £'000	1994 Loans £'000	1994 Share capital (including premium) £'000
At 1 January	12,804	12,600	-	12,600
Loan converted to share capital post year end	-	-	2,104	-
New share issue	-	15,699	-	-
New loans	-	-	9,984	-
Unrealised foreign exchange loss	-	-	254	-
Accrued interest	-	-	462	-
Conversion of loan to share capital	(2,104)	2,104	-	-
Repayment of loans	(10,700)	-	-	-
At 31 December	<u>-</u>	<u>30,403</u>	<u>12,804</u>	<u>12,600</u>

26 Major non-cash transactions

On 16 February 1995 a loan of £2,103,500 was converted into share capital with the issue of 2,103,500 ordinary £1 shares.

27 Pension scheme

The most recent actuarial valuation made by an independent qualified actuary (as at 1 April 1993) showed that the market value of the Nokia Group (UK) Pension Scheme's assets was £3,438,000 and that the actuarial value of those assets represented 95% of the value of the benefits that had accrued to members after allowing for expected future increases in earnings.

The projected unit credit method has been applied by the actuary in arriving at his valuation. The main assumptions used are:

	Per annum
Long term investment return	9%
Long term salary increases	7.5%
Pension increases	5%
Dividend growth	4.25%

The pension charge for the year is shown in Note 6. At 31 December 1995 there was a pension prepayment of £69,000 (1994: £85,000) representing the excess of contributions paid over the cost of accruing benefits for Nokia Consumer Electronics (UK) Limited.

28 Contingent liabilities

The company has issued a letter of comfort to Nokia Consumer Electronics (UK) Limited confirming that it will support the company for the next financial year. Nokia Consumer Electronics (UK) Limited had negative shareholders' funds of £2,651,000 at 31 December 1995. An announcement was made in February 1996 that Nokia would withdraw from the consumer electronics business. However, the costs of withdrawal will be met by OY Nokia Ab in Finland and therefore no provision has been made in connection with this letter of comfort.

29 Ultimate parent company

The ultimate parent company is OY Nokia Ab, a company incorporated in Finland.

Copies of the financial statements of OY Nokia Ab can be obtained from PO Box 226, SF-00101, Helsinki, Finland.