

COMPANY REGISTRATION NUMBER: 03934955

**Alcatel IP Networks Limited**  
**Audited Financial Statements**  
**31 December 2020**

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# **Alcatel IP Networks Limited**

## **Audited Financial Statements**

**Year ended 31 December 2020**

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## **Alcatel IP Networks Limited**

### **Officers and Professional Advisers**

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<b>The board of directors</b>	M Smallwood S Wallberg
<b>Registered office</b>	The Old Studio High Street West Wycombe Buckinghamshire HP14 3AB
<b>Independent Auditor</b>	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ United Kingdom

# Alcatel IP Networks Limited

## Strategic Report

Year ended 31 December 2020

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The directors present their company information and the audited financial statements for the year ended 31 December 2020.

### Principal activities and review of the business

The company's principal activities continue to be the development of networking hardware and systems for members of the Nokia group. The key financial and other performance indicators during the year were as follows:

	2020	2019	% change
Turnover (£'000)	13,647	12,699	7
Operating profit (£'000)	2,146	2,363	(9)
Operating profit (%)	16	19	(16)
Total shareholders' funds (£'000)	13,492	9,868	37
Current assets:liabilities (liquidity ratio)	2.41	1.95	24
Average number of employees (count)	22	23	(4)

The company's turnover rose by 7% and average employee numbers have fallen by 1. The key liquidity ratio has risen from 1.95 to 2.41.

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

### Principal risks and uncertainties

The company's principal financial instruments comprise cash, cash equivalents and group trading accounts. Other financial assets and liabilities, such as trade creditors and group balances, arise directly from the company's operating activities. The main risk associated with the company's financial assets and liabilities is liquidity risk.

#### Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial liabilities. The company aims to mitigate liquidity risk by managing cash generated by its operations. Capital expenditure is carefully controlled through authorisation limits and investment appraisals. Flexibility is maintained by short-term borrowing or lending within the Nokia group.

#### Competitive risks

The company is reliant on providing services to its parent, Nokia of America Corporation and it has an annual contract relating to these which is automatically renewed at the end of the financial year. Either party can cancel the contract with written notice of at least 30 days prior to expiry of the current term.

# **Alcatel IP Networks Limited**

## **Strategic Report**

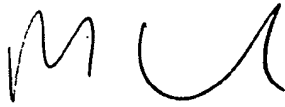
**Year ended 31 December 2020**

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### **Foreign exchange risk**

The company is exposed to risk related to currency variations on US Dollars but does not enter into foreign currency or forward contracts itself. All funding is managed centrally by group Treasury and any variations in USD are built into funding provided so the overall risk is low. Currency balances are revalued on a monthly basis.

This report was approved by the board of directors on 28 March 2022 and signed on behalf of the board by:



**M Smallwood**  
Director

# **Alcatel IP Networks Limited**

## **Directors' Report**

**Year ended 31 December 2020**

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The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

### **Directors**

The directors who served the company during the year were as follows:

M Smallwood  
S Wallberg

### **Dividends paid**

The directors do not recommend the payment of a dividend (2019: NIL).

### **Future developments**

The company carries out development of networking hardware and systems and the directors expect the general level of activity to continue over the next 12 months.

### **Going concern**

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and details of its exposure to liquidity and cash flow risks are described in the Strategic Report on page 2.

The company has, in the opinion of the directors, sufficient financial resources to manage its financial risks successfully for the foreseeable future, being 12 months from the date of approval of the financial statements. Nokia Corporation, the ultimate parent company, has provided a letter of support confirming this and therefore the company continues to adopt the going concern basis in preparing the financial statements.

### **Research and development**

The company carries out development of networking hardware and systems for members of the Nokia group. It's skilled and highly-educated work-force are a major contributor to making telecommunications gear smaller, faster and greener.

### **Directors' liabilities**

There is an existing indemnity relating to one or more of the company directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party provision remains in force as at the date of approving the directors' report.

# **Alcatel IP Networks Limited**

## **Directors' Report**

**Year ended 31 December 2020**

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### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### **Disclosure of information to the auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

## **Alcatel IP Networks Limited**

### **Directors' Report**

**Year ended 31 December 2020**

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During the year, PricewaterhouseCoopers LLP resigned and the directors appointed Deloitte LLP for provision of independent auditing services. Deloitte LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board of directors on 28 March 2022 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'M Smallwood', consisting of a stylized 'M' followed by a cursive 'S' and 'W'.

