Nokia UK Limited

Annual report

for the year ended 31 December 2006

Registered Number 2212202

Nokia UK Limited

Annual report

for the year ended 31 December 2006

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Nokia UK Limited

Directors and advisers

Directors

M Butler
H Mustonen (Chairman)
S Ainslie
G Doyle

Secretary and registered office

J Morris
Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6YJ

Registered auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

National Westminster Bank Plc
23 Market Street
Cambridge
CB2 3PA

Solicitors

Orchard Brayton Graham LLP
6 Snow Hill
London
EC1A 2AY

Nokia UK Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2006.

Directors

The directors of the company at 31 December 2006, all of whom have been directors for the whole of the year, except where indicated, are listed below:

H Mustonen	(Chairman)
M Butler	
A Cooper	(resigned 31 December 2006)
P Kuhne	(resigned 8 August 2006)
M Wolontis	(resigned 1 July 2006)
T Foster	
T Sjelvgren	(resigned 1 July 2006)
S Ainslie	(appointed 24 July 2006)

On 31 March 2007, T. Foster resigned as a director of the company. On 1 April 2007 G. Doyle was appointed as a director of the company.

Directors' interests in shares of the company

None of the directors who held office during the financial year had any interest in, or options over, the shares of the company.

Pursuant to "The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802)" the company is not required to disclose the directors' interests in the parent company or any of its subsidiaries incorporated outside the United Kingdom.

Insurance of directors

The ultimate parent company, Nokia Corporation, has arranged insurance for the directors in respect of their duties as directors of the company.

Business Review

Principal Activities

Nokia UK Limited's principal activities are the research, development, sales and marketing of mobile communication devices. Nokia's aim is to bring complex technology to the consumer in a very human way. The company employed an average of 2,299 individuals during 2006 (2005: 1,771) across 3 sites in the UK. Turnover in the year was £1,611,767,000 (2005: £1,549,184,000) with a reported operating profit of £45,391,000 (2005: £45,409,000).

Dividends

During the year a dividend of £170,000,000 was declared and paid (2005: £nil) the details of which are set out in note 9 to the financial statements.

Business Environment

The mobile phone market is a highly competitive, fast moving, consumer goods industry that brings new technology, fashion and services to an increasingly demanding public. The penetration of the UK Mobile market has reached saturation level with over 60 million phones users in the market and 14% of consumers having more than one phone. This installed base of users are regularly looking to upgrade their devices in the search for new technology and fashionable products which has created an annual market demand of around 40 million units with many consumers upgrading or carrying 2 phones. The competitive nature of the market in the UK has resulted in heavy subsidisation of all phones by the network operators with most contract (subscription) phones available free.

Recent developments in mobile phone capability have seen the advent of multimedia computers capable of replicating the experience of cameras, MP3 players and web browsers in a truly mobile device. This true mobility has created significant new market opportunities as the mobile device now competes in new market segments (cameras, navigation, MP3, laptops).

Directors' report (continued)

The recent deployment and consumer launch by the UK mobile operators of high speed data networks (mobile broadband) has additionally created an infrastructure that will create exponential growth of these connected devices.

The current market outlook for the industry looks healthy although the following macro economic factors could affect both uptake and usage:

- Stable economy, housing market & personal lending still strong (despite recent interest rate increases).
- Retail inflation low and steady.
- Forecast stable economy and no specific changes in mobile specific shopping habits over next year.
- Market penetration around 87%; new growth only coming from very young and old ends of the market.
- Multiple device ownership becoming common.
- Total population becoming more involved in mobile phones.
- Purchase motivation around handset design/look still driving the majority of purchase decisions.

The key business risks for the industry are identified as follows:

- Declining growth levels as the market reaches saturation will see new sales from upgrades, renewals and multiple device ownership.
- Government legislation on health.
- Development of "WiFi" enabled cities may see a change in consumer usage and a shift in the business model deployed by the operators.
- Subsidy reduction from operators may see short term volume reduction as consumers start paying up front for devices.
- 18 month contracts may see a delay in consumers renewal of handsets.

Strategy
Nokia aims to make technology human by connecting people's lives in a simple and intuitive way. By making the Nokia mobile device the centre of each users connected world we allow people to stay in touch seamlessly throughout the globe.

In the UK, Nokia operates 5 business groups supporting device sales. During 2006, Nokia also operated a Networks business group. A number of platform functions support these business groups.

Mobile Phones
This group is the core and the largest of Nokia's device business groups. The approach of this business group is about bringing mobile communications to the mass market which it does through very low end simple products to highly desirable and fashionable phones.

The product range is huge with products to suit the majority of the population. It successfully filters technology down from Nokia's other units to the mass market making them simple and affordable. In addition it meets the fashion conscious and design led market by bringing innovative and inspiring product designs to market using the latest materials and design themes.

Multimedia
The Multimedia group focuses on pushing the boundaries of the technology envelope in developing mobile multimedia computers. The product range challenges the very nature of the mobile environment adding DVD quality cameras, satellite navigation, web browsing and music players to mobile devices. The products are aimed at the early adopters and style leaders and the technology employed soon filters down to the mobile phone group. This team also lead the development of Nokia's services that can be used on devices such as music downloads, navigation or games.

Directors' report (continued)

Enterprise Solutions
The Enterprise Solutions group develop and produce products to meet the needs of the enterprise or business customer. Their portfolio ranges from mobile phones with business voice functions through to mobile e-mail devices and enterprise firewall equipment. Their primary approach is to mobilise the enterprise work environment in a secure and efficient way.

Vertu
The Vertu business group is the pioneer and leading manufacturer of handcrafted mobile phones for the luxury market. Vertu launched in 2002, and now has three distinct phone collections: Signature, Ascent and Constellation. Vertu phones are assembled by hand at the business group's manufacturing site in the United Kingdom. They are available exclusively in Vertu's own stores and over 370 of the finest watch, jewellery and department stores across 48 countries worldwide. From 1 January 2006, Nokia UK Limited started to act as a marketing, production & research and development centre for Nokia Corporation for the sale and production of Vertu phones.

CMO-Customer market operation
The primary role of CMO is to take the products developed in the above business groups and bring them to the market. In the UK, CMO are responsible for the sales, marketing and delivery of the Nokia portfolio across all business groups excluding Vertu.

Networks
The principal activities of the Networks business group were the development, sales and implementation of telecommunications equipment and systems. This business was transferred to Nokia Siemens Networks Limited on 1 April 2007.

Going forward, the strategy of the Networks business group will be determined by the Nokia Siemens Networks Group which is a separate independent business and the directors do not consider it appropriate to disclose such information in the accounts of Nokia UK Limited.

