

Nokia UK Limited

Annual report

for the year ended 31 December 2000

Registered Number 2212202



Nokia UK Limited

Annual report

for the year ended 31 December 2000

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Nokia UK Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The profit and loss account for the year is set out on page 4.

The company is a UK subsidiary of Oy Nokia Ab. Its principal activities are the development, manufacture, sales and implementation of telecommunications equipment and systems.

Review of business, future developments and post balance sheet events

Turnover increased to £2,101 million in 2000 (1999: £1,484 million). This was due not only to the merger of activities, but also to continued growth in both UK sales and the export of goods manufactured in the UK. The directors consider this growth will continue in the next year.

The average number of personnel increased to 2,698 during 2000 from 2,666 during 1999.

Capital expenditure was £46 million in 2000 (1999: £38 million), most of this being incurred on the construction of new research and development facilities in Farnborough, Hampshire.

Dividends

An interim dividend of 490p (1999: Nil) per ordinary share was paid during the year. The directors do not recommend the payment of a final dividend.

Research and development activities

Expenditure on research and development activities in 2000 amounted to £121 million (1999: £99 million). A significant amount of this work was carried out on behalf of Oy Nokia Ab. The fees charged for the provision of these services and the associated research and development costs are included in turnover and cost of sales respectively in the profit and loss account on page 4.

Directors

The directors of the company at 31 December 2000, all of whom have been directors for the whole of the year ended on that date, except where indicated, are listed below:

P Kuhne	Resigned 1 January 2001
H Mustonen (Chairman)	
F McGovern	Deceased 30 June 2000
P Brown	
A Cooper	
L Aks	
M Butler	Appointed 1 January 2001

Directors' interests in shares of the company

According to the register required to be kept under Section 325 of the Companies Act, no director in office at 31 December 2000 had any interest in the shares of the company or any other group company during the year which is required to be notified to the company. For this purpose the directors are exempt from notifying the company of interests in shares in a body corporate incorporated outside Great Britain.

Nokia UK Limited

Charitable contributions

The company has continued to make charitable contributions, donating a total of £42,171 (1999: £47,037) to good causes, including £40,641 to MENCAP.

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.

Insurance of directors

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

Directors' responsibilities

The directors are required by UK Company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the loss and total recognised gains and losses for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting

By order of the board



Director



Director

Nokia UK Limited

Auditors' report to the members of Nokia UK Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

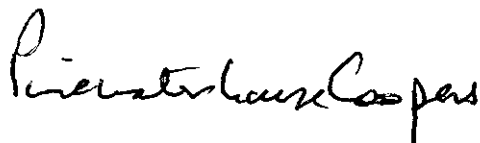
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cambridge, 25 July 2001

Nokia UK Limited

Profit and loss account for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	2,101,072	1,483,855
Cost of sales		(1,845,905)	(1,313,169)
Gross profit		255,167	170,686
Distribution costs		(47,178)	(45,011)
Administrative expenses		(24,023)	(19,067)
Operating profit		183,966	106,608
Interest receivable and similar income	5	11,583	9,514
Interest payable and similar charges	6	(432)	(1,062)
Profit on ordinary activities before taxation	7	195,117	115,060
Tax on profit on ordinary activities	8	(59,175)	(38,750)
Profit for the financial year	17	135,942	76,310
Dividends	9	(98,000)	-
Retained profit for the financial year	16	37,942	76,310

All revenue and expenses included in the profit and loss account relate to continuing operations.

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

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

Nokia UK Limited

Balance sheet as at 31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	10	142,405	114,106
Current assets			
Stocks	11	43,131	24,511
Debtors	12	276,806	185,852
Investments		170,100	178,000
Cash at bank and in hand		12,383	4,856
		502,420	393,219
Creditors: amounts falling due within one year	13	(394,309)	(333,806)
Net current assets		108,111	59,413
Total assets less current liabilities		250,516	173,519
Provisions for liabilities and charges	14	(68,353)	(29,298)
Net assets		182,163	144,221
Capital and reserves			
Called up share capital	15	20,000	20,000
Profit and loss account	16	162,163	124,221
Equity shareholders' funds	17	182,163	144,221

The financial statements on pages 4 to 16 were approved by the board of directors on
and were signed on its behalf by:

13 June 2001

M J Butler

Director

A R Cooper

Director

**Notes to the financial statements
for the year ended 31 December 2000**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Cash flow

The company is a wholly-owned subsidiary of Oy Nokia Ab, a company incorporated in Finland, and the cash flows of the company are included in the consolidated cash flow statement of Oy Nokia Ab. Consequently the company is exempt from the requirement to publish a cash flow statement.

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:

	%
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.

Operating and finance leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. In the opinion of the directors there are no assets held under finance leases.

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 comprises the original purchase price and any direct costs attributable to location and condition. Net realisable value is the amount estimated to be subsequently receivable less costs to completion and related selling and distribution costs. In the opinion of the directors, this valuation is not materially different from replacement cost.

Investments

Investments shown under current assets comprise fixed and immediate return deposits.

Nokia UK Limited

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made or assets are recognised at the rate which is expected to be applied when the liability or asset is expected to crystallise.

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 the group, being invested with London & Manchester (Managed Funds) Limited.

Contributions to the defined benefit tier of the scheme are based upon pension costs across the group as a whole, whereas contributions to the defined contribution tier of the scheme are fixed. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the participating companies.

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

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 trading profit.

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

Foreign exchange contracts and currency options are used to hedge the potential exchange rate exposure and the profit or loss on such transactions is taken to the profit and loss account.

Research and development expenditure

All such expenditure which is not recharged is written off in the year in which incurred, except for expenditure on related fixed assets which is written off over the expected useful lives of those assets.

Adoption of new accounting standards

FRS 15, "Tangible Fixed Assets" and FRS 16 "Current tax" have been adopted in this year's financial statements. The adoption of FRS's 15 and 16 has had no material impact on the amounts disclosed.

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2 Segmental analysis

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and is all UK in origin.

	2000 £'000	1999 £'000
Geographical analysis of turnover by destination		
United Kingdom	1,650,260	1,182,582
Continental Europe	352,889	279,365
Other countries	97,923	21,908
	2,101,072	1,483,855

	2000 £'000	1999 £'000
Turnover by origin analysed by activity		
Networks	899,897	690,866
Mobile phones	1,061,700	676,862
Multimedia terminals and internet communications	40,723	34,421
Mobile phones research and development	98,752	81,706
	2,101,072	1,483,855

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

3 Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments	789	710
Company pension contributions to money purchase schemes	37	53
	826	763

The emoluments of the highest paid director were £351,000 (1999: £229,000). The company contributed £23,000 to the money purchase pension scheme in respect of the highest paid director.

During the year one director (1999: Nil) exercised share options over the shares of Oy Nokia Ab.

Retirement benefits are accruing to two directors (1999: two) under a defined benefit scheme, and one director (1999: two) under a money purchase scheme.

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4 Employee information

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

	2000 Number	1999 Number
Administration	284	317
Marketing and customer services	389	575
Production	1,043	843
Research and development	982	931
	2,698	2,666
	2000 £'000	1999 £'000
Staff costs (for the above persons)		
Wages and salaries	114,834	95,978
Social security costs	14,464	7,523
Other pension costs	6,458	4,529
	135,756	108,030

5 Interest receivable and similar income

	2000 £'000	1999 £'000
Interest on short-term deposits with a group undertaking	11,259	5,928
Gains on foreign exchange transactions	324	3,586
	11,583	9,514

6 Interest payable and similar charges

	2000 £'000	1999 £'000
On bank loans and overdrafts	185	147
Losses on foreign exchange transactions	247	915
	432	1,062

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7 Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after charging:		
(Loss)/gain on disposal of tangible fixed assets	(233)	74
Depreciation charge for the year:		
Tangible owned fixed assets	17,668	16,848
Auditors' remuneration - audit	-	160
- non-audit	453	281
Research and development expenditure	120,829	99,075
Hire of plant and machinery – operating leases	8,948	7,522
Hire of land and buildings – operating leases	5,066	3,922

The audit fee for the group has been paid by the ultimate parent company Oy Nokia Ab.

8 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
United Kingdom taxation based on profit for the year:		
Corporation tax at 30% (1999: 30.25%)	59,655	35,500
Deferred taxation	856	1,319
(Over)/under-provision in respect of prior years:		
Corporation tax	(2,000)	2
Deferred taxation	664	1,929
	59,175	38,750

9 Dividends

	2000 £'000	1999 £'000
Equity – ordinary		
Interim paid: 490p (1999: Nil) per £1 share	98,000	-

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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 2000	78,997	8,959	87,603	175,559
Additions	21,446	1,242	23,797	46,485
Disposals	(21)	-	(1,458)	(1,479)
At 31 December 2000	100,422	10,201	109,942	220,565
Depreciation				
At 1 January 2000	4,356	2,563	54,534	61,453
Charge for the year	1,773	655	15,240	17,668
Disposals	(17)	-	(944)	(961)
At 31 December 2000	6,112	3,218	68,830	78,160
Net book value At 31 December 2000	94,310	6,983	41,112	142,405
Net book value At 31 December 1999	74,641	6,396	33,069	114,106

11 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	6,836	7,606
Work in progress	9,140	4,754
Finished goods	27,155	12,151
	43,131	24,511

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12 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	151,905	95,701
Amounts owed by group undertakings: parent and fellow subsidiaries	116,568	76,326
Group relief receivable	-	11
Other debtors	5,322	2,702
Prepayments and accrued income	3,011	11,112
	276,806	185,852

13 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Payments received on account	5,185	23,778
Trade creditors	53,148	22,444
Amounts owed to group undertakings: parent and fellow subsidiaries	141,673	146,458
Corporation tax	43,573	30,693
Other taxation and social security	70,663	49,641
Other creditors	2,867	6,754
Accruals and deferred income	77,200	54,038
	394,309	333,806

14 Provisions for liabilities and charges

	Provisions for warranties and other contractual obligations £'000	Deferred taxation £'000	Other £'000	Total £'000
At 1 January 2000	21,334	7,964	-	29,298
Additional provisions made during the year	42,105	1,520	5,259	48,884
Utilisation of provisions	(9,829)	-	-	(9,829)
At 31 December 2000	53,610	9,484	5,259	68,353

The company enters into contracts with its main customers for the supply of telecommunications equipment and related services. The directors review the progress of these contracts on a regular basis. Provision is made in line with FRS 12 where costs under existing warranty and other contractual arrangements are expected to arise in future periods. The directors consider the resulting provisions to be the best estimates of such costs.

14 Provisions for liabilities and charges (continued)

Other provisions relate to employer's National Insurance and similar taxes on share options provided in accordance with Urgent Issues Task Force Abstract 25.

Deferred taxation provided in the financial statements and the amount unprovided or not recognised of the total potential liability or asset, are as follows:

	Amount provided		Amount unprovided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	9,466	7,946	-	-
Other	18	18	-	-
	9,484	7,964	-	-

15 Called up share capital

	2000 £'000	1999 £'000
Authorised		
20,000,000 (1999: 20,000,000) ordinary shares of £1 each	20,000	20,000
Allotted, called up and fully paid		
20,000,000 (1999: 20,000,000) ordinary shares of £1 each	20,000	20,000

16 Profit and loss account

	2000 £'000	1999 £'000
At 1 January	124,221	47,911
Retained profit for the year	37,942	76,310
At 31 December	162,163	124,221

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17 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial year	135,942	76,310
Dividends	(98,000)	-
Net increase in shareholders' funds	37,942	76,310
Opening shareholders' funds	144,221	67,911
Closing shareholders' funds	182,163	144,221

18 Capital commitments

	2000 £'000	1999 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	3,766	20,435

19 Contingent liabilities

The company is liable, under the terms of a cash pooling arrangement with National Westminster Bank plc, to contribute to the overdrafts of its holding company Nokia UK Holdings Limited (formerly Nokia (UK) Limited). The company's liability is limited to its cash balance at any time on its account with that bank. At 31 December 2000 the company's maximum potential liability was £12,098,000 (1999: £270,000).

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 (1999: £600,000). At 31 December 2000 the balance outstanding on the deferment account against which the bond could be offset was £1,974,000 (1999: £310,000).

During the ordinary course of its business the company issues performance bonds to its customers and other related parties. The value of these bonds at 31 December 2000 was £45,000 (1999: £1,052,560).

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

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20 Pension scheme

The nature of the Nokia Group (UK) Pension Scheme is disclosed in note 1.

The most recent actuarial valuation made by an independent qualified actuary was at 1 April 1999. This valuation showed that the market value of the Nokia Group (UK) Pension Scheme's assets was £37,897,000. The actuarial value of those assets represented 99% of the value of the benefits that had accrued to members after allowing for expected future increases in earnings.

The projected unit credit method has been applied by the actuary in arriving at his valuation. The main assumptions used are:

	Per annum
Pre-retirement investment return	6.5%
Post-retirement investment return	4.5%
Long term salary increases	4.5%
Pension increases	2.5%

The pension charge for the year is shown in note 4.

At 31 December 2000 there was a pension prepayment of £17,000 (1999: £134,000) representing the excess of contributions paid over the cost of accruing benefits for the Nokia UK Limited employees who were formerly employed by Nokia Multimedia Terminals Limited. An amount of £179,000 (1999: £317,060), which represents pension costs outstanding at the year-end, is included in creditors.

21 Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases expiring:				
Within one year	256	1,289	200	941
In the second to fifth years	853	697	947	3,177
After five years	1,459	-	1,218	-
	2,568	1,986	2,365	4,118

22 Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other group companies. There were no other disclosable transactions.

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23 Ultimate and immediate parent companies

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

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