Nokia UK Limited

Annual report

for the year ended 31 December 2007

Registered Number 2212202

Nokia UK Limited
Annual report
for the year ended 31 December 2007
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Nokia UK Limited

Directors and advisers

Directors

M Butler
H Mustonen (Chairman)
S Ainslie
S Cullen

Secretary and registered office

Denton Wilde Sapte LLP
Nokia House
Summit Avenue
Farnborough
Hampshire
GU14 0NG

Registered auditors

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Bankers

National Westminster Bank Plc
23 Market Street
Cambridge
CB2 3PA

Solicitors

Denton Wilde Sapte LLP
One Fleet Place
London
EC4M 7WS

Nokia UK Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007

Directors

The directors of the company at 31 December 2007, all of whom have been directors for the whole of the year, except where indicated, are listed below

H Mustonen	(Chairman)
M Butler	
T Foster	(resigned 31 March 2007)
S Ainslie	
G Doyle	(appointed 1 April 2007, resigned 28 March 2008)
S Cullen	(appointed 28 March 2008)

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 1,998 individuals during 2007 (2006 2,299) across 3 sites in the UK Turnover in the year was £1,646,503,000 (2006 £1,611,767,000) with a reported operating profit of £48,887,000 (2006 £45,391,000)

Dividends

During the year a dividend of £91,000,000 was declared and paid (2006 £170,000,000), the details of which are outlined in note 9

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 two 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 players and laptops)

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

Directors' report (continued)

The current market outlook for the industry looks healthy despite the economic downturn The following factors affect both uptake and usage

- We forecast a stable market with some growth in volume but decline in device value leaving a broadly flat total market value,
- 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, and
- 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
- Significant shift in consumers' disposable income as a result of an economic recession
- 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 user's connected world we allow people to stay in touch seamlessly throughout the globe

In the UK during 2007, Nokia operated 5 business groups supporting device sales During the first quarter of 2007 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 leads the development of Nokia's services that can be used on devices such as music downloads, navigation or games

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 email devices and enterprise firewall equipment Their primary approach is to mobilise the enterprise work environment in a secure and efficient way

Directors' report (continued)

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

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, sale 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 is determined by the Nokia Siemens Networks Group and the directors do not consider it appropriate to disclose such information in the accounts of Nokia UK Limited The operations of the Networks business group are not considered significant to the focus and continuing operations of Nokia UK

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

	2007	2006	Definition, method of calculation and analysis
Growth in sales	2%	4%	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	33 7%	30 7%	Average Nokia device sell out market share measure by GFK market research analysis The increase in market share is evidence of Nokia's strength in fighting off pressure from the competition
Number of devices in the market	128	86	Number of communication devices from which revenue was obtained during the year Nokia is continuously launching products with 30% of the devices sold in 2007 being new to the market
Staff attrition rate	5 7%	6 9%	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	9 1%	7 1%	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

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

As from 1 January 2008, Nokia has restructured its business into three main units Devices, responsible for creating the best device portfolio for the marketplace, Services & Software, reflecting Nokia's strategic emphasis on growing its offering of consumer internet services and enterprise solutions and software, and Markets, responsible for management of Nokia's supply chains, sales channels and marketing activities In addition, Nokia will establish a Chief Development Office to optimize Nokia's strategic capabilities and growth potential and also provide operational support for integration across all these units in conjunction with the CEO Under the new structure, Nokia will have two reportable segments Devices & Services and Nokia Siemens Networks Nokia Oyj will report on these two segments in its quarterly and annual result announcements

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 56 days (2006 61 days)

Directors' report (continued)

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

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 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 £25,000 (2006 £102,250) to good causes The £25,000 donated in the year was distributed to Mencap In the prior year, £100,000 was donated to Mencap and £2,250 to Cancer Research
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

Events after the balance sheet date
After the year end On Demand Distribution Limited, a newly acquired, wholly owned subsidiary, has been put into liquidation As a result of this process equity balances of £8,024,000 will be transferred to Nokia UK Limited reducing the value of the investment The value of the investment will then be recognised as goodwill and amortised over the useful life

In July 2008, a sum of £4,000,000 was paid into the defined benefit pension scheme At this point also, the rate of employer contributions for executive and staff members changed to 31 5% and 21 9% respectively

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

Directors' report (continued)

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
- 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

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

Director

Date 27-10-08

Director

Date 27|10|08

Nokia UK Limited

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 2007 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 2007 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
30th October 2008.