Key Performance Indicators

We have made significant progress in the year on the Nokia Group's overriding objective and strategy for development and growth. The Board monitors progress on the overall strategy by reference to five key performance indicators. Performance during the year, together with historical comparisons is set out below:

	2006	2005	Definition, method of calculation and analysis
Growth in sales	4%	15%	Year on year sales growth within the devices business groups expressed as a percentage. Sales continue to improve in a very competitive market with Multimedia and Mobile Phones leading the way.
Market share	30.7%	37.5%	Average Nokia device sell out market share measure by GFK market research. The reduction in market share is evidence of the increased pressure from the competition.
Number of devices in the market	86	73	Number of communication devices from which revenue was obtained during the year. Nokia is continuously launching products with 45% of the devices sold in 2006 being new to the market.
Staff attrition rate	6.9%	6.4%	Staff turnover expressed as a percentage of headcount. The low rate of staff attrition is a reflection of Nokia's policy to recruit and maintain key staff within the company
Sales & marketing as a percentage of revenue	7.1%	4.5%	Sales, marketing and distribution expenditure expressed as a percentage of revenue. This target is in line with strict guidelines set by the Nokia Group and is closely monitored. The increase represents the increased focus on marketing and sales in the very competitive market.

Nokia UK Limited

Directors' report (continued)

Research and Development
We continue to act as a research and development centre for the Nokia Group on behalf of Nokia Oyj. Activities include the development of technology modules and software as part of our global Technology Platforms organisation, and development of Nokia NSeries devices as part of our global Multimedia Business group. These activities are supported by a global supplier base, skills in manufacturability, product marketing and customer care in order to create leading edge products for high volume manufacture and global sales. The work involves resolving the technological as well as system design and integration uncertainties inherent in small multi-radio multimedia devices. All research and development costs in the UK are recharged to Nokia Oyj.

Future Outlook
The outlook for Nokia UK looks very positive.With the increased consumer mobility and growing data use the devices and services we produce will continue to be in high demand.

Principal Risks and Uncertainties
Employees
The company's performance depends largely on its managers and local staff. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely affect the company's results. To mitigate these issues the company has the following policies in relation to 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 company continues and appropriate training is arranged. It is the policy of the company 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 company 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 company. Regular meetings are held with employees so that their views can be taken into account in the formulation of policy and in decisions which are likely to affect their interests.

Eligible employees in the UK share in and contribute to the company's performance through performance related bonus schemes.

Employees may also participate in employee share option schemes, which enable eligible employees to acquire share options over the shares of the parent company, Nokia Corporation.

Policy and practice on payment of creditors
It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods or services and to endeavour to adhere to those payment terms. At the year end trade creditors in respect of parties outside the Nokia group of companies represented 61 days (2005: 30 days).

Financial risk management
The operations of the company expose it to a number of financial risks including the effects of interest rate risk, and credit risk.

In order to minimise the impact of finance risks, the Nokia Group has a central treasury function which manages the financial risks of the group. All cash management for the company is handled via the central team.

Credit Risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Each customer has an appropriate credit limit for their perceived risk. A policy of sales blocking is used if a customer exceeds their credit limit.

Nokia UK Limited

Directors' report (continued)

Interest Rate Cash Flow Risk
The company has both interest bearing assets and interest bearing liabilities. All of these are with other Nokia group companies and are subject to either fixed interest rates or a variable interest rates determined by the central treasury team. If the directors consider one of the intercompany assets to be at risk of default then a guarantee is sought from the parent company for the level of that risk.

Charitable contributions
The company has continued to make charitable contributions, donating a total of £102,250 (2005: £59,000) to good causes. The £102,250 donated in the year was distributed as follows: £100,000 to Mencap and £2,250 to Cancer Research UK trading Ltd. The £59,000 donated in the prior year was distributed as follows: £45,000 to Mencap, £5,000 to Childeline, £2,500 to Make a Wish, £3,300 to Breakthrough Cancer, £3,000 to Tommy's the Baby Charity and £200 to other charities.

No contributions to the funds of any political party were made during the year.

Disclosure of information to auditors
As required under Companies Act 1985, section 234ZA(2), the directors confirm that, to their knowledge, there is no relevant audit information of which the company's auditors are unaware.

The directors have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Nokia UK Limited

Directors' report (continued)

Post balance sheet events
On 21 March 2007, the UK government announced a decrease of 2% in the UK corporation tax rate for large companies from 30% to 28%, which will have effect from 1 April 2008. A reduction in plant and machinery capital allowances from 25% to 20% will also have effect from the same date. Although not material, to the financial statements, a future adjustment to the Group's deferred tax assets will be required in respect of the year ending 31 December 2007.

Auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors. Pursuant to section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually.

By order of the board

Director M J Butler

Date 23-10-07

Director

Date 23-10-07

Independent auditors' report to the members of Nokia UK Limited

We have audited the financial statements of Nokia UK Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge

29th October 2007.

Nokia UK Limited

Profit and loss account for the year ended 31 December 2006

	Notes	2006 £'000	2005 (restated) £'000
Turnover	2	**1,611,767**	1,549,184
Cost of sales		**(1,462,980)**	(1,419,834)
Gross profit		**148,787**	129,350
Administrative expenses		**(31,381)**	(49,918)
Marketing, selling and distribution costs		**(114,162)**	(70,128)
Other operating income	7	**42,147**	36,105
Operating profit		**45,391**	45,409
Profit on disposal of building		-	1,212
Interest receivable and similar income	5	**19,538**	18,026
Interest payable and similar charges	6	**(6,152)**	(4,746)
Profit on ordinary activities before taxation	7	**58,777**	59,901
Tax charge on profit on ordinary activities	8	**(4,372)**	(50,059)
Profit for the financial year	18	**54,405**	9,842
Dividends	9	**(170,000)**	-
Loss/retained profit for the financial year		**(115,595)**	9,842

All activities relate to continuing operations.

