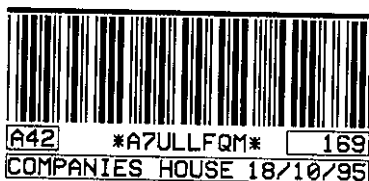


Nokia (UK) Limited
Annual report
for the year ended 31 December 1994

Registered no: 1500669



Nokia (UK) Limited

Annual report for the year ended 31 December 1994

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Nokia (UK) Limited

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Directors and advisers

Directors

O J Kallasvuo (Chairman)
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
Mount Pleasant House
Huntingdon Road
Cambridge
CB3 0BL

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 1994**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

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.

1994 saw a continuation of growth in all areas of the telecommunications business.

Capital expenditure of the group comprised mainly research and development and manufacturing equipment. Capital expenditure approved at 31 December 1994 includes £27,000,000 for the construction of new manufacturing facilities during 1995.

Due to the rapid expansion and considerable investment in fixed and working capital a negative cash flow is shown in the cash flow statement.

1994 was another difficult year for the brown goods industry in general and the operating result in this area was severely impacted by costs of restructuring and rationalisation necessary to meet the challenges of 1995.

The directors believe the group is well placed for 1995 based on Nokia's reputation for technical excellence, innovation and quality.

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 1994 (1993: £Nil).

The profit for the financial year of £1,309,000 (1993: £5,524,000) 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 13, 14 and 15 to the financial statements.

Directors

The directors of the company at 31 December 1994, all of whom have been directors for the whole of the year ended on that date are listed on page 1.

Directors' interests

No directors were interested at any time during the year in any of the shares of the company.

No directors were interested at any time during the year in any significant contracts entered into by the group.

Acquisition of subsidiary

On 31 August 1994 the company acquired the entire share capital of Nokia Consumer Electronics (UK) Limited for a consideration of £1 paid in cash. Details of this transaction are given in note 21.

Post balance sheet events

In December 1994 the company received £2,103,500 in cash from its parent company, OY Nokia Ab, for 2,103,500 ordinary £1 shares to be issued at par. The shares were not issued until February 1995 when the documentation was completed and therefore the liability for the cash has been included in amounts owed to fellow group undertakings in current liabilities.

The company immediately paid £2,103,500 in cash to its subsidiary Nokia Consumer Electronics (UK) Limited for 2,103,500 ordinary £1 shares to be issued at par. The shares were not issued until February 1995 when the documentation was completed. This amount has been included in amounts owed by fellow group undertakings in current assets.

Nokia (UK) Limited

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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
24 February 1995

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
24 February 1995

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

We have audited the financial statements on pages 7 to 26.

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.

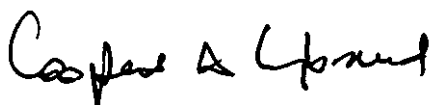
Basis of opinion

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 1994 and of the profit and cash flows 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

14 February 1995

Nokia (UK) Limited

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Consolidated profit and loss account for the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Turnover	2,3		
Continuing operations		348,259	186,277
Acquisitions		7,333	-
		<hr/>	<hr/>
		355,592	186,277
Cost of sales	4	316,202	161,604
		<hr/>	<hr/>
Gross profit	4	39,390	24,673
Net operating expenses		29,987	17,827
Exceptional operating expenses	5	1,146	-
		<hr/>	<hr/>
Total operating expenses	4	31,133	17,827
		<hr/>	<hr/>
Operating profit	4		
Continuing operations		10,121	6,846
Acquisitions		(1,864)	-
		<hr/>	<hr/>
		8,257	6,846
Investment income	8	635	1,770
Interest payable and similar charges	9	(5,228)	(1,710)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	10	3,664	6,906
Tax on profit on ordinary activities	11	(2,355)	(1,382)
		<hr/>	<hr/>
Retained profit for the year	22	1,309	5,524
		<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.