M Smallwood  
Director



# **Alcatel IP Networks Limited**

## **Independent auditors' report to the members of Alcatel IP Networks Limited**

**Year ended 31 December 2020**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Alcatel IP Networks Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity, and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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.

# **Alcatel IP Networks Limited**

## **Independent auditors' report to the members of Alcatel IP Networks Limited**

**Year ended 31 December 2020**

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### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **Alcatel IP Networks Limited**

## **Independent auditors' report to the members of Alcatel IP Networks Limited**

**Year ended 31 December 2020**

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### **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.

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 and 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.

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. 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 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 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 and the directors' report.

## **Alcatel IP Networks Limited**

### **Independent auditors' report to the members of Alcatel IP Networks Limited**

**Year ended 31 December 2020**

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#### **Matters on which we are required to report by exception**

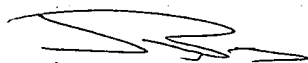
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 Auditor  
London  
United Kingdom  
28 March 2022

# Alcatel IP Networks Limited

## Income Statement

Year ended 31 December 2020

		2020	2019
	Note	£	£
Turnover	5	13,646,526	12,698,738
Gross profit		13,646,526	12,698,738
Administrative expenses		(13,101,506)	(11,691,802)
Other operating income		1,600,523	1,355,786
Operating profit		2,145,543	2,362,722
Other interest receivable and similar income	10	82,225	352,938
Profit before taxation	6	2,227,768	2,715,660
Tax on profit	11	1,396,382	(1,168,172)
Profit for the financial year		3,624,150	1,547,488

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 14 to 23 form part of these audited financial statements.

# Alcatel IP Networks Limited

## Statement of Financial Position

31 December 2020

		2020	2019
	Note	£	£
<b>Fixed assets</b>			
Tangible assets	12	51,981	65,555
<b>Current assets</b>			
Debtors	13	22,809,716	19,835,649
Cash at bank and in hand		342,466	477,104
		<u>23,152,182</u>	<u>20,312,753</u>
<b>Creditors: amounts falling due within one year</b>	14	(9,614,511)	(10,412,804)
<b>Net current assets</b>		<u>13,537,673</u>	<u>9,899,949</u>
<b>Total assets less current liabilities</b>		<u>13,589,654</u>	<u>9,965,504</u>
<b>Provisions for liabilities</b>	15	(98,000)	(98,000)
<b>Net assets</b>		<u>13,491,654</u>	<u>9,867,504</u>
<b>Capital and reserves</b>			
Called up share capital	18	1	1
Profit and loss account		13,491,653	9,867,503
<b>Total equity</b>		<u>13,491,654</u>	<u>9,867,504</u>

These audited financial statements were approved by the board of directors and authorised for issue on 28 March 2022, and are signed on behalf of the board by:



M Smallwood  
Director

Company registration number: 03934955

The notes on pages 14 to 23 form part of these audited financial statements.

## Alcatel IP Networks Limited

### Statement of Changes in Equity

Year ended 31 December 2020

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2019	1	8,320,015	8,320,016
Profit for the financial year		1,547,488	1,547,488
Total comprehensive income for the financial year	–	1,547,488	1,547,488
At 31 December 2019	1	9,867,503	9,867,504
Profit for the financial year		3,624,150	3,624,150
Total comprehensive income for the financial year	–	3,624,150	3,624,150
At 31 December 2020	1	13,491,653	13,491,654

The notes on pages 14 to 23 form part of these audited financial statements.

# **Alcatel IP Networks Limited**

## **Notes to the Audited Financial Statements**

**Year ended 31 December 2020**

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### **1. General information**

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Old Studio, High Street, West Wycombe, Buckinghamshire, HP14 3AB.

### **2. Statement of compliance**

The financial statements have been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 102 (FRS 102) applicable in the United Kingdom and Republic of Ireland and with the Companies Act 2006.

### **3. Accounting policies**

#### **Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Alcatel IP Networks Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements are prepared on a going concern basis under the historical cost convention.

#### **Research and development expenditure**

Research and development expenditure is written off as incurred.

#### **Going concern**

The directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company continues to adopt the going concern basis in preparing its financial statements.

#### **Grants**

Revenue grants receivable from HMRC in respect of research and development expenditure are credited to the income statement so as to match them with the expenditure to which they relate.

#### **Cash at bank and in hand**

Cash at bank and in hand includes cash in hand and deposits held at call with banks. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.



