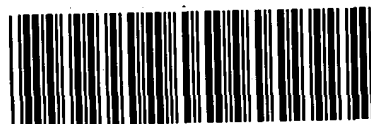


Nokia UK Limited

**Annual report and financial statements
for the year ended 31 December 2021**

Registered Number: 02650571

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Company information

| | |
|---------------------------------|---------------------|
| Directors | T. Foster |
| | P. Siveter |
| | S. Wallberg |
| Independent auditors | Deloitte LLP |
| | Statutory Auditors |
| | 2 New Street Square |
| | London |
| | United Kingdom |
| Bankers | EC4A 3BZ |
| | Deutsche Bank |
| | 6 Bishops Gate |
| | London EC2P 2AT |
| | Bank of America |
| Registered number | 02650571 |
| | 740 Waterside Drive |
| | Aztec West |
| | Almondsbury |
| | Bristol |
| Registered office | England |
| | BS32 4UF |

Strategic Report

for the year ended 31 December 2021

The directors present their Strategic Report and the financial statements for the company, registered number 02650571, for the year ended 31 December 2021.

Principal activities and review of the business

At Nokia, we create technology that helps the world act together. As a trusted partner for critical networks, we are committed to innovation and technology leadership across mobile, fixed and cloud networks. We create value with intellectual property and long-term research, led by the award-winning Nokia Bell Labs. Adhering to the highest standards of integrity and security, we help build the capabilities needed for a more productive, sustainable and inclusive world.

Nokia UK Limited's principal activity is the provision of mobile, fixed and cloud network solutions. UK based sales and marketing teams sell solutions provided by the Nokia Group and its partners, and UK based service teams implement and maintain these solutions. The company also hosts many teams working on Nokia Group activities including R&D, global marketing, global real estate and global customer services.

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

| | 2021 £000 | 2020 £000 | Change % |
|-------------------------------|--------------|--------------|-------------|
| Turnover | 443,716 | 430,279 | 3 |
| Operating profit | 14,313 | 12,810 | 12 |
| Profit before taxation | 13,330 | 16,906 | (21) |
| Profit for the financial year | 33,352 | 103,945 | (68) |
| Total shareholders' funds | 420,320 | 470,734 | (11) |

The directors believe turnover in 2021 met expectations with a slight increase over the prior year. In terms of future developments, the directors expect turnover in the near future to be in line with UK market conditions and the success of the Nokia Group's product and service portfolio. Profit for the financial year is in line with expectations given the prior year benefitted from recognition of the deferred tax asset in full. Since the 2019 accounts were signed, the reported profitability of the Nokia Group had increased significantly, and the Nokia Group share price had also increased. Given that brought-forward losses can be used indefinitely against future profits, the directors considered it appropriate to recognise the full deferred tax asset as at the 2020 balance sheet date and consider it appropriate to continue recognising the full deferred tax asset at the 2021 balance sheet date. A reduction in the net pension asset was the main movement in shareholder funds. The company did not take any Government assistance in relation to COVID-19. The directors expect all activities to be profit-making in the foreseeable future.

The operational activities and associated key performance indicators are governed by the Nokia Group, being Nokia Corporation and its subsidiaries, 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.

Strategic Report

for the year ended 31 December 2021 (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. In addition, the company and the Nokia Group manage contract risk through regular contract and performance reviews.

Pension risks

The directors of the company and the Nokia Group recognise the cost-related 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.

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.

(a) The likely consequence of any decision in the long term.

The directors believe the long-term consequences of local decision-making are key to retaining customer business, supplier support and employee engagement, which in turn are key to the success of the company and contribute to the success of the Nokia Group.

Strategic Report

for the year ended 31 December 2021 (continued)

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

(b) The interests of the company's employees.

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

Health and safety

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.

During 2021, the Nokia Group issued rules and guidance in relation to COVID-19 to all Group employees. The directors adopted these measures and provided additional specific UK guidance based upon local circumstance and local Government policy and guidance. The directors shared this information with employees in regular virtual Town Hall meetings.

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 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. 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.

Equality

Nokia UK continues the "StrongHer" program to highlight and promote the success of women in the workplace. In 2021, the StrongHer community ran workshops entitled "I am Remarkable" open to all UK 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.

Strategic Report

for the year ended 31 December 2021 (continued)

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

(c) The need to foster the company's business relationships with suppliers, customers and others.

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 company also benefits from good relationships with suppliers and seeks to collaborate and support as appropriate.

(d) The impact of the company's operations on the community and the 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. Locally, the directors have initiated relevant projects, for example; employees fundraising for a cancer charity, litter-picking and spreading awareness of Nokia's carbon footprint.

(e) The desirability of the company maintaining a reputation for high standards of business conduct.

The directors see the Nokia Group's global initiatives and the company's local actions as key to maintaining a high standard of integrity in all aspects of business, both internally within the company and externally with customers, suppliers and partners.

The directors support the annual training programme ensuring that all employees complete the common courses. In 2021 the mandatory training sessions were; "Ethical business training", "Inclusion and diversity - safe cracker challenge" and "Information security awareness".

(f) The need to act fairly as between members of the company.

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. The directors uphold the Group travel restriction programs which save costs and support Nokia's environmental policies.

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 2021 (continued)

Energy and carbon reporting

This report is provided to comply with the UK government's policy on Streamlined Energy and Carbon Reporting.

| | 2021 | 2020 |
|--|------------------|------------------|
| Energy consumption to calculate emissions | | |
| Gas combustion Kilowatt Hours ('kWh') | - | - |
| Purchased electricity kWh | 2,441,496 | 2,524,331 |
| Transport fuel* kWh | - | - |
| Total energy consumption kWh | <u>2,441,496</u> | <u>2,524,331</u> |
| Emissions | | |
| Gas combustion tonnes CO2 equivalent ('tCO2e') (Scope 1) | - | - |
| Purchased electricity tCO2e (Scope 2, location-based) | 518 | 536 |
| Business travel tCO2e (Scope 3) | - | - |
| Total gross emissions tCO2e based on above | <u>518</u> | <u>536</u> |
| Intensity ratios | | |
| tCO2e per £m turnover | 1.21 | 1.25 |

Methodology

Based on the 2019 UK Government environmental reporting guidance. The company has used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for company reporting 2019 to calculate the above disclosures. The company does not have any contracts to purchase gas. The company currently cannot identify the amount of fuel used for business travel.