Nokia (UK) Limited

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Balance sheets at 31 December 1994

	Notes	Group		Company	
		1994 £'000	1993 £'000	1994 £'000	1993 £'000
Fixed assets					
Intangible assets	13	-	-	-	-
Tangible assets	14	21,186	13,849	-	-
Investments	15	-	-	8,940	8,940
		<u>21,186</u>	<u>13,849</u>	<u>8,940</u>	<u>8,940</u>
Current assets					
Stocks	16	55,948	28,867	-	-
Debtors	17	73,585	48,770	3,065	1,151
Cash at bank and in hand		1,423	7,250	17	39
		<u>130,956</u>	<u>84,887</u>	<u>3,082</u>	<u>1,190</u>
Creditors: amounts falling due within one year	18	(119,172)	(75,220)	(2,270)	(382)
Net current assets		<u>11,784</u>	<u>9,667</u>	<u>812</u>	<u>808</u>
Total assets less current liabilities		<u>32,970</u>	<u>23,516</u>	<u>9,752</u>	<u>9,748</u>
Provisions for liabilities and charges	19	(13,749)	(5,604)	-	-
Net assets		<u>19,221</u>	<u>17,912</u>	<u>9,752</u>	<u>9,748</u>
Capital and reserves					
Called-up share capital	20	9,850	9,850	9,850	9,850
Share premium account	22	2,750	2,750	-	-
Profit and loss account	22	6,621	5,312	(98)	(102)
Equity shareholders' funds	23	<u>19,221</u>	<u>17,912</u>	<u>9,752</u>	<u>9,748</u>

The financial statements on pages 7 to 26 were approved by the board of directors on 19 February 1995 and were signed on its behalf by:


O J Kallasvuo
Director

Nokia (UK) Limited

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Consolidated cash flow statement for the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Net cash inflow/(outflow) from continuing operating activities (reconciliation to operating profit on page 10)		374	(12,109)
Returns on investments and servicing of finance			
Interest received		615	1,327
Interest paid		(3,755)	(1,710)
Net cash (outflow) from returns on investments and servicing of finance		(3,140)	(383)
Taxation			
Corporation tax (payment)/refund		(580)	173
Investing activities			
Proceeds on sale of tangible fixed assets		73	2
Purchase of tangible fixed assets		(10,453)	(4,067)
Purchase of subsidiary (net of cash acquired)	21	(2,349)	-
Net cash (outflow) from investing activities		(12,729)	(4,065)
Net cash (outflow) before financing		(16,075)	(16,384)
Financing			
New loans	27	9,984	-
Loan converted to share capital post year end	27	2,104	-
Net cash inflow from financing activities		12,088	-
(Decrease) in cash and cash equivalents	26	(3,987)	(16,384)

Nokia (UK) Limited

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Reconciliation of consolidated operating profit to net cash inflow/(outflow) from operating activities

	1994 £'000	1993 £'000
Continuing operating activities		
Operating profit	8,257	6,846
Depreciation on tangible fixed assets	3,292	2,500
Loss/(gain) on sale of tangible fixed assets	25	(1)
Goodwill written off	1,146	-
(Increase) in stocks	(24,243)	(14,330)
(Increase) in debtors	(22,353)	(22,059)
Increase in creditors	26,175	10,946
Increase in provisions	8,075	3,989
Net cash inflow/(outflow) from continuing operating activities	<u>374</u>	<u>(12,109)</u>

**Notes to the financial statements
for the year ended 31 December 1994****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.

