Nokia UK Limited

Annual report and financial statements for the year ended 31 December 2018

Registered Number: 02650571

Nokia UK Limited
Annual report and financial statements
for the year ended 31 December 2018

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Directors and advisors

Directors
H-J. Daub
S. Wallberg
C. Whelan

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Strategic report for the year ended 31 December 2018

The directors present their strategic report and the financial statements for the company, registered number 02650571, for the year ended 31 December 2018.

Principal activities and review of the business
The principal activities of the company are the sale, distribution and maintenance of communications equipment primarily manufactured by companies within the Nokia Group, as well as related products.

The key financial performance indicators during the year were as follows:

	2018	*2017*	*Change*
	£000	*£000*	*%*
Turnover	**455,859**	306,233	49%
Operating profit	**22,552**	11,461	97%
Profit for the financial year	**22,091**	10,488	111%
Total Shareholders' funds	**280,207**	179,822	56%

The directors consider the increase in turnover and profit to be in line with expectations following the acquisition of Nokia Solutions and Networks UK Limited on 2 October 2017, and strong performance within the UK telecommunication marketplace. The directors expect turnover in the near future to be in line with UK market conditions and the success of the Nokia Group product and service portfolio. The directors expect all activities to be profit-making in the foreseeable future.

The shareholders' funds have increased to £280,207k as at 31 December 2018 from £179,822k at 31 December 2017, mostly due to an increase in the value of the pension asset.

The operational activities and associated key performance indicators are governed by the Nokia Group and are presented in Nokia's form 20F which do not form part of this report and can be found at www.nokia.com/investors or obtained from Nokia Corporation at PO Box 226, FIN-00045, Nokia Group, Espoo, Finland.

No dividend was paid during the year and the directors do not recommend the payment of a final dividend (2017: nil).

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.

Involvement in company performance
All employees are invited to participate in the Nokia Group "Share in Success" scheme, whereby employees are able to purchase a restricted number of shares each month and Nokia contributes one share for every two purchased and held in the twelve months to the end of the "holding period".

Strategic report for the year ended 31 December 2018 (continued)

Principal risks and uncertainties

Competitive risks
The company operates in a very competitive industry with a continually evolving environment. In the event that the underlying business of any of the company's high volume or high value customers is adversely affected, or they were to terminate existing business relationships for any reason, there could be an adverse impact on the company's profitability.

In order to minimise competitive risks, the company seeks to expand its customer base and places great emphasis on developing new solutions to meet ever-changing customer needs. In addition, the company manages contract risk through regular contract and performance reviews.

Pension risks
The directors of the company and the Nokia Group recognise the risks associated with company defined benefit schemes, and so work closely with the Pension Trustees to manage this risk by reviewing the level of company contributions and selecting appropriate investment categories.

Post Balance sheet events
In 2019 the Alcatel / ALU UK, Lucent and ATRBP sections of the pension plan were desectionalised and treated as one section. From 31 December 2019 this section was merged with the NSN UK plan and renamed "The Nokia Retirement Plan for former NSN and ALU Employees". This will not affect the valuation but is expected to result in a reduction in admin costs.

In 2019 the liabilities for the Lucent pensioners, not already secured by an insurance company, were secured with an insurance company and subsequently all pensioner liabilities secured with an insurance company were bought out by the insurance company, thus extinguishing the scheme's pensioner liabilities. The cost was £20.8m and the liability £17.3m, resulting in a settlement loss of approximately £3.5m.

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

Hans-Joerg Daub
Director

28 February 2020

Directors' report for the year ended 31 December 2018

The directors present their annual report and the audited financial statements of the company, registered number 02650571, for the year ended 31 December 2018.

Matters covered in the Strategic Report
Details on future developments, a review of the business, employees, and principal risks and uncertainties are provided in the Strategic Report on pages three and four.

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements except where stated, were as follows:

T. Ahmed	(resigned 4 February 2018)
H-J. Daub	(appointed 28 February 2018)
R. Davies	(resigned 17 April 2018)
K. Grimes	(resigned 28 February 2018)
I. Tassopoulou	(appointed 28 February 2018)(resigned 5 February 2020)
S. Wallberg	(appointed 5 February 2020)
C. Whelan	

Directors' qualifying third party indemnity provision
The company has granted an indemnity to one or more of its directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

Political and charitable contributions
No charitable contributions were made during the year (2017 – £nil).

No contributions to the funds of political parties were made during the year (2017 - £nil).

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, including cash management.

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 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.

Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have 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.

Hans-Joerg Daub
Director

28 February 2020

Independent auditors' report to the members of Nokia UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Nokia UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Profit and loss account, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Nokia UK Limited (continued)

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report to the members of Nokia UK Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
28th February 2020

Profit and loss account for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	**455,859**	306,233
Cost of sales		**(417,622)**	(283,718)
Gross profit		**38,237**	22,515
Admin expenses		**(15,685)**	(11,054)
Operating profit	5	**22,552**	11,461
Interest receivable and similar income	8	**100**	12
Interest payable and similar expenses	9	**(381)**	(426)
Other income / (expense)	10	**227**	(559)
Profit before taxation		**22,498**	10,488
Tax on profit	11	**(407)**	-
Profit for the financial year		**22,091**	10,488

The notes on pages 13 to 38 form part of these financial statements.

All amounts relate to continuing activities.

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit for the financial year		**22,091**	10,488
Other comprehensive income			
Items that cannot be reclassified to profit or loss:			
Actuarial gain on defined benefit pension	22	**51,935**	4,546
Removal of pension asset ceiling following Group restructure	22	-	113,535
Deferred tax liability on pension asset	19	**(16,482)**	(23,533)
Total comprehensive income for the year		**57,544**	105,036

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium account	Capital contribution account	Merger reserve	Profit and loss account	Total shareholders' (deficit) / Funds
	£000	£000	£000	£000	£000	£000
As at 1 January 2017	**673,711**	**47,289**	**7,423**	**-**	**(781,204)**	**(52,781)**
Profit for the financial year	-	-	-	-	10,488	10,488
Other comprehensive income	-	-	-	-	94,548	94,548
Issued shares	202,700	-	-	-	-	202,700
Arising on acquisition of Alcatel-Lucent UK Limited	-	-	-	2,518	-	2,518
Arising on acquisition of Nokia Solutions and Networks UK Limited.	-	-	-	(82,125)	-	(82,125)
Credit for share-based payments	-	-	4,474	-	-	4,474
As at 31 December 2017 and 1 January 2018	**876,411**	**47,289**	**11,897**	**(79,607)**	**(676,168)**	**179,822**
Profit for the financial year	-	-	-	-	22,091	22,091
Other comprehensive income	-	-	-	-	35,453	35,453
Arising on the transfer of pension plan from Alcatel Submarine Networks UK Limited (note 22)	-	-	39,640	-	-	39,640
Credit for share-based payments	-	-	3,201	-	-	3,201
As at 31 December 2018	**876,411**	**47,289**	**54,738**	**(79,607)**	**(618,624)**	**280,207**

Balance sheet as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	**982**	1,302
Tangible assets	13	**10,852**	10,437
Investments	14	**19,841**	19,841
Pension asset	22	**346,043**	249,093
		377,718	280,673
Current assets			
Stocks	16	**13,926**	11,402
Debtors	17	**181,028**	72,326
Cash at bank and in hand		**1,659**	16,179
		196,613	99,907
Creditors: amounts falling due within one year	18	**(240,785)**	(161,124)
Net current liabilities		**(44,172)**	(61,217)
Total assets less current liabilities		**333,546**	219,456
Provisions for liabilities	19	**(53,339)**	(39,634)
Net assets		**280,207**	179,822
Capital and reserves			
Called up share capital	20	**876,411**	876,411
Share premium account	21	**47,289**	47,289
Capital contribution account	21	**54,738**	11,897
Merger reserve	21	**(79,607)**	(79,607)
Profit and loss account		**(618,624)**	(676,168)
Total shareholders' funds		**280,207**	179,822

The financial statements on pages 10 to 38 were approved and authorised for issue by the Board on 28 February 2020 and were signed on its behalf by

H-J Daub
Director

28 February 2020

Notes to the financial statements for the year ended 31 December 2018

1. General information

Corporate information
Nokia UK Limited (the 'company') is a private company limited by share capital incorporated in the United Kingdom and domiciled in England with registered office address at 740 Waterside Drive, Aztec West, Almondsbury, Bristol, BS32 4UF.

Group financial statements
Group financial statements have not been prepared as the company has taken advantage of the relief available under section 400 of the Companies Act 2006, as the results of the company and its subsidiary undertakings are included within the financial statements of the Nokia Group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

2. Accounting policies

Statement of compliance
The financial statements of Nokia UK Limited for the year ended 31 December 2018 were authorised for issue by the board of directors on 28 February 2020 and the balance sheet was signed on the board's behalf by HJ Daub.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with applicable accounting standards.

Basis of preparation
These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The company's financial statements are presented in Sterling, which is also the company's functional currency, and all values are rounded to the nearest thousand pound (£) except when otherwise indicated.

The principal accounting policies applied in the preparation of the financial statements are set out below. These have been consistently applied to all years presented, unless otherwise stated.

Going concern
The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to price, credit, liquidity and cash flow risk are described in the Directors' Report on page 5.

Assurance of financial support is given by a letter of support from the company's parent for twelve months from the date of signing these financial statements. The directors are of the opinion the parent entity will continue to provide financial support for the foreseeable future.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Disclosure exemptions taken
The company has taken advantage of the following disclosure exemptions under FRS 101:
(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    (i) paragraph 79(a)(iv) of IAS 1; and
    (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(d) the requirements of paragraphs 10(d) and 111, 16, 38A to 38D, and 134-136 of IAS 1 Presentation of Financial Statements;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(i) the requirements of paragraphs 6 and 21 of IFRS 1 First-time Adoption of International Financial Reporting Standards;
(j) the requirements of paragraph 45 (b) and 46 to 52 of IFRS 2, Share-based Payment.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets to write off the cost of the asset, less estimated residual value, on a straight-line basis over its estimated useful life, as follows:

Leasehold improvements	–	10 years or lease term
Plant and equipment	–	3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

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. Finished goods stock comprises the original price at which goods are purchased from other Nokia Group companies or external 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, the valuation of stocks is not materially different from replacement cost.

Contingent Liabilities
Financial guarantees related to duty deferment bonds are not recorded in the balance sheet and are disclosed in note 25.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Financial assets and liabilities

Financial assets
The company classifies its financial assets into one of the following categories: financial assets at fair value through other comprehensive income, loans and receivables, or financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at amortised cost
The company classifies its financial assets as at amortised cost only if both of the following criteria are met:
-the asset is held within a business model whose objective is to collect the contractual cash flows, and
-the contractual terms give rise to cash flows that are solely payments of principal and interest.

(ii) Financial assets at fair value through profit or loss
All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Financial Liabilities
Financial liabilities within the scope of IFRS9 are classified as financial liabilities at fair value through profit or loss or loan and borrowings, as appropriate. The company determines its classification of its financial liabilities at initial recognition.

Trade creditors are stated at cost. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Impairment of non-financial assets
The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing is required, the company makes an estimate of the non-financial asset's recoverable amount in order to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account.

For assets where an impairment loss subsequently reverses, the carrying amount of the investment or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Impairment of financial assets
Assets carried at amortised cost
The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. The carrying amount of the financial asset is reduced by the impairment loss.

Trade and other debtors
Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Cash at bank
Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Turnover
Turnover is derived from the sale of hardware, software and associated maintenance, and the provision of professional services.

Revenue from the sale of hardware is typically recognised upon delivery. Where installation is required revenue is typically recognised upon customer acceptance. Revenue from the provision of software is recognised when persuasive evidence of an arrangement exists, acceptance has been received and delivery has occurred. Revenue from professional services is recognised when the service has been performed.

Income from maintenance fees is recognised based upon the scope of the service on a time basis over the term of the agreement.

Costs that do not relate to UK specific activity are recharged within the Nokia Group at cost plus margin. These recharges are included in turnover and recognised when the costs are incurred.

Research and development
Research and development costs are expensed and are recharged to the related principle companies.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Taxation
Income tax expense represents the sum of the corporation tax and deferred tax charges. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies
Transactions denominated in foreign currencies are recorded in sterling at the rate ruling at the dates of the transactions. Gains or losses are reported in the profit and loss account to reflect changes in exchange rates subsequent to the date of the transaction.

Monetary assets and liabilities, which are denominated in foreign currencies, are translated at the rates of exchange ruling at the year-end. Resulting gains or losses are reported in the profit and loss account.

Operating leases
Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Business combinations under common control and capital re-organisations
Combinations between entities or businesses under common control are excluded from the scope of IFRS 3. The Company applies predecessor accounting to business combinations under common control. The assets and liabilities of the acquired entity are stated at predecessor values. Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in a separate reserve.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Pensions
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

The company provides pension benefits based on final pensionable pay under three defined benefit schemes. As at the balance sheet date, all defined benefit plans were closed to future accrual. Trustees hold the assets of the schemes independently of the company.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of any asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less the fair-value of the plan assets out of which the obligations are to be settled directly. Fair value of assets is based on market price information and in the case of quoted securities is the published mid-price. The value of any net pension benefit asset is limited to any amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined at a corporate level using an appropriate pricing model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Changes in accounting policies and disclosures

New standards, amendments and interpretations

IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts with customers) are new accounting standards that are effective for the year ended 31 December 2018. As the new standards were not adopted retrospectively, the financial information for the comparative period has not been restated for the effects of the new standards. Neither of these standards has had a material impact on the company.

IFRS 15
On 1 January 2018, the company adopted IFRS 15, Revenue from Contracts with Customers. IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers and replaces IAS 18, Revenue, and IAS 11, Construction contracts. Under IFRS 15, revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods and services.

The company sells products and services from the Nokia Group portfolio to external companies, and it recharges certain activities to group companies. The recognition of revenue for these income streams has been reassessed under the guidance of IFRS 15 with no resulting transition adjustment.

IFRS 9
IFRS 9, Financial Instruments, was issued in July 2014 and it replaces IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 addresses the classification and measurement of financial assets and liabilities, introduces a new impairment model and a new hedge accounting model. On adoption, the company has not restated comparative periods but presents the cumulative effect of adopting IFRS 9 as a transition adjustment to the opening balance of retained earnings as of 1 January 2018.

The company assesses expected credit losses on financial assets on a forward-looking basis whereas the impairment provision under IAS 39 was based on actual credit losses. The company's financial assets comprise cash in hand and at bank and debtors (mainly comprised of amounts owed by group companies and trade debtors). No significant difference arose on application of the expected credit loss model to these balances. There were no other significant changes from adopting IFRS 9.

Notes to the financial statements for the year ended 31 December 2018 (continued)

3. Accounting judgements and estimates

The company's financial statements prepared in accordance with FRS101 require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the company's financial statements. Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments

The company has entered into commercial property leases as a lessee; it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates of impairment for financial and non-financial assets, Estimates of useful life of fixed assets, Estimates of fair value of share-based payments, Estimates of net realisable values of inventories, Estimates of DTA recoverability/non-recoverability.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

Pension and other post-employment benefits

The cost of defined benefit pensions plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Notes to the financial statements for the year ended 31 December 2018 (continued)

4. Turnover

An analysis of turnover by geographical market is given below:

	2018	*2017*
	£000	*£000*
United Kingdom	284,277	229,678
Europe	171,493	76,522
North America	33	33
Other	56	-
	455,859	306,233

Turnover for the current year is attributable to the continuing activity of the sale, distribution and maintenance of communication services and equipment.

5. Operating profit

This is stated after charging/(crediting):

	2018	*2017*
	£000	*£000*
Auditors' remuneration – audit fees paid by the Nokia Group	219	117
Auditors' remuneration – audit fees paid by the company	18	12
Depreciation and amortisation of intangible and tangible assets (notes 12 and 13)	3,916	3,417
Costs of stocks recognised as an expense (included in cost of sales)	164,930	103,449
Share based payment charge (note 23)	3,201	4,474
Foreign exchange (gain) / loss	(923)	1,758
Operating lease rentals – motor vehicles	829	668
– land and buildings	3,456	2,374

Amortisation of intangible assets is included in admin expenses (2017: admin expenses)
Within operating profit, there has been no write down of inventories recognised as an expense (2017: none).

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Directors' remuneration

	2018	*2017*
	£000	*£000*
Salaries and other remuneration	667	690
Pension contributions	42	67
Compensation for loss of office	125	-
	834	757

The number of directors who were members of the pension schemes at the end of the financial year is as follows:

	2018	*2017*
	No.	*No.*
Defined contribution (money purchase) schemes	3	3
Defined benefit schemes	-	1

In respect of the highest paid director:	*2018*	*2017*
	£000	*£000*
Salaries and other remuneration	258	296
Pension contributions	13	9

During the financial year the highest paid director received 6,000 shares with a value of £26k.

7. Staff costs

	2018	*2017*
	£000	*£000*
Wages and salaries	115,425	64,903
Social security costs	14,758	8,643
Other pension costs	6,193	6,809
	136,376	80,355

Included in wages and salaries is a total expense of share-based payments of £3,201k (2017 £4,474k), which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year, including executive directors, was as follows:

	2018	*2017*
	No.	*No.*
Services	633	391
Research and development	180	132
Sales and marketing	249	82
Administration	150	147
	1,212	752

Notes to the financial statements for the year ended 31 December 2018 (continued)

8. Interest receivable and similar income

	2018	*2017*
	£000	*£000*
Bank interest income	12	-
Interest receivable from other group companies	88	12
	100	12

9. Interest payable and similar expenses

	2018	*2017*
	£000	*£000*
Bank interest and charges	3	49
Interest payable from other group companies	378	377
	381	426

10. Other income / (expense)

	2018	*2017*
	£000	*£000*
Foreign exchange differences	923	(1,827)
Other finance expenses	(696)	1,268
	227	(559)

11. Tax on profit

(a) Analysis of charge in period

	2018	*2017*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the year	1,388	-
Total current income tax	1,388	-
Deferred tax:		
Origination and reversal of temporary differences	(981)	-
Total deferred tax	(981)	-
Tax expense in the income statement	407	-

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Tax on profit (continued)

(b) Factors affecting the current tax loss for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	22,498	10,488
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	4,275	2,019
Effects of:		
Expenses not deductible for tax purposes	1,257	250
Capital allowances (in excess of) / lower than depreciation	(1,805)	350
Origination and reversal of temporary differences	(981)	-
Utilisation of trading losses for which no deferred tax asset was previously recognised	(2,339)	(2,619)
Tax expense in the income statement	407	-

(c) Deferred tax

A deferred tax asset of £7,143k has been recognised at 31 December 2018 (2017 - £6,162k) based on trading losses and accelerated capital allowances carried forward that are available indefinitely for offset against expected short-term taxable profits of the company (note 19).

A deferred tax asset has not been recognised for future profits beyond the short-term so an unrecognised deferred tax asset of £79,908k exists at 31 December 2018 (2017 – £85,032k) based on trading losses carried forward that are available indefinitely for offset against future taxable profits of the company.

The unrecognised deferred tax asset is comprised as follows:

	2018 £000	2017 £000
Fixed asset timing differences	9,445	11,250
Losses	70,463	73,782
Total unrecognised deferred tax asset	79,908	85,032

(d) Changes in corporation tax rates

The Finance (No. 2) Act 2015 reduced the rate of Corporation Tax from 1 April 2017 to 19% and to 18% from 1 April 2020. In the 2016 Budget, it was announced that the rate of Corporation Tax from 1 April 2020 will be reduced further to 17%. This rate received Royal Assent on 15 September 2016.

Notes to the financial statements
for the year ended 31 December 2018 (continued)

12. Intangible fixed assets

	Intangible assets	Total intangible assets
	£000	*£000*
Cost:		
At 1 January 2018	4,901	4,901
Additions	36	36
Disposals	(58)	(58)
At 31 December 2018	4,879	4,879
Accumulated depreciation:		
At 1 January 2018	3,599	3,599
Charge for year	325	325
Disposals	(27)	(27)
At 31 December 2018	3,897	3,897
Net book value:		
At 31 December 2018	982	982
At 31 December 2017	1,302	1,302

13. Tangible fixed assets

	Leasehold improvements	Plant and machinery	Total tangible assets
	£000	*£000*	*£000*
Cost:			
At 1 January 2018	11,520	5,411	16,931
Additions	2,299	3,860	6,159
Disposals	(5,854)	(1,783)	(7,637)
At 31 December 2018	7,965	7,488	15,453
Accumulated, amortisation and depreciation:			
At 1 January 2018	4,098	2,395	6,493
Charge for year	1,222	2,369	3,591
Disposals	(3,808)	(1,675)	(5,483)
At 31 December 2018	1,512	3,089	4,601
Net book value:			
At 31 December 2018	6,453	4,399	10,852
At 31 December 2017	7,421	3,016	10,437

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Investments

	£000
At 31 December 2018	19,841
At 31 December 2017	19,841

The company has the following subsidiaries as at the balance sheet date:

Subsidiary	*Country of incorporation and operation*	*Class of share*	*Effective Interest in issued share capital*	*Nature of business*
Apertio Limited	740 Waterside Drive Bristol BS32 4UF, UK Incorporated in England	Ordinary	100%	Telecommunications
Alcatel-Lucent Pension Trustees Limited	6 Mitre Passage Greenwich, London SE10 0RE, UK Incorporated in England	Ordinary	99%	Pension Trustees
Nokia Solutions and Networks Pension Plan Trustee Company Limited	740 Waterside Drive Bristol BS32 4UF, UK Incorporated in England	Ordinary	100%	Pension Trustees
Nokia Solutions and Networks UK Limited	The Forum Lancaster Way Ermine Business Park Huntingdon Cambridgeshire PE29 6XU, UK Incorporated in England	Ordinary	100%	Dormant

Under the provisions of Section 400 of the Companies Act 2006, the company is exempt from the obligation to prepare and deliver group financial statements on the grounds that it is a wholly-owned subsidiary of Nokia Solutions and Networks Oy, a member of the Nokia Group whose financial statements are consolidated in the publicly-available Nokia Group financial statements.

15. Related party transactions

The company has taken advantage of the exemption available under IAS 24 not to disclose transactions with group undertakings. The directors believe there were no other related party transactions during 2018 (2017: nil).

Notes to the financial statements for the year ended 31 December 2018 (continued)

16. Stocks

	2018	*2017*
	£000	*£000*
Finished goods for resale	12,630	9,902
Spares	1,296	1,500
	13,926	11,402

The spares stock is net of an obsolescence provision of £707k (2017: £814k)
There is no material difference between the balance sheet value of stocks and their replacement cost.

17. Debtors

	2018	*2017*
	£000	*£000*
Trade debtors	49,508	31,761
Other debtors	2,355	2,642
Amounts owed by group undertakings	124,841	31,149
Prepayments and contract assets	2,334	2,572
Amounts recoverable on long-term contracts	1,990	4,202
	181,028	72,326

Amounts receivable from group undertakings include monies on deposit with Nokia Solutions and Networks Oy which are interest-bearing with no fixed terms of repayment and trade-related payables which are unsecured, not interest-bearing and have no fixed terms of repayment. Settlement of inter-company invoices is on a monthly basis.

18. Creditors: amounts falling due within one year

	2018	*2017*
	£000	*£000*
Trade creditors	15,879	18,369
Amounts owed to other group undertakings	102,268	60,905
Other taxes and social security costs	13,473	4,814
Other creditors	83	4,822
Accruals and contract liabilities	58,345	27,447
Payments on account	50,737	44,767
	240,785	161,124

Amounts owed to group undertakings are trade-related payables which are unsecured, not interest-bearing and have no fixed terms of repayment. Settlement of inter-company invoices is on a monthly basis.

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. Provisions for liabilities

The movement in provisions is as follows:

	Vacant property provision	*Claims*	*Other*	*Net deferred tax provision*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Balance at 1 January 2017	3,198	841	-	-	4,039
Arising on business combinations	-	-	575	12,651	13,226
Charged to other comprehensive income	-	-	-	23,533	23,533
Utilised during the year	(712)	(452)	-	-	(1,164)
Balance at 31 December 2017 and 1 January 2018	2,486	389	575	36,184	39,634
Charged to profit and loss	(1,769)	(294)	267	(981)	(2,777)
Charged to other comprehensive income	-	-	-	16,482	16,482
Balance at 31 December 2018	717	95	842	51,685	53,339

Deferred tax liabilities:

	Deferred tax liability on pension assets	*Total*
	£000	*£000*
Balance at 1 January 2017	-	-
Arising on business combinations	18,813	18,813
Charged to other comprehensive income	23,533	23,533
Balance at 31 December 2017 and 1 January 2018	42,346	42,346
Charged to other comprehensive income	16,482	16,482
Balance at 31 December 2018	58,828	58,828

Deferred tax assets:

	Deferred tax asset on losses	*Deferred tax asset on ACAs*	*Total*
	£000	*£000*	*£000*
Balance at 1 January 2017	-	-	-
Arising on business combinations	5,482	680	6,162
Balance at 31 December 2017 and 1 January 2018	5,482	680	6,162
Charged to profit and loss	981	-	981
Balance at 31 December 2018	6,463	680	7,143

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. Provisions for liabilities (continued)

Vacant property provision
This represents an onerous lease provision against vacated properties. The leases expire within the next 5 years.

Claims
These relate to provisions for liquidated damages and contract losses expected to be utilised within the next year.

Other
This mainly relates to sales commissions and grants.

20. Called up Share capital

		2018		*2017*
	No.	*£000*	*No.*	*£000*
Authorised				
Ordinary shares of £1 each				
Allotted, called up and fully paid				
Ordinary shares of £1 each	876,411,268	876,411	876,411,268	876,411

21. Reserves

Share premium account
Consists of amounts received by shareholders over the par value of the share.

Capital contribution account
Consists of share-based payments accounted for in the profit and loss but paid by another Group entity. In the financial year, a pension plan was transferred from another group company and the net asset of £39.6m is transferred to capital contributions, see note 22.

Merger reserve
Arising on Group restructure.

Notes to the financial statements for the year ended 31 December 2018 (continued)

22. Pensions

As at the balance sheet date, the company has three defined benefit sections (Alcatel / ALU UK, Lucent and ATRBP) plus the NSN UK defined benefit plan within its pension scheme. All defined benefit sections and plans were closed to new entrants before the start of the accounting period. The NSN UK plan was closed to future accrual from 2012. All other defined benefit sections were closed to future accrual from May 2018. From May 2018 all active employees, who did not opt out of the pension plan, were in a defined contribution section.

The assets of the Schemes are held independently of the company in a separate fund, administered by a corporate trustee, and the Schemes do not invest in the company.

The pension cost relating to the Schemes is assessed in accordance with the advice of independent qualified actuaries and employer's contributions to the Schemes are paid as recommended by the actuaries. Employees' normal contributions are paid to the Schemes.

The Schemes operate under UK law. In the UK, defined benefit (DB) schemes need to meet the statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions (accrued liabilities). The Pensions Act 2004 states the obligations of trustees of pension schemes. Ultimately pension scheme trustees are responsible for ensuring that the right contributions are collected at the right time, deciding the investment strategy and investing accordingly.

If the assets of the Schemes are less than the technical provisions at the effective date of any statutory funding actuarial valuation, the Trustees and Company must agree the contributions required to meet the shortfall. In addition, the Scheme Actuary must certify that the contributions are not lower than the contributions they would have provided for had they had responsibility of setting them.

The company is the participating employer and the principal employer and in line with rules of the individual sections, has an unconditional right to a refund of surplus assets in each section. The net asset is limited to the present value of assets which can be recovered from the Scheme. Given the funding levels, the company has not been required to make further contributions following the close of the defined benefit sections to future accrual.

The pension Schemes have not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

Nokia UK Limited became the sole participating employer and principal employer of the Scheme effective from 10 September 2018 removing Alcatel-Lucent UK Limited, Alcatel Submarine Networks Limited and Alcatel-Lucent Pension Trustees Limited as participating employers. A Flexible Apportionment Arrangement was entered whereby Nokia UK Limited took on the pension related assets and liabilities of Alcatel Submarine Networks Limited. Nokia UK Limited and Alcatel Submarine Networks Limited are under common control of Nokia Corporation. The transfer of pension associated assets and liabilities has been accounted for in accordance with the substance of the transfer, reflecting receipt of a capital contribution made on instructions from the parent undertaking.

Notes to the financial statements for the year ended 31 December 2018 (continued)

22. Pensions (continued)

Year ended 31 December 2018	*Alcatel / ALU UK*	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Scheme assets at fair value:					
Assets held by insurance	247,757	76,681	-	-	324,438
Debt (leveraged gilts and global credit)	412,504	263,208	-	92,110	767,822
Equity securities	95,643	46,249	-	20,377	162,269
Investment funds	-	-	3,260	-	3,260
Cash and short-term investments	26,618	12,966	-	1,514	41,098
Fair value of scheme assets	782,522	399,104	3,260	114,001	1,298,887
Present value of scheme liabilities	(579,824)	(280,796)	(1,414)	(90,810)	(952,844)
Defined benefit pension plan Asset	202,698	118,308	1,846	23,191	346,043

Year ended 31 December 2017	*Alcatel / ALU UK*	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Scheme assets at fair value:					
Assets held by insurance	143,456	84,655	-	-	228,111
Debt (leveraged gilts and global credit)	308,508	275,405	2,276	94,368	680,557
Equity securities	73,421	48,332	841	24,257	146,851
Real estate	24,578	-	350	-	24,928
Cash and short-term investments	9,328	15,295	35	117	24,775
Fair value of scheme assets	559,291	423,687	3,502	118,742	1,105,222
Present value of scheme liabilities	(426,094)	(318,511)	(1,572)	(109,952)	(856,129)
Defined benefit pension plan Asset	133,197	105,176	1,930	8,790	249,093

Notes to the financial statements for the year ended 31 December 2018 (continued)

22. Pensions (continued)

The amounts recognised in the Income Statement and Statement of Comprehensive Income for the year are as follows:

Year ended 31 December 2018	*Alcatel / ALU UK*	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Recognised in the Income Statement					
Current service cost	1,453	378	-	-	1,831
Past service cost	2,153	436	245	197	3,031
Administration expenses paid directly from scheme assets	-	450	-	-	-
Recognised in arriving at operating profit	3,606	1,264	245	197	5,312

The current service cost and administration expenses were charged to administrative expenses.

	Alcatel / ALU UK	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Net interest income on plan assets	4,360	2,636	49	228	7,273
Reconciliation of Other finance income (cost)					
Interest income on plan assets	20,693	10,432	88	3,058	34,271
Interest expense on benefit obligation	(16,333)	(7,796)	(39)	(2,830)	(26,998)
Net interest income on plan assets	4,360	2,636	49	228	7,273

	Alcatel / ALU UK	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Taken to the Statement of Comprehensive Income					
Return on plan assets (excluding amounts included in net interest expense)	(54,023)	(22,182)	(330)	(5,561)	(82,096)
Actuarial changes arising from changes in demographic assumptions	34,727	7,301	315	9,501	51,844
Actuarial changes arising from changes in financial assumptions	45,966	25,663	127	10,431	82,187
Effect of the asset ceiling	-	-	-	-	-
Recognised in the Statement of Comprehensive Income	26,670	10,782	112	14,371	51,935

Notes to the financial statements for the year ended 31 December 2018 (continued)

22. Pensions (continued)

The amounts recognised in the Income Statement and Statement of Comprehensive Income for the previous year are as follows:

Year ended 31 December 2017	*Alcatel / ALU UK*	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Recognised in the Income Statement					
Current service cost	2,240	991	-	-	3,231
Administration expenses paid directly from scheme assets	-	335	-	-	335
Recognised in arriving at operating profit	2,240	1,326	-	-	3,566

The current service cost and administration expenses were charged to administrative expenses.

	Alcatel / ALU UK	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Net interest income on plan assets	3,151	(33)	-	68	3,186
Reconciliation of Other finance income (cost)					
Interest income on plan assets	14,150	8,122	52	2,862	25,186
Interest expense on benefit obligation	(10,999)	(8,155)	(52)	(2,794)	(22,000)
Net interest income on plan assets	3,151	(33)	-	68	3,186

	Alcatel / ALU UK	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Taken to the Statement of Comprehensive Income					
Return on plan assets (excluding amounts included in net interest expense)	26,631	7,055	(35)	4,431	38,082
Actuarial changes arising from changes in demographic assumptions	(7,795)	(7,821)	(14)	(1,715)	(17,345)
Actuarial changes arising from changes in financial assumptions	(7,037)	(7,081)	424	(2,497)	(16,191)
Effect of the asset ceiling	-	111,980	1,555	-	113,535
Recognised in the Statement of Comprehensive Income	11,799	104,133	1,930	219	118,081

Notes to the financial statements
for the year ended 31 December 2018 (continued)

22. Pensions (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

Year ended 31 December 2018	*Alcatel / ALU UK*	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Defined benefit obligation as at 1 January 2018	426,094	318,511	1,572	109,952	856,129
Increase due to transfer of assets and liabilities into the plan	240,005	-	-	-	240,005
Current service cost	1,453	378	-	-	1,831
Past service cost	2,153	436	245	197	3,031
Interest expense on benefit obligation	16,333	7,796	39	2,830	26,998
Benefits paid	(25,530)	(13,361)	-	(2,238)	(41,129)
Participant contributions	9	-	-	-	9
Effect of changes of demographic assumptions	(34,727)	(7,301)	(315)	(9,501)	(51,844)
Actuarial gains and losses	(45,966)	(25,663)	(127)	(10,431)	(82,187)
Defined benefit obligation as at 31 December 2018	579,824	280,796	1,414	90,810	952,844

Year ended 31 December 2017	*Alcatel / ALU UK*	*Lucent*	*ATRBP*	*NSN UK*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Defined benefit obligation as at 1 January 2017	286,273	309,617	1,930	-	597,820
Increase due to transfer of assets and liabilities into the plan	130,441	-	-	104,030	234,471
Current service cost	2,240	991	-	-	3,231
Interest expense on benefit obligation	10,999	8,155	52	2,794	22,000
Benefits paid	(18,691)	(15,154)	-	(1,084)	(34,929)
Effect of changes of demographic assumptions	7,795	7,821	14	1,715	17,345
Actuarial gains and losses	7,037	7,081	(424)	2,497	16,191
Defined benefit obligation as at 31 December 2017	426,094	318,511	1,572	109,952	856,129

The defined benefit obligations are from plans that are wholly or partly funded.

Notes to the financial statements for the year ended 31 December 2018 (continued)

22. Pensions (continued)

Changes in the fair value of plan assets are analysed as follows:

Year ended 31 December 2018	*Alcatel / ALU UK* *£000*	*Lucent* *£000*	*ATRBP* *£000*	*NSN UK* *£000*	*Total* *£000*
Fair value of plan assets at 31 December 2017 and 1 January 2018	559,291	423,687	3,502	118,742	1,105,222
Increase due to transfer of assets and liabilities into the plan	279,645	-	-	-	279,645
Interest income on plan assets	20,693	10,432	88	3,058	34,271
Contributions by employer	2,437	978	-	-	3,415
Contribution by participants	9	-	-	-	9
Benefits paid	(25,530)	(13,361)	-	(2,238)	(41,129)
Administration expenses paid directly from Scheme assets	-	(450)	-	-	(450)
Actuarial gains and losses	(54,023)	(22,182)	(330)	(5,561)	(82,096)
Fair value of plan assets as at 31 December 2018	782,522	399,104	3,260	114,001	1,298,887

Year ended 31 December 2017	*Alcatel / ALU UK* *£000*	*Lucent* *£000*	*ATRBP* *£000*	*NSN UK* *£000*	*Total* *£000*
Fair value of plan assets at 31 December 2016 and 1 January 2017	286,273	410,949	3,444	-	700,666
Increase due to transfer of assets and liabilities into the plan	244,757	-	-	104,533	349,290
Interest income on plan assets	14,150	11,066	93	2,862	28,171
Contributions by employer	6,171	10,106	-	8,000	24,277
Benefits paid	(18,691)	(15,154)	-	(1,084)	(34,929)
Administration expenses paid directly from Scheme assets	-	(335)	-	-	(335)
Actuarial gains and losses	16,631	7,055	(35)	4,431	38,082
Fair value of plan assets as at 31 December 2017	559,291	423,687	3,502	118,742	1,105,222

Pension contributions are determined with advice from independent qualified actuaries on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by the Investment Manager.

Notes to the financial statements for the year ended 31 December 2018 (continued)

22. Pensions (continued)

The major assumptions used by the actuary were:

	Alcatel / ALU UK	*Lucent*	*ATRBP*	*NSN UK*
	2018	*2018*	*2018*	*2018*
	%	*%*	*%*	*%*
Main assumptions:				
Rate of salary increase	3.6	3.6	2.2	3.6
Rate of increase of pensions in payment	3.1	3.1	2.2	3.1
Discount rate	2.9	2.9	2.9	3.0
Inflation assumptions (RPI)	3.1	3.1	3.1	3.1
Inflation assumptions (CPI)	2.2	2.2	2.2	2.2

	Alcatel / ALU UK	*Lucent*	*ATRBP*	*NSN UK*
	2017	*2017*	*2017*	*2017*
	%	*%*	*%*	*%*
Main assumptions:				
Rate of salary increase	3.6	3.6	3.6	3.6
Rate of increase of pensions in payment	3.1	3.1	3.1	3.1
Discount rate	2.5	2.5	2.5	2.6
Inflation assumptions (RPI)	3.1	3.1	3.1	3.1
Inflation assumptions (CPI)	2.2	2.2	2.2	2.2

The total contributions to the defined benefit schemes in 2019 are expected to be £nil (2018: £5,834k).

23. Share-based payments

The company awards long-term incentives to certain employees. These awards operate on a three-year cycle whereby the performance of key metrics such as revenue, cashflow, earnings per share, of the Nokia Group in the first two years determine the number of shares awarded to the employee. The shares vest shortly after the end of the third year. The key metrics may change from year to year. The employee will receive the prescribed number of shares irrespective of the market value when vested. To receive the shares, the employee must be employed at the time when the shares are vested. The Nokia Group estimates the percentage of forfeiture.

The Nokia Group operates a voluntary "Share in Success" ("SIS") scheme whereby employees are able to purchase a restricted number of shares each month and Nokia contribute one share for every two purchased and held in the twelve months to the end of the "holding period".

The grant of these shares by the parent undertaking is shown as a capital contribution, see the Statement of Change in Equity on page 11.

Notes to the financial statements for the year ended 31 December 2018 (continued)

23. Share-based payments (continued)

The expenses for 2018 are as follows:

Grant	*Grant date*	*No. of units granted*	*Fair value at grant date £*	*Vesting period %age*	*Payout factor*	*Forfeiture estimation*	*Annual expense £'000*
PS Q3 2016	01.07.2016	255,147	4.22	40%	46%	15%	170
PS Q3 2016	01.07.2016	655,675	4.22	40%	46%	20%	410
PS Q4 2016	14.12.2016	2,260	3.67	48%	46%	18%	2
PS Q4 2016	14.12.2016	94,188	3.67	48%	46%	20%	61
PS Q3 2017	05.07.2017	1,372,347	4.60	40%	30%	15%	649
PS Q4 2017	04.10.2017	44,400	4.21	11%	30%	15%	5
Q218 PS	18.04.2018	6,500	3.90	25%	71%	15%	4
Q318 PS	04.07.2018	2,084,690	3.96	20%	71%	15%	992
Q318 PS	12.12.2018	8,000	4.36	4%	71%	15%	1
Q418 (1) PS	03.10.2018	175,936	3.88	11%	71%	15%	46
Q418 (2) PS	12.12.2018	36,300	4.36	4%	71%	15%	4
				Sub-total			2,344
				Grant	*Total shares granted*	*No. of units granted*	*Annual expense £'000*
				RS Q3 2016	4,391,000	223,300	169
				RS Q4 2017	316,500	59,400	105
				RS Q4 2018	353,600	13,100	8
				RU15 PS 2015	3,237,985	237,615	318
				Sub-total			600
				SIS Plan	*SIS Matching Shares (unvested)*	*Fair value at grant date £*	*Annual Expense £'000*
				2017 Plan	39,504	4.24	167
				2018 Plan	19,536	4.61	90
				Sub-total			257
				Grand Total			3,201

Notes to the financial statements for the year ended 31 December 2018 (continued)

24. Other financial commitments

The company has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 1 and 5 years. Only the property lease agreements contain an option for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases for each of the following periods:

		2018		*2017*
	Motor vehicles	*Land and buildings*	*Motor vehicles*	*Land and buildings*
	£000	*£000*	*£000*	*£000*
Within one year	442	4,764	1,236	3,918
In two to five years	353	9,647	414	8,984
Over five years	-	1,603	-	2,381
	795	16,014	1,650	15,283

25. Contingent liabilities

The company has a guarantee of £6,000k (2017 – £6,000k) in respect of duty deferment on behalf of HMRC.

26. Capital commitments

At 31 December 2018 and 2017, there are no capital commitments.

27. Ultimate parent undertaking and controlling party

As at the balance sheet date, the company was a subsidiary undertaking of Nokia Solutions and Networks Oy incorporated in Finland, which was also considered the controlling party.

Nokia Solutions and Networks Oy is the smallest undertaking to consolidate these financial statements at the balance sheet date, and thereafter. The consolidated statements are available from Nokia Solutions and Networks Oy at PO Box 226, FIN-00045, Nokia Group, Espoo, Finland.

The ultimate parent undertaking and controlling party is Nokia Corporation, a company incorporated in Finland. Nokia Corporation is the largest undertaking to consolidate these financial statements at the balance sheet date, and thereafter. The consolidated statements are available from Nokia Corporation at PO Box 226, FIN-00045, Nokia Group, Espoo, Finland.

28. Events since the balance sheet date

In 2019, the Alcatel / ALU UK, Lucent and ATRBP sections of the pension plan were desectionalised and treated as one section. From 31 December 2019 this section was merged with the NSN UK plan and renamed "The Nokia Retirement Plan for former NSN and ALU Employees". This will not affect the valuation but is expected to result in a reduction in admin costs.

In 2019, the liabilities for the Lucent pensioners, not already secured by an insurance company, were secured with an insurance company and subsequently all pensioner liabilities secured with an insurance company were bought out by the insurance company, thus extinguishing the scheme's pensioner liabilities. The cost was £20.8m and the liability £17.3m, resulting in a settlement loss of approximately £3.5m.