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	2	**1,646,503**	1,611,767
Cost of sales		**(1,463,338)**	(1,462,980)
Gross profit		**183,165**	148,787
Administrative expenses		**(16,062)**	(31,381)
Marketing, selling and distribution costs		**(150,625)**	(114,162)
Other operating income	7	**32,409**	42,147
Operating profit		**48,887**	45,391
Interest receivable and similar income	5	**13,540**	19,538
Interest payable and similar charges	6	**(6,041)**	(6,152)
Profit on ordinary activities before taxation	7	**56,386**	58,777
Tax charge on profit on ordinary activities	8	**(10,515)**	(4,372)
Profit for the financial year	20	**45,871**	54,405

All activities relate to continuing operations

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

Statement of total recognised gains and losses

	Notes	2007 £'000	2006 £'000
Profit before dividends for the financial year		**45,871**	54,405
Actuarial loss on pension scheme	25	**(493)**	(5,006)
Current tax credit relating to FRS 17 pension asset		**148**	1,502
Movement on deferred tax asset relating to special pension prepayment		**(3,210)**	(3,210)
Current year tax credit relating to special pension prepayment		**3,210**	3,210
Release of FRS17 deferred tax liability as a result of the change in corporation rate from 30% to 28%		**196**	-
Total recognised gains and losses relating to the year		**45,722**	50,901

Nokia UK Limited

Balance sheet as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	10	**25,501**	-
Tangible assets	11	**73,086**	68,635
Investments	12	**8,024**	6,794
		106,611	75,429
Current assets			
Stock	13	**38**	-
Debtors	14	**198,730**	242,820
Short term investments		**8,689**	2,768
Cash at bank and in hand		**-**	1,684
		207,457	247,272
Creditors: amounts falling due within one year	15	**(187,229)**	(159,822)
Net current assets		**20,228**	87,450
Total assets less current liabilities		**126,839**	162,879
Provisions for liabilities and charges	16	**(63,346)**	(53,025)
Net assets excluding pension asset		**63,493**	109,854
Pension asset	25	**7,040**	5,000
Net assets including pension asset		**70,533**	114,854
Capital and reserves			
Called up share capital	18	**20,000**	20,000
Profit and loss account	20	**50,533**	94,854
Total shareholders' funds	21	**70,533**	114,854

The financial statements on pages 11 to 38 were approved by the board of directors on
and were signed on its behalf by

Director

27-10-08

Director S. Gill

27/10/08

Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

These financial statements are prepared on the going concern basis and 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

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

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

Monetary 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

Stocks and work in progress
Stocks have been valued at the lower of cost and net realisable value, after making allowances for any obsolete or slow moving items Cost of goods for resale comprises the original price at which goods are purchased from other Nokia group companies and any direct costs attributable to location and condition Cost of work in progress comprises staff time spent on projects, with an appropriate element of overheads 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

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

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

1 Principal accounting policies (continued)

	%
Freehold buildings	2½ - 5
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

Goodwill
Amortisation on goodwill is calculated so as to write off the cost of the goodwill on a straight line basis over the expected useful economic life of the goodwill concerned The principal annual rate used for goodwill associated with the purchase of On Demand Distribution Ltd has been assessed at seven years This is based on the continually changing nature of the music industry and reflects the period for which the group are able to provide reasonable forecasting

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

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

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 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 'Retirement Benefits', 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

1 Principal accounting policies (continued)

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 'Related Party Disclosures' not to disclose transactions with group undertakings The directors do not consider that there were any other related party transactions

2 Segmental reporting

	2007 £'000	2006 £'000
Geographical analysis of turnover by destination:		
United Kingdom	**1,378,252**	1,349,159
Continental Europe	**257,525**	253,388
Other countries	**10,726**	9,220
	1,646,503	1,611,767

Turnover is all UK in origin

	2007 £'000	2006 £'000
Turnover analysed by activity:		
Networks	**21,666**	86,631
Mobile phones (including Vertu)	**949,657**	1,070,989
Enterprise solutions	**83,659**	42,050
Multimedia	**591,521**	412,097
	1,646,503	1,611,767

On 1 April 2007, the Networks business was transferred to Nokia Siemens Networks Limited See note 27 for further details

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

All other segmental information required by SSAP25 'Segment Reporting' 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

	2007 £'000	2006 £'000
Aggregate emoluments	**695**	1,101
Company pension contributions to money purchase schemes	**8**	13
	703	1,114

3 Directors' emoluments (continued)

The emoluments of the highest paid director were £332,046 (2006 £337,070) £495,368 in accrued benefits (2006 £414,402) 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 (2006 £nil)

Retirement benefits are accruing to two directors (2006 six) under a defined benefit scheme, and two directors (2006 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

	2007 Number	2006 Number
Administration	**155**	219
Marketing and customer services	**442**	440
Operations	**259**	591
Research and development	**1,142**	1,049
	1,998	2,299

	2007 £'000	2006 £'000
Staff costs (for the above persons):		
Wages and salaries	**119,573**	129,160
Social security costs	**14,701**	15,896
Other pension costs	**9,103**	13,228
Share based payment (including National Insurance Contributions on share options)	**2,034**	9,838
	145,411	168,122

5 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest on short-term deposits with a group undertaking	**8,618**	14,448
Interest on short-term deposits with an external bank	**24**	4
Expected return on pension scheme assets (note 25)	**4,898**	5,086
	13,540	19,538

6 Interest payable and similar charges

	2007 £'000	2006 £'000
On bank loans and overdrafts	**760**	789
Interest on pension scheme liabilities (note 25)	**5,256**	5,332
Other finance costs	**25**	31
	6,041	6,152