# **Alcatel IP Networks Limited**

## **Notes to the Audited Financial Statements**

**Year ended 31 December 2020**

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### **Disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Nokia Corporation which can be obtained from Karakaari 7, Espoo, Finland 02610, Finland. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d)
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A and Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- the requirement of Section 33 Related Party Disclosures paragraph 33.7

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured on a cost plus basis, i.e., cost plus 6%-7% in accordance with the group transfer pricing policy.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

### **Income tax**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

### **Foreign currencies**

The Company's functional and presentation currency is the pound sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

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### Operating leases

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term. Under FRS 102 the aggregate benefit of lease incentives are recognised as a reduction to the expense on a straight line basis over the lease term.

### Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- 10% straight line
Computer equipment	- 50% straight line
Fixtures and fitting	- 20% straight line

### Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

### Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

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### Financial instruments

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### Defined contribution plans

The company operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

#### 4. Judgements and key sources of estimation uncertainty

In the application of the company's principal accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Preparation of the financial statements requires management to make significant judgements and estimates. There are no estimates or assumptions that are believed to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

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### 5. Turnover

Turnover arises from:

	2020	2019
	£	£
Rendering of services	<u>13,646,526</u>	<u>12,698,738</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2020	2019
	£	£
Finland	<u>13,646,526</u>	<u>12,698,738</u>

Turnover, which is stated net of value added tax, represents amounts recharged to a group company. It is attributable to one continuing activity, the development of networking hardware and systems for members of the Nokia group.

### 6. Profit before tax

Profit before tax is stated after charging/crediting:

	2020	2019
	£	£
Depreciation of tangible assets	46,071	67,027
Foreign exchange differences	220,876	(199,279)
Operating lease rentals - land and buildings	136,000	136,000
Other interest receivable and similar income	82,225	352,938
R&D expense	12,551,776	11,312,599
R&D credit	<u>(1,600,523)</u>	<u>(1,357,512)</u>

### 7. Auditors' remuneration

	2020	2019
	£	£
Fees payable for the audit of the audited financial statements	<u>41,000</u>	<u>12,500</u>

During the year, the company did not obtain any other services from the company's auditors.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

### 8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020 No.	2019 No.
Research and development	<u>22</u>	<u>23</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £	2019 £
Wages and salaries	11,030,988	9,827,001
Social security costs	1,348,063	1,373,903
Other pension costs	142,539	136,197
	<u>12,521,590</u>	<u>11,337,101</u>

The company operates a defined contribution pension scheme. Contributions are charged to the income statement as they become due and amounts payable are included in other creditors in the balance sheet. The assets of the scheme are held separately from the company in independently administered funds.

### 9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020 £	2019 £
Remuneration	<u>1,642,226</u>	<u>1,496,464</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2020 No.	2019 No.
Defined contribution plans	<u>1</u>	<u>1</u>

Remuneration of the highest paid director in respect of qualifying services:

	2020 £	2019 £
Aggregate remuneration	<u>1,642,226</u>	<u>1,496,464</u>

The remuneration of one director has been borne by a fellow Nokia group company, as this director is also a director or officer of a number of companies within the Nokia group. The director's services to the company do not occupy a significant amount of their time. As such, this director does not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2020 and 31 December 2019.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

### 10. Other interest receivable and similar income

	2020	2019
	£	£
Interest on bank deposits	628	1,032
Interest from group undertakings	81,597	351,906
	<u>82,225</u>	<u>352,938</u>

### 11. Tax on profit

#### Major components of tax expense

	2020	2019
	£	£
<b>Current tax:</b>		
UK corporation tax on profits for the period	304,099	519,438
Adjustment in respect of previous periods	(647,454)	649,742
Total current tax	<u>(343,355)</u>	<u>1,169,180</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	121,111	(1,008)
Recognition of previously unrecognised deferred tax asset	(1,169,176)	-
Effect of changes in tax rates	(4,962)	-
Total deferred tax	<u>(1,053,028)</u>	<u>(1,008)</u>
<b>Total tax</b>	<u>(1,396,382)</u>	<u>1,168,172</u>

#### Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019
	£	£
Profit before taxation	2,227,768	2,715,660
Tax on profit at standard rate of tax	423,276	515,975
Effect of expenses not deductible for tax purposes	1,934	282
Effect of capital allowances and depreciation	-	2,054
Effect of different UK tax rates on some earnings	(4,962)	119
Recognition of previously unrecognised deferred tax asset	(1,169,176)	-
Adjustment on previous periods	(647,454)	649,742
Tax on profit	<u>(1,396,382)</u>	<u>1,168,172</u>