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

Nokia UK Limited

Statement of total recognised gains and losses

	Notes	2006 £'000	2005 (restated) £'000
Profit before dividends for the financial year		**54,405**	9,842
Actuarial loss on pension scheme	23	**(5,006)**	(3,408)
Current year tax credit relating to FRS 17 pension asset		**1,502**	1,022
Movement on deferred tax asset relating to special pension prepayment		**(3,210)**	(3,210)
Current year tax credit relating to special pension prepayment	23	**3,210**	3,210
Total recognised gains and losses relating to the year		**50,901**	7,456
Prior year adjustment - FRS20	1	(5,584)	
- Deferred tax on FRS20 adjustment		1,675	
Total gains and losses recognised since last annual report		**46,992**	

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Balance sheet as at 31 December 2006

	Notes	2006 £'000	2005 (restated) £'000
Fixed assets			
Tangible assets	10	**68,635**	67,436
Investments	11	**6,794**	-
		75,429	67,436
Current assets			
Debtors	12	**242,820**	276,861
Short term investments		**2,768**	174,360
Cash at bank and in hand		**1,684**	14,251
		247,272	465,472
Creditors: amounts falling due within one year	13	**(159,822)**	(256,701)
Net current assets		**87,450**	208,771
Total assets less current liabilities		**162,879**	276,207
Provisions for liabilities and charges	14	**(53,025)**	(58,039)
Net assets excluding pension asset		**109,854**	218,168
Pension asset	23	**5,000**	7,878
Net assets including pension asset		**114,854**	226,046
Capital and reserves			
Called up share capital	16	**20,000**	20,000
Profit and loss account	18	**94,854**	206,046
Total shareholders' funds	19	**114,854**	226,046

The financial statements on pages 11 to 34 were approved by the board of directors on 23 October 2007 and were signed on its behalf by:

Director M J Butler

Director

Notes to the financial statements for the year ended 31 December 2006

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been reviewed by the Board of Directors in accordance with FRS 18 'Accounting Policies' is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

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

Changes in accounting policy
The 2006 financial year is the first year in which the Company has adopted FRS 20 'Share-based payments'. In accordance with this standard the cost of share options awarded to employees under the Group's share option schemes is measured by reference to their fair value at the date of grant. The cost is recognised over the vesting period of the options based on the number of options, which in the opinion of the Directors, will ultimately vest.

The impact in 2006 is a charge to increase staff costs by £7,907,000 (2005: £4,151,000) and to decrease the deferred tax charge for the year by £2,371,000 (2005: £1,245,000). The impact to the profit for the year of these adjustments is a decrease of £5,536,000 (2005: £2,906,000). The share option charge of £7,907,000 (2005: £4,151,000) is credited back through reserves. The impact on net assets is an increase of £2,371,000 (£1,245,000).

Turnover
In the case of both network equipment and mobile phone handsets, turnover represents the total invoice value of goods despatched to and accepted by customers. Turnover in relation to services is recognised when the service has been provided. All turnover is stated excluding value added tax and after deducting trade discounts.

Foreign exchange
Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in operating profit.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

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

Warranty cost provision
The company makes provision for warranty costs which are expected to arise in future periods in relation to the goods sold in the year. This provision is based on historical data regarding return rates and unit warranty costs.

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

Share options
The cost of share options awarded to employees under the Company's share option schemes is measured by reference to their fair value at the date of grant. This cost is recognised over the vesting period of the options based on the number of options, which in the opinion of the directors, will ultimately vest. The charge is credited back through reserves.

1 Principal accounting policies (continued)

Tangible fixed assets
The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are shown below:

	%
Freehold buildings	2½ - 4
Fixtures, fittings, tools and equipment	10 – 20
Improvements to leasehold property	Over the lease term
Computer equipment and software	20 – 33

Freehold land is not depreciated. Assets purchased during the year are depreciated by the relevant fraction of the above rates. The rates used are designed to write the assets down to residual value over their expected useful lives.

Short-term investments
Bank deposits which are not repayable on demand without penalty are treated as short-term investments in accordance with FRS 1. Investments shown under current assets comprise fixed and immediate return deposits.

Deferred taxation
Provision is made for deferred taxation in accordance with FRS 19, 'Deferred taxation' on all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

Pension scheme arrangements
Nokia UK Limited has been a participating company of the Nokia Group (UK) Pension Scheme since 1 June 1990. This is a funded group pension scheme that provides both benefits based on final pensionable pay and benefits dependent upon contributions paid. The assets of the scheme are held separately from those of Nokia UK Limited, being invested with Fidelity Pensions Management ("Fidelity") and Barclays Global Investors.

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.

Under FRS 17, the amount charged to operating profit in the profit and loss account in respect of defined benefit pension costs is the current service cost of providing benefits accrued in the period as calculated by the scheme's actuary. In addition, the profit and loss account includes a charge for costs in respect of the unwinding of the discount applied to the scheme's liabilities. Actuarial gains and losses are included in the statement of recognised gains and losses. The pension fund balances are shown net of deferred tax, in accordance with FRS 17.

Contributions to the defined contribution pension scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company provides no other post retirement benefits to its employees.

Cash flow statement
The company is a wholly-owned subsidiary of Nokia Corporation, a company incorporated in Finland, and the cash flows of the company are included in the consolidated cash flow statement of Nokia Corporation. Consequently, the company has taken the exemption available under FRS 1 from publishing a cash flow statement.

Related party transactions
The company has also taken advantage of the exemption available under FRS 8 not to disclose transactions with group undertakings. The directors do not consider that there were any other related party transactions.

2 Segmental reporting

	2006 £'000	2005 £'000
Geographical analysis of turnover by destination:		
United Kingdom	**1,349,159**	1,365,262
Continental Europe	**253,388**	172,863
Other countries	**9,220**	11,059
	1,611,767	1,549,184

Turnover is all UK in origin.

	2006 £'000	2005 £'000
Turnover analysed by activity:		
Networks	**86,631**	87,528
Mobile phones	**1,070,989**	1,007,649
Enterprise solutions	**42,050**	52,511
Multimedia	**412,097**	401,496
	1,611,767	1,549,184

The analysis by activity is based on the group's management structure.

All other segmental information required by SSAP25 has not been presented because the directors consider that to disclose this information would be seriously prejudicial to the interests of the company.

3 Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	**1,101**	1,543
Company pension contributions to money purchase schemes	**13**	16
	1,114	1,559

The emoluments of the highest paid director were £337,070 (2005: £490,023). £414,402 in accrued benefits (2005: £nil) are due to the highest paid director at the year end under the defined benefit pension scheme. The amount paid into the money purchase scheme on behalf of the highest paid director was £nil (2005: £11,517).

Retirement benefits are accruing to six directors (2005: six) under a defined benefit scheme, and three directors (2005: three) under a money purchase scheme.