7 Profit on ordinary activities before taxation

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	**13,566**	12,693
Amortisation of goodwill	**3,169**	-
Research and development expenditure	**147,591**	136,555
Operating lease charges		
- plant and machinery	**4,204**	2,257
- other	**4,438**	2,489
Loss on disposal of tangible fixed assets	**16**	134
Other operating income	**(32,409)**	(42,147)

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

Research and development expenditure on behalf of Nokia Corporation of £147,591,000 (2006 £136,555,000) has been included within cost of sales in the profit and loss account This has been recharged at a mark up of 5% (2006 5%) and recorded within turnover in the profit and loss account

Other operating income of £32,409,000 (2006 £42,147,000) relates to income received from the Nokia Group regarding training, marketing services, rental income and other group activities and included within this figure for 2007 is the profit on disposal of the Networks business amounting to £7,094,000

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

	2007 £'000	2006 £'000
Fees payable to company auditor for the audit of the company	**153**	118
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	**16**	12
-other service relating to taxation	**256**	231
-All other services	**22**	65
	447	426

8 Tax on profit on ordinary activities

a) Analysis of charge for the year

	2007 £'000	2006 £'000
Current tax		
UK corporation tax on profits of the year	**8,611**	13,935
Adjustments in respect of previous years	**(762)**	(7,895)
Total current tax charge	**7,849**	6,040
Deferred tax		
Timing difference in relation to fixed assets	**568**	(1,627)
Timing difference on share based payments	**303**	(2,372)
Pension cost relief in excess of pension cost charge	**791**	-
Adjustment to deferred tax as a result of the change in corporation tax rate from 30% to 28%	**(616)**	-
Prior year adjustment	**1,620**	2,331
Total deferred tax charge/(credit) (note 17)	**2,666**	(1,668)
Tax charge on profit on ordinary activities	**10,515**	4,372

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	**56,386**	58,777
Profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 30% (2006 30%)	**16,916**	17,633
Effects of		
UK Research & Development tax credits	**(4,184)**	(4,210)
Expenses not deductible for tax purposes	**3,618**	1,153
Timing difference in relation to fixed assets	**(568)**	1,627
Adjustment related to thin capitalisation within UK group	**(4,634)**	(4,640)
Capital losses brought forward against gains for the year	**(462)**	-
Pension cost relief in excess of pension cost charge	**(791)**	-
Schedule 23 deduction in excess of deferred tax charge on share based compensation	**(1,284)**	2,372
Adjustments to tax charge in respect of previous years	**(762)**	(7,895)
Current tax charge for the year (note 8a)	**7,849**	6,040

The adjustment to tax charge in respect of prior years results primarily from difference on the estimated capital allowances in the financial statements and the final agreed capital allowances for the purposes of the tax calculation

9 Dividends

	2007 £'000	2006 £'000
Equity – Ordinary.		
Final paid £4 55 per £1 share (2006 £8 50)	**91,000**	170,000

10 Intangible fixed assets

	2007 £'000
Cost	
At 1 January 2007	-
Additions in the year (note 28)	**7,495**
Transfer from investments (note 12)	**21,175**
At 31 December 2007	**28,670**
Amortisation	
At 1 January 2007	-
Amortisation for the period	**(3,169)**
At 31 December 2007	**(3,169)**
Net book value as at 31 December 2007	**25,501**
Net book value as at 31 December 2006	-

On 2 February 2007, the business, assets and liabilities of On Demand Distribution Limited were transferred into Nokia UK Limited (see note 28 for further details) As a result of this transaction, goodwill of £28,670,000 was recognised in the accounts of Nokia UK Limited

11 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 2007	74,522	6,322	70,116	150,960
Additions	151	4,799	16,144	21,094
Disposals	(1,210)	(1,130)	(24,919)	(27,259)
At 31 December 2007	**73,463**	**9,991**	**61,341**	**144,795**
Depreciation				
At 1 January 2007	22,511	2,799	57,015	82,325
Charge for the year	3,149	2,047	8,370	13,566
Disposals	(728)	(836)	(22,618)	(24,182)
At 31 December 2007	**24,932**	**4,010**	**42,767**	**71,709**
Net book value At 31 December 2007	**48,531**	**5,981**	**18,574**	**73,086**
Net book value At 31 December 2006	52,011	3,523	13,101	68,635

12 Investments

	2007 £'000	2006 £'000
Investments in subsidiary	**8,024**	6,794

In October 2006 Nokia UK Limited acquired the full share capital of On Demand Distribution Limited The price paid for the shares was £6,794,000 which was recognised as an investment in the balance sheet of Nokia UK Limited as at 31 December 2006

On 17 January 2007, On Demand Distribution Limited issued 224,047,756 shares to Loudeye Inc to settle an intercompany debt between Loudeye Inc and On Demand Distribution Limited On the same day Nokia UK Limited purchased the issued shares from Loudeye Inc for a consideration of £22,405,000 This increase in investment was initially recognised during January 2007 On 2 February 2007, the business, assets and liabilities of On Demand Distribution Limited were transferred into Nokia UK Limited (see note 28 for further details) As a result of this transaction £21,175,000 was recategorised from investments to goodwill leaving the value of the investment at the value of the shareholders funds in On Demand Distribution Limited