Strategic Report

for the year ended 31 December 2021 (continued)

Energy efficiency actions taken

- Review of office requirements leading to a down-sizing of floorspace on renewal and mothballing unused office space during the lease period.
- Installation of video-conferencing facilities in the larger offices to reduce travel requirements.
- Implement travel restrictions and encourage the use of online meeting facilities.

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



.....
T. Foster
Director

Date: 17 January 2023

Directors' Report

for the year ended 31 December 2021

The directors present their annual report and the audited financial statements of the company, registered number 02650571, for the year ended 31 December 2021.

Matters covered in the Strategic Report

Details on future developments, a review of the business, engagement with customers and suppliers, employees, disabled employees, principal risks and uncertainties, and energy and carbon reporting are provided in the Strategic Report on pages 2 to 7.

Directors' of the company

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:

M. Elliott (resigned 17 June 2021)

T. Foster (appointed 17 June 2021)

P. Siveter (appointed 1 January 2021)

I. Tassopoulou (resigned 21 December 2021)

S. Wallberg (appointed 21 December 2021)

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.

Dividends

The company has no distributable reserves, so no dividend was paid during the year and the directors can not recommend the payment of a final dividend (2020: £nil).

Political and charitable contributions

No charitable contributions were made during the year (2020: £nil).

No contributions to the funds of political parties were made during the year (2020: £nil).

Financial risk management

The operations of the company expose it to a number of financial risks including the effects of interest rate risks, foreign exchange risks and credit risks. In order to minimise the impact of such finance risk, the Nokia Group has a central treasury function which manages the financial risks of the Group, including foreign exchange risk and cash management.

Credit risk

Credit risk is attributable to trade debtors and the external bank balance. 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 2021 (continued)

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.

Research and development

The company undertakes some research and development on behalf of the Nokia Group, for example, in Cambridge Nokia Bell Labs research future technologies and in Bristol the company develops open real-time subscriber data platforms and applications built specifically for mobile, fixed and converged telecommunications operators.

COVID-19

The impact of COVID-19 on our operations in 2021 continued to be limited. We continue to believe that our industry is relatively resilient to the effects of COVID-19, but customer demand and/or our capacity to meet customer demand could be impacted in the future. The measures taken by governmental authorities have adversely affected and/or may further adversely affect our employees, supply chain, product development, service delivery and other operations. Any such events could have an adverse effect on our results of operations and financial condition. The operating model of the company, including the funding arrangements with the parent company and other Group companies, remains unchanged.

Going concern

The directors believe the company has a strong position in the UK marketplace and expects this to continue for the foreseeable future, no less than twelve months from the signing of these financial statements. The directors have assessed the relevant risks and have implemented strategies to mitigate. The company continues to receive support from the Nokia Group and specifically, the annual confirmation of financial support for twelve months from the date of signing these statements. The directors therefore believe the company should adopt the going concern basis in preparing the Annual Report and Financial Statements.

Events since the balance sheet date

Movements in inflation and discount rates during 2022 are likely to have a significant impact on the value of the net pension asset. It is likely that the value of the net pension asset at the end of 2022 is 30-60% lower than the value at the end of 2021. The directors note that despite a significant reduction in the value of the net pension asset, the funding levels of the defined benefit pension plan on the technical provisions basis and the solvency basis are expected to be largely unchanged.

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 elected to prepare 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;

Directors' Report

for the year ended 31 December 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report and Strategic Report is approved, confirms that:

- 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.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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



.....
T. Foster
Director

Date: 17 January 2023

Independent Auditor's Report to the members of Nokia UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Nokia UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the members of Nokia UK Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

Independent Auditor's Report to the members of Nokia UK Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included relevant laws and regulations applicable to the company and the sector it operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, and risk of material misstatement due to fraud related to revenue recognition.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addressing the risk of fraud through revenue recognition, we obtained the pre and post year-end sales listings to calculate our samples, traced to sales invoices and proof of delivery to assess whether risks and rewards of ownership have been transferred to the customer pre or post year-end, and traced each selected sample to sales ledger to ensure revenue has appropriately been included or omitted.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the members of Nokia UK Limited (continued)

Matters on which we are required to report by exception

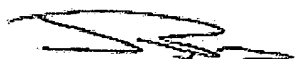
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
James Brass FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditors
London
United Kingdom

Date: 17 January 2023

Profit and Loss Account

for the year ended 31 December 2021

| | | 2021 £ 000 | *Restated 2020 £ 000 |
|--|-------------|----------------------|----------------------------|
| | <i>Note</i> | | |
| Turnover | 4 | 443,716 | 430,279 |
| Cost of sales | | <u>(429,393)</u> | <u>(417,458)</u> |
| Gross profit | | 14,323 | 12,821 |
| Administrative expenses | | <u>(10)</u> | <u>(11)</u> |
| Operating profit | | 14,313 | 12,810 |
| Interest receivable and similar income | 8 | 22 | 59 |
| Interest payable and similar expenses | 9 | (205) | (333) |
| Other (expenses)/income | 10 | <u>(800)</u> | <u>4,370</u> |
| Profit before taxation | 5 | 13,330 | 16,906 |
| Tax on profit | 11 | <u>20,022</u> | <u>87,039</u> |
| Profit for the financial year | | <u><u>33,352</u></u> | <u><u>103,945</u></u> |

*There is a change in accounting policy, the comparative amounts for the year ended 31 December 2020 have been restated, see note 28.

The notes on pages 20 to 53 form part of these financial statements.

All amounts relate to continuing activities.