4 Employee information

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

	2006 Number	2005 Number
Administration	**219**	248
Marketing and customer services	**440**	549
Operations	**591**	145
Research and development	**1,049**	829
	2,299	1,771

	2006 £'000	2005 (restated) £'000
Staff costs (for the above persons):		
Wages and salaries	**129,160**	108,863
Social security costs	**15,896**	12,362
Other pension costs	**13,228**	8,773
Share based payment (including National Insurance Contributions on share options)	**9,838**	4,151
	168,122	134,149

5 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest on short-term deposits with a group undertaking	**14,448**	13,729
Interest on short-term deposits with an external bank	**4**	56
Expected return on pension scheme assets (see note 23)	**5,086**	4,241
	19,538	18,026

6 Interest payable and similar charges

	2006 £'000	2005 £'000
On bank loans and overdrafts	**789**	542
Interest on pension scheme liabilities (see note 23)	**5,332**	4,204
Other finance costs	**31**	-
	6,152	4,746

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7 Profit on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of owned tangible fixed assets	**12,693**	9,197
Research and development expenditure (see note 1)	**136,555**	110,640
Operating lease charges:		
- plant and machinery	**2,257**	2,818
- other	**2,489**	1,981
(Profit) / loss on disposal of tangible fixed assets:		
- building	**-**	(1,212)
- other	**134**	56
Other operating income	**42,147**	36,105

Research and development expenditure on behalf of Nokia Corporation of £136,555,000 has been included within costs of sales in the profit and loss account (2005: £110,640,000). This has been recharged at a mark up of 5% (2005: 5%) and recorded within turnover in the profit and loss account.

Other operating income of £42,147,000 (2005: £36,105,000) relates to income received in the Nokia Group regarding training, marketing services and other group activities.

The audit fee for the company for the financial year has been borne by the ultimate parent company, Nokia Corporation.

During the year the Company obtained the following services from the Group's auditor at costs detailed below:

	2006 £'000	2005 £'000
Audit services:		
Fees payable to company auditor for the audit of the company	**118**	119
Non-audit services:		
Fees payable to the company's auditor and its associates for other services		
- Auditing of accounts of associates of the company pursuant to legislation	**12**	9
- Other services relating to taxation	**231**	447
- All other services	**65**	141
	426	716

8 Tax on profit on ordinary activities

a) Analysis of charge for the year

	2006 £'000	2005 (restated) £'000
Current tax:		
UK corporation tax on profits of the year	**13,935**	30,021
Adjustments in respect of previous years	**(7,895)**	18,888
Total current tax charge	**6,040**	48,909
Deferred tax:		
Timing difference in relation to fixed assets	**(1,627)**	(179)
Pension cost relief in excess of pension cost charge	**-**	2,574
Timing difference on share based payments	**(2,372)**	(1,245)
Prior year adjustment	**2,331**	-
Total deferred tax (credit)/charge (note 15)	**(1,668)**	1,150
Tax charge on profit on ordinary activities	**4,372**	50,059

b) *Factors affecting tax charge for the year*

The tax assessed for the period differs from the standard rate in the UK (30%). The differences are explained below:

	2006 £'000	2005 (restated) £'000
Profit on ordinary activities before tax	**58,777**	59,901
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	**17,633**	17,970
Effects of:		
UK Research & Development tax credits	**(4,210)**	(3,204)
Expenses not deductible for tax purposes	**1,153**	1,817
Timing difference in relation to fixed assets	**1,627**	179
Adjustment related to thin capitalisation within UK group	**(4,640)**	(2,426)
Group relief adjustment	**-**	17,014
Pension cost relief in excess of pension cost charge	**-**	(2,574)
Timing difference on share based payments	**2,372**	1,245
Adjustments to tax charge in respect of previous years	**(7,895)**	18,888
Current tax charge for the year (note 8a)	**6,040**	48,909

The company has paid for tax losses surrendered by fellow subsidiaries. This has resulted in a reduction to the prior year current tax charge of £7.9 million (2005: £18.9 million increase). The prior year adjustment in respect of deferred tax relates to the company claiming greater capital allowances in the financial statements than allowable. This has resulted in an increase of £2.3 million to the prior year deferred tax charge.

9 Dividends

	2006 £'000	2005 £'000
Equity – Ordinary:		
Final paid: £8.50 per £1 share (2005: nil)	**170,000**	-

10 Tangible fixed assets

	Freehold land and buildings £'000	Improvements to leasehold property £'000	Fixtures and fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2006	74,394	4,011	70,122	148,527
Additions	386	2,601	11,306	14,293
Disposals	(258)	(290)	(11,312)	(11,860)
At 31 December 2006	**74,522**	**6,322**	**70,116**	**150,960**
Depreciation				
At 1 January 2006	19,584	2,560	58,947	81,091
Charge for the year	3,156	493	9,044	12,693
Disposals	(229)	(254)	(10,976)	(11,459)
At 31 December 2006	**22,511**	**2,799**	**57,015**	**82,325**
Net book value At 31 December 2006	**52,011**	**3,523**	**13,101**	**68,635**
Net book value At 31 December 2005	54,810	1,451	11,175	67,436

Nokia UK Limited

11 Investments

	2006 £'000	2005 £'000
Investments in subsidiary	**6,794**	-

In October 2006, Nokia UK Ltd acquired the full share capital of On Demand Distribution Ltd. The price paid for the shares was £6,794,000 which has been recognised as an investment in the balance sheet of Nokia UK Ltd.

The financial statements of On Demand Distribution Ltd for the year ended 31 December 2005 show the following.

	2005 £'000
Loss for the year	(5,965,912)
Aggregate capital and reserves	(8,348,891)

The details of the shares acquired are as follows:

Name of Undertaking	Country of Incorporation	Desription of Shares	Proportion of Voting rights	Nominal Value of shares acquired £
On Demand Distribution Ltd	England & Wales	£0.10 ordinary shares	100%	2,626,441

12 Debtors

	2006 £'000	2005 (restated) £'000
Amounts falling due within one year:		
Trade debtors	**47,844**	46,287
Amounts owed by group undertakings	**171,542**	218,835
Deferred tax asset	**7,257**	8,095
Corporation tax	**7,214**	815
Prepayments and accrued income	**8,963**	2,829
	242,820	276,861

13 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	**31,275**	11,692
Amounts owed to group undertakings	**43,199**	130,912
Other taxation and social security	**26,163**	43,502
Other creditors	**246**	114
Accruals and deferred income	**58,939**	70,481
	159,822	256,701

14 Provisions for liabilities and charges

	Warranty £'000	Deferred taxation excluding deferred tax on pension asset £'000	Litigation & IPR £000	Other £'000	Total £000
At 1 January 2006	46,607	6,353	300	4,779	58,039
Charged to profit and loss account	243,445	703	-	341	244,489
Utilisation during the year	(249,391)	-	-	(112)	(249,503)
At 31 December 2006	**40,661**	**7,056**	**300**	**5,008**	**53,025**

In the net deferred tax of £1,942,000 (note 15), (2005 restated: £1,634,000), £2,143,000 (2005: £3,376,000) has been deducted in arriving at the net pension asset on the balance sheet.