As at 31 December 2005, the financial statements of On Demand Distribution Limited 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	Description of Shares	Proportion of Voting rights	Nominal Value of shares acquired
On Demand Distribution	England & Wales	£0 10 ordinary shares	100%	£25,031,217

13 Stock

	2007 £'000	2006 £'000
Goods in transit	**38**	-

14 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade debtors	**52,889**	47,844
Amounts owed by group undertakings	**101,759**	171,542
Deferred tax asset (note 17)	**3,744**	7,257
Corporation tax	**14,352**	7,214
Other debtors (VAT)	**15,062**	-
Prepayments and accrued income	**10,924**	8,963
	198,730	242,820

Amounts owed by group undertakings (Nokia R&D UK Ltd) are unsecured, with an interest rate of 6 04% This loan has no fixed date of repayment and is repayable upon demand

15 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank loans and overdrafts	**9,417**	-
Trade creditors	**34,996**	31,275
Amounts owed to group undertakings	**14,748**	43,199
Other taxation and social security	**8,675**	26,163
Other creditors	**27**	246
Accruals and deferred income	**119,366**	58,939
	187,229	159,822

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable upon demand

16 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 2007	40,661	7,056	300	5,008	53,025
Charged to profit and loss account	70,555	1,572	-	880	73,007
Utilisation during the year	(60,086)	-	-	(1,526)	(61,612)
Transferred to Nokia Siemens Networks UK Limited	-		(300)	(774)	(1,074)
At 31 December 2007	**51,130**	**8,628**	**-**	**3,588**	**63,346**

Warranty provision
See note 1

Litigation and IPR
The litigation and IPR provision is in respect of an ongoing legal dispute with a customer This was Networks related, and has been transferred to Nokia Siemens Networks UK Limited

Other provisions
A decrease of £774,000 has been recognised in other provisions This relates to property previously in Nokia UK Limited's books but which has now been transferred to Nokia Siemens Networks UK Limited 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

17 Deferred taxation

	2007 £'000	2006 £'000
Deferred tax asset on special pension contribution	-	(3,210)
Deferred tax asset on share based payment	**(3,744)**	(4,047)
Deferred tax asset (note 14)	**(3,744)**	(7,257)
Deferred tax provision excluding deferred tax on pension asset (note 16)	**8,628**	7,056
Net deferred tax liability/(asset)	**4,884**	(201)

Movements during the year in the net deferred tax position are as follows

	2007 £'000
Opening amount recognised	**(201)**
Movement on deferred tax asset on special pension contribution	**3,210**
Movement on share based payment	**303**
Differences between capital allowance and depreciation	**1,572**
	4,884

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

	2007 £'000	2006 £'000
Deferred tax asset on special pension contribution	-	(3,210)
Deferred tax asset on share based payment	**(3,744)**	(4,047)
Excess of capital allowances over depreciation (note 16)	**8,628**	7,056
Deferred tax excluding that relating to the pension asset	**4,884**	(201)
Deferred tax on pension asset (note 25)	**2,738**	2,143
Total provision for deferred tax	**7,622**	1,942

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

	2007 £'000
1 January 2007	1,942
Deferred tax charge in the statement of total recognised gains and losses	3,014
Deferred tax charge in profit and loss account (note 8)	2,666
	7,622

During the year, as a result of the change in UK Corporation Tax rate which was effective from 1 April 2008, deferred tax balances have been remeasured Deferred tax relating to timing differences which were expected to reverse prior to 1 April 2008 was measured at 30% and deferred tax relating to timing differences expected to reverse after 1 April 2008 was measured at the tax rate of 28% as this is the tax rate that will apply on reversal.

18 Called up share capital

	2007 £'000	2006 £'000
Authorised		
20,000,000 (2006 20,000,000) ordinary shares of £1 each	**20,000**	20,000
Allotted, called up and fully paid		
20,000,000 (2006 20,000,000) ordinary shares of £1 each	**20,000**	20,000

19 Share-based payments

The company participates in the Group equity-based incentive programs for employees The programs include performance share plans, stock 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 conditioned upon the fulfilment of such performance, service and 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 (2005 £1 = €1 4582, 2006 £1 = €1 4927, 2007 £1 = €1 3609)

Share options

Nokia's global share option plans in effect for 2007, including their terms and conditions, were approved at the Annual General Meeting of Nokia Corporation in the year when each plan was launched, i e in 2001, 2003, 2005 and 2007

Each share option entitles the holder to subscribe for one new Nokia share in Nokia Corporation Under the 2001 share option plan, the share options were transferable by the participants Under the 2003, 2005 and 2007 plans, the share options are non-transferable All of the share options have a vesting schedule with a 25% vesting one year after grant and quarterly vesting thereafter The share options granted under the plans generally have a term of five years

