Registered number: 06969556

Motorola Mobility UK Limited

Annual report and financial statements

for the year ended 31 March 2017

Motorola Mobility UK Limited

Company information

Director	A Cooper S Agrawal
Registered number	6969556
Registered office	Redwood Chineham Business Park Crockford Lane Basingstoke Hampshire RG24 8WQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow G2 7EQ
Bankers	Citibank NA 33 Canada Square Canary Wharf London E14 5LB

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Strategic report
for the year ended 31 March 2017

The director presents the strategic report on the Company for the year ended 31 March 2017.

Review of business

The principal activity of the Company is the provision of mobile devices. The Company's portfolio includes smart-phones, wearable's and associated accessories. The Company is focused on high quality, innovative products that meet the expanding needs of customers around the world.

The Company achieved a profit for the financial year/period of £2,226,000 (2016: £1,036,000). The operating profit for the year/period was £2,217,000 (2016: £1,016,000). The results are stated after a share-based payment expense of £112,000 (2016: £499,000).

The Company's turnover in the year/period was £77,159,000 (2016: £66,038,000).

Key performance indicators

The Company's key financial performance indicators include the review of the net asset position and the management of working capital. Some key ratios are highlighted below:

	Year ended 31 March 2017	Period ended 31 March 2016
Return on total assets	**5.02%**	3.12%
Collection period	**92 days**	112 days

Return on total assets has increased principally due to the increase in earnings before interest and tax.

Collection period has decreased by 20 days due to the timing of intercompany settlements of amounts owed by group undertakings.

Motorola Mobility UK Limited

Strategic report
for the year ended 31 March 2017

Principal risks and uncertainties

The principal risk and uncertainties faced by the Company include, among others, risks related to competition, management of growth, new products, services and technologies, outcomes of legal proceedings and claims, commercial agreements, acquisitions and strategic transactions, foreign exchange rates, system interruption, government regulation and taxation, payments and fraud.

Future developments

The Company expects future growth in the continuing business based on demand for existing and new mobile phone handsets and related accessories, as well as convergence, of industries like wireless, media, computing and the internet. This is expected to create continued consumer demand for new mobile devices, applications and services. It is believed that the Company is well positioned to deliver innovative experiences across multiple types of devices, to address these opportunities.

Financial risk and management

The Company's activities expose it to a variety of financial risks, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors of the ultimate parent undertaking, Lenovo Group Limited. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects in the Company's financial performance. The Motorola Mobility group uses derivative financial instruments to hedge certain risk exposures, these are held in Motorola Mobility International Sales LLC, the immediate parent undertaking.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management of the parent undertaking has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

(ii) Interest rate risk

The Company's interest rate risk arises from intercompany borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

(b) Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Individual risk limits are set based on internal and external credit ratings in accordance with limits set by the board. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Motorola Mobility UK Limited

Strategic report
for the year ended 31 March 2017

(c) Liquidity risk

Cash flow forecasting is performed and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements.

On behalf of the Board

S Agrawal
Director

12 December 2017

Motorola Mobility UK Limited

Directors' report
for the year ended 31 March 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2017.

Results and dividends

The Company's results for the financial year are set out in the profit and loss account on page 9.

The directors do not recommend the payment of any dividends (2016: Nil).

Future developments

An indication of the likely future developments of the Company are provided in the Strategic report.

Research and development

Expenditure on research and development amounted to £1,321,000 (2016: £2,537,000) reflecting the Company's belief that a strong commitment to research and development is required to drive long-term growth.

Directors

The directors who held office during the year and to the date of signing the financial statements, unless otherwise indicated, are as follows:

A Cooper	(appointed 29 October 2014)
S Agrawal	(appointed 16 February 2017)

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by the Lenovo group throughout the financial year.

Motorola Mobility UK Limited

Director's report
for the year ended 31 March 2017

Employees

The Company recognises the benefits of keeping employees informed about the progress of the business and of involving them in the Company's performance. During the year, employees were provided with information on the performance of the Company and on other matters of concern to them as employees. Regular consultations take place with employees so that their views may be solicited on issues likely to affect their interests.

The Company policy for the employment of disabled persons is that full consideration is given to their applications and candidates are offered employment on the basis of their ability and aptitude. In the event of an individual becoming disabled whilst in employment, every effort is made to ensure that such employment is continued, and where necessary, appropriate re-training is provided. The training, career development and promotion opportunities for disabled persons are in no way different to those of other employees and the Company makes every effort to employ disabled persons in excess of statutory requirements.

Health and safety

The Company considers that the health and safety of its workforce is very important. The Company's policy therefore sets out its commitment to health and safety. The policy applies to all employees and anyone working for the Company in any of its business units or who are visiting any of the Company's premises. It is the Company's policy to operate its business in accordance with the Health and Safety at Work Act 1974 and all applicable regulations made under this legislation so far as is reasonably practicable. This policy is regularly reviewed and revised, as appropriate, to take into account changes in circumstances or in legal requirements.