Warranty provision
See note 1.

Litigation and IPR
The litigation and IPR provision is in respect of a ongoing legal dispute with a customer.

Other provisions
An increase of £341,000 has been recognised in other provisions. This relates to an amount reserved for dilapidations on a property leased by Nokia UK Ltd to another company. The remaining part of other provisions relates to business premises which are currently unoccupied and which management consider unlikely to be sub-let due to the current adverse market conditions for comparable properties in the area.

15 Deferred taxation

	2006 £'000	2005 (restated) £'000
Deferred tax asset on special pension contribution	**(3,210)**	(6,420)
Deferred tax asset on share based payments	**(4,047)**	(1,675)
Deferred tax asset (note 12)	**(7,257)**	(8,095)
Deferred tax provision excluding deferred tax on pension asset (note 14)	**7,056**	6,353
Net deferred tax asset	**(201)**	(1,742)

Movements during the year in the net deferred tax asset are as follows:

	2006 £'000
Opening net deferred tax asset as previously reported	**(67)**
Prior year adjustment – FRS 20	**(1,675)**
Opening net deferred tax asset as restated	**(1,742)**
Movement on deferred tax asset on special pension contribution	**3,210**
Movement on share based payment	**(2,372)**
Differences between capital allowance and depreciation (note 8)	**703**
	(201)

The amount of deferred taxation, including that relating to the pension asset, provided for in the financial statements is as follows:

	2006 £'000	2005 (restated) £'000
Deferred tax asset on special pension contribution	**(3,210)**	(6,420)
Deferred tax asset on share based payment	**(4,047)**	(1,675)
Excess of capital allowances over depreciation (note 14)	**7,056**	6,353
Net deferred tax asset excluding that relating to the pension asset	**(201)**	(1,742)
Deferred tax provision on pension asset (note 23)	**2,143**	3,376
Total provision for deferred tax	**1,942**	1,634

Movements during the year in the deferred tax provision, inclusive of the deferred tax included in the pension asset, are as follows:

1 January 2006 as previously stated	3,309
Prior year adjustment - FRS 20	(1,675)
1 January 2006 as restated	1,634
Deferred tax liability on acquired pension asset	216
Deferred tax credit on profit and loss account (note 8)	(1,668)
Deferred tax charge in statement of total recognised gains and losses	1,760
	1,942

16 Called up share capital

	2006 £'000	2005 £'000
Authorised		
20,000,000 (2005: 20,000,000) ordinary shares of £1 each	**20,000**	20,000
Allotted, called up and fully paid		
20,000,000 (2005: 20,000,000) ordinary shares of £1 each	**20,000**	20,000

17 Share-based payments

The Company participates in the Group equity-based incentive programs for employees. The programs include performance share plans, share option plans and restricted share plans. Both executives and employees participate in these programs.

The equity-based incentive grants are generally forfeited if the employment relationship with the Group terminates and they are conditional upon the fulfilment of performance and such other conditions, as determined in the relevant plan rules.

All assumptions behind the global equity programs are derived in EUR in the Group consolidated accounts. For the purposes of the Nokia UK Limited accounts these amounts have been converted to GBP at the exchange rate prevailing at the appropriate year end (2004: £1 = €1.4104, 2005: £1 = €1.4582, 2006: £1 = €1.4927).

On 1 January 2006, all of the employees of Vertu Limited, a fellow Nokia subsidiary, transferred into Nokia UK Limited. As a result, the number of share options was increased by the number of share options held by those employees.

Share options
The Group's outstanding global share option plans were approved at the Annual General Meeting of Nokia Corporation in the year of the launch of the plan ie 2001, 2003 and 2005. Options under the 2003 and 2005 share option plans are held by employees of Nokia UK Limited.

Each share option entitles the holder to subscribe for one new share in Nokia Corporation. The share options under the 2003 and 2005 plans are non-transferable by the participants. All of the share options have a vesting schedule with a 25% vesting one year after grant and quarterly vesting thereafter, as specified in the table below. The share options granted under the plans generally have a term of five years. The Company determines the compensation expense for the plans on a straight-line basis over the vesting period for each quarterly lot.

The determination of the exercise prices follows the rules approved at the Annual General Meeting of Nokia Corporation for each plan. The exercise prices are determined at the time of the grant, on a quarterly basis, equalling the trade volume weighted average price of a Nokia Corporation share on the Helsinki Stock Exchange during the trading days of the first whole week of the second month (i.e. February, May, August or November) of the respective calendar quarter following approval of the award.

The exercises based on the share options issued under the 2003 and 2005 share option plans are settled with newly issued shares in Nokia Corporation which will entitle the holder to a dividend for the financial year in which the subscription occurs. Other shareholder rights commence on the date on which the shares subscribed for are registered with the Finnish Trade Register.

The outstanding share option plans in which the employees of Nokia UK Ltd have an interest are given in the table below.

17 Share-based payments (continued)

Share options (continued)

Plan (Year of Launch)	Shares under option	Option Category	First vest date	Last Vest date	Expiry date	Exercise price/share GBP
2003	1,687,129	2003 2Q	1 July 2004	2 July 2007	31 December 2008	10.02
		2003 3Q	1 October 2004	1 October 2007	31 December 2008	8.51
		2003 4Q	3 January 2005	2 January 2008	31 December 2008	10.08
		2004 2Q	1 July 2005	1 July 2008	31 December 2009	7.90
		2004 4Q	2 January 2006	2 January 2009	31 December 2009	8.27
2005	1,312,936	2005 2Q	1 July 2006	1 July 2009	31 December 2010	8.57
		2005 3Q	1 October 2006	1 October 2009	31 December 2010	8.77
		2005 4Q	1 January 2007	1 January 2010	31 December 2010	9.70
		2006 1Q	1 April 2007	1 April 2010	31 December 2011	10.04
		2006 2Q	1 July 2007	1 July 2010	31 December 2011	12.07
		2006 3Q	1 October 2007	1 October 2010	31 December 2011	10.30
		2006 4Q	1 January 2008	1 January 2011	31 December 2011	10.30
	3,000,065					

The Group's current share option plans have a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter, each representing 6.25% of the total grant. The grants vest fully in four years.

Total share options outstanding

The following table shows the movement in stock options which were held by employees of Nokia UK Ltd.