Statement of Comprehensive Income
for the year ended 31 December 2021

| | <i>Note</i> | <i>2021</i> <i>£ 000</i> | <i>2020</i> <i>£ 000</i> |
|---|-------------|-----------------------------|-----------------------------|
| Profit for the financial year | | <u>33,352</u> | <u>103,945</u> |
| Other comprehensive income | | | |
| Items that cannot be reclassified to profit or loss: | | | |
| Actuarial (loss)/gain on defined benefit pension | 23 | (87,383) | 41,884 |
| Deferred tax asset/(liability) on pension asset | 19 | <u>706</u> | <u>(8,305)</u> |
| Total other comprehensive (expense)/income | | <u>(86,677)</u> | <u>33,579</u> |
| Total comprehensive (expense)/income for the year | | <u><u>(53,325)</u></u> | <u><u>137,524</u></u> |

The notes on pages 20 to 53 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2021

| | <i>Called up share capital £ 000</i> | <i>Share premium account £ 000</i> | <i>Capital contribution account £ 000</i> | <i>Merger reserve £ 000</i> | <i>Profit and loss account £ 000</i> | <i>Total shareholders' funds £ 000</i> |
|---------------------------------|--|--|---|-------------------------------------|--|--|
| At 1 January 2020 | 876,411 | 47,289 | 58,030 | (79,607) | (571,708) | 330,415 |
| Profit for the financial year | - | - | - | - | 103,945 | 103,945 |
| Other comprehensive income | - | - | - | - | 33,579 | 33,579 |
| Credit for share-based payments | - | - | 2,795 | - | - | 2,795 |
| At 31 December 2020 | <u>876,411</u> | <u>47,289</u> | <u>60,825</u> | <u>(79,607)</u> | <u>(434,184)</u> | <u>470,734</u> |
| At 1 January 2021 | 876,411 | 47,289 | 60,825 | (79,607) | (434,184) | 470,734 |
| Profit for the financial year | - | - | - | - | 33,352 | 33,352 |
| Other comprehensive expense | - | - | - | - | (86,677) | (86,677) |
| Credit for share-based payments | - | - | 2,911 | - | - | 2,911 |
| At 31 December 2021 | <u>876,411</u> | <u>47,289</u> | <u>63,736</u> | <u>(79,607)</u> | <u>(487,509)</u> | <u>420,320</u> |

The notes on pages 20 to 53 form an integral part of these financial statements.

Nokia UK Limited

Balance Sheet

as at 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|---|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 12 | 87 | 364 |
| Tangible assets | 13 | 8,055 | 12,631 |
| Investments | 14 | 19,841 | 19,841 |
| Debtors: amounts falling due after one year | 17 | 546 | 739 |
| Deferred tax asset | 20 | 114,676 | 94,353 |
| Pension asset | 23 | 350,339 | 436,104 |
| | | <u>493,544</u> | <u>564,032</u> |
| Current assets | | | |
| Stocks | 16 | 16,471 | 10,884 |
| Debtors | 17 | 197,622 | 165,887 |
| Cash at bank and in hand | | 2,673 | 967 |
| | | <u>216,766</u> | <u>177,738</u> |
| Creditors: amounts falling due within one year | 18 | <u>(201,035)</u> | <u>(178,727)</u> |
| Net current assets/(liabilities) | | <u>15,731</u> | <u>(989)</u> |
| Total assets less current liabilities | | 509,275 | 563,043 |
| Creditors: amounts falling due after one year | 18 | (6,800) | (9,449) |
| Provisions for liabilities | 19 | <u>(82,155)</u> | <u>(82,860)</u> |
| Net assets | | <u>420,320</u> | <u>470,734</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 876,411 | 876,411 |
| Share premium account | 22 | 47,289 | 47,289 |
| Capital contribution account | 22 | 63,736 | 60,825 |
| Merger reserve | 22 | (79,607) | (79,607) |
| Profit and loss account | | <u>(487,509)</u> | <u>(434,184)</u> |
| Total shareholders' funds | | <u>420,320</u> | <u>470,734</u> |

The notes on pages 20 to 53 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2021 (continued)

The financial statements on pages 15 to 53 were approved and authorised for issue by the Board on 17 January 2023 and were signed on its behalf by:



.....
T. Foster
Director

Notes to the Financial Statements

for the year ended 31 December 2021

1 General information

Corporate information

Nokia UK Limited (the "company") is a private company under the Companies Act 2006, being limited by share capital, registered in England and Wales 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, available from www.nokia.com/about-us/investors/ or Nokia Corporation at PO Box 226, FIN-00045, Nokia Group, Espoo, Finland. 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 2021 were authorised for issue by the board of directors on 17 January 2023 and the balance sheet was signed on the board's behalf by T. Foster.

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 except for employee benefits, 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 8.

Assurance of financial support is given by a letter of support from Nokia Corporation for twelve months from the date of signing these financial statements. The directors are of the opinion that Nokia Corporation will continue to provide financial support for the foreseeable future, no less than twelve months from the signing of these financial statements.

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, the directors 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 2021 (continued)

2 Accounting policies (continued)

Disclosure exemptions taken

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements in paragraph 38 of IAS 1 Presentation of financial statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1; and
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d) and 111, 16, 38A to 38D, and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of cash flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related party disclosures;
- 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
- the requirements of paragraphs 6 and 21 of IFRS 1 First-time Adoption of International Financial Reporting Standards;
- 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.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on all intangible 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: Software- 3 to 5 years.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

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 26.

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.

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.

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).

Financial liabilities

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

Financial assets and liabilities (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost measurement

After initial recognition, financial liabilities at amortised cost are measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable in the profit and loss account.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification of the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income. Modification is treated as the de-recognition of the original liability and the recognition.

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 2021 (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

Under IFRS 15, turnover is recognized at a point in time 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.

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

Turnover 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.

There has been a change in the accounting policy for the presentation of costs between cost of sales and administrative expenses. The company's activities and turnover consist of external sales plus services provided to the broader Nokia group at cost plus a margin. In the prior year the costs associated with the latter were allocated between cost of sales and administrative expenses, but in the current year all such costs are presented within cost of sales, as this is considered to better represent the nature of the costs.

Given this is a change in accounting policy the comparative amounts for the year ended 31 December 2020 have been restated, see note 28. This restatement does not impact total costs, only the split between cost of sales and administrative expenses.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

Research and development

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

Interest receivable

Interest receivable is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Interest payable

Interest payable is recognised using the effective interest rate method. In calculating interest payable, the effective interest rate is applied to the amortised cost of the liability.

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.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

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.

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 has consolidated the defined benefit pension schemes, as at the balance sheet date there is only one defined benefit scheme. 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 as prepared by the Plan Actuary, 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).

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

Share-based payments (continued)

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.

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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

Leases (continued)

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.

