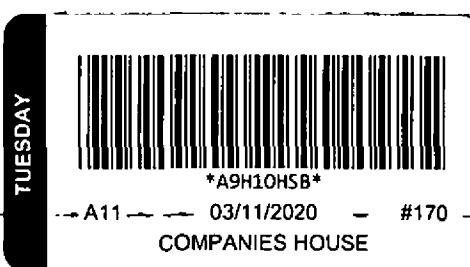


Nokia UK Limited

**Annual report and financial statements
for the year ended 31 December 2019**

Registered Number: 02650571



Nokia UK Limited

Annual report and financial statements

for the year ended 31 December 2019

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Directors and advisors

Directors

H-J. Daub
S. Wallberg
C. Whelan

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
Berkshire
RG1 3JH

Bankers

Deutsche Bank
6 Bishops Gate
London EC2P 2AT

Registered Number

02650571

Registered Office

740 Waterside Drive
Aztec West
Almondsbury
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England
BS32 4UF

Strategic report for the year ended 31 December 2019

The directors present their strategic report and the financial statements for the company, registered number 02650571, for the year ended 31 December 2019.

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:

	2019	2018	Change
	£000	£000	%
Turnover	480,969	455,859	+6%
Operating profit	20,314	22,552	-10%
Profit for the financial year	17,094	22,091	-23%
Total Shareholders' funds	330,415	280,207	+18%

The directors consider the increase in turnover to be in line with 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 £330,415k as at 31 December 2019 from £280,207k at 31 December 2018, 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 (2018: nil).

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.

Strategic report for the year ended 31 December 2019 (continued)

Corporate Governance Code and Section 172 (1)(a) to (f) of the Companies Act 2006 (the Act).

The directors of the company must act in accordance with the duties as set out in the Act, summarised as follows;

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) The likely consequence of any decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;
- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) The need to act fairly as between members of the company.

The corporate governance of Nokia UK Limited is managed by the directors in conjunction with the corporate governance of the Nokia Group. The Group strategy is managed centrally, covering aspects such as the product and solution portfolio, legal entity structures, culture and people strategy and high-level location strategy. As a subsidiary of the Nokia Group, the company is responsible for the implementation of local elements of the Group strategy, refining and enhancing where appropriate.

Long-term business, business relationships and business reputation

The directors believe the long-term consequences of local decision-making is key to retaining customer business, supplier support and employee engagement.

Many customer contracts are delivered over a number of years and the directors, with continuous support from key managers, plan the delivery of contractual requirements, third-party support, Nokia Group resources and local company resources. Successful project completion is a key element in securing future business. Annual customer feedback surveys help evaluate Nokia performance, both global and local, and subsequent action plans aim to continue and enhance positive performance and address areas for improvement.

The directors also believe it is important to support the teams based in the UK that are engaged with regional or global activities, thereby promoting services to the Nokia Group in the medium to long term.

The directors ensure health and safety has utmost priority at all times. This includes health and safety measures for all people in the Nokia offices, strict requirements for employees, contractors and sub-contractors deploying or maintaining Nokia equipment on external sites, plus measures pertaining to domestic and international travel.

The company supports the Nokia Group cost saving initiatives designed to make efficient use of the Group's resources and support the long-term outlook for the business. The directors are actively engaged in the local Real Estate strategy, providing safe and appropriately-sized offices with suitable facilities in key UK locations. In 2019 this led to the down-sizing of offices in one location. The directors uphold the Group travel restriction programs which save costs and support Nokia's environmental policies.

Strategic report for the year ended 31 December 2019 (continued)

Corporate Governance Code and Section 172 (1)(a) to (f) of the Companies Act 2006 (the Act) (continued).

Employees

The directors place great emphasis on the engagement of the company's employees in order for the company to be successful in short, medium and long term. The directors actively manage the following aspects.

Employee consultation

The directors place considerable value on the involvement of the company's employees and keep 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. An Employee Forum is in place, with volunteers representing their local constituents in certain matters. In 2019 the Employee Forum supported employees through the restructuring process. Site Leads for each office are appointed by the Country Management Team to address and support site-based issues and support the welfare of their colleagues through social activities. The Nokia Group regularly requests employee feedback in Culture Cohesion tracker surveys, the results of which are shared with employees and reviews and action plans are taken at country or team level to identify aspects which work well and areas for improvement.

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 Nokia Group 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". Long-term incentives are structured around Nokia Group performance and rewards are given in performance shares.

The directors support the annual training programme ensuring that all employees complete the common courses. In 2019 the mandatory training topics covered Respect, Ethical Business, Information Security and Inclusion.

Equality

In 2019, the Nokia Group ran an "Unexplained Pay Gap" process to identify and address individuals and teams where pay was not aligned to a model developed by external consultants, based on roles, experience, performance, location and specific local factors. The directors supported this action in the UK which resulted in an increase in pay for a "statistically-relevant" number of UK employees. The program impacted 6% of employees worldwide.

Nokia UK launched the "StrongHer" program to highlight and promote the success of women in the workplace with the first awards presented in 2019.

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.

Community and environment

The Nokia Group is very aware of its impact on the community and environment. The Nokia Group Sustainability program is active in various matters including; environmental topics, responsible sourcing, corporate community investment and human rights.

Shareholders

The directors ensure the company implements the programs and upholds the values of the Nokia Group in order to support its sole shareholder, Nokia Solutions and Networks Oy.

Strategic report for the year ended 31 December 2019 (continued)

Post Balance sheet events

During March 2020 the coronavirus (COVID-19) outbreak became a global pandemic and it has had a significant negative effect on the global economy and financial markets as many countries have imposed travel restrictions and quarantine measures as well as ordered non-essential businesses to temporarily close in an effort to slow down the spread of the virus. The virus as well as the measures taken to combat the virus have together increased the risks related to supply chain operations, demand for products and services, access to financing as well as health and well-being of employees. The operating model of the company, including the funding arrangements with the parent company and other Group companies, remain unchanged. To date the company has not seen, nor expects to see in the near future, a major impact on its operations from the coronavirus, however, should the epidemic continue for an extended period of time, there's a possibility that the risks will materialize and hence have a significant impact on the company's financial performance, financial position and cash flows.

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



Hans-Joerg Daub
Director

13 July 2020

Directors' report for the year ended 31 December 2019

The directors present their annual report and the audited financial statements of the company, registered number 02650571, for the year ended 31 December 2019.

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:

H-J. Daub

I. Tassopoulou (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 (2018 – £nil).

No contributions to the funds of political parties were made during the year (2018 - £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.

Corporate governance

Further to Section 414C(1) of the Companies Act, the directors have reported governance practices and a statement on Section 172 (1)(a) to (f) of the Companies Act 2006 regarding employees, suppliers, customers and corporate governance in the Strategic Report.

Directors' report for the year ended 31 December 2019 (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

13 July 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 2019 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 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 2019 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 8, 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 (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

13 July 2020

Profit and loss account for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	4	480,969	455,859
Cost of sales		(444,473)	(417,622)
Gross profit		36,496	38,237
Administrative expenses		(16,182)	(15,685)
Operating profit	5	20,314	22,552
Interest receivable and similar income	8	553	100
Interest payable and similar expenses	9	(179)	(381)
Other (expense) / income	10	(3,118)	227
Profit before taxation		17,570	22,498
Tax on profit	11	(476)	(407)
Profit for the financial year		17,094	22,091

The notes on pages 15 to 42 form part of these financial statements.

All amounts relate to continuing activities.

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit for the financial year		17,094	22,091
Other comprehensive income			
Items that cannot be reclassified to profit or loss:			
Actuarial gain on defined benefit pension	22	45,550	51,935
Deferred tax liability on pension asset	19	(15,728)	(16,482)
Total other comprehensive income		29,822	35,453
Total comprehensive income for the year		46,916	57,544

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Share premium account	Capital contribution account	Merger reserve	Profit and loss account	Total shareholders' Funds
	£000	£000	£000	£000	£000	£000
As at 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 and 1 January 2019	876,411	47,289	54,738	(79,607)	(618,624)	280,207
Profit for the financial year	-	-	-	-	17,094	17,094
Other comprehensive income	-	-	-	-	29,822	29,822
Credit for share-based payments	-	-	3,292	-	-	3,292
As at 31 December 2019	876,411	47,289	58,030	(79,607)	(571,708)	330,415

Balance sheet as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	12	725	982
Tangible assets	13	13,183	10,852
Investments	14	19,841	19,841
Pension asset	22	392,394	346,043
		<u>426,143</u>	<u>377,718</u>
Current assets			
Stocks	16	9,749	13,926
Debtors	17	127,487	181,028
Cash at bank and in hand		5,532	1,659
		<u>142,768</u>	<u>196,613</u>
Creditors: amounts falling due within one year	18	<u>(163,410)</u>	<u>(240,785)</u>
Net current liabilities		<u>(20,642)</u>	<u>(44,172)</u>
Total assets less current liabilities		405,501	333,546
Creditors: amounts falling due after one year	18	(7,258)	-
Provisions for liabilities	19	<u>(67,828)</u>	<u>(53,339)</u>
Net assets		<u>330,415</u>	<u>280,207</u>
Capital and reserves			
Called up share capital	20	876,411	876,411
Share premium account	21	47,289	47,289
Capital contribution account	21	58,030	54,738
Merger reserve	21	(79,607)	(79,607)
Profit and loss account		<u>(571,708)</u>	<u>(618,624)</u>
Total shareholders' funds		<u>330,415</u>	<u>280,207</u>

The financial statements on pages 12 to 42 were approved and authorised for issue by the Board on 13 July 2020 and were signed on its behalf by



H-J Daub
Director

13 July 2020

Notes to the financial statements for the year ended 31 December 2019

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 2019 were authorised for issue by the board of directors on 13 July 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 7.

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 2019 (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 2019 (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 2019 (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 principal companies.

Notes to the financial statements for the year ended 31 December 2019 (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 2019 (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 2019 (continued)

3. 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.

Revenue recognition

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.

Financial assets and liabilities

IFRS 9 addresses the classification and measurement of financial assets and liabilities, introduces a new impairment model and a new hedge accounting model.

The company assesses expected credit losses on financial assets on a forward-looking basis. 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).

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

Changes in accounting policies and disclosures

New standards, amendments and interpretations

Leases

The company leases offices with contracts typically made for periods of 2 to 25 years but may have break clauses and extension options. The building lease contracts may contain both lease and non-lease components however, the company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases and from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from the leases are initially measured on a present value basis, using both fixed and variable lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Lease payments are discounted to present value using Nokia's incremental borrowing rate, updated quarterly by Nokia Corporate Finance. The discount rate is dependent on the contract currency and the IFRS 16 lease term. Subsequent to the initial measurement, the present value of the lease continues to be based on the discount rate selected on the lease commencement date. Only in circumstances where a reassessment or modification of the lease occurs, will there be a need to remeasure the present value of the lease based on the latest available discount rate.

The company is exposed to potential future increases in variable lease payments based on market rates, which are not included in the lease liability until they take effect. When adjustments to lease payments based on market rates take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognised on a straight-line basis as an expense in the profit and loss. Short-term leases are leases with a lease term of 12 months or less.

The company has adopted IFRS16 to account for leases, retrospectively from 1 January 2019. The company has not restated comparatives for 2018, as permitted under the specific transition provisions in the standard. The reclassifications arising on adoption are recognised as an adjustment to the opening balance sheet.

Notes to the financial statements for the year ended 31 December 2019 (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 2019 (continued)

4. Turnover

An analysis of turnover by geographical market is given below:

	2019	2018
	£000	£000
United Kingdom	327,750	284,277
Europe	153,153	171,493
North America	30	33
Other	36	56
	<u>480,969</u>	<u>455,859</u>

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):

	2019	2018
	£000	£000
Auditors' remuneration – audit fees paid by the Nokia Group	272	219
Auditors' remuneration – non-audit fees paid by the company	77	18
Depreciation and amortisation of intangible and tangible assets (notes 12 and 13)	3,330	3,916
Costs of stocks recognised as an expense (included in cost of sales)	194,014	164,930
Share based payment charge (note 23)	3,292	3,201
Foreign exchange loss / (gain)	2,920	(923)
Operating lease rentals for motor vehicles	<u>663</u>	<u>829</u>

Amortisation of intangible assets is included in administration expenses (2018: administration expenses)
Within operating profit, there has been no write down of inventories recognised as an expense (2018: none).

Notes to the financial statements for the year ended 31 December 2019 (continued)

6. Directors' remuneration

	2019 £000	2018 £000
Salaries and other remuneration	845	667
Pension contributions	46	42
Compensation for loss of office	-	125
	<u>891</u>	<u>834</u>

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

	2019 No.	2018 No.
Defined contribution (money purchase) schemes	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2019 £000	2018 £000
Salaries and other remuneration	446	258
Pension contributions	<u>17</u>	<u>13</u>

7. Staff costs

	2019 £000	2018 £000
Wages and salaries	98,371	115,425
Social security costs	12,868	14,758
Other pension costs	<u>8,167</u>	<u>6,193</u>
	<u>119,406</u>	<u>136,376</u>

Included in wages and salaries is a total expense of share-based payments of £3,292k (2018 £3,201k), 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:

	2019 No.	2018 No.
Services	566	633
Research and development	136	180
Sales and marketing	245	249
Administration	<u>125</u>	<u>150</u>
	<u>1,072</u>	<u>1,212</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Interest receivable and similar income

	2019 £000	2018 £000
Bank interest income	13	12
Interest receivable from other group companies	521	88
Interest receivable on sub-leases	19	-
	<u>553</u>	<u>100</u>

9. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest and charges	5	3
Interest payable from other group companies	5	378
Interest payable on right-of-use assets	169	-
	<u>179</u>	<u>381</u>

10. Other (expense) / income

	2019 £000	2018 £000
Foreign exchange differences	(2,920)	923
Other finance expenses	(198)	(696)
	<u>(3,118)</u>	<u>227</u>

11. Tax on profit

(a) Analysis of charge in year

	2019 £000	2018 £000
Current tax:		
UK corporation tax on the profit for the year	476	1,388
Total current income tax	<u>476</u>	<u>1,388</u>
Deferred tax:		
Origination and reversal of temporary differences	-	(981)
Total deferred tax	<u>-</u>	<u>(981)</u>
Tax expense in the income statement	<u>476</u>	<u>407</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Tax on profit (continued)

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £000	2018 £000
Profit before taxation	17,570	22,498
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	3,338	4,275
<i>Effects of:</i>		
Expenses not deductible for tax purposes	473	1,257
Capital allowances (in excess of) / lower than depreciation	(1,909)	(1,805)
Origination and reversal of temporary differences	-	(981)
Utilisation of trading losses for which no deferred tax asset was previously recognised	(1,426)	(2,339)
Tax expense in the income statement	476	407

(c) Deferred tax

A deferred tax asset of £7,143k has been recognised at 31 December 2019 (2018 - £7,143k) 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 £76,573k exists at 31 December 2019 (2018 – £79,908k) 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:

	2019 £000	2018 £000
Fixed asset timing differences	7,536	9,445
Losses	69,037	70,463
Total unrecognised deferred tax asset	76,573	79,908

(d) Changes in corporation tax rates

In the 2020 Budget it was announced that the UK corporation rate from 1 April 2020 would remain at 19%.

Notes to the financial statements for the year ended 31 December 2019 (continued)

12. Intangible fixed assets

	Intangible Assets	Total intangible assets
	£000	£000
Cost:		
At 1 January 2019	4,879	4,879
Additions	274	274
Disposals	(3,462)	(3,462)
At 31 December 2019	1,691	1,691
Accumulated amortisation:		
At 1 January 2019	3,897	3,897
Charge for year	490	490
Disposals	(3,421)	(3,421)
At 31 December 2019	966	966
Net book value:		
At 31 December 2019	725	725
At 31 December 2018	982	982

13. Tangible assets

	Leasehold improvements	Plant and machinery	Right of use assets	Total tangible assets
	£000	£000	£000	£000
Cost:				
At 1 January 2019	7,965	7,488	-	15,453
Adoption of IFRS 16	-	-	11,769	11,769
Additions	139	230	-	369
Impairment	-	-	(4,185)	(4,185)
Disposals	(318)	(1,254)	-	(1,572)
At 31 December 2019	7,786	6,464	7,584	21,834
Accumulated depreciation:				
At 1 January 2019	1,512	3,089	-	4,601
Charge for year	191	351	2,298	2,840
Disposals	611	599	-	1,210
At 31 December 2019	2,314	4,039	2,298	8,651
Net book value:				
At 31 December 2019	5,472	2,425	5,286	13,183
At 31 December 2018	6,453	4,399	-	10,852

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. Tangible assets (continued)

In respect of right-of-use assets

(i) Amounts recognised in the statement of financial position:

	31 December 2019 £000	1 January 2019 £000
Right-of-use assets		
Buildings	5,286	11,769
	<u>5,286</u>	<u>11,769</u>
Lease receivables:		
Buildings	1,063	1,297
At 31 December 2019	<u>1,063</u>	<u>1,297</u>
Operating lease commitments disclosed as at 31 December 2018		16,809
Less: low-value leases not recognised as a liability		(795)
Less: service leases not recognised as a liability		(2,606)
Add: adjustment as a result of a different treatment of contract termination and extension		1,463
Effect of discounting using increment borrowing rate at the date of initial application		(441)
Lease liability recognised as at 1 January 2019		<u>14,430</u>
Lease liabilities:		
Current	3,382	4,077
Non-current	7,258	10,353
	<u>10,640</u>	<u>14,430</u>
(ii) Amounts recognised in the income statement:	2019 £000	2018 £000
Depreciation charge for right-of-use asset: Buildings	2,298	-
	<u>2,298</u>	<u>-</u>
Impairment charge for right-of-use asset: Buildings	4,185	-
	<u>4,185</u>	<u>-</u>
Interest charge for right-of-use asset: Buildings	169	-
	<u>169</u>	<u>-</u>
Cash outflow for right-of use asset: Buildings	3,959	-
	<u>3,959</u>	<u>-</u>
Interest income for lease receivable: Buildings	19	-
	<u>19</u>	<u>-</u>
Income for lease receivable: Buildings	253	-
	<u>253</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. Investments

	<i>£000</i>
At 31 December 2019	<u>19,841</u>
At 31 December 2018	<u>19,841</u>

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

<i>Subsidiary</i>	<i>Country of incorporation and operation</i>	<i>Class of share</i>	<i>Effective Interest in issued share capital</i>	<i>Nature of business</i>
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 2019 (2018: nil).

Notes to the financial statements for the year ended 31 December 2019 (continued)

16. Stocks

	2019 £000	2018 £000
Finished goods for resale	8,387	12,630
Spares	1,362	1,296
	<u>9,749</u>	<u>13,926</u>

The spares stock is net of an obsolescence provision of £785k (2018: £707k)

There is no material difference between the balance sheet value of stocks and their replacement cost.

17. Debtors

	2019 £000	2018 £000
Trade debtors	58,298	49,508
Amounts owed by group undertakings	56,273	124,841
Amounts recoverable on long-term contracts	9,130	1,990
Prepayments and contract assets	1,920	2,334
Other debtors	1,866	2,355
	<u>127,487</u>	<u>181,028</u>

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 receivables 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

	2019 £000	2018 £000
Payments on account	67,443	50,737
Accruals and contract liabilities	35,448	58,345
Amounts owed to other group undertakings	34,843	102,268
Trade creditors	13,909	15,879
Other taxes and social security costs	7,641	13,473
Lease liabilities	3,382	-
Other creditors	744	83
	<u>163,410</u>	<u>240,785</u>

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.

Creditors: amounts falling due after one year

	2019 £000	2018 £000
Lease liabilities	7,258	-
	<u>7,258</u>	<u>-</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

19. Provisions for liabilities

The movement in provisions is as follows:

	<i>Vacant property provision</i>	<i>Claims</i>	<i>Other</i>	<i>Net deferred tax provision</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 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 and 1 January 2019	717	95	842	51,685	53,339
Charged to profit and loss	(717)	(95)	(427)	-	(1,239)
Charged to other comprehensive income	-	-	-	15,728	15,728
Balance at 31 December 2019	-	-	415	67,413	67,828

Deferred tax liabilities:

	<i>Deferred tax liability on pension assets</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>
Balance at 1 January 2018	42,346	42,346
Charged to other comprehensive income	16,482	16,482
Balance at 31 December 2018 and 1 January 2019	58,828	58,828
Charged to other comprehensive income	15,728	15,728
Balance at 31 December 2019	74,556	74,556

Deferred tax assets:

	<i>Deferred tax asset on losses</i>	<i>Deferred tax asset on ACAs</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 January 2018	5,482	680	6,162
Charged to profit and loss	981	-	981
Balance at 31 December 2018 and 1 January 2019	6,463	680	7,143
Charged to profit and loss	-	-	-
Balance at 31 December 2019	6,463	680	7,143

Notes to the financial statements for the year ended 31 December 2019 (continued)

19. Provisions for liabilities (continued)

Vacant property provision

This represents an onerous lease provision against vacated properties. As at the balance sheet date, the leases had expired.

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

		2019		2018
	No.	£000	No.	£000
<i>Authorised</i>				
Ordinary shares of £1 each				
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	876,411,268	<u>876,411</u>	876,411,268	<u>876,411</u>

The ordinary shares as disclosed above have attached to them full voting, dividend and capital rights. They do not confer any rights of redemption.

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 2018, 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 2019 (continued)

22. Pensions

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 plan and renamed "The Nokia Retirement Plan for former NSN and ALU Employees. As at the balance sheet date, the company has one defined benefit section plus a small value remaining in the NSN UK defined benefit plan to cover future costs.

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.

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.

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 £3.487m

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. Pensions (continued)

	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
Year ended 31 December 2019	£000	£000	£000	£000	£000
<i>Scheme assets at fair value:</i>					
Assets held by insurance	306,890	-	-	-	306,890
Debt (leveraged gilts and global credit)	938,265	-	-	-	938,265
Equity securities	-	-	-	-	-
Investment funds	39,550	-	-	-	39,550
Cash and short-term investments	54,639	-	-	300	54,939
Other	12,491	-	-	-	12,491
Fair value of scheme assets	1,351,835	-	-	300	1,352,135
Present value of scheme liabilities	(959,641)	-	-	(100)	(959,741)
Defined benefit pension plan	392,194	-	-	200	392,394
Asset					
	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
Year ended 31 December 2018	£000	£000	£000	£000	£000
<i>Scheme assets at fair value:</i>					
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	202,698	118,308	1,846	23,191	346,043
Asset					

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. Pensions (continued)

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

<i>Year ended 31 December 2019</i>	<i>Alcatel / ALU UK £000</i>	<i>Lucent £000</i>	<i>ATRBP £000</i>	<i>NSN UK £000</i>	<i>Total £000</i>
<i>Recognised in the Income Statement</i>					
Current service cost	-	-	-	-	-
Past service cost	-	131	-	-	131
Loss on settlements	-	3,487	-	-	3,487
Administration expenses paid directly from scheme assets	4,032	565	-	960	5,557
Recognised in arriving at operating profit	<u>4,032</u>	<u>4,183</u>	<u>-</u>	<u>960</u>	<u>9,175</u>

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

	<i>Alcatel / ALU UK £000</i>	<i>Lucent £000</i>	<i>ATRBP £000</i>	<i>NSN UK £000</i>	<i>Total £000</i>
Net interest income on plan assets	<u>5,819</u>	<u>3,422</u>	<u>54</u>	<u>681</u>	<u>9,976</u>
<i>Reconciliation of Other finance income (cost)</i>					
Interest income on plan assets	22,296	11,403	95	3,325	37,119
Interest expense on benefit obligation	<u>(16,477)</u>	<u>(7,981)</u>	<u>(41)</u>	<u>(2,644)</u>	<u>(27,143)</u>
Net interest income on plan assets	<u>5,819</u>	<u>3,422</u>	<u>54</u>	<u>681</u>	<u>9,976</u>

	<i>Alcatel / ALU UK £000</i>	<i>Lucent £000</i>	<i>ATRBP £000</i>	<i>NSN UK £000</i>	<i>Total £000</i>
<i>Taken to the Statement of Comprehensive Income</i>					
Return on plan assets (excluding amounts included in net interest expense)	123,369	57,187	607	7,615	188,778
Actuarial changes arising from changes in demographic assumptions	4,316	2,786	74	953	8,129
Actuarial changes arising from changes in financial assumptions	<u>(77,400)</u>	<u>(51,228)</u>	<u>(1,083)</u>	<u>(21,646)</u>	<u>(151,357)</u>
Recognised in the Statement of Comprehensive Income	<u>50,285</u>	<u>8,745</u>	<u>(402)</u>	<u>(13,078)</u>	<u>45,550</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. Pensions (continued)

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

<i>Year ended 31 December 2018</i>	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Recognised in the Income Statement</i>					
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	-	-	450
Recognised in arriving at operating profit	<u>3,606</u>	<u>1,264</u>	<u>245</u>	<u>197</u>	<u>5,312</u>

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

	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Net interest income on plan assets	<u>4,360</u>	<u>2,636</u>	<u>49</u>	<u>228</u>	<u>7,273</u>

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	<u>4,360</u>	<u>2,636</u>	<u>49</u>	<u>228</u>	<u>7,273</u>

	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Taken to the Statement of Comprehensive Income</i>					
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	<u>26,670</u>	<u>10,782</u>	<u>112</u>	<u>14,371</u>	<u>51,935</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. Pensions (continued)

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

<i>Year ended 31 December 2019</i>	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Defined benefit obligation as at 1 January 2019	579,824	280,796	1,414	90,810	952,844
Past service cost	-	131	-	-	131
Settlement payments	-	(127,184)	-	-	(127,184)
Loss on settlements	-	3,487	-	-	3,487
Interest expense on benefit obligation	16,477	7,981	41	2,644	27,143
Benefits paid	(23,333)	(11,200)	-	(5,375)	(39,908)
Increase / (decrease) due to plan combinations	313,589	(202,453)	(2,464)	(108,672)	-
Effect of changes of demographic assumptions	(4,316)	(2,786)	(74)	(953)	(8,129)
Actuarial gains and losses	77,400	51,228	1,083	21,646	151,357
Defined benefit obligation as at 31 December 2019	<u>959,641</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>959,741</u>
<i>Year ended 31 December 2018</i>	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
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	<u>579,824</u>	<u>280,796</u>	<u>1,414</u>	<u>90,810</u>	<u>952,844</u>

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

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. Pensions (continued)

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

<i>Year ended 31 December 2019</i>	<i>Alcatel / ALU UK £000</i>	<i>Lucent £000</i>	<i>ATRBP £000</i>	<i>NSN UK £000</i>	<i>Total £000</i>
Fair value of plan assets at 31 December 2018 and 1 January 2019	782,522	399,104	3,260	114,001	1,298,887
Interest income on plan assets	22,296	11,403	95	3,325	37,119
Settlement payments	-	(127,184)	-	-	(127,184)
Increase / (decrease) due to plan combinations	451,013	(328,745)	(3,962)	(118,306)	-
Benefits paid	(23,333)	(11,200)	-	(5,375)	(39,908)
Administration expenses paid directly from Scheme assets	(4,032)	(565)	-	(960)	(5,557)
Actuarial gains and losses	123,369	57,187	607	7,615	188,778
Fair value of plan assets as at 31 December 2019	<u>1,351,835</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>1,352,135</u>
<i>Year ended 31 December 2018</i>	<i>Alcatel / ALU UK £000</i>	<i>Lucent £000</i>	<i>ATRBP £000</i>	<i>NSN UK £000</i>	<i>Total £000</i>
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	<u>782,522</u>	<u>399,104</u>	<u>3,260</u>	<u>114,001</u>	<u>1,298,887</u>

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 2019 (continued)

22. Pensions (continued)

The major assumptions used by the actuary were:

	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>	<i>2019</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
<i>Main assumptions:</i>				
Rate of salary increase	3.4	3.4	2.2	3.3
Rate of increase of pensions in payment	2.9	2.9	2.2	2.2
Discount rate	1.9	1.9	1.9	1.9
Inflation assumptions (RPI)	2.9	2.9	2.9	2.9
Inflation assumptions (CPI)	2.2	2.2	2.2	2.2

	<i>Alcatel / ALU UK</i>	<i>Lucent</i>	<i>ATRBP</i>	<i>NSN UK</i>
	<i>2018</i>	<i>2018</i>	<i>2018</i>	<i>2018</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
<i>Main assumptions:</i>				
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

The total contributions to the defined benefit schemes in 2020 are expected to be £nil (2019: £nil).

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 13.

Notes to the financial statements for the year ended 31 December 2019 (continued)

23. Share-based payments (continued)

The expenses for 2019 are as follows:

<i>Grant</i>	<i>Grant date</i>	<i>No. of units granted</i>	<i>Fair value at grant date</i> £	<i>Vesting period</i> %age	<i>Payout factor</i>	<i>Forfeiture estimation</i>	<i>Annual expense</i> £'000
PS Q3 2017	05.07.2017	1,372,347	4.49	40%	30%	24%	566
PS Q4 2017	04.10.2017	44,400	4.12	44%	30%	17%	20
PS Q2 2018	18.04.2018	6,500	3.81	38%	59%	15%	5
PS Q3 2018	04.07.2018	2,084,690	3.87	40%	59%	15%	1,618
PS Q4 2018 (1)	03.10.2018	175,936	3.79	44%	59%	15%	149
PS Q4 2018 (2)	12.12.2018	44,300	4.26	48%	59%	15%	45
PS Q3 2019	03.07.2019	1,480,300	3.95	20%	28%	15%	279
PS Q4 2019	11.12.2019	56,300	2.77	4%	28%	15%	1
Sub-total							2,683
				<i>Grant</i>	<i>Total shares granted</i>	<i>No. of units granted</i>	<i>Annual expense</i> £'000
				RS Q3 2016	4,391,000	223,300	39
				RS Q4 2017	316,500	59,400	49
				RS Q4 2018	353,600	13,100	28
				RS Q4 2019	75,500	50,900	5
				RU15 PS 2015	3,237,985	237,615	181
Sub-total							302
			<i>SIS Plan</i>	<i>SIS Matching Shares (unvested)</i>	<i>Fair value at grant date</i> £	<i>Pro-rated duration</i>	<i>Annual Expense</i> £'000
			2018 Plan	69,020	4.43	88%	269
			2019 Plan	105,056	3.06	12%	38
Sub-total							307
Grand Total							3,292

Notes to the financial statements for the year ended 31 December 2019 (continued)

24. Other financial commitments

The company has entered into commercial leases on certain properties, motor vehicles, buildings and services. 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:

	2019			2018		
	<i>Motor vehicles</i>	<i>Services</i>	<i>Land and buildings</i>	<i>Motor vehicles</i>	<i>Services</i>	<i>Land and buildings</i>
	£000	£000	£000	£000	£000	£000
Within one year	460	931	50	442	1,302	3,462
In two to five years	978	373	-	353	1,304	8,343
Over five years	-	-	-	-	-	1,603
	<u>1,438</u>	<u>1,304</u>	<u>50</u>	<u>795</u>	<u>2,606</u>	<u>13,408</u>

25. Contingent liabilities

The company has a guarantee of £6,000k (2018 – £6,000k) in respect of duty deferment on behalf of HMRC.

26. Capital commitments

At 31 December 2019 and 2018, 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

During March 2020 the coronavirus (COVID-19) outbreak became a global pandemic and it has had a significant negative effect on the global economy and financial markets as many countries have imposed travel restrictions and quarantine measures as well as ordered non-essential businesses to temporarily close in an effort to slow down the spread of the virus. The virus as well as the measures taken to combat the virus have together increased the risks related to supply chain operations, demand for products and services, access to financing as well as health and well-being of employees. The operating model of the company, including the funding arrangements with the parent company and other Group companies, remain unchanged. To date the company has not seen, nor expects to see in the near future, a major impact on its operations from the coronavirus, however, should the epidemic continue for an extended period of time, there's a possibility that the risks will materialize and hence have a significant impact on the company's financial performance, financial position and cash flows.