#### Factors that may affect future tax expense

The Finance Act 2021, which received Royal Assent on 10 June 2021, increased the main rate of corporation tax to 25% from 1 April 2023. As the 25% tax rate has not been substantively enacted at the balance sheet date the deferred tax balances at 31 December 2020 have been calculated using the 19% tax rate. We anticipate that the change in the UK tax rate to 25% will increase the company's net deferred tax asset by £345,155 in 2021.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

### 12. Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2020	274,115	435,184	53,111	762,410
Additions	–	32,497	–	32,497
<b>At 31 December 2020</b>	<u>274,115</u>	<u>467,681</u>	<u>53,111</u>	<u>794,907</u>
<b>Accumulated Depreciation</b>				
At 1 January 2020	234,537	409,207	53,111	696,855
Charge for the year	10,178	35,893	–	46,071
<b>At 31 December 2020</b>	<u>244,715</u>	<u>445,100</u>	<u>53,111</u>	<u>742,926</u>
<b>Carrying amount</b>				
<b>At 31 December 2020</b>	<u>29,400</u>	<u>22,581</u>	<u>–</u>	<u>51,981</u>
At 31 December 2019	<u>39,578</u>	<u>25,977</u>	<u>–</u>	<u>65,555</u>

### 13. Debtors

	2020 £	2019 (*restated) £
Amounts owed by group undertakings	19,949,311	17,004,898
Deferred tax asset	1,514,061	561,052
Prepayments and accrued income	43,803	30,550
Other debtors	1,302,541	2,239,149
	<u>22,809,716</u>	<u>19,835,649</u>

Amounts owed by group undertakings consist of trade and current accounts. The current accounts are repayable on demand and bear interest which is included in the income statement.

\*In the current year, R&D tax credits are included as deferred tax assets and RDEC receivables as other debtors. 2019 has been restated to reflect this for comparability.

### 14. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	3,695	80,082
Amounts owed to group undertakings	–	649,742
Accruals	9,132,789	8,440,767
Corporation tax	421,072	1,169,180
Social security and other taxes	56,917	52,938
Other creditors	38	20,095
	<u>9,614,511</u>	<u>10,412,804</u>

Amounts owed to group undertakings were unsecured, interest free, had no fixed date of repayment and were repayable on demand.

# Alcatel IP Networks Limited

## Notes to the Audited Financial Statements

Year ended 31 December 2020

### 15. Provisions for liabilities

#### Dilapidation provision £

At 1 January 2020 and 31 December 2020 98,000

The company leases office premises which they refurbished on occupation. A provision has been made for capital costs to reinstate the premises to their original state at the end of the lease based on information available at the balance sheet date. This provision will be utilised upon expiry of the lease in 2023.

### 16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2020	2019
	£	£
Included in debtors (note 13)	<u>1,514,061</u>	<u>561,052</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020	2019
	£	£
Accelerated capital allowances	(43,008)	(39,962)
RDEC step restriction 2 carried forward	<u>(1,471,053)</u>	<u>(521,090)</u>
	<u>(1,514,061)</u>	<u>(561,052)</u>

The company expects the deferred tax asset to reverse after more than one year.

### 17. Employee benefits

#### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £142,539 (2019: £136,197).

### 18. Called up share capital

#### Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.



## Alcatel IP Networks Limited

### Notes to the Audited Financial Statements

Year ended 31 December 2020

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#### 19. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Not later than 1 year	144,060	144,060
Later than 1 year and not later than 5 years	262,180	406,240
	<u>406,240</u>	<u>550,300</u>

#### 20. Related party transactions

The company is a wholly owned subsidiary of Nokia of America Corporation, a company incorporated in the USA. These financial statements are included in the group financial statements of the ultimate parent undertaking, Nokia Corporation, a company incorporated in Finland, which are publicly available. The company has taken advantage of the exemption in FRS 102 related party transactions, section 33.1A not to disclose transactions with other wholly owned group companies.

#### 21. Controlling party

The company's immediate parent company is Nokia of America Corporation which holds 100% of the company's issued share capital. Nokia of America Corporation is incorporated in the USA and is part of a group headed by a company incorporated in Finland, Nokia Corporation, the ultimate parent undertaking and controlling party as at 31 December 2020. The Nokia group financial statements are available from: Nokia Corporation, Karakaari 7, Espoo, Finland 02610, Finland.