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%
Plant and machinery	10 - 33⅓%
Fixtures, fittings and equipment	10 - 33⅓%

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 company's open forward contracts and currency options at 31 December 1994 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 warranty 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	
	1994	1993	1994	1993	1994	1993
	£'000	£'000	£'000	£'000	£'000	£'000
Telecommunication systems and equipment	348,259	186,277	6,708	6,280	24,010	17,893
Investment activity	-	-	11	626	963	1,169
Consumer electronics	7,333	-	(1,909)	-	(994)	-
	<u>355,592</u>	<u>186,277</u>	<u>4,810</u>	<u>6,906</u>	<u>23,979</u>	<u>19,062</u>
Goodwill written off			(1,146)	-		
			<u>3,664</u>	<u>6,906</u>		

In the opinion of the directors telecommunications systems and equipment, and cellular products, comprise the same class of business. Accordingly the amounts have been disclosed in the same category above and the comparatives adjusted.

3 Analysis by geographical area

All turnover originates in the United Kingdom. Intersegmental turnover is not significant.

	Turnover	
	1994 £'000	1993 £'000
By destination:		
United Kingdom	270,799	169,224
Rest of Europe	69,352	17,001
Nordic countries	9,608	-
Rest of World	5,833	52
	<u>355,592</u>	<u>186,277</u>

4 Cost of sales and other operating income and expenses

	1994			1993		
	Continuing operations £'000	Acquisitions £'000	Total £'000	Continuing operations £'000	Acquisitions £'000	Total £'000
Cost of sales	<u>308,759</u>	<u>7,443</u>	<u>316,202</u>	<u>161,604</u>	<u>-</u>	<u>161,604</u>
Gross profit/(loss)	<u>39,500</u>	<u>(110)</u>	<u>39,390</u>	<u>24,673</u>	<u>-</u>	<u>24,673</u>
Distribution costs	618	55	673	478	-	478
Administrative expenses	9,573	1,699	11,272	6,143	-	6,143
Exceptional administrative expense (note 5)	1,146	-	1,146	-	-	-
Research and development costs	<u>18,042</u>	<u>-</u>	<u>18,042</u>	<u>11,206</u>	<u>-</u>	<u>11,206</u>
Net operating expenses	<u>29,379</u>	<u>1,754</u>	<u>31,133</u>	<u>17,827</u>	<u>-</u>	<u>17,827</u>
Operating profit/(loss)	<u>10,121</u>	<u>(1,864)</u>	<u>8,257</u>	<u>6,846</u>	<u>-</u>	<u>6,846</u>

5 Exceptional operating expenses

Goodwill arising on the acquisition of Nokia Consumer Electronics (UK) Limited of £1,146,000 has been written off during the year. This has no tax effect (see note 13).

6 Directors' emoluments

There were no emoluments paid or payable to either the chairman or the directors during the year (1993: £Nil).

7 Employee information

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

	1994 Number	1993 Number
Sales and marketing	261	156
Production	240	149
Research and development	161	127
Administration	61	51
	<u>723</u>	<u>483</u>
	<u>723</u>	<u>483</u>
	1994	1993
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	15,785	10,805
Social security costs	1,186	863
Other pension costs	659	437
	<u>17,630</u>	<u>12,105</u>
	<u>17,630</u>	<u>12,105</u>

8 Investment income

	1994 £'000	1993 £'000
Bank interest receivable	403	382
Interest receivable from fellow group undertakings	135	834
Other interest receivable	97	30
Gain on foreign exchange transactions	-	524
	<u>635</u>	<u>1,770</u>
	<u>635</u>	<u>1,770</u>

9 Interest payable and similar charges

	1994 £'000	1993 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	2,223	1,710
Loss on foreign exchange transactions	3,005	-
	<u>5,228</u>	<u>1,710</u>
	<u>5,228</u>	<u>1,710</u>

10 Profit on ordinary activities before taxation

	1994 £'000	1993 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of tangible assets	-	1
Gain on foreign exchange transactions	-	524
	<u> </u>	<u> </u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	3,292	2,500
Provision for permanent diminution in value of intangible fixed assets	1,146	-
Auditors' remuneration for:		
Audit (company £1,500; 1993: £6,000)	92	66
Non-audit work	104	74
Hire of plant and machinery	912	732
Operating leases:		
Plant and machinery	807	689
Premises	1,870	1,521
Loss on disposal of tangible assets	25	-
Loss on foreign exchange transactions	3,005	-
	<u> </u>	<u> </u>