3 Critical accounting judgements and key sources of estimation uncertainty

The company's financial statements prepared in accordance with FRS 101 require management to make judgements and estimates that affect amounts reported in the financial statements and related notes. The judgements 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. Judgements 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.

Critical judgements in applying the Company's accounting policies

There are no judgements that have a significant effect on amounts recognised in the financial statements.

Key sources of estimation uncertainty

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.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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. Since the prior year accounts were signed, the reported profitability of the Nokia Group has increased significantly, and the Nokia Group share price has increased. Given that brought-forward losses can be used indefinitely against future profits, the directors consider it appropriate to recognise the full deferred tax asset as at the balance sheet date. If the directors had recognised the deferred tax asset on the same basis as the prior year, the amount recognised would be £94,353k. Further details are contained in note 11.

Pension benefits

The costs of defined benefit pensions plans 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.

4 Turnover

An analysis of turnover by geographical market is given below:

| | 2021 £ 000 | 2020 £ 000 |
|----------------|----------------|----------------|
| United Kingdom | 331,838 | 321,587 |
| Europe | 111,851 | 108,662 |
| North America | 27 | 30 |
| | <u>443,716</u> | <u>430,279</u> |

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

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

5 Profit before tax

Profit before tax is stated after charging/(crediting):

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Auditors' remuneration - audit fees paid by the Nokia Group | 120 | 120 |
| Interest receivable and similar income (note 8) | (22) | (59) |
| Interest payable and similar expenses (note 9) | 205 | 333 |
| Other expenses/(income) (note 10) | 800 | (4,370) |
| Amortisation and depreciation of intangible and tangible assets (notes 12 and 13) | 1,865 | 2,583 |
| Depreciation of right-of-use assets (note 13) | 1,599 | 1,654 |
| Costs of stocks recognised as an expense (included in cost of sales) | 171,545 | 162,173 |
| Share based payment charge (note 24) | 2,911 | 2,795 |
| Operating lease rentals for motor vehicles | 476 | 516 |

Amortisation of intangible assets is included in administration expenses (2020: administration expenses).

Within profit before tax, there has been no write down of inventories recognised as an expense (2020: none).

6 Directors' remuneration

| | 2021 £ 000 | 2020 £ 000 |
|---------------------------------|---------------|---------------|
| Salaries and other remuneration | 571 | 652 |
| Pension contributions | 38 | 34 |
| | 609 | 686 |

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

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Defined contribution (money purchase) schemes | 3 | 3 |
| Defined benefit (final salary) schemes | 1 | - |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

6 Directors' remuneration (continued)

In respect of the highest paid director:

| | 2021 £ 000 | 2020 £ 000 |
|---------------------------------|---------------|---------------|
| Salaries and other remuneration | 281 | 439 |
| Pension contributions | 17 | 17 |
| | <u>298</u> | <u>456</u> |

There was no compensation to any director for loss of office in the year (2020: £nil).

7 Staff costs

| | 2021 £ 000 | 2020 £ 000 |
|-----------------------|----------------|----------------|
| Wages and salaries | 100,205 | 92,708 |
| Social security costs | 13,855 | 13,010 |
| Other pension costs | 7,178 | 7,464 |
| | <u>121,238</u> | <u>113,182</u> |

Included in wages and salaries is an expense for share-based payments of £2,911k (2020: £2,795k) (note 24), 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:

| | 2021 No. | 2020 No. |
|--------------------------|-------------|-------------|
| Services | 484 | 510 |
| Research and development | 100 | 118 |
| Sales and marketing | 234 | 234 |
| Administration | 101 | 113 |
| | <u>919</u> | <u>975</u> |

8 Interest receivable and similar income

| | 2021 £ 000 | 2020 £ 000 |
|--|---------------|---------------|
| Bank interest income | 3 | 1 |
| Interest receivable from other group companies | 6 | 28 |
| Interest receivable on sub-leases | 13 | 30 |
| | <u>22</u> | <u>59</u> |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

9 Interest payable and similar charges

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Interest payable to other group companies | 1 | 203 |
| Interest payable on lease liabilities | 204 | 130 |
| | <u>205</u> | <u>333</u> |

10 Other (expenses)/income

| | 2021 £ 000 | 2020 £ 000 |
|------------------------------|---------------|---------------|
| Foreign exchange differences | (680) | 700 |
| Loan reassigned | - | 4,336 |
| Other finance expenses | (120) | (666) |
| | <u>(800)</u> | <u>4,370</u> |

11 Tax on profit

(a) Analysis of credit in year:

| | 2021 £ 000 | 2020 £ 000 |
|---|-----------------|-----------------|
| Current taxation | | |
| UK corporation tax on the profit for the year | 301 | 646 |
| Prior year adjustment | - | (475) |
| Total current income tax | <u>301</u> | <u>171</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences for deferred tax assets | <u>(20,323)</u> | <u>(87,210)</u> |
| Total deferred taxation | <u>(20,323)</u> | <u>(87,210)</u> |
| Tax credit in the income statement | <u>(20,022)</u> | <u>(87,039)</u> |

Notes to the Financial Statements

for the year ended 31 December 2021 (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% (2020: 19%). The differences are explained below:

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Profit before taxation | 13,330 | 16,906 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | 2,533 | 3,212 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 244 | 148 |
| Capital allowances in excess of depreciation | (1,225) | (1,118) |
| Deferred tax rate change | (21,760) | - |
| Origination and reversal of temporary differences | 1,437 | (87,210) |
| Prior year adjustments | - | (475) |
| Utilisation of trading losses for which no deferred tax asset was previously recognised | (1,251) | (1,596) |
| Tax income in the income statement | (20,022) | (87,039) |

(c) Deferred tax

A deferred tax asset has been recognised at 31 December 2021 for all trading losses and accelerated capital allowances carried forward which are available indefinitely for offset against future taxable profits of the company (2020: £94,353k) (note 20).

There is no unrecognised deferred tax asset as at the balance sheet date (2020: nil) based on trading losses and accelerated capital allowances carried forward that are available indefinitely for offset against future taxable profits of the company.

(d) Changes in corporation tax rates

The standard rate of corporation tax in the UK at the balance sheet date is 19%. This gives a corporation tax rate for the Company for the full period of 19% (2020: 19%).