Going concern

At the time of approving the financial statements the Company has reviewed its financial projections of future profits, cash flows and working capital in terms of its position within the overall Lenovo Group. The directors have a reasonable expectation that the Company will have sufficient resources to continue to trade satisfactorily, and hence continue to adopt the going concern basis in preparing these financial statements.

Disclosure of information to auditors

The directors at the time when this Directors' report is approved have confirmed that:

- *so far as they are aware, there is no relevant audit information of which the Company's auditors are* unaware; and

- *they have taken all the steps that ought to have been taken as directors in order to be aware of any* relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

S Agrawal
Director

12 December 2017

Motorola Mobility UK Limited

Statement of directors' responsibilities for the year ended 31 March 2017

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

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 Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Motorola Mobility UK Limited

Report on the financial statements

Our opinion

In our opinion, Motorola Mobility UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2017;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Sharron Moran

Sharron Moran (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
12 December 2017

Motorola Mobility UK Limited

Profit and loss account
for the year ended 31 March 2017

	Note	For the year ended on 31.3.2017 £000	Restated for the period from 1.1.2015 to 31.3.2016 £000
Turnover	2	**77,159**	66,038
Cost of sales		**(66,707)**	(47,683)
Gross profit		**10,452**	18,355
Administrative expenses		**(10,440)**	(19,925)
Other operating income		**2,205**	2,586
Operating profit	3	**2,217**	1,016
Interest receivable and similar income	6	**12**	21
Profit before taxation		**2,229**	1,037
Tax on profit	7	**(3)**	(1)
Profit for the financial period/year		**2,226**	1,036

The Company has no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 12 to 23 form part of these financial statements.

The comparative figures have been restated due to reallocations within cost of sales, administrative expenses and other operating income. The impact of this is shown in note 3 to the accounts.

Motorola Mobility UK Limited

Balance sheet
as at 31 March 2017

	Note	31 March 2017 £000	31 March 2017 £000	31 March 2016 £000	31 March 2016 £000
Fixed assets					
Tangible assets	9		189		229
			189		229
Current assets					
Debtors	10	19,739		20,840	
Cash at bank and in hand		24,212		11,445	
		43,951		32,285	
Creditors: amounts falling due within one year	11	(31,487)		(22,364)	
Net current assets			12,464		9,921
Total assets less current liabilities			12,653		10,150
Provisions for liabilities					
Other provisions	12		(353)		(188)
Net assets			12,300		9,962
Capital and reserves					
Called up share capital	13		-		-
Capital contribution reserve			2,741		2,629
Profit and loss account			9,559		7,333
Total Shareholders' funds			12,300		9,962

The notes on pages 12 to 23 form part of these financial statements.

The financial statements on pages 9 to 23 were approved by the board of directors on 12 December 2017 and were signed on its behalf by:

S Agrawal
Director

Motorola Mobility UK Limited

Statement of changes in equity
for the year ended 31 March 2017

	Capital contribution reserve £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2015	2,130	6,297	8,427
Capital contribution in respect of share-based payment	499	-	499
Dividends paid (note 8)	-	-	-
Profit for the financial period	-	1,036	1,036
Total comprehensive income for the period	499	1,036	1,535
At 31 March 2016	**2,629**	**7,333**	**9,962**
Capital contribution in respect of share-based payment	112	-	112
Profit for the financial year	-	2,226	2,226
Total comprehensive income for the year	112	2,226	2,338
At 31 March 2017	**2,741**	**9,559**	**12,300**

1. Principal accounting policies

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.

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Motorola Mobility UK Limited is a qualifying entity as its results are consolidated into the consolidated financial statements of Lenovo Group Limited which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The prior financial statements cover a 15 month extended accounting period from 1 January 2015 to 31 March 2016 in order to align the year end date to the same year end date as the ultimate parent company. Therefore there prior period results are not directly comparable.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Company should be able to operate within the level of its current financing. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company therefore continues to adopt the going concern basis in preparing the financial statements.

1.3 Related party disclosures

The company is a wholly owned subsidiary of Lenovo Group Limited and has therefore taken advantage of the exemption contained in FRS 102 section 33.1A Related Party Disclosures from disclosing transactions or balances with entities which form part of the Lenovo group.

1.4 Cash flow statement

In accordance with FRS 102 paragraph 3.17 (d), the Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to prepare a cash flow statement.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost (including capitalised interest on assets in the course of construction, where material) less accumulated depreciation and provision for impairment. Where an indication of impairment arises an impairment review is performed.

Depreciation is provided at rates calculated to write-off the cost of fixed assets, less their estimated residual value, over their expected useful lives as follows:

Leasehold improvements	-	10 years straight line
Plant, machinery and equipment	-	3 to 10 years straight line

1.6 Foreign currencies

Transactions in foreign currencies are initially recorded using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the month end rate of exchange ruling at the balance sheet date and the gains or losses on translation are taken to the profit and loss account.