11 Taxation

	1994 £'000	1993 £'000
Tax on profit on ordinary activities		
United Kingdom corporation tax at 33% (1993: 33%):		
Current	3,591	1,889
Deferred	(101)	(507)
(Over) provision in respect of prior years	(1,135)	-
	<u> </u>	<u> </u>
	2,355	1,382
	<u> </u>	<u> </u>

The taxation charge for the year has been increased by £930,000 in respect of permanent timing differences for which no tax relief has been recognised.

12 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 profit of £4,000 (1993: £405,000) has been dealt with in the financial statements of the company.

Nokia (UK) Limited

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13 Intangible fixed assets

Group	Goodwill £'000
Cost	
Additions	1,146
Amortisation	
Provision for permanent diminution in value	1,146
Net book value	
At 31 December 1994	-

Goodwill arising on the acquisition of Nokia Consumer Electronics (UK) Limited has been written off during the year based on the directors' assessment of its useful economic life.

14 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 1994	5,759	3,005	850	9,390	19,004
In respect of new subsidiary	-	993	-	-	993
Additions	2	1,176	213	9,062	10,453
Disposals	-	(10)	(14)	(566)	(590)
At 31 December 1994	5,761	5,164	1,049	17,886	29,860
Depreciation					
At 1 January 1994	245	741	737	3,432	5,155
In respect of new subsidiary	-	719	-	-	719
Charge for year	127	477	101	2,587	3,292
Disposals	-	(5)	(14)	(473)	(492)
At 31 December 1994	372	1,932	824	5,546	8,674
Net book value					
At 31 December 1994	5,389	3,232	225	12,340	21,186
Net book value					
At 31 December 1993	5,514	2,264	113	5,958	13,849

Nokia (UK) Limited

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15 Fixed asset investments

Company

	1994 £'000	1993 £'000
Subsidiary undertakings		
Cost		
At 1 January and 31 December	<u>8,940</u>	<u>8,940</u>

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	7,300,000 £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	11,510,000 £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	99	99

On 31 August 1994 the company acquired a 100% holding in Nokia Consumer Electronics (UK) Limited (note 21).

16 Stocks

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Raw materials and consumables	13,609	9,086	-	-
Work in progress	2,717	1,944	-	-
Finished goods and goods for resale	39,622	17,837	-	-
	<u>55,948</u>	<u>28,867</u>	<u>-</u>	<u>-</u>

17 Debtors

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	47,481	38,602	-	-
Amounts owed by fellow group undertakings	18,525	7,627	3,053	1,137
Other debtors	5,144	722	12	14
Prepayments and accrued income	1,100	683	-	-
Deferred tax (note 19)	608	507	-	-
	<u>72,858</u>	<u>48,141</u>	<u>3,065</u>	<u>1,151</u>
Amounts falling due after more than one year				
Trade debtors	642	629	-	-
Pension prepayment	85	-	-	-
	<u>73,585</u>	<u>48,770</u>	<u>3,065</u>	<u>1,151</u>

Included in amounts owed by fellow group undertakings (company only) is an amount of £2,103,500 which was settled by the issue of share capital by Nokia Consumer Electronics (UK) Limited post year end (note 29).

18 Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	38,930	30,070	-	-
Payments received on account	1,501	212	-	-
Trade creditors	14,489	6,101	-	-
Amounts owed to fellow group undertakings	49,778	28,981	2,104	-
Amounts owed to subsidiary undertakings	-	-	140	140
Other taxation and social security payable	1,168	598	-	-
Other creditors	62	12	6	12
Accruals and deferred income	9,479	7,357	9	9
Corporation tax payable	3,765	1,889	11	221
	<u>119,172</u>	<u>75,220</u>	<u>2,270</u>	<u>382</u>

Bank loans totalling £36,792,000 (1993: £30,054,000) form part of a short term revolving credit facility negotiated by OY Nokia Ab. Interest accrues at an average rate of 6.5% (1993: 6.6%) and the loans are unsecured.