	Number of shares	Weighted average exercise price £
Shares under option at 1 January 2005	1,727,535	10.12
Granted	534,868	8.79
Exercised	(7,019)	9.53
Forfeited	(10,151)	9.13
Shares under option at 31 December 2005	2,245,233	9.55
Transferred from Vertu Limited	232,129	9.55
Granted	795,510	11.51
Exercised	(203,376)	9.39
Forfeited	(69,431)	9.09
Shares under option at 31 December 2006	3,000,065	9.91
Options exercisable at 31 December 2005	891,442	9.92
Options exercisable at 31 December 2006	1,398,236	9.44

Share options were regularly exercised during the year, with a weighted average share price at the date of exercise of £11.30 (2005: £10.55). The weighted average grant date fair value per option granted was £2.40 in 2006 and £1.65 in 2005.

The share options outstanding by range of exercise price at 31 December 2006 are as follows:

Exercise prices £	Number of share options outstanding at 31 December 2006	Weighted average remaining contractual life in years	Weighted average exercise price £
0.46 - 7.90	375,428	1.44	7.64
8.08 - 9.96	564,430	2.44	8.59
10.02 - 11.97	1,390,864	0.64	10.02
11.99	2,897	1.00	12.01
12.07 - 28.71	666,446	3.50	12.07
	3,000,065		

17 Share-based payments (continued)

Share options (continued)

Nokia Corporation calculates the fair value of share options using the Black Scholes option pricing model. The Company has taken the exemption provided in FRS 20, 'Share based payment', which allows the charge for share-based payments to be calculated only in respect of options granted to employees after 7 November 2002 which had not vested by 1 January 2006.

The fair value of the share options is estimated on the date of grants using the following assumptions.

	2006	2005	2004
Dividend yield	2.08%	2.50%	2.44%
Weighted average expected volatility	24.09%	25.92%	33.00%
Risk-free interest rate	2.86-3.75%	2.16-3.09%	2.24-4.22%
Weighted average risk-free interest rate	3.62%	2.60%	3.07%
Expected life (years)	3.6	3.59	3.20
Weighted average share price (£)	11.95	9.05	8.39

The expected life of share options is estimated by observing general option holder behaviour and actual historical terms of the Nokia Corporation share option plans. The expected volatility has been set by reference to the implied volatility of options available on Nokia Corporation's shares in the open market and in light of historical patterns of volatility.

Performance shares

The Group has granted performance shares under the 2004, 2005 and 2006 performance share plans which have been approved by the Board of Directors of Nokia Corporation. A valid authorisation from the Annual General Meeting of Nokia Corporation is required when the plans are settled using newly issued shares of Nokia Corporation or transfer of existing treasury shares. The Group may also settle the plans using Nokia Corporation's shares purchased on the open market or instead of shares, cash settlement. The Group introduced performance shares in 2004 as the main element to its broad-based equity compensation program, to further emphasize the performance element in employees' long-term incentives.

The performance shares represent a commitment by the Company to deliver Nokia Corporation shares to employees at a future point in time, subject to the Group's fulfilment of the predefined performance criteria. No performance shares will vest unless the Group's performance reaches the threshold level of at least one of the two independent, pre-defined performance criteria. For performance between the threshold and maximum performance levels the settlement follows a linear scale. Performance exceeding the maximum criteria does not increase the number of shares vesting.

The maximum number of performance shares (Maximum Number) equals four times the number of performance shares originally granted (Threshold Number). The criteria is calculated based on the Group's Average Annual Net Sales Growth target for the performance period of the plan and basic Earnings per Share ("EPS") target at the end of the performance period.

For the 2004 plan, the performance period consists of the fiscal years 2004 through 2007, for the 2005 plan, the years 2005 through 2008 and for the 2006 plan, the years 2006 through 2008. In the 2004 and 2005 plans, separate EPS threshold and maximum levels have been determined for the interim measurement period and final performance period. For both the 2004 and 2005 plans, if either of the required performance levels is achieved, the first settlement will take place after the two year interim measurement period and is limited to a maximum vesting equal to the Threshold Number. The second and final settlement, if any, will be after the close of the four year performance period. Any settlement made after the interim measurement period will be deducted from the final settlement after the full performance period.

The 2006 plan has a performance period of three years with no interim measurement period. No performance shares will vest unless the Group's performance reaches the threshold level of at least one of the two independent, pre-defined performance criteria.

Until the shares in Nokia Corporation are transferred and delivered, the recipients will not have any shareholder rights such as voting or dividend rights associated with the performance shares.

17 Share-based payments (continued)

Performance shares (continued)

The following tables give certain information about the 2004, 2005 and 2006 performance share plans as they relate to Nokia UK Limited at 31 December 2006.

Plan Name	Total Plan Size (Threshold Number)	Interim *Measurement*	Performance *Period*	1st (Interim) *Settlement*	2nd (Final) *Settlement*
2004	223,980	2004-2005	2004-2007	2006	2008
2005	267,094	2005-2006	2005-2008	2007	2009
2006	316,175	n/a	2006-2008	n/a	2009

The following table sets out the performance criteria of each global performance share plan, as well as the potential number of performance shares vesting if performance criteria are met:

		Threshold performance		Maximum performance	
		EPS (£)	Average annual net sales growth	EPS (£)	Average annual net sales growth
2004	Interim measurement	0.536	4%	0.630	16%
	Performance period	0.563	4%	0.791	16%
	Number of shares vesting	223,980	223,980	895,920	895,920
2005	Interim measurement	0.502	3%	0.643	12%
	Performance period	0.549	3%	0.891	12%
	Number of shares vesting	267,094	267,094	1,068,376	1,068,376
2006	Performance period	0.643	5%	0.946	20%
	Number of share vesting	316,175	316,175	1,264,700	1,264,700

1. Both the EPS and Average Annual Net Sales Growth Criteria have an equal weight of 50%.
2. A performance share represents the grant at threshold. At maximum performance, the settlement amounts to four times the number of shares originally granted at threshold.

The table below gives certain information relating to the performance shares outstanding as at 31 December 2006.

	Number of performance shares at Threshold	Weighted average grant date fair value £	Weighted average remaining contractual term (years)
Performance shares at 1 January 2005	202,993	7.68	2.64
Granted	242,067	8.69	3.18
Forfeited	(2,164)	8.32	3.23
Performance shares at 31 December 2005	**442,896**	**8.08**	**2.19**
Transferred from Vertu Limited	45,790	8.08	2.19
Granted	316,175	9.92	3.00
Forfeited	(18,035)	7.15	2.15
Performance shares at 31 December 2006	**786,826**	**8.59**	**1.75**

1. The fair value of performance shares is estimated based on the grant date market price of the shares of Nokia Corporation less the present value of dividends expected to be paid during the vesting period.