The exercise price of the share options is determined at the time of grant on a quarterly basis The exercise prices are determined in accordance with a pre-agreed schedule quarterly after the release of Nokia Corporation's periodic financial results and are based on 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 of the respective calendar quarter (i e , February, May, August or November) Exercise prices are determined on a one-week weighted average to mitigate any short term fluctuations in Nokia Corporation's share price The determination of exercise price is defined in the terms and conditions of the share option plan, which are approved by the shareholders at the respective Annual General Meeting The Board of Directors does not have right to amend the above-described determination of the exercise price

The share option exercises are settled with newly issued Nokia Corporation shares which 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 Limited have an interest are given in the table below

19 Share-based payments (continued)

Plan (Year of Launch)	Shares under option	Option Category	First vest date	Last Vest date	Expiry date	Exercise price/share GBP
2003 [1]	513,409	2003 2Q	01-Jul-04	02-Jul-07	31-Dec-08	10 98
		2003 3Q	01-Oct-04	01-Oct-07	31-Dec-08	9 34
		2003 4Q	03-Jan-05	02-Jan-08	31-Dec-08	11 06
		2004 2Q	01-Jul-05	01-Jul-08	31-Dec-09	8 66
		2004 4Q	02-Jan-06	02-Jan-09	31-Dec-09	9 07
2005 [1]	604,651	2005 2Q	01-Jul-06	01-Jul-09	31-Dec-10	9 4
		2005 3Q	01-Oct-06	01-Oct-09	31-Dec-10	9 62
		2005 4Q	01-Jan-07	01-Jan-10	31-Dec-10	10 64
		2006 1Q	01-Apr-07	01-Apr-10	31-Dec-11	11 01
		2006 2Q	01-Jul-07	01-Jul-10	31-Dec-11	13 24
		2006 3Q	01-Oct-07	01-Oct-10	31-Dec-11	11 29
		2006 4Q	01-Jan-08	01-Jan-11	31-Dec-11	11 3
		2007 1Q	01-Apr-08	01-Apr-11	31-Dec-11	12 49
2007 [1]	284,831	2007 2Q	01-Jul-08	01-Jul-11	31-Dec-12	13 51
		2007 3Q	01-Oct-08	01-Oct-11	31-Dec-12	16 06
		2007 4Q	01-Jan-09	01-Jan-12	31-Dec-12	20 23
	1,402,891					

(1) The Group's current global share option plans have a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter, each of the quarterly lots representing 6 25% of the total grant The grants vest fully in four years

Nokia UK Limited

19 Share-based payments (continued)

Total share options outstanding

The followıng table shows the movement ın stock optıons whıch were held by employees of Nokıa UK Lımıted.

	Number of shares	Weighted average exercise price £
Shares under optıon at 1 January 2006	2,245,233	9 55
Transferred from Vertu Lımıted	232,129	9 55
Granted	795,510	11 51
Exercısed	(203,376)	9 39
Forfeıted	(69,431)	9 09
Shares under option at 31 December 2006	**3,000,065**	**9.91**
Granted	237,021	13 65
Exercısed	(478,342)	10 56
Forfeıted	(1,702)	13 17
Transfers out	(1,354,151)	10 69
Shares under option at 31 December 2007	**1,402,891**	**11.39**
Optıons exercısable at 31 December 2006	1,398,236	9 44
Options exercisable at 31 December 2007	**725,645**	**10.71**

Share optıons were regularly exercısed durıng the year, wıth a weıghted average share prıce of £15 83 (2006 £11 30) The weıghted average grant date faır value per optıon granted was £2 44 ın 2007 and £2 40 ın 2006

19 Share-based payments (continued)

The options outstanding by range of exercise price at 31 December 2007 are as follows

Exercise prices £	Number of share options outstanding at 31 December 2007	Weighted average remaining contractual life in years	Weighted average exercise price £
5 46 – 8 66	165,551	0 91	8 05
8 88 – 10 73	232,103	1 53	9 46
10 98 – 12 49	431,056	0 72	11 02
13 17	2,897	2 25	13 17
13 24 – 20 23	571,284	2 91	13 42
	1,402,891		

Nokia calculates the fair value of stock options using the Black Scholes Option Pricing model The fair value of the stock options is estimated at the grant date using the following assumptions

	2007	2006	2005
Weighted average expected dividend yield	2 30%	2 08%	2 50%
Weighted average expected volatility	25 24%	24 09%	25 92%
Risk-free interest rate	3 79% - 4 19%	2 86% - 3 75%	2 16% - 3 09%
Weighted average risk-free interest rate	4 09%	3 62%	2 60%
Expected life (years)	3 59	3 6	3 59
Weighted average share price, GBP at grant date (£)	13 59	11 95	9 05

The expected life of those 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 shares in the open market and in light of historical patterns of volatility

Performance shares

The Group has granted performance shares under the Global Plans 2004, 2005, 2006 and 2007, each of which, including its terms and conditions, has been approved by the Board of Directors A valid authorisation from the Annual General Meeting of Nokia Corporation is required when the plans are settled by using the Nokia Corporation newly issued shares or existing treasury shares The Group may also settle the plans by using Nokia Corporation shares purchased on the open market or by using cash instead of shares