Included in amounts owed to fellow group undertakings (group and company) is an amount of £2,103,500 which was converted to share capital post year end (note 29).

19 Provisions for liabilities and charges
Group

	Other provisions	obligations and warranties	Provision for contractual Total
	£'000	£'000	£'000
At 1 January 1994	-	5,604	5,604
Profit and loss account	413	8,338	8,751
Released from 1993 provision	-	(606)	(606)
At 31 December 1994	<u>413</u>	<u>13,336</u>	<u>13,749</u>

Deferred taxation

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

Group

	Asset recognised		Asset not recognised	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(1,178)	(680)	132	73
Other	1,786	1,187	63	(3)
	<u>608</u>	<u>507</u>	<u>195</u>	<u>70</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 1994	507
Profit and loss account	101
Balance at 31 December 1994	<u>608</u>

The deferred tax asset is included in other debtors (note 17).

Company

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

20 Called-up share capital

	1994 £	1993 £
Authorised		
50,000,000 (1993: 50,000,000) ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, called up and fully paid		
9,850,000 (1993: 9,850,000) ordinary shares of £1 each	<u>9,850,000</u>	<u>9,850,000</u>

On 11 May 1993 the company purchased 24,504,530 of its own £1 ordinary shares representing 71% of the called-up share capital. The aggregate consideration paid was £24,504,530. The purchase was effected in order to eliminate the balance owing by OY Nokia Ab arising on the sale of NEM Technical and Finance Limited and its subsidiary, by Nokia (UK) Limited, to OY Nokia Ab.

Details of post year end share issues are given in note 29.

21 Acquisitions

On 31 August 1994 the company acquired the whole of the issued share capital of Nokia Consumer Electronics (UK) Limited for consideration of £1, paid in cash. This has been accounted for using the acquisition method.

The assets and liabilities of Nokia Consumer Electronics (UK) Limited acquired are set out below:

	Book and fair value to the group £'000
Tangible fixed assets	274
Current assets	
Stock	2,838
Debtors	2,845
Cash at bank and in hand	151
Total assets	6,108
Liabilities	
Creditors	(4,684)
Short term loans	(2,500)
Provisions	(70)
Net liabilities	(1,146)
Goodwill	1,146
Satisfied by	
Cash	£1

The subsidiary made a loss on ordinary activities before taxation of £952,000 from 1 January 1994, the beginning of the subsidiary's financial year, to the date of acquisition and made a loss of £1,584,000 for the previous financial year.

Goodwill on acquisition totalling £1,146,000 was capitalised in accordance with the group's accounting policy but written off during the year.

Analysis of the net cash outflow in respect of the acquisition of Nokia Consumer Electronics (UK) Limited:

	£'000
Cash consideration	-
Cash acquired	151
Overdraft acquired	(2,500)
Net cash outflow	(2,349)

Nokia Consumer Electronics (UK) Limited utilised £509,000 of the group's net operating cash flows, paid £45,000 in respect of net returns on investments and servicing of finance and paid £8,000 on investing activities.

22 Reserves

Group

	Profit and loss account £'000	Share premium account £'000	Total £'000
At 1 January 1994	5,312	2,750	8,062
Profit for year	1,309	-	1,309
	<u>6,621</u>	<u>2,750</u>	<u>9,371</u>
At 31 December 1994	<u>6,621</u>	<u>2,750</u>	<u>9,371</u>

Company

	Profit and loss account £'000
At 1 January 1994	(102)
Profit for year	4
	<u>(98)</u>
At 31 December 1994	<u>(98)</u>

23 Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit for the financial year	1,309	5,524
Purchase of own shares	-	(24,505)
Net addition to/(reduction in) shareholders' funds	<u>1,309</u>	<u>(18,981)</u>
Opening shareholders' funds	17,912	36,893
Closing shareholders' funds	<u>19,221</u>	<u>17,912</u>