2. Based on the performance of the group during the Interim measurement period 2004-2005, under the 2004 performance share plan, both performance criteria were met. The performance shares related to the interim settlement of the 2004 performance share plan are included in the performance in the number of performance shares outstanding as at 31 December 2006 as these performance shares will remain outstanding until the final settlement in 2008. The final payout, in 2008, if any, will be adjusted by the shares delivered based on the interim measurement period.

17 Share-based payments (continued)

Performance shares (continued)

Based on the performance of the group during the Interim Measurement Period 2005-2006, under the 2005 Performance Share Plan, both performance criteria were met. Hence 265,594 Nokia shares equalling the threshold number vested as of the date of the Nokia Corporation Annual General Meeting on 3 May 2007.

Restricted shares

Since 2003, the Group has granted restricted shares to recruit, retain, reward and motivate selected high potential employees, who are critical to the future success of the Group. The restricted share plans 2003, 2004, 2005 and 2006 have been approved by the Board of Directors of Nokia Corporation. A valid authorisation from the Annual General Meeting of Nokia Corporation is required when the plans are settled using newly issued shares of Nokia Corporation or disposal of existing own shares. The Group may also settle the plans using Nokia Corporation shares purchased on the open market or by using cash settlement. All of the restricted share grants have a restriction period of three years after grant, after which period the granted shares will vest. As soon as practicable after vesting, the shares in Nokia Corporation are delivered to the recipients. Until shares are delivered, the recipients will not have any shareholder rights, such as voting or dividend rights associated with these restricted shares.

The table below gives certain information relating to the Restricted Shares outstanding as at 31 December 2006.

	Number of Restricted Shares	Weighted average grant date fair value £	Weighted average remaining contractual term (years)
Restricted Shares at 1 January 2005	147,863	6.64	2.52
Granted	322,552	8.24	3.13
Restricted Shares at 31 December 2005	**470,415**	**7.67**	**2.37**
Transfers from Vertu Limited	48,635	7.67	2.37
Granted	156,700	9.85	3.01
Forfeited	(12,000)	8.04	2.59
Vested	(25,250)	8.26	-
Restricted Shares at 31 December 2006	**638,500**	**8.03**	**1.74**

1. The fair value of restricted shares is estimated based on the grant date market price of the shares of Nokia Corporation less the present value of dividends expected to be paid during the vesting period.

Total compensation cost related to share based compensation

During the year ended 31 December 2006, a share-based compensation charge of £7,907,000 (2005: £4,151,000) was recorded in administrative expenses in the profit and loss account.

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18 Profit and loss account

	2006 £'000
At 1 January 2006 as previously reported	204,371
Prior year adjustment – Deferred tax on FRS 20 adjustment	1,675
At 1 January 2006 as restated	206,046
Profit for the financial year	54,405
Dividends	(170,000)
Actuarial loss on pension scheme (note 23)	(5,006)
Movement on current tax credit on pension asset	1,502
Share based payment for the year	7,907
At 31 December 2006	94,854
Pension asset	(5,000)
Profit and loss reserve excluding pension asset	89,854

19 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 (restated) £'000
Profit for the financial year	54,405	9,842
Dividends	(170,000)	-
Share based payment for the year	7,907	4,151
Actuarial loss on pension scheme (note 23)	(5,006)	(3,408)
Current tax credit on pension asset	1,502	1,022
Net (reduction)/addition to shareholders' funds	(111,192)	11,607
Opening shareholders' funds as previously reported	224,371	214,010
Prior year adjustment – Deferred tax on FRS 20 adjustment	1,675	429
Opening shareholders funds as restated	226,046	214,439
Closing shareholders' funds	114,854	226,046

20 Capital commitments

	2006 £'000	2005 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,552	916

21 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases expiring:				
Within one year	**29**	**1,450**	13	1,214
In the second to fifth years	**385**	**2,479**	214	613
After five years	**2,045**	**-**	1,947	-
	2,459	**3,929**	2,174	1,827

22 Contingent liabilities

The company is liable, under the terms of a cash pooling arrangement with National Westminster Bank plc, to contribute to the overdraft of its holding company, Nokia UK Holdings Limited. The company's liability is limited to its cash balance at any time on its account with that bank. At 31 December 2006, the company's maximum potential liability was £894,909 (2005: £14,256,356).

The company has given a counter indemnity to National Westminster Bank plc in respect of a duty deferment bond in favour of H M Customs and Excise in the sum of £3,600,000 (2005: £3,600,000). At 31 December 2006, the balance outstanding on the deferment account against which the bond could be offset was £359,155 (2005: £8,954).

The company is also liable under the following bonds: £45,000 (2005: £45,000) (The County Council of Surrey), £250,000 (2005: £250,000) (Newline Underwriting Management Ltd), £510,000 (2005: £510,000) (Hampshire County Council).

The directors consider that the likelihood of any loss arising from any of these arrangements is remote.

23 Pension scheme

The company operates a funded defined benefit scheme; only employees of Nokia UK Limited contribute to the Nokia Group (UK) Pension Scheme.

A full actuarial valuation of this scheme was carried out at 31 March 2004 by a qualified independent actuary. The valuation used the projected unit method to determine future contributions and it was assumed that investment returns would be 4.5 % pa pre-retirement and 4.5 % pa post retirement, salary increases would average 4.5 % pa and future pension increases would average 2.5 % pa. Assets were valued at market value. As at the date of the valuation, these represented 71 % of the value of benefits accrued to members, after having allowed for expected future increases in pensionable salaries. A special contribution of £42.8m was made by Nokia (UK) Limited in the year ended 31 December 2004 towards funding the deficit.