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on an accruals basis. Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

1.8 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 financial period.

1.9 Research and development

Expenditure on research and development is recharged back to Motorola Mobility International Sales LLC, the immediate parent undertaking, at cost plus 10%.

1.10 Share-based payments

Equity-settled transactions

Lenovo Technology (United Kingdom) Limited participates in a group operated long-term incentive programme to recognise employees' individual and collective contributions. This includes two types of awards, namely share appreciation rights and restricted share units. The group reserves the right, at its discretion, to pay the award in cash or ordinary shares of the group. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the long-term incentive awards granted. Non-market vesting conditions (for example profitability and sales growth targets) are included in the assumptions about the number of long term incentive awards that are expected to become exercisable/vested.

At each balance sheet date, Lenovo Technology (United Kingdom) Limited revises its estimates of the number of long-term incentive awards that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to reserves. This is treated as a capital contribution from the parent company.

Cash-settled transactions
The Company does not have any share-based payment resulting from cash-settled transactions.

1.11 Revenue recognition

The Company's material revenue streams are the result of a wide range of activities, from the delivery of stand-alone equipment to custom design and installation over a period of time to bundled sales of equipment, software and services. The Company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability of the sales price is reasonably assured. In addition to these general revenue recognition criteria, the following specific revenue recognition policies are followed:

Products and equipment
For product and equipment sales, revenue recognition generally occurs when products or equipment have been shipped, risk of loss has transferred to the customer, objective evidence exists that customer acceptance provisions have been met, no significant obligations remain and allowances for discounts, price protection, returns and customer incentives can be reasonably and reliably estimated. Recorded revenues are reduced by these allowances. The Company bases its estimates on historical experience taking into consideration the type of products sold, the type of customer, and the type of transaction specific in each arrangement. Where customer incentives cannot be reasonably and reliably estimated, the Company recognises the revenue at the time the product sells through the distribution channel to the end customer.

Services
Revenue for services (including software maintenance, technical support and unspecified upgrades) is generally recognised rateably over the contract term as services are performed.

Software and licences
Revenue from pre-paid perpetual licenses is recognised at the inception of the arrangement, presuming all other relevant revenue recognition criteria are met. Revenue from non-perpetual licenses or term licenses is recognised rateably over the period that the licensee uses the license. Revenue from software maintenance, technical support and unspecified upgrades is generally recognised over the period that these services are delivered.

1.11 Revenue recognition (continued)

Multiple Element Arrangements
Arrangements with customers may include multiple deliverables, including any combination of products, equipment, services and software. Revenue is allocated to each deliverable based on fair value and then revenue is recognised for each separate deliverable based on the nature of the revenue.

1.12 Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102 section 29 Deferred tax.

The carrying amount of deferred tax assets is reviewed at the end of the year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. A deferred tax asset is recognised for an unused tax loss carry forward or unused tax credit only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry forwards can be utilised.

1.13 Significant Estimates

No significant estimates or assumptions have been used in the preparation of these financial statements.

2. *Turnover*

Turnover represents the value of goods supplied and services rendered to customers and other group undertakings by the Company (excluding VAT).

A geographical analysis of turnover is as follows:

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
United Kingdom	**76,216**	64,127
Rest of world	**943**	1,911
	77,159	66,038

3. Operating profit

Operating profit is stated after charging / (crediting):

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
Depreciation of tangible fixed assets:		
- owned by the company	40	171
Auditors' remuneration		
- audit of the company's financial statements	68	57
Operating lease rentals:		
- plant and machinery	8	18
- land and buildings	580	679
Foreign exchange gains	(1,426)	59
Research and development expenditure	1,321	2,537

During the period the auditor was paid £Nil (2016: £Nil) in respect of other services.

In the comparative profit and loss account there has been reallocation between cost of sales, administrative expenses and other operating income. Totalling £3,254,000, £372,000, £4,138,000 and £1,256,000 respectively. This has no impact on the operating profit.

4. Director's emoluments

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
Aggregate emoluments in respect of qualifying services	131	193
Company pension contributions to defined contribution pension schemes	19	12

During the period, 1 director exercised share options in a group undertaking (2016: Nil).

5. Staff costs and numbers

Staff costs, including directors' emoluments, were as follows:

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
Wages and salaries	1,823	5,254
Social security costs	648	1,028
Other pension costs	116	604
Share-based payment costs (see note 16)	112	499
	2,699	7,385

5. Staff costs and numbers (continued)

The average monthly number of employees, including the director, during the period was as follows:

	For the year ended on 31.3.2017 No.	For the period from 1.1.2015 to 31.3.2016 No.
Administration, sales and management	14	25
Production and technical	7	9
	21	34

6. Interest receivable and similar income

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
On bank balances and deposits	12	21

7. Tax on profit

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
Current tax		
UK corporation tax charge on profit for the year	3	1
Adjustments in respect of prior periods	-	-
Tax on profit	3	1

7. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20.25%). The differences are explained below:

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