24 Capital commitments

	Group		Company	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	7,903	531	-	-
Capital expenditure that has been authorised but not contracted for	<u>23,185</u>	<u>-</u>	<u>-</u>	<u>-</u>

25 Financial commitments

At 31 December 1994 the group had annual commitments under non-cancellable operating leases as follows:

	1994		1993	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	121	116	-	65
Expiring between two and five years inclusive	1,056	482	591	440
Expiring in over five years	714	-	536	13
	<u>1,891</u>	<u>598</u>	<u>1,127</u>	<u>518</u>

26 Cash and cash equivalents

	1994 £'000	1993 £'000
Changes during the year		
At 1 January	(22,820)	(6,436)
Net cash (outflow)	<u>(3,987)</u>	<u>(16,384)</u>
At 31 December	<u>(26,807)</u>	<u>(22,820)</u>

	1994 £'000	1993 £'000	1994 Change £'000	1993 £'000	1992 £'000	1993 Change £'000
Analysis of balances						
Cash at bank and in hand	1,423	7,250	(5,827)	7,250	12,456	(5,206)
Bank loans and overdrafts	<u>(28,230)</u>	<u>(30,070)</u>	<u>1,840</u>	<u>(30,070)</u>	<u>(18,892)</u>	<u>(11,178)</u>
At 31 December	<u>(26,807)</u>	<u>(22,820)</u>	<u>(3,987)</u>	<u>(22,820)</u>	<u>(6,436)</u>	<u>(16,384)</u>

27 Analysis of the changes in financing during the year

	1994 Loans £'000	1994 Share capital (including premium) £'000	1993 Loans £'000	1993 Share capital (including premium) £'000
At 1 January	-	12,600	-	37,105
Purchase of own shares	-	-	-	(24,505)
Loan converted to share capital post year end	2,104	-	-	-
New loans	9,984	-	-	-
Unrealised foreign exchange loss	254	-	-	-
Accrued interest	462	-	-	-
At 31 December	<u>12,804</u>	<u>12,600</u>	<u>-</u>	<u>12,600</u>

On 11 May 1993 the company purchased 24,504,530 of its own £1 ordinary shares at par.

28 Pension scheme

The most recent actuarial valuation (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	9.00%
Long term salary increases	7.50%
Pension increases	5.00%
Dividend growth	4.25%

The companies have agreed to increase their contribution to the defined benefit tier to eliminate the deficit over a six year period.

The pension charge for the year is shown in Note 7. At 31 December 1994 there was a pension prepayment of £85,000 (1993: £Nil).

29 Post balance sheet events

In December 1994 the company received £2,103,500 in cash from its parent company, OY Nokia Ab, for 2,103,500 ordinary £1 shares to be issued at par. The shares were not issued until February 1995 when the documentation was completed and therefore the liability for the cash has been included in amounts owed to fellow group undertakings in current liabilities.

The company immediately paid £2,103,500 in cash to its subsidiary Nokia Consumer Electronics (UK) Limited for 2,103,500 ordinary £1 shares to be issued at par. The shares were not issued until February 1995 when the documentation was completed. This amount has been included in amounts owed by fellow group undertakings in current assets.

30 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.

Nokia (UK) Limited

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Trading and profit and loss account for the year ended 31 December 1994

	1994 £	1993 £
Income		
Interest receivable	55,664	696,102
Expenses		
Company secretarial fees and accountancy	15,628	33,376
Audit fee	2,463	6,000
Sundry expenses	5,879	361
Legal and professional fees	2,802	29,684
Bank interest and charges	6	62
Rent	7,460	475
Courier	-	214
VAT	10,203	-
	44,441	70,172
Profit before taxation	11,223	625,930
Taxation	(7,166)	(220,500)
Net profit for the year	4,057	405,430