23 Pension scheme (continued)

For the purposes of FRS 17, the most recent actuarial valuation was updated to 31 December 2006. The major assumptions used by the actuary required under FRS17 were:

	31 December 2006 (% p.a.)	31 December 2005 (% p.a.)	31 December 2004 (% p.a.)
Rate of increase in salaries	**5.50%**	5.30%	5.30%
Rate of increase of pensions in payment	**3.00%**	2.80%	2.80%
Discount rate	**5.00%**	4.90%	5.30%
Inflation assumption	**3.00%**	2.80%	2.80%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected 31 December 2006 %	**Value at 31 December 2006 £'000**	Long-term rate of return expected 31 December 2005 %	Value at 31 December 2005 £'000	Long-term rate of return expected 31 December 2004 %	Value at 31 December 2004 £'000
Bonds	**4.30%**	**127,716**	4.20%	108,157	4.50%	46,806
Cash	**4.75%**	**1,321**	4.50%	1,182	4.75%	42,873
		129,037		109,339		89,679

The pension asset recognised on the face of the balance sheet is calculated as follows:

	2006 £'000	2005 £'000	2004 £'000
Total market value of assets	**129,037**	109,339	89,679
Present value of scheme liabilities (2006: 94% of scheme assets; 2005: 90%; 2004: 85%)	**(121,894)**	(98,085)	(76,306)
Surplus in the scheme	**7,143**	11,254	13,373
Related deferred tax (liability)	**(2,143)**	(3,376)	(4,012)
Net pension asset	**5,000**	7,878	9,361

23 Pension scheme (continued)

Analysis of the amount charged to operating profit:	2006 £'000	2005 £'000
Service cost	7,347	5,786
Total operating charge	**7,347**	5,786

Analysis of amount charged to interest:		
Expected return on pension scheme assets	5,086	4,241
Interest on pension scheme liabilities	(5,332)	(4,204)
Net (interest charge)/return	**(246)**	37

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	(1,844)	6,181
Experience gains and losses arising on the scheme liabilities	6	(29)
Change in the underlying present value of the scheme liabilities	(3,168)	(9,560)
Actuarial (loss) recognised in the STRGL	**(5,006)**	(3,408)

Movement in surplus during the year:		
Surplus in scheme at 1 January	11,254	13,373
Transferred from Vertu Limited (see note 25)	719	-
Movement in year:		
Current service charge	(7,347)	(5,786)
Contributions	7,769	7,038
Net (interest charge)/return	(246)	37
Actuarial (loss)	(5,006)	(3,408)
Surplus in scheme at 31 December	**7,143**	11,254

The scheme was closed to new entrants with effect from 31 March 2005. For a closed scheme, under the projected unit method, the service cost will increase as a proportion of salaries as employees approach retirement.

Company contributions remained at 21% (2005: 21%) of pensionable salaries in respect of Executive members and increased on 1 January 2006 to 18% (2005: 11%) of pensionable salaries in respect of other members of the defined benefit scheme.

23 Pension scheme (continued)

History of experience gains and losses:	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Difference between the expected and actual return on assets:					
Amount (£'000)	**(1,844)**	6,181	543	5,092	(9,307)
% of scheme assets	**(1.4%)**	5.70%	0.60%	13.30%	(38.00%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	**6**	(29)	(2,665)	(1,146)	(1,361)
% of scheme liabilities	**0.0%**	0.00%	(3.50%)	(1.80%)	(3.00%)
Total amount recognised in the STRGL					
Amount (£'000)	**(5,006)**	(3,408)	(1,410)	(5,718)	(11,341)
% of scheme liabilities	**(4.1%)**	(3.50%)	(1.80%)	(9.10%)	(27.00%)

The company also operates a defined contribution tier of its pension scheme. The pension charge for the year for the defined contribution tier was £3,551,000. (2005: £2,987,000).

The defined contribution section of the UK pension scheme has a defined benefit underpin due to its method of being contracted-out of the State Second Pension (so that in return for giving up some state pension benefits the scheme provides minimum level of pension at retirement). FRS 17 requires that schemes with such an underpin are accounted for in the same way as defined benefit schemes. However, the underpin of the defined contribution section of the UK pension scheme is not currently expected to uplift any members' pension benefits, and accordingly, the assets and liabilities of the defined contribution section of the UK pension scheme have not been included with the assets and liabilities of the defined benefit scheme in these disclosures.

The impact of the defined benefit underpin on the disclosures included in this note if they were to be included would be to increase the assets of the overall scheme by £78,463,000 (31 December 2005: £62,226,000) and to increase the liabilities of the overall scheme by the same amount.

The defined contribution pension cost (being the contributions payable) in the year of £3,551,000 (2005: £2,987,000) has been included in this note in the disclosure of the service cost of the defined benefit scheme within the operating profit of the company. No net impact has been recognised in this note either on the financing section of the profit and loss account or on the statement of total recognised gains and losses, as the expected return on the scheme assets and the interest on the scheme liabilities and, similarly, the actual less expected return on the scheme assets and the experience gains and losses arising on the scheme liabilities, would have an equal and opposite effect. There would only be an item in respect of a change in assumptions for the defined contribution scheme to the extent that such a change results in a liability being held in respect of the underpin.

No amount was due (2005: £nil) in respect of contributions due to the defined contribution pension fund at the year end.

24 Ultimate and immediate parent companies and controlling party

The immediate parent company is Nokia UK Holdings Limited, a company registered in England and Wales.

The directors regard Nokia Corporation, a company incorporated in Finland, as the ultimate parent company and controlling party and head of the smallest group including Nokia UK Limited for which consolidated financial statements are prepared. Copies of the consolidated financial statements of Nokia Corporation may be obtained from PO Box 226, SF00101, Helsinki, Finland.

25 Transferred of assets and liabilities from Vertu Limited

On 1 January 2006, Vertu Limited ceased trading and transferred its assets and liabilities to Nokia UK Limited and Nokia Corporation.

As a result of this transaction Nokia UK Limited increased headcount by 205 people and acquired all the assets and liabilities of Vertu Limited with the exception of sales contracts (and associated sales debtors), stock and intellectual property rights which were assigned to Nokia Corporation. From 1 January 2006, Nokia UK Limited started to act as a marketing, production and research and development centre for Nokia Corporation for the sale and production of Vertu phones. All costs incurred related to these activities are charged back to Nokia Corporation.

The assets and liabilities transferred to Nokia UK Limited comprise:

	Fair value £000
Tangible fixed assets	4,120
Pension asset (net of deferred tax provision of £216,000)	503
Other prepaid expenses	168
Total assets transferred	4,791
Trade creditors	(2,543)
Other accrued expenses	(1,577)
Total net assets transferred	**671**
Consideration	**671**

26 Subsequent events

On 21 March 2007, the UK government announced a decrease of 2% in the UK corporation tax rate for large companies from 30% to 28%, which will have effect from 1 April 2008. A reduction in plant and machinery capital allowances from 25% to 20% will also have effect from the same date. Although not material, to the financial statements, a future adjustment to the Group's net deferred tax assets will be required in respect of the year ending 31 December 2007.

On 1 April 2007, Nokia merged its Networks Business Group with the carrier-related operations of Siemens, into a new company called Nokia Siemens Networks.