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 pre-defined performance criteria No performance shares will vest unless the Group's performance reaches at least one of the threshold levels measured by two independent, pre-defined performance criteria Nokia Corporation's average annual net sales growth for the performance period of the plan and earnings per share ("EPS") at the end of the performance period

19 Share-based payments (continued)

The 2004 and 2005 plans have a four-year performance period with a two-year interim measurement period, and the 2006 and 2007 plans have a three-year performance period without an interim payout The shares vest after the respective interim measurement period and/or the performance period Once the shares vest, they will be delivered to the participants Until the Nokia Corporation shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with the performance shares

The following tables give certain information about the 2004, 2005, 2006 and 2007 performance share plans as they relate to Nokia UK Limited at 31 December 2007

Plan Name	Total Plan Size (Threshold Number)	Interim Measurement	Performance Period	1st (Interim) Settlement	2nd (Final) Settlement
2004	119,160	2004-2005	2004-2007	2006	2008
2005	144,292	2005-2006	2005-2008	2007	2009
2006	184,441	n/a	2006-2008	n/a	2009
2007	152,298	n/a	2007-2009	n/a	2010

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	0 588	4%	0 691	16%
	Performance period	0 617	8%	0 867	20%
	Number of shares vesting	119,160	119,160	476,640	476,640
2005	Interim measurement	0 551	3%	0 706	12%
	Performance period	0 603	8%	0 978	17%
	Number of shares vesting	144,292	144,292	577,168	577,168
2006	Performance period	0 706	11%	1 036	26%
	Number of share vesting	184,441	184,441	737,764	737,764
2007	Performance period	0 926	9 50%	1 367	20%
	Number of share vesting	152,298	152,298	609,192	609,192

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

19 Share-based payments (continued)

The table below gives certain information relating to the performance shares outstanding as at 31 December 2007

	Number of performance shares at Threshold	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Performance shares at 1 January 2006	**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**
Granted	152,298	14 67	2 50
Forfeited	(715)	10 63	1 47
Transfers out	(341,689)	9 32	1 58
Performance shares at 31 December 2007	**596,720**	**10.75**	**1.20**

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.

3 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, 143,075 Nokia shares equalling the threshold number were delivered in 2007 The performance shares related to the interim settlement of the 2005 Performance Share Plan are included in the number of performance shares outstanding at 31 December 2007 as these performance shares will remain outstanding until the final settlement in 2009 The final payout, in 2009, if any, will be adjusted by the shares delivered based on the Interim Measurement Period

Based on the performance of the Group during the Performance Period 2004-2007, under the 2004 Performance Share Plan, both threshold performance criteria were exceeded Hence 398,072 Nokia shares are expected to vest in 2008 The shares will vest as of the date of the Nokia Corporation Annual General Meeting on 8 May 2008

Restricted shares

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 It is the Group's philosophy that restricted shares will be used only for key management positions and other critical resources The outstanding global restricted share plans, including their terms and conditions, have been approved by the Board of Directors A valid authorisation from the Annual General Meeting of Nokia Corporation is required, when the plans are settled by using Nokia Corporation newly issued shares or existing treasury shares The Group may also settle the plans by using Nokia Corporation shares purchased on the open market or by using cash instead of shares

All of the restricted share plans have a restriction period of three years after grant, after which period the granted shares will vest Once the shares vest, they will be delivered to the participants Until the Nokia shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights, associated with the restricted shares

19 Share-based payments (Continued)

The table below gives certain information relating to the Restricted Shares outstanding as at 31 December 2007

	Number of Restricted Shares	Weighted average grant date fair value £	Weighted average remaining contractual term (years)
Restricted Shares at 1 January 2006	**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**
Granted	163,200	18 01	3 01
Vested	(101,680)	6 47	-
Transfers out	(212,720)	9 50	1 41
Restricted Shares at 31 December 2007	**487,300**	**12.41**	**1.70**

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 2007, a share-based compensation charge of £957,000 (2006 £7,907,000) was recorded in administrative expenses in the profit and loss account

20 Profit and loss account

	2007 £'000
At 1 January 2007	**94,854**
Profit for the financial year	**45,871**
Dividends	**(91,000)**
Actuarial loss on pension scheme (note 25)	**(493)**
Movement on current tax credit on pension asset	**148**
Share based payment for the year	**957**
Release of FRS17 deferred tax liability as a result of the change in corporation tax rate from 30% to 28%	**196**
At 31 December 2007	**50,533**
Pension asset	**(7,040)**
Profit and loss reserve excluding pension asset	**43,493**

21 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	**45,871**	54,405
Dividends	**(91,000)**	(170,000)
Share based payment for the year	**957**	7,907
Actuarial loss on pension scheme (note 25)	**(493)**	(5,006)
Current tax credit on pension asset	**148**	1,502
Release of FRS17 deferred tax liability as a result of the change in corporation tax rate from 30% to 28%	**196**	-
Net (reduction) to shareholders' funds	**(44,321)**	(111,192)
Opening shareholders funds	**114,854**	226,046
Closing shareholders' funds	**70,533**	114,854

22 Capital commitments

	2007 £'000	2006 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**18,256**	2,552

23 Financial commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings 2007 £'000	**Other 2007 £'000**	Land and Buildings 2006 £'000	Other 2006 £'000
Operating leases expiring:				
Within one year	**-**	**247**	29	1,450
In the second to fifth years	**764**	**1,231**	385	2,479
After five years	**1,431**	**-**	2,045	-
	2,195	**1,478**	2,459	3,929

24 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 2007, the company's maximum potential liability was £2,685,856 (2006 £894,909)

The company has given a counter indemnity to National Westminster Bank plc in respect of a duty deferment bond in favour of H M Revenue and Customs in the sum of £500,000 (2006 £3,600,000) At 31 December 2007, the balance outstanding on the deferment account against which the bond could be offset was £19,885 (2006 £359,155)

The company is also liable under the following bonds £45,000 (2006 £45,000) (The County Council of Surrey), £250,000 (2006 £250,000) (Newline Underwriting Management Limited), £510,000 (2006: £510,000) (Hampshire County Council)

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

25 Pension scheme

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

The latest actuarial valuation of this scheme by a qualified independent actuary is dated 31 March 2007 The valuation uses the projected unit method to determine future contributions and it is assumed that investment returns will be 4 5% pa pre-retirement and 4 5% pa post retirement, salary increases will average 3 8% pa and future pension increases will average 2 8% pa Assets are valued at market value As at the valuation date the scheme shows a deficit of £14,958,000

On 1 April 2007, Nokia UK Limited transferred the Networks part of the business to Nokia Siemens Networks UK Limited (see note 27 for further details) As part of this transaction, the Nokia Group (UK) Pension Scheme transferred after the balance sheet date an amount to the Nokia Siemens Networks UK pension scheme in respect of employees transferred to Nokia Siemens Networks UK Limited The assumptions for the amount transferred from the defined benefit part of the scheme were set out in the merger agreement and are as follows,

Financial	
Discount rate	5 36%
Salary growth	5 70%
Future retail price inflation	3 20%
Pension increases	3 20%
Demographic	
Mortality	PA92 Base rated down by 3 years
Retirement age	65
Commutation	No allowance
Withdrawal	10% at all ages
Proportion of deaths where a dependent's pension will be payable	90%
Male/female age difference	Males assumed to be 3 years older than females

The members affected had to consent to the transfer of their pension to the Nokia Siemens Networks UK pension scheme The deadline for this consent was the 31 January 2008 As at the year end, the financial disclosures have been calculated assuming that all members elected to transfer The amount due under this assumption is £24,797,000 and recognised within the movement in surplus for the pension scheme is a curtailment gain of £2,129,000 and a settlement gain of £1,027,000

After the year end, the actual amount transferable has been calculated at £17,584,000 This leads to an immaterial reduction in the FRS17 surplus balance of £88,000 from £9,778,000 to £9,690,000

For the defined contribution part of the scheme an amount of £13,657,000 was transferred during 2007 An amount relating to those people who did not elect to transfer their benefits will be transferred back to the Nokia Group (UK) Pension Scheme during 2008

The effect of the bulk transfer to Nokia Siemens Networks UK Ltd on the final salary deficit of Nokia UK Ltd is to reduce the technical provisions deficit from £14,958,000 to £10,473,000 as detailed in the triennial valuations report

For the purposes of FRS 17, the most recent actuarial valuation was updated to 31 December 2007 The major assumptions used by the actuary required under FRS17 were

	31 December 2007 (% p a)	31 December 2006 (% p a)	31 December 2005 (% p a)
Rate of increase in salaries	**4.45%**	5 50%	5 30%
Rate of increase of pensions in payment	**3.45%**	3 00%	2 80%
Discount rate	**5.50%**	5 00%	4 90%
Inflation assumption	**3.45%**	3 00%	2 80%

25 Pension scheme (continued)

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

	Long-term rate of return expected 31 December 2007 %	Value at 31 December 2007 £'000	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
Bonds	**4.50%**	**118,326**	4 30%	127,716	4 20%	108,157
Cash	**5.50%**	**798**	4 75%	1,321	4 50%	1,182
		119,124		129,037		109,339

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

	2007 £'000	2006 £'000	2005 £'000
Total market value of assets	**119,124**	129,037	109,339
Present value of scheme liabilities (2007 92% of scheme assets, 2006 94%, 2005 90%)	**(109,346)**	(121,894)	(98,085)
Surplus in the scheme	**9,778**	7,143	11,254
Related deferred tax liability	**(2,738)**	(2,143)	(3,376)
Net pension asset	**7,040**	5,000	7,878

Analysis of the amount charged to operating profit:	2007 £'000	2006 £'000
Service cost	**5,535**	7,347
Gains on curtailment	**(2,129)**	-
Gains on settlement	**(1,027)**	-
Total operating charge	**2,379**	7,347

Analysis of amount charged to interest:		
Expected return on pension scheme assets	**4,898**	5,086
Interest on pension scheme liabilities	**(5,256)**	(5,332)
Net interest charge	**(358)**	(246)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	**4,014**	(1,844)
Experience gains and losses arising on the scheme liabilities	**2,535**	6
Change in the underlying present value of the scheme liabilities	**(7,042)**	(3,168)
Actuarial loss recognised in the STRGL	**(493)**	(5,006)

25 Pension scheme (continued)

Movement in surplus during the year:

Surplus in scheme at 1 January	**7,143**	11,254
Transferred from Vertu Limited	**-**	719
Movement in year		
Current service charge	**(5,535)**	(7,347)
Contributions	**5,865**	7,769
Gains on curtailment	**2,129**	-
Gains on settlement	**1,027**	-
Net interest charge	**(358)**	(246)
Actuarial loss	**(493)**	(5,006)
Surplus in scheme at 31 December	**9,778**	7,143

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% (2006 21%) of pensionable salaries in respect of Executive members and remained at 18% (2006 18%) of pensionable salaries in respect of other members of the defined benefit scheme

History of experience gains and losses:	**2007 £'000**	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Difference between the expected and actual return on assets					
Amount (£'000)	**4,014**	(1,844)	6,181	543	5,092
% of scheme assets	**3.40%**	(1 40%)	5 70%	0 60%	13 30%
Experience gains and losses on scheme liabilities					
Amount (£'000)	**2,535**	6	(29)	(2,665)	(1,146)
% of scheme liabilities	**2.30%**	0 00%	(0 00%)	(3 50%)	(1 80%)
Total amount recognised in the STRGL					
Amount (£'000)	**(493)**	(5,006)	(3,408)	(1,410)	(5,718)
% of scheme liabilities	**(0.50%)**	(4 10%)	(3 50%)	(1 80%)	(9 10%)

The company also operates a defined contribution tier of its pension scheme The pension charge for the year for the defined contribution tier was £3,238,000 (2006 £3,551,000)

The 1990 money purchase tier 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 Initial investigations (based on a sample of members) into this underpin suggest it will have a fairly minor effect on the liabilities and so can be ignored on materiality grounds However, further investigations and data are required to confirm this and this work is ongoing The underpin has been ignored in this disclosure and so the 1990 money purchase tier assets and liabilities (which are assumed to be equal) have been excluded from the disclosure

25 Pension scheme (continued)

The 2005 money purchase section of the UK pension scheme does not have a defined benefit underpin The assets and liabilities are equal for this section and both have been excluded from this disclosure

If the 1990 and 2005 money purchase assets and liabilities were included, this would increase the assets of the overall scheme by £73,192,000 (31 December 2006 £78,463,000) 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 £3,644,000 (2006 £3,551,000) 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 (2006 £nil) in respect of contributions due to the defined contribution pension fund at the year end

26 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

27 Transfer of assets and liabilities to Nokia Siemens Networks Limited

On 1 April 2007, the Networks business group of Nokia UK Limited was transferred to Nokia Siemens Networks UK Limited, a company formed as a result of the global joint venture between the Nokia Group and the Siemens Group of companies As a result of this transaction Nokia UK Limited has recognised a profit on disposal of £7,094,000 within other operating income

The assets and liabilities transferred out of Nokia UK Limited into Nokia Siemens Networks UK Limited comprise

	Book Value £'000
Fixed assets	1,657
Short term receivables	9,419
Total assets	11,076
Short term liabilities	(8,810)
Foreign exchange difference	(18)
Total net assets transferred	**(2,248)**
Consideration	9,342
Profit on disposal	**7,094**

28 Transfer of assets and liabilities of On Demand Distribution Limited

On 2 February 2007, the business, assets and liabilities of On Demand Distribution Limited were acquired by Nokia UK Limited

The asset and liabilities transferred into Nokia UK Limited comprise

	Book Value £'000	Fair Value Adjustments £'000	Fair Value £000
Fixed assets	4,474	(4,474)	-
Investments	397		397
Trade debtors	1,333		1,333
Net intercompany debtors	554		554
Other prepayments	192		192
Net deferred tax asset	3,021	(3,021)	-
Total assets transferred	**9,971**	**(7,495)**	**2,476**
Trade creditors	(5,711)		(5,711)
Other accrued expenses	(642)		(642)
Total net assets/(liabilities) transferred	**3,618**	**(7,495)**	**(3,877)**
Goodwill (note 11)			7,495
Consideration			**3,618**

Consideration satisfied by	
Intercompany transfer	**3,618**

The fair value adjustment for fixed assets relates to capitalised development costs which are not in accordance with the recognition of intangible assets under of UK GAAP The fair value adjustment relating to deferred tax derecognises an asset considered recoverable by the directors of On Demand Distribution Limited, but which is unlikely to be recoverable by Nokia UK Limited following the acquisition of the company

29 Subsequent Events

After the year end, On Demand Distribution Limited has been put into liquidation As a result of this process equity balances of £8,024,000 will be transferred to Nokia UK Limited reducing the value of the investment The value of the investment will then be recognised as goodwill and amortised over the useful life

In July 2008, a sum of £4,000,000 was paid into the defined benefit pension scheme At this point also, the rate of employer contributions for executive and staff members changed to 31 5% and 21 9% respectively