

Microsoft Mobile UK Holdings Limited
(formerly Nokia UK Holdings Limited)

Directors' report and annual financial statements
for the year ended 31 December 2014

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COMPANIES HOUSE

Microsoft Mobile UK Holdings Limited

Company Information

Directors	Benjamin Orndorff (appointed 25 April 2014) Keith Dolliver (appointed 25 April 2014) Leigh Anne Kiviat (appointed 25 April 2014) Lari Hintsanen (resigned 25 April 2014) Paivi Kuitunen (resigned 25 April 2014) Jani Salovaara (resigned 25 April 2014)
Company secretary	Reed Smith Corporate Services Limited
Registered number	01500669
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London United Kingdom EC2A 2RS
Independent auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Abbots House Abbey Street Reading RG1 3BD
Bankers	National Westminster Bank plc 15 Bridge Road Wembley Park Middlesex HA9 9AE
Solicitors	Reed Smith LLP The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS

Microsoft Mobile UK Holdings Limited

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Microsoft Mobile UK Holdings Limited

Strategic report for the year ended 31 December 2014

Introduction

The directors are responsible for preparing a strategic report in accordance with the Regulations set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. These regulations came into force in October 2013.

Business review

The principal activity of Microsoft Mobile UK Holdings Limited (the 'Company') is to hold investments and act as a holding company. The directors consider that the activities of the Company will continue at a similar level in the future. The Company changed its name from Nokia UK Holdings Limited on 10 April 2015.

The Company was acquired by Microsoft Mobile Oy on 26 April 2014 from Nokia Corporation. Following the acquisition, Microsoft Mobile Oy invested a further £42,673,000 in the Company.

The Company will continue to act as a holding company with investments in Microsoft Mobile UK Limited (formerly Nokia UK Limited).

The loss for the year before taxation was £331,000 (2013 - loss of £44,388,000). At the end of the financial year the Company reported net current liabilities of £31,880,000 (2013 - net current liabilities of £31,697,000) and net assets of £30,793,000 (2013 - net liabilities of £11,697,000).

Strategy, subsequent events and future developments

On 25 April 2014 Microsoft Mobile Oy completed its purchase of the Device and Services (DNS) business from Nokia Corporation.

Nokia sold its smartphone and mobile phone businesses, its design team, and most of its manufacturing and assembly facilities and operations, and sales and marketing support to Microsoft Mobile Oy, a subsidiary of Microsoft Corporation. The acquisition also brings key capabilities around supply chain, distribution, operational processes and systems, and skill in managing hardware margins to Microsoft Mobile Oy, so that the company benefits from speedier execution and best-in-class business operations.

Microsoft Mobile UK Holdings Limited and its subsidiary Microsoft Mobile UK Limited were acquired by Microsoft Mobile Oy as part of the deal.

Future developments

In connection with the acquisition of the DNS business from Nokia Corporation, Microsoft entered into a short term license to use the Nokia name for the acquired legal entities and devices. Microsoft has begun to change the legal entity names and branding to bring the DNS business under the Microsoft name. Nokia UK Holdings Limited changed its name to Microsoft Mobile UK Holdings Limited on 10 April 2015.

Subsequent events

The directors of the Company and its parent Microsoft Mobile Oy have taken the decision to align the entire Nokia Device and Services business with Microsoft's Device and Service business. This is to create greater synergies, economies of scale and have the entire business operating as Microsoft.

As a result of this, the directors took the decision in 2015 to change the name of the Company. The new name will indicate that the Company is fully owned by Microsoft Mobile Oy and should enable the Company to utilise the many advantages of carrying out the business with suppliers and customers as part of the Microsoft group.

Principal risks and uncertainties

Financial risk management

The operations of the Company expose it to a number of financial risks including the effects of interest rate, cash flow and credit risk. In order to minimise the impact of these financial risks, the Microsoft group has a central treasury function which manages all the financial risk of the group. All cash management of the Company is handled by Group treasury.

Interest rate and cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. All of these are with Microsoft group companies and are subject to either fixed interest rates or variable interest rates determined by the central treasury team. If the directors consider any assets or liabilities to be at risk of default than guarantee is sought from the parent company for the level of that risk. Interest rates are determined by Group Treasury which ensures that all interest rate risk relating to the Company is retained within the group.

Credit risk

All amounts due to the Company are due by group entities and credit risk relating to these amounts are managed by the central treasury function. Accordingly, credit risk is assessed by the directors as being minimal.

Strategic report (continued)
for the year ended 31 December 2014

Environmental policy

Microsoft Mobile UK Holdings Limited, as the parent company of Microsoft Mobile UK Limited, places serious emphasis on ensuring the trading company controls and manages its activities to ensure risks to the health, safety and welfare of its employees, customers and the general public are identified and action taken to minimise or eliminate their effects.

Adverse effects of operational activities on the environment will be minimised as far as practicable with the following key objectives:

- to comply with its legal obligations under the current Health, Safety and Welfare Act and the Environmental Protection Act, together with all other applicable statutory provisions and relevant codes of practice;
- to promote health, safety and environmental awareness throughout the organisation;
- to maintain a safe and healthy working environment for its employees, with adequate facilities appropriate to the nature of the business activities;
- to minimise the social impact of the Company activities and avoid damage to the environment through regular reviews of the business from environmental and management systems audits; and
- to undertake environmental impact studies as part of any Company relocation or enlargement of existing facilities.

This report was approved by the board and signed on its behalf.



Benjamin Ormerod
Director

Date:

13/07/2015



Keith Dolliver
Director

13/07/2015

Microsoft Mobile UK Holdings Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Results and dividends

The loss for the year, after taxation, amounted to £183,000 (2013 - loss £44,351,000).

An interim dividend of £nil (2013: £46,489,000) was paid during the year. No final dividend is proposed.

Directors

The directors who served during the year were:

Benjamin Orndorff (appointed 25 April 2014)
Keith Dolliver (appointed 25 April 2014)
Leigh Anne Kiviat (appointed 25 April 2014)
Lari Hintsanen (resigned 25 April 2014)
Paivi Kuitunen (resigned 25 April 2014)
Jani Salovaara (resigned 25 April 2014)

Insurance of directors

Following shareholder approval the Company has also provided an indemnity for its directors and the secretary which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Going concern

Microsoft Mobile Oy, the immediate parent undertaking has issued a letter of support to Microsoft Mobile UK Holdings Limited for the year ended 31 December 2014 and therefore the directors believe that the entity will continue as a going concern for the foreseeable future (i.e. the next 12 months).

At the balance sheet date, the Company's main liability is a loan of £35,000,000 plus accrued interest received from its 100% subsidiary undertaking, Microsoft Mobile UK Limited. Microsoft Mobile UK Holdings Limited will not be required to repay this loan until it is in a position to do so without prejudicing its ability to continue as a going concern and pay any other liability that it may incur in the future.

Events since the end of the year

Events since the end of the year are discussed in note 15 to the financial statements.

Matters covered in the Strategic report

Details of the Company's future developments, financial risk management and environmental policy are provided in the Strategic report on pages 1 to 3.

Microsoft Mobile UK Holdings Limited

**Directors' report
for the year ended 31 December 2014**

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They 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.

Disclosure of information to auditor

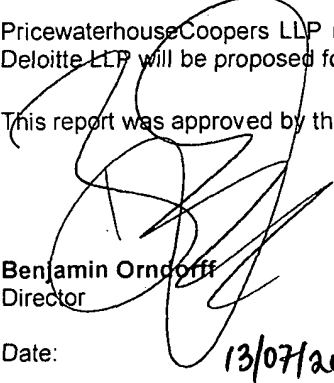
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that they have is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that they have has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditors

PricewaterhouseCoopers LLP resigned as auditors on 31 October 2014 and were replaced by Deloitte LLP. Deloitte LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

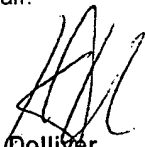
This report was approved by the board and signed on its behalf.



Benjamin Orndorff
Director

Date:

13/07/2015



Keith Dolliver
Director

Date:

13/07/2015

Microsoft Mobile UK Holdings Limited

Independent auditor's report to the members of Microsoft Mobile UK Holdings Limited

We have audited the financial statements of Microsoft Mobile UK Holdings Limited (formerly Nokia UK Holdings Limited) for the year ended 31 December 2014, which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

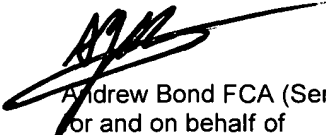
Microsoft Mobile UK Holdings Limited

Independent auditor's report to the members of Microsoft Mobile UK Holdings Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Andrew Bond FCA (Senior statutory auditor)
for and on behalf of
Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
Date: 13/07/2015

Microsoft Mobile UK Holdings Limited

**Profit and loss account
for the year ended 31 December 2014**

	Note	2014 £000	2013 £000
Amounts written off investments		-	(188,000)
Operating result/(loss)	2	-	(188,000)
Income from shares in group undertakings		-	142,974
Interest receivable and similar income	4	2	638
Interest payable and similar charges	5	(333)	-
Loss on ordinary activities before taxation		(331)	(44,388)
Tax on loss on ordinary activities	6	148	37
Loss for the financial year	11	(183)	(44,351)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

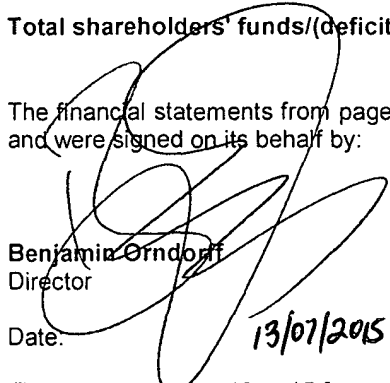
The notes on pages 10 to 15 form part of these financial statements.

Microsoft Mobile UK Holdings Limited
Registered number: 01500669

Balance sheet
as at 31 December 2014

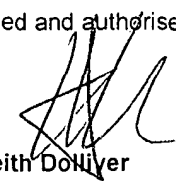
	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Investments	7		62,673		20,000
Current assets					
Debtors		1		-	
Short term investments	8	2,558		3,147	
Cash at bank		894		156	
		<u>3,453</u>		<u>3,303</u>	
Creditors: amounts falling due within one year	9	<u>(35,333)</u>		<u>(35,000)</u>	
Net current liabilities			<u>(31,880)</u>		<u>(31,697)</u>
Total assets less current liabilities			<u>30,793</u>		<u>(11,697)</u>
Capital and reserves					
Called up share capital	10		32,654		32,654
Other reserves	11		42,673		-
Profit and loss account	11		<u>(44,534)</u>		<u>(44,351)</u>
Total shareholders' funds/(deficit)	12		<u>30,793</u>		<u>(11,697)</u>

The financial statements from pages 7 to 15 were approved and authorised for issue by the board of directors and were signed on its behalf by:


Benjamin Orndorff
 Director

Date:

13/07/2015


Keith Dolliver
 Director

Date:

13/07/2015

The notes on pages 10 to 15 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 2014**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies set out below have been consistently applied throughout the current and preceding year. The Company is itself a subsidiary and is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Microsoft Mobile Oy, the immediate parent undertaking has issued a letter of support to Microsoft Mobile UK Holdings Limited for the year ended 31 December 2014 and therefore the directors believe that the entity will continue as a going concern for the foreseeable future (i.e. the next 12 months). At the balance sheet date, the Company's main liability is a loan of £35,000,000 plus accrued interest received from its 100% subsidiary undertaking, Microsoft Mobile UK Limited. Microsoft Mobile UK Holdings Limited will not be required to repay this loan until it is in a position to do so without prejudicing its ability to continue as a going concern and pay any other liability that it may incur in the future.

1.2 Cash flow

At the balance sheet date, the Company was a wholly owned subsidiary of Microsoft Corporation, a company incorporated in the USA and the cash flows of the Company are included in the consolidated cash flow statement of Microsoft Corporation. Consequently the Company has taken advantage of the exemption available under FRS 1 (revised 1996) 'Cash Flow Statements' from publishing a cash flow statement.

1.3 Fixed asset investments

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

1.4 Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Sterling is used as the functional currency due to the fact that the majority of Microsoft Mobile UK Holdings Limited's income, expenses and liabilities are denominated in sterling despite the ultimate parent company reporting in US dollars.

1.5 Cash and short term investments

Amounts owed by group companies are stated as short term investments. The Microsoft Group has a central treasury function which manages the financial risks of the group. All cash management and inter group lending is managed via the central treasury function in order to minimise the impact of finance risks,

Microsoft Mobile UK Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2014**

1. Accounting policies (continued)**1.6 Group financial statements**

The Company is exempt under the Companies Act 2006 s400 from the requirement to prepare group financial statements on the grounds that at the balance sheet date, it was a wholly owned subsidiary of Microsoft Corporation, a company incorporated in USA, whose subsidiary undertakings are fully consolidated within the consolidated financial statements of that undertaking. Microsoft Corporation prepares its financial statements in accordance with US Generally Accepted Accounting Practice.

These financial statements represent information about the Company as an individual undertaking and not about its group.

The consolidated financial statements of Microsoft Corporation, in which the results of Microsoft Mobile UK Holdings Limited and its subsidiaries are included, are available from the address given in note 16.

1.7 Related parties

The Company has taken advantage of the exemption within FRS 8 'Related Party Disclosures' not to disclose transactions with other group companies, since the financial statements of a larger group are publicly available.

2. Operating result

The audit fee of £5,000 (2013 - £4,500) for the Company for the financial year has been borne by Microsoft Mobile UK Limited.

3. Staff costs

The Company has no employees other than the directors, who did not receive any remuneration (2013 - £NIL) for qualifying services to the Company. The directors of the Company are remunerated by the Microsoft Corporation for all their services to the group.

4. Interest receivable and similar income

	2014 £000	2013 £000
Interest receivable from group companies	2	638

5. Interest payable

	2014 £000	2013 £000
On bank loans and overdrafts	333	-

Microsoft Mobile UK Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2014**

6. Taxation on profit on ordinary activities

	2014 £000	2013 £000
Analysis of tax credit in the year		
UK corporation tax charge on loss for the year	-	148
Adjustments in respect of prior years	(148)	(185)
Tax on loss on ordinary activities	(148)	(37)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - *higher than*) the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	(331)	(44,388)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%)	(71)	(10,320)
Effects of:		
Adjustments in respect of prior years	(148)	(185)
Non-taxable dividend received	-	(33,241)
Non-deductable amounts written off investments	-	43,709
Group relief surrendered	71	-
Current tax credit for the year (see note above)	(148)	(37)

Factors that may affect future tax charges

On 1 April 2014, the standard rate of UK corporation tax reduced from 23% to 21% and the results of the Company for the year ended 31 December 2014 have therefore been taxed at a rate of 21.50%. Future corporation tax rates are due to fall to 20% from 1 April 2015. This rate reduction was enacted on 17 July 2013 and accordingly deferred tax balances have been calculated at a rate of 20%. Any corporation tax payable or recoverable by the Company will reflect the lower tax rates.

Microsoft Mobile UK Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2014**

7. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2014	20,000
Additions	42,673
At 31 December 2014	62,673
Net book value	
At 31 December 2014	62,673
At 31 December 2013	20,000

Interest in group undertakings

At the year end, the following company was the only subsidiary undertaking of the Company.

Microsoft Mobile UK Limited	England and Wales	£1 ordinary shares	100% voting rights
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The directors believe that the carrying value of the investment is supported by its underlying net assets.

8. Short term investments

	2014 £000	2013 £000
Amounts owed by group undertakings	2,558	3,147

Amounts owed by group undertakings comprise a current account deposit with Microsoft Mobile Global Finance (2013 - Nokia Finance International BV). The amount due by Nokia Finance International BV was repaid in full during the year.

The credit risk associated with inter group investments and other balances is considered low because the Microsoft group uses the group entity called Microsoft Mobile Global Finance to manage all cash and financial risk management across the organisation.

Microsoft Mobile UK Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2014**

**9. Creditors:
Amounts falling due within one year**

	2014 £000	2013 £000
Amounts owed to group undertakings	35,333	35,000

The amounts owed to group undertakings represents a loan of £35,000,000 (2013: £35,000,000) with accrued interest of £332,848 (2013: £nil) received from its subsidiary company Microsoft Mobile UK Limited at an interest rate of 0.95%.

10. Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
32,653,502 (2013: 32,653,502) ordinary shares of £1 each	32,654	32,654

11. Reserves

	Capital con- tribution £000	Profit and loss account £000
At 1 January 2014	-	(44,351)
Loss for the financial year	-	(183)
Capital contribution received in year	42,673	-
At 31 December 2014	42,673	(44,534)

12. Reconciliation of movements in shareholders' funds/(deficit)

	2014 £000	2013 £000
Opening shareholders' (deficit)/funds	(11,697)	79,143
Loss for the financial year	(183)	(44,351)
Dividends (Note 13)	-	(46,489)
Capital contribution	42,673	-
Closing shareholders' funds/(deficit)	30,793	(11,697)

The Company received a capital contribution of £42,673,000 from Microsoft Mobile Oy following its purchase of the Company. This contribution was used to fund the new investment in Microsoft Mobile UK Limited (see note 7).

Microsoft Mobile UK Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2014**

13. Dividends

	2014	2013
	£000	£000
Dividends paid on equity capital	-	46,489

No dividends were paid or proposed in the year. A dividend of £1.4237 per ordinary share was voted and paid in the prior year.

14. Related party transactions

The Company has taken advantage of the exemption offered under Financial Reporting Standard 8 "Related Party Disclosures" not to disclose related party transactions within the group headed by its ultimate parent company Microsoft Corporation, whose consolidated financial statements are available to the public.

15. Post balance sheet events

The directors of the Company and its parent Microsoft Mobile Oy have taken the decision to align the entire Nokia Device and Services business with Microsoft's Device and Service business. This is to create greater synergies, economies of scale and have the entire business operating as Microsoft.

As a result of this, the directors changed the name of the Company on 10 April 2015.

16. Ultimate parent undertaking and controlling party

On 25 April 2014, Microsoft Mobile UK Holdings Limited was sold to the Microsoft Corporation. At the balance sheet date and the date of approval of these financial statements, the immediate parent undertaking was Microsoft Mobile Oy, a company incorporated in Finland and the ultimate parent undertaking and controlling party was Microsoft Corporation, a company based in Redmond, Washington, USA.