Legislation has been introduced to increase the main rate of corporation tax from 19% to 25% (effective from 1 April 2023), which was substantively enacted on 24 May 2021 (enacted on 10 June 2021). For deferred tax assets and liabilities at the balance sheet date, a blended rate of 23.45% has been used.

Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

12 Intangible fixed assets

| | <i>Software</i> | <i>Total intangible assets</i> |
|---------------------------------|-----------------|--|
| | <i>£ 000</i> | <i>£ 000</i> |
| Cost | | |
| At 1 January 2021 | 1,740 | 1,740 |
| Disposals | <u>(489)</u> | <u>(489)</u> |
| At 31 December 2021 | <u>1,251</u> | <u>1,251</u> |
| Accumulated amortisation | | |
| At 1 January 2021 | 1,376 | 1,376 |
| Charge for the year | 277 | 277 |
| Disposals | <u>(489)</u> | <u>(489)</u> |
| At 31 December 2021 | <u>1,164</u> | <u>1,164</u> |
| Net book value | | |
| At 31 December 2021 | <u>87</u> | <u>87</u> |
| At 31 December 2020 | <u>364</u> | <u>364</u> |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

13 Tangible assets

| | <i>Leasehold improvements £ 000</i> | <i>Plant and machinery £ 000</i> | <i>Right of use assets £ 000</i> | <i>Total tangible assets £ 000</i> |
|---------------------------------|---|--|--|--|
| Cost | | | | |
| At 1 January 2021 | 7,876 | 6,204 | 10,665 | 24,745 |
| Additions | - | 449 | 218 | 667 |
| Disposals | (2,691) | (483) | - | (3,174) |
| Impairment | - | - | (1,217) | (1,217) |
| At 31 December 2021 | <u>5,185</u> | <u>6,170</u> | <u>9,666</u> | <u>21,021</u> |
| Accumulated depreciation | | | | |
| At 1 January 2021 | 3,313 | 4,849 | 3,952 | 12,114 |
| Charge for the year | 886 | 702 | 1,599 | 3,187 |
| Disposals | (1,382) | (418) | - | (1,800) |
| Impairment | - | - | (535) | (535) |
| At 31 December 2021 | <u>2,817</u> | <u>5,133</u> | <u>5,016</u> | <u>12,966</u> |
| Net book value | | | | |
| At 31 December 2021 | <u>2,368</u> | <u>1,037</u> | <u>4,650</u> | <u>8,055</u> |
| At 31 December 2020 | <u>4,563</u> | <u>1,355</u> | <u>6,713</u> | <u>12,631</u> |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

14 Investments

£ 000

| | |
|---------------------|--------|
| At 31 December 2021 | 19,841 |
| At 31 December 2020 | 19,841 |

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 | The Hive 01 Arlington Business Park Theale, Reading RG7 4SA, UK Incorporated in England | Ordinary | 100% | Telecommunications |
| Alcatel-Lucent Pension Trustees Limited (Dissolved on 23 March 2021) | The Hive 01 Arlington Business Park Theale, Reading RG7 4SA, UK Incorporated in England | Ordinary | 99% | Dormant |
| Nokia Solutions and Networks UK Limited | 1 More London Place London, SE1 2AF 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 2021 (2020: £nil).

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

16 Stocks

| | 2021 £ 000 | 2020 £ 000 |
|---------------------------|---------------|---------------|
| Finished goods for resale | 14,416 | 8,634 |
| Spares | 2,055 | 2,250 |
| | <u>16,471</u> | <u>10,884</u> |

The spares stock is net of an obsolescence provision of £805k (2020: £751k).

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

17 Debtors

| | 2021 £ 000 | 2020 £ 000 |
|--|----------------|----------------|
| Amounts owed by group undertakings | 93,710 | 119,064 |
| Trade debtors | 100,248 | 42,331 |
| Prepayments and contract assets | 2,014 | 2,183 |
| Amounts recoverable on long-term contracts | 102 | 1,584 |
| Other debtors | 719 | 725 |
| Recoverable withholding tax | 829 | - |
| | <u>197,622</u> | <u>165,887</u> |

Amounts owed by group undertakings include monies on deposit with Nokia Corporation 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.

Debtors: amounts falling due after one year

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Lease receivables falling due after one year but less than five years | <u>546</u> | <u>739</u> |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

18 Creditors: amounts falling due within one year

| | 2021 £ 000 | 2020 £ 000 |
|--|----------------|----------------|
| Payments on account | 74,612 | 74,029 |
| Amounts owed to other group undertakings | 66,072 | 54,779 |
| Accruals | 31,615 | 25,215 |
| Other taxes and social security costs | 12,114 | 10,896 |
| Trade creditors | 12,668 | 10,753 |
| Lease liabilities | 2,740 | 2,000 |
| Amount recoverable under contracts | 621 | 1,040 |
| Corporation tax payable | 593 | - |
| Other creditors | - | 15 |
| | <u>201,035</u> | <u>178,727</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

| | 2021 £ 000 | 2020 £ 000 |
|---|---------------|---------------|
| Lease liabilities falling due after one year but less than five years | <u>6,800</u> | <u>9,449</u> |

19 Provisions for liabilities

The movement in provisions is as follows:

| | <i>Deferred tax liability on pension assets</i> £ 000 | <i>Total</i> £ 000 |
|--|--|-----------------------|
| Balance at 1 January 2020 | 74,556 | 74,556 |
| Charged to other comprehensive income | <u>8,305</u> | <u>8,305</u> |
| Balance at 31 December 2020 and 1 January 2021 | <u>82,861</u> | <u>82,861</u> |
| Charged to other comprehensive income: | | |
| Movements in pension plan | (12,004) | (12,004) |
| Deferred tax rate change | <u>11,298</u> | <u>11,298</u> |
| Total | <u>(706)</u> | <u>(706)</u> |
| Balance at 31 December 2021 | <u>82,155</u> | <u>82,155</u> |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

20 Deferred tax asset

Deferred tax assets:

| | <i>Deferred tax asset on losses</i> | <i>Deferred tax asset on ACAs</i> | <i>Deferred tax asset on others</i> | <i>Total</i> |
|--|---|---|---|--------------|
| | <i>£ 000</i> | <i>£ 000</i> | <i>£ 000</i> | <i>£ 000</i> |
| Balance at 1 January 2020 | 6,463 | 680 | - | 7,143 |
| Credited to profit and loss | 80,156 | 6,476 | 578 | 87,210 |
| Balance at 31 December 2020 and 1 January 2021 | 86,619 | 7,156 | 578 | 94,353 |
| Credited to profit and loss | 18,742 | 1,388 | 193 | 20,323 |
| Balance at 31 December 2021 | 105,361 | 8,544 | 771 | 114,676 |

21 Called up share capital

| | <i>No.</i> | <i>2021</i> | <i>No.</i> | <i>2020</i> |
|--|------------|-------------|------------|-------------|
| | | <i>£000</i> | | <i>£000</i> |

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 |
|----------------------------|-------------|---------|-------------|---------|

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

22 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.

Merger reserve

Arising on Group restructure.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 Pensions

As at the balance sheet date, the company has one defined benefit scheme.

Nokia maintains one primary plan in the UK, "Nokia Retirement Plan for former NSN & ALU employees", which is the result of the 2019 merger of the legacy Nokia plan where the plan was merged and members' benefits were transferred to the legacy Alcatel-Lucent plan. The combined plan consists of both money purchase sections with Guaranteed Minimum Pension (GMP) underpin and defined benefit sections. All defined benefit sections are closed to future benefit accrual: the legacy Nokia plan closed on 30 April 2012 and the legacy Alcatel-Lucent plan on 30 April 2018. Individual benefits for defined benefit sections are dependent on eligible compensation levels and years of service. For the money purchase sections with GMP underpin, individual benefits are dependent on the greater of the value of GMP at retirement date or the pension value resulting from the individual's invested funds. Nokia engages the services of an external Trustee service provider to manage all investments for the combined pension plan.

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

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

The Scheme operate under UK law. In the UK, defined benefit (DB) scheme 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 Scheme 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 closure of the defined benefit sections to future accrual.

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

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 Pensions (continued)

| <i>Year ended 31 December 2021</i> | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|--|-----------------------------|-------------------------|------------------------|
| <i>Scheme assets at fair value:</i> | | | |
| Fair value of plan assets with a quoted market price | 1,156,447 | - | 1,156,447 |
| Assets held by insurance | 228,257 | - | 228,257 |
| Debt (leveraged gilts and global credit) | 1,146,887 | - | 1,146,887 |
| Equity securities | 4,888 | - | 4,888 |
| Investment funds | - | - | - |
| Cash and short-term investments | 7,484 | - | 7,484 |
| Other | 302 | - | 302 |
| Fair value of scheme assets | 1,387,818 | - | 1,387,818 |
| Present value of scheme liabilities | (1,037,479) | - | (1,037,479) |
| Defined benefit pension plan asset | 350,339 | - | 350,339 |
| | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
| <i>Scheme assets at fair value:</i> | | | |
| Fair value of plan assets with a quoted market price | 933,129 | - | 933,129 |
| Assets held by insurance | 343,346 | - | 343,346 |
| Debt (leveraged gilts and global credit) | 892,307 | - | 892,307 |
| Investment funds | 243,030 | - | 243,030 |
| Cash and short-term investments | 40,822 | - | 40,822 |
| Other | 5,732 | - | 5,732 |
| Fair value of scheme assets | 1,525,237 | - | 1,525,237 |
| Present value of scheme liabilities | (1,089,133) | - | (1,089,133) |
| Defined benefit pension plan asset | 436,104 | - | 436,104 |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 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 2021</i> | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|--|-----------------------------|-------------------------|------------------------|
| Administration expenses paid directly from scheme assets | 3,852 | - | 3,852 |
| Recognised in arriving at operating profit | 3,852 | - | 3,852 |

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

| | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|---|-----------------------------|-------------------------|------------------------|
| Net interest income on plan assets | 5,471 | - | 5,471 |
| <i>Reconciliation of Other finance income/(cost)</i> | | | |
| Interest income on plan assets | 18,996 | - | 18,996 |
| Interest expense on benefit obligation | (13,525) | - | (13,525) |
| Net interest income on plan assets | 5,471 | - | 5,471 |

| | <i>Nokia Plan £ 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) | (121,108) | - | (121,108) |
| Actuarial changes arising from changes in demographic assumptions | (4,902) | - | (4,902) |
| Actuarial changes arising from changes in financial assumptions | 38,627 | - | 38,627 |
| Recognised in the Statement of Comprehensive Income | (87,383) | - | (87,383) |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 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 2020</i> | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|--|-----------------------------|-------------------------|------------------------|
| <i>Recognised in the Income Statement</i> | | | |
| Past service cost | 617 | - | 617 |
| Administration expenses paid directly from scheme assets | 4,843 | - | 4,843 |
| Recognised in arriving at operating profit | 5,460 | - | 5,460 |

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

| | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|------------------------------------|-----------------------------|-------------------------|------------------------|
| Net interest income on plan assets | 7,483 | - | 7,483 |

Reconciliation of other finance income/(cost)

| | | | |
|--|----------|---|----------|
| Interest income on plan assets | 25,557 | - | 25,557 |
| Interest expense on benefit obligation | (18,074) | - | (18,074) |
| Net interest income on plan assets | 7,483 | - | 7,483 |

| | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|--|-----------------------------|-------------------------|------------------------|
|--|-----------------------------|-------------------------|------------------------|

Taken to the Statement of Comprehensive Income

| | | | |
|--|-----------|---|-----------|
| Return on plan assets (excluding amounts included in net interest expense) | 189,295 | - | 189,295 |
| Actuarial changes arising from changes in demographic assumptions | 575 | - | 575 |
| Actuarial changes arising from changes in financial assumptions | (147,986) | - | (147,986) |
| Recognised in the Statement of Comprehensive Income | 41,884 | - | 41,884 |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 Pensions (continued)

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

| <i>Year ended 31 December 2021</i> | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
|---|-----------------------------|-------------------------|------------------------|
| Defined benefit obligation as at 1 January 2021 | 1,089,133 | - | 1,089,133 |
| Past service cost | - | - | - |
| Interest expense on benefit obligation | 13,525 | - | 13,525 |
| Benefits paid | (31,454) | - | (31,454) |
| Effect of changes of demographic assumptions | 4,902 | - | 4,902 |
| Actuarial gains and losses | (38,627) | - | (38,627) |
| Defined benefit obligation as at 31 December 2021 | <u>1,037,479</u> | <u>-</u> | <u>1,037,479</u> |
| <i>Year ended 31 December 2020</i> | <i>Nokia Plan £ 000</i> | <i>NSN UK £ 000</i> | <i>Total £ 000</i> |
| Defined benefit obligation as at 1 January 2020 | 959,641 | 100 | 959,741 |
| Past service cost | 617 | - | 617 |
| Interest expense on benefit obligation | 18,073 | - | 18,073 |
| Benefits paid | (36,608) | - | (36,608) |
| Effect of changes of demographic assumptions | (575) | - | (575) |
| Actuarial gains and losses | <u>147,985</u> | <u>(100)</u> | <u>147,885</u> |
| Defined benefit obligation as at 31 December 2020 | <u>1,089,133</u> | <u>-</u> | <u>1,089,133</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 2021 (continued)

23 Pensions (continued)

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

| | <i>Nokia Plan</i> £ 000 | <i>NSN UK</i> £ 000 | <i>Total</i> £ 000 |
|---|----------------------------|------------------------|-----------------------|
| <i>Year ended 31 December 2021</i> | | | |
| Fair value of plan assets as at 31 December 2020 and 1 January 2021 | 1,525,237 | - | 1,525,237 |
| Interest income on plan assets | 18,996 | - | 18,996 |
| Benefits paid | (31,454) | - | (31,454) |
| Administration expenses paid directly from scheme assets | (3,852) | - | (3,852) |
| Actuarial gains and losses | <u>(121,109)</u> | <u>-</u> | <u>(121,109)</u> |
| Fair value of plan assets as at 31 December 2021 | <u>1,387,818</u> | <u>-</u> | <u>1,387,818</u> |
| <i>Year ended 31 December 2020</i> | | | |
| Fair value of plan assets at 31 December 2019 and 1 January 2020 | 1,351,835 | 300 | 1,352,135 |
| Interest income on plan assets | 25,557 | - | 25,557 |
| Benefits paid | (36,608) | - | (36,608) |
| Administration expenses paid directly from Scheme assets | (4,843) | - | (4,843) |
| Actuarial gains and losses | <u>189,296</u> | <u>(300)</u> | <u>188,996</u> |
| Fair value of plan assets as at 31 December 2020 | <u>1,525,237</u> | <u>-</u> | <u>1,525,237</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 2021 (continued)

23 Pensions (continued)

The major assumptions, as at the balance sheet date, used by the actuary were:

| | <i>Nokia Plan</i> | <i>NSN UK</i> |
|---|-------------------|---------------|
| | <i>2021</i> | <i>2021</i> |
| | <i>%</i> | <i>%</i> |
| <i>Main assumptions:</i> | | |
| Rate of salary increase | 3.80 | - |
| Rate of increase of pensions in payment | 3.30 | - |
| Discount rate | 1.87 | - |
| Inflation assumptions (RPI) | 3.30 | - |
| Inflation assumptions (CPI) | - | - |
| | <i>Nokia Plan</i> | <i>NSN UK</i> |
| | <i>2020</i> | <i>2020</i> |
| | <i>%</i> | <i>%</i> |
| <i>Main assumptions:</i> | | |
| Rate of salary increase | 3.4 | - |
| Rate of increase of pensions in payment | 2.9 | - |
| Discount rate | 1.3 | - |
| Inflation assumptions (RPI) | 2.9 | - |
| Inflation assumptions (CPI) | - | - |

The total contributions to the defined benefit schemes in 2021 are expected to be £nil (2020: £nil).

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 Pensions (continued)

A sensitivity analysis for the principal assumptions is set out below:

| | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| | £ 000 | £ 000 |
| <i>Present value of defined benefit obligation</i> | | |
| Discount rate - 100 basis points | 1,272,791 | 1,355,069 |
| Discount rate + 100 basis points | 861,330 | 890,987 |
| Salary increase rate - 100 basis points | 1,029,638 | 1,077,335 |
| Salary increase rate + 100 basis points | 1,047,183 | 1,101,317 |
| Pensions-in-payment increase rate - 100 basis points | 928,223 | 961,007 |
| Pensions-in-payment increase rate + 100 basis points | 1,158,321 | 1,229,068 |
| Price inflation rate - 100 basis points | 896,700 | 922,620 |
| Price inflation rate + 100 basis points | 1,201,211 | 1,284,432 |
| Health care cost trend rates - 100 basis points | 1,037,479 | 1,089,133 |
| Health care cost trend rates + 100 basis points | 1,037,479 | 1,089,133 |
| Withdrawal assumption - 100 | 1,037,479 | 1,089,133 |
| Withdrawal assumption + 100 | 1,037,479 | 1,089,133 |
| Post-retirement mortality assumption - 1 year | 1,079,289 | 1,135,269 |
| Post-retirement mortality assumption + 1 year | 996,540 | 1,043,991 |

Notes to the Financial Statements
for the year ended 31 December 2021 (continued)

23 Pensions (continued)

| | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| | % | % |
| <i>% impact on the defined benefit obligation</i> | | |
| Discount rate - 100 basis points | 22.68 | 24.42 |
| Discount rate + 100 basis points | (16.98) | (18.19) |
| Salary increase rate - 100 basis points | (0.76) | (1.08) |
| Salary increase rate + 100 basis points | 0.94 | 1.12 |
| Pensions-in-payment increase rate - 100 basis points | (10.53) | (11.76) |
| Pensions-in-payment increase rate + 100 basis points | 11.65 | 12.85 |
| Price inflation rate - 100 basis points | (13.57) | (15.29) |
| Price inflation rate + 100 basis points | 15.78 | 17.93 |
| Health care cost trend rates - 100 basis points | - | - |
| Health care cost trend rates + 100 basis points | - | - |
| Withdrawal assumption - 100 | - | - |
| Withdrawal assumption + 100 | - | - |
| Post-retirement mortality assumption - 1 year | 4.03 | 4.24 |
| Post-retirement mortality assumption + 1 year | (3.95) | (4.14) |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

23 Pensions (continued)

| | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| | £ 000 | £ 000 |
| <i>Change in the defined benefit obligation</i> | | |
| Discount rate - 100 basis points | 235,312 | 265,936 |
| Discount rate + 100 basis points | (176,149) | (198,147) |
| Salary increase rate - 100 basis points | (7,841) | (11,798) |
| Salary increase rate + 100 basis points | 9,704 | 12,184 |
| Pensions-in-payment increase rate - 100 basis points | (109,256) | (128,127) |
| Pensions-in-payment increase rate + 100 basis points | 120,842 | 139,935 |
| Price inflation rate - 100 basis points | (140,779) | (166,513) |
| Price inflation rate + 100 basis points | 163,732 | 195,299 |
| Post-retirement mortality assumption - 1 year | 41,810 | 46,136 |
| Post-retirement mortality assumption + 1 year | (40,939) | (45,142) |
| | 31 December 2021 | 31 December 2020 |
| | in years | in years |
| <i>Weighted average duration of defined benefit obligation</i> | | |
| Discount rate - 100 basis points | 20.44 | 21.85 |
| Discount rate + 100 basis points | 18.61 | 20.08 |

24 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 turnover, 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.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

24 Share-based payments (continued)

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 contributes 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 17.

The expenses for 2021 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 2019 | 03.07.2019 | 1,463,100 | 3.87 | 40% | 53% | 15% | 1,020 |
| PS Q4 2019 | 02.10.2019 | 6,900 | 3.79 | 48% | 53% | 15% | 6 |
| PS Q4 2019 (1) | 11.12.2019 | 56,300 | 2.71 | 48% | 53% | 15% | 33 |
| PS Q1 2020 | 18.03.2020 | 34,200 | 0.55 | 36% | 100% | 15% | 6 |
| PS Q4 2020 | 06.11.2020 | 1,547,900 | 2.25 | 33% | 100% | 15% | 977 |
| PS Q1 2021 | 25.03.2021 | 164,900 | 2.56 | 25% | 100% | 20% | 84 |
| PS Q2 2021 | 19.05.2021 | 21,000 | 3.86 | 19% | 100% | 20% | 12 |
| PS Q2 2021 (1) | 01.06.2021 | 90,150 | 4.13 | 19% | 100% | 20% | 57 |
| PS Q3 2021 | 05.08.2021 | 27,900 | 6.06 | 17% | 100% | 20% | 23 |
| PS Q4 2021 | 15.10.2021 | 370,800 | 5.93 | 6% | 100% | 20% | 106 |
| PS Q4 2021 (1) | 15.12.2021 | 8,400 | 6.26 | 3% | 100% | 20% | 1 |
| Sub-total | | | | | | | 2,325 |

| <i>Grant</i> | <i>Total shares granted</i> | <i>No. of units granted</i> | <i>Annual expense</i> £ 000 |
|------------------|-----------------------------|-----------------------------|--------------------------------|
| RS Q4 2018 | 353,600 | 13,100 | 6 |
| RS Q4 2019 | 75,500 | 50,900 | 7 |
| RS Q1 2020 | 255,900 | 25,000 | 11 |
| RS Q3 2020 | 143,700 | 45,500 | 66 |
| RS Q4 2020 | 315,500 | 22,300 | 1 |
| RS Q2 2021 | 439,300 | 14,700 | 16 |
| RS Q3 2021 | 100,400 | 11,000 | 14 |
| RS Q4 2021 | 20,426,500 | 717,800 | 191 |
| RS Q4 2021 | 27,500 | 27,500 | 4 |
| Sub-total | | | 316 |

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

24 Share-based payments (continued)

| <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 |
| 2020 Plan | 78,337 | 3.36 | 88% | 232 |
| 2021 Plan | 73,112 | 4.30 | 12% | 38 |
| Sub-total | | | | 270 |
| Grand total | | | | 2,911 |

25 Other financial commitments

The company has entered into commercial leases on certain properties, motor vehicles, and services. These leases have an average duration of between 1 and 5 years. 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:

| | 2021 | | | 2020 | | |
|----------------------|-----------------------|-----------------|---------------------------|-----------------------|-----------------|---------------------------|
| | <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 | 378 | 71 | - | 483 | 391 | 411 |
| In two to five years | 191 | 18 | - | 624 | - | - |
| Over five years | - | - | - | - | - | - |
| | 569 | 89 | - | 1,107 | 391 | 411 |

26 Contingent liabilities

The company has a guarantee of £200k (2020: £6,000k) in respect of duty deferment on behalf of HMRC.

27 Capital commitments

At 31 December 2021 and 2020, there are no capital commitments.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

28 Reclassification of comparative figures

There has been a change in the accounting policy for the presentation of costs between cost of sales and administrative expenses. The company's activities and turnover consist of external sales plus services provided to the broader Nokia group at cost plus a margin. In the prior year the costs associated with the latter were allocated between cost of sales and administrative expenses, but in the current year all such costs are presented within cost of sales, as this is considered to better represent the nature of the costs.

This restatement does not impact total costs, only the split between cost of sales and administrative expenses.

Impact of the change in accounting policy:

| | FY 2020 | | |
|-------------------------|--|-------------------|-------------------------|
| | <i>Disclosed as per FY2020 signed FS</i> | <i>Adjustment</i> | <i>Restated balance</i> |
| | £'000 | £'000 | £'000 |
| Cost of sales | (401,995) | (15,463) | (417,458) |
| Administrative expenses | (15,474) | 15,463 | (11) |

| | FY 2021 | |
|-------------------------|--|--|
| | <i>Current year (following the old approach)</i> | <i>Current year (following the revised approach)</i> |
| | £'000 | £'000 |
| Cost of sales | (412,656) | (429,393) |
| Administrative expenses | (16,747) | (10) |

29 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.

Notes to the Financial Statements

for the year ended 31 December 2021 (continued)

30 Events since the balance sheet date

Movements in inflation and discount rates during 2022 are likely to have a significant impact on the value of the net pension asset. It is likely that the value of the net pension asset at the end of 2022 is 30-60% lower than the value at the end of 2021. The directors note that despite a significant reduction in the value of the net pension asset, the funding levels of the defined benefit pension plan on the technical provisions basis and the solvency basis are expected to be largely unchanged.