

Nokia (UK) Limited

1500669

Annual report for the year ended 31 December 1996

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Directors and advisers

Directors

H Mustonen
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 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

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 satellite reception equipment.

In March 1996 the directors of Nokia General Communications Limited, a subsidiary undertaking, announced their intention to withdraw from the marketing, distribution and servicing of colour television sets and video cassette recorders.

The directors believe that the group's continuing operations are well placed for continued growth in 1997.

Post balance sheet events

On 26 March 1997 the company received a dividend payment of £10 million from its subsidiary undertaking Nokia Mobile Phones (UK) Sales Limited. This was used to fund the acquisition of a further 10 million ordinary £1 shares at par in Nokia R&D (UK) Limited.

An additional 5 million ordinary £1 shares in Nokia R&D (UK) Limited were also acquired at par by the company on the same day. This investment was funded by a loan from OY Nokia Ab which was subsequently converted into share capital.

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 1996 (1995: £Nil).

The loss for the financial year of £762,000 (1995: profit of £5,254,000) will be transferred to the group's reserves.

Nokia (UK) Limited

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 who held office during the year ended 31 December 1996, 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

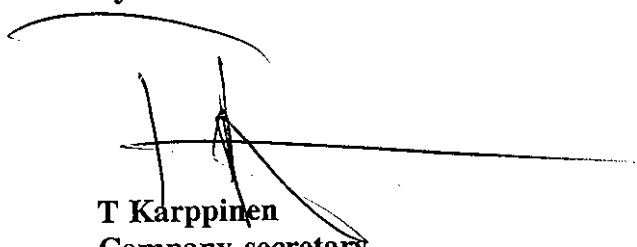
Directors' responsibilities statement

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.

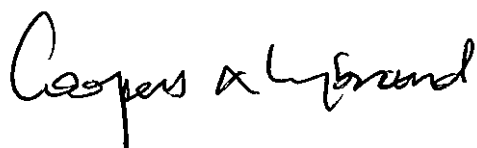
Basis of opinion

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 1996 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Cambridge, 19 August 1997

Consolidated profit and loss account for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover			
Continuing operations		690,464	582,707
Discontinued operations		10,802	19,742
		<hr/>	<hr/>
Total turnover	2,3	701,266	602,449
Cost of sales	4	(667,928)	(555,293)
		<hr/>	<hr/>
Gross profit		33,338	47,156
Net operating expenses	4	(24,425)	(36,595)
		<hr/>	<hr/>
Operating profit		13,787	12,079
Continuing operations		(4,874)	(1,518)
Discontinued operations		<hr/>	<hr/>
		8,913	10,561
Total operating profit			
Investment income	7	1,736	2,376
Interest payable and similar charges	8	(6,082)	(4,210)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2,9	4,567	8,727
Tax on profit on ordinary activities	10	(5,329)	(3,473)
		<hr/>	<hr/>
(Loss)/retained profit for the year	21	(762)	5,254
		<hr/>	<hr/>

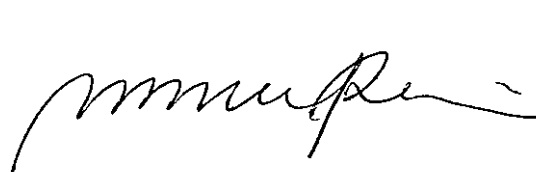

The group has no recognised gains and losses other than the (losses)/profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheets at 31 December 1996

	Notes	Group		Company	
		1996 £'000	1995 £'000	1996 £'000	1995 £'000
Fixed assets					
Tangible assets	12	71,888	65,448	-	-
Investments	13	-	-	24,640	24,640
		<u>71,888</u>	<u>65,448</u>	<u>24,640</u>	<u>24,640</u>
Current assets					
Stocks	14	110,675	83,172	-	-
Debtors	15	110,146	126,377	943	947
Investments	16	30,000	-	-	-
Cash at bank and in hand		16,489	19,774	21	12
		<u>267,310</u>	<u>229,323</u>	<u>964</u>	<u>959</u>
Creditors: amounts falling due within one year	17	(276,282)	(222,979)	(164)	(154)
Net current assets		<u>(8,972)</u>	<u>6,344</u>	<u>800</u>	<u>805</u>
Total assets less current liabilities		<u>62,916</u>	<u>71,792</u>	<u>25,440</u>	<u>25,445</u>
Provisions for liabilities and charges	18	(21,400)	(29,514)	-	-
Net assets		<u>41,516</u>	<u>42,278</u>	<u>25,440</u>	<u>25,445</u>
Capital and reserves					
Called-up share capital	19	27,653	27,653	27,653	27,653
Profit and loss account	20	13,863	14,625	(2,213)	(2,208)
Equity shareholders' funds	21	<u>41,516</u>	<u>42,278</u>	<u>25,440</u>	<u>25,445</u>

The financial statements on pages 7 to 25 were approved by the board of directors on 8 July 1997 and were signed on its behalf by:

Director

Consolidated cash flow statement for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Net cash inflow from operating activities (reconciliation to operating profit on page 10)		32,976	22,493
Returns on investments and servicing of finance			
Interest received		1,736	3,665
Interest paid		(6,082)	(4,210)
Net cash outflow from returns on investments and servicing of finance		(4,346)	(545)
Taxation			
Corporation tax paid		(3,219)	(2,031)
Investing activities			
Proceeds on sale of tangible fixed assets		1,898	65
Purchase of tangible fixed assets		(19,283)	(50,770)
Purchase of current asset investments		(30,000)	-
Net cash outflow from investing activities		(47,385)	(50,705)
Net cash outflow before financing		(21,974)	(30,788)
Financing			
Repayment of loans		-	(10,700)
Issue of share capital		-	15,699
Net cash inflow from financing activities	25	-	4,999
Decrease in cash and cash equivalents	24	(21,974)	(25,789)

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

	1996 £'000	1995 £'000
Operating activities		
Operating profit	8,913	10,561
Depreciation on tangible fixed assets	11,406	6,484
Profit on sale of tangible fixed assets	(461)	(41)
Increase in stocks	(27,503)	(27,224)
Decrease/(increase) in debtors	16,231	(54,683)
Increase in creditors	33,180	71,631
(Decrease)/increase in provisions	(8,790)	15,765
Net cash inflow from operating activities	32,976	22,493

An element of the net cash inflow from operating activities relates to discontinued operations within Nokia General Communications Limited and to the exceptional restructuring charge incurred by that company. These operations were integrated within the overall business during the year and as a result it has not been possible to identify their separate cashflows.

**Notes to the financial statements
for the year ended 31 December 1996****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. 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.

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 buildings	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 1996 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 General Communications 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.

Related party transactions

The company has taken advantage of the exemption available to 90% subsidiaries under FRS 8 "Related Party Transactions" not to disclose transactions with other group companies. Consolidated financial statements of the ultimate parent company of the group, in which the results of Nokia (UK) Limited and its subsidiaries are included, are available from the address given in note 30.

2 Segmental analysis by class of business

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

Class of business	Turnover		Profit/(loss) before taxation		Net assets/ (liabilities)	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Telecommunication systems and equipment	686,618	579,908	10,998	11,623	49,691	45,128
Investment activity	-	-	10	(3)	940	945
Satellite reception equipment	14,648	22,541	(6,441)	(2,893)	(9,115)	(3,795)
	<u>701,266</u>	<u>602,449</u>	<u>4,567</u>	<u>8,727</u>	<u>41,516</u>	<u>42,278</u>

Included with satellite reception equipment turnover is £10,802,000 (1995: £19,742,000) of turnover relating to discontinued operations.

3 Analysis by geographical area

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

	Turnover	
	1996 £'000	1995 £'000
By destination:		
United Kingdom	551,143	451,357
Continental Europe	84,649	109,126
Rest of World	65,474	41,966
	<u>701,266</u>	<u>602,449</u>

4 Cost of sales and other operating expenses

	1996			1995		
	Con- tinuing £'000	Discon- tinued £'000	Total £'000	Con- tinuing £'000	Discon- tinued £'000	Total £'000
Cost of sales	<u>654,431</u>	<u>13,497</u>	<u>667,928</u>	<u>535,807</u>	<u>19,486</u>	<u>555,293</u>
Distribution costs	(7,031)	(181)	(7,212)	(1,285)	(246)	(1,531)
Administration expenses	(5,746)	(1,424)	(7,170)	(16,450)	(1,528)	(17,978)
Research and development	(9,469)	-	(9,469)	(17,086)	-	(17,086)
Exceptional costs	-	(574)	(574)	-	-	-
Net operating expenses	<u>(22,246)</u>	<u>(2,179)</u>	<u>(24,425)</u>	<u>(34,821)</u>	<u>(1,774)</u>	<u>(36,595)</u>

The exceptional item relates to expenses incurred by Nokia General Communications Limited in reorganising the company's office and restructuring the business following the directors' decision to withdraw from television and video markets.

5 Directors' emoluments

There were no emoluments paid or payable to either the chairman or the directors during the year (1995: £Nil).

6 Employee information

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

	1996 Number	1995 Number
Sales and marketing	400	344
Production	497	382
Research and development	276	223
Administration	111	84
	<u>1,284</u>	<u>1,033</u>

	1996 £'000	1995 £'000
Staff costs (for the above persons):		
Wages and salaries	29,838	22,594
Social security costs	2,320	1,815
Other pension costs	1,175	949
	<u>33,333</u>	<u>25,358</u>

7 Investment income

	1996 £'000	1995 £'000
Bank interest receivable	443	609
Interest receivable from fellow group undertakings	1,268	1,767
Other interest receivable	25	-
	<u>1,736</u>	<u>2,376</u>

8 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans, overdrafts and other loans	5,338	4,210
Loss on foreign exchange transactions	591	-
Interest payable to fellow group undertakings	153	-
	<u>6,082</u>	<u>4,210</u>

9 Profit on ordinary activities before taxation

	1996 £'000	1995 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of tangible assets	<u>461</u>	<u>41</u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	11,406	6,484
Auditors' remuneration for:		
Audit (company £4,000; 1995: £4,500)	124	110
Non-audit work	125	124
Hire of plant and machinery	7	19
Operating leases:		
Plant and machinery	1,514	1,262
Premises	<u>3,468</u>	<u>2,607</u>

10 Taxation

	1996 £'000	1995 £'000
Tax on profit on ordinary activities		
United Kingdom corporation tax at 33% (1995: 33%):		
Current	4,479	3,952
Deferred	(153)	128
(Over)/under provision in respect of prior years		
Current	174	(1,087)
Deferred	<u>829</u>	<u>480</u>
	<u>5,329</u>	<u>3,473</u>

The high effective tax rate for the year is a result of the non-recognition of the deferred tax asset arising on current year tax losses.

11 Loss 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. The parent company's loss for the financial year was £5,025 (1995: Loss of £2,110,621).

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 1996	33,468	6,137	1,212	39,727	80,544
Additions	6,810	1,506	132	10,835	19,283
Disposals	-	(531)	(46)	(1,870)	(2,447)
Reclassification	-	557	-	(557)	-
At 31 December 1996	40,278	7,669	1,298	48,135	97,380
Depreciation					
At 1 January 1996	577	2,125	952	11,442	15,096
Charge for year	572	965	171	9,698	11,406
Disposals	-	(166)	(45)	(799)	(1,010)
At 31 December 1996	1,149	2,924	1,078	20,341	25,492
Net book value					
At 31 December 1996	39,129	4,745	220	27,794	71,888
Net book value					
At 31 December 1995	32,891	4,012	260	28,285	65,448

13 Fixed asset investments

Company

Subsidiary undertakings:

Cost	
At 31 December 1995 and 31 December 1996	29,494
Amounts written off	
At 31 December 1995 and 31 December 1996	4,854
Net book value	
At 31 December 1995 and 31 December 1996	24,640

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 General Communications Limited (formerly Nokia Consumer Electronics (UK) Limited) (Satellite reception equipment)	England and Wales	544,500 £1 ordinary shares	100	100
Nokia R&D (UK) Limited (formerly 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

14 Stocks

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Raw materials and consumables	22,569	32,737	-	-
Work in progress	7,415	3,626	-	-
Finished goods and goods for resale	80,691	46,809	-	-
	<u>110,675</u>	<u>83,172</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Amounts falling due within one year				
Trade debtors	72,968	83,924	-	-
Amounts owed by fellow group undertakings	33,249	39,233	939	943
Other debtors	2,695	1,635	4	4
Prepayments and accrued income	1,196	1,516	-	-
	<u>110,108</u>	<u>126,308</u>	<u>943</u>	<u>947</u>
Amounts falling due after more than one year				
Pension prepayment	38	69	-	-
	<u>110,146</u>	<u>126,377</u>	<u>943</u>	<u>947</u>

16 Current asset investments

Current asset investments, which are stated at cost, relate to cash placed on deposit with maturity periods of between 35 and 43 days.

17 Creditors: amounts falling due within one year

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans and overdrafts	91,059	72,370	-	-
Payments received on account	5,667	1,567	-	-
Trade creditors	21,762	20,895	-	-
Amounts owed to fellow group undertakings	107,482	91,479	-	-
Amounts owed to subsidiary undertakings	-	-	140	140
Other taxation and social security payable	19,080	16,505	-	-
Other creditors	7,134	1,337	11	9
Accruals and deferred income	18,065	14,227	-	-
Corporation tax payable	6,033	4,599	13	5
	<u>276,282</u>	<u>222,979</u>	<u>164</u>	<u>154</u>

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

18 Provisions for liabilities and charges

Group

	Deferred taxation £'000	Other provisions £'000	Provision for contractual obligations and warranties £'000	Total £'000
At 1 January 1996	-	268	29,246	29,514
Profit and loss account	676	(59)	(8,731)	(8,114)
At 31 December 1996	<u>676</u>	<u>209</u>	<u>20,515</u>	<u>21,400</u>

Deferred taxation

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability are as follows:

Group

	Amount provided		Amount unprovided	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	2,956	2,639	(182)	(143)
Other	(2,280)	(2,639)	(2,083)	(84)
	<u>676</u>	<u>-</u>	<u>(2,265)</u>	<u>(227)</u>

Company

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

19 Called-up share capital

	1996 £	1995 £
Authorised 50,000,000 (1995: 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 (1995: 27,653,500) ordinary shares of £1 each	<u>27,653,500</u>	<u>27,653,500</u>

20 Reserves**Group**

	Profit and loss account £'000
At 1 January 1996	14,625
Loss for year	(762)
	<hr/>
At 31 December 1996	13,863
	<hr/> <hr/>

Company

	Profit and loss account £'000
At 1 January 1996	(2,208)
Loss for year	(5)
	<hr/>
At 31 December 1996	(2,213)
	<hr/> <hr/>

21 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
(Loss)/profit for the financial year	(762)	5,254
Issue of ordinary shares	-	17,803
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(762)	23,057
Opening shareholders' funds	42,278	19,221
	<hr/>	<hr/>
Closing shareholders' funds	41,516	42,278
	<hr/> <hr/>	<hr/> <hr/>

22 Capital commitments

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,213	11,480	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23 Financial commitments

At 31 December 1996 the group had annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	2,059	1,231	45	167
Expiring between two and five years inclusive	4,045	1,199	1,568	905
Expiring in over five years	999	-	1,004	-
	<u>7,103</u>	<u>2,430</u>	<u>2,617</u>	<u>1,072</u>

24 Cash and cash equivalents

	1996 £'000	1995 £'000
Changes during the year		
At 1 January	(52,596)	(26,807)
Net cash outflow	<u>(21,974)</u>	<u>(25,789)</u>
At 31 December	<u>(74,570)</u>	<u>(52,596)</u>

	1996 £'000	1995 £'000	1996 Change £'000	1995 £'000	1994 £'000	1995 Change £'000
Analysis of balances						
Cash at bank and in hand	16,489	19,774	(3,285)	19,774	1,423	18,351
Bank loans and overdrafts	<u>(91,059)</u>	<u>(72,370)</u>	<u>(18,689)</u>	<u>(72,370)</u>	<u>(28,230)</u>	<u>(44,140)</u>
At 31 December	<u>(74,570)</u>	<u>(52,596)</u>	<u>(21,974)</u>	<u>(52,596)</u>	<u>(26,807)</u>	<u>(25,789)</u>

25 Analysis of the changes in financing during the year

	1996 Loans £'000	1996 Share capital (including premium) £'000	1995 Loans £'000	1995 Share capital (including premium) £'000
At 1 January	-	30,403	12,804	12,600
New share issue	-	-	-	15,699
Conversion of loan to share capital	-	-	(2,104)	2,104
Repayment of loans	-	-	(10,700)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	-	30,403	-	30,403
	<hr/>	<hr/>	<hr/>	<hr/>

26 Pension scheme

The most recent actuarial valuation made by an independent qualified actuary was at 1 April 1996. The formal report on this valuation is not yet available. However, the most recent available valuation, as at 1 April 1993, showed that the market value of the Nokia Group (UK) Pension Scheme's assets was £3,438,000. Of this £507,000 has been earmarked for the use of Nokia General Communications Limited to reduce its contributions. Excluding the earmarked £507,000, 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 1996 there was a pension prepayment of £38,000 (1995: £69,000) representing the excess of contributions paid over the cost of accruing benefits for Nokia General Communications Limited.

27 Contingent liabilities

The company has issued a letter of comfort to Nokia General Communications Limited confirming that it will support the company for the next financial year. Nokia General Communications Limited had negative shareholders' funds of £9,115,000 at 31 December 1996. 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.

28 Post balance sheet events

Material post balance sheet events are disclosed within the directors' report.

29 Related party transactions

The directors do not consider that the company or its subsidiaries entered into any transactions during the period with related parties which were not 90% subsidiaries of the ultimate parent company.

30 Ultimate parent company

The ultimate parent company and ultimate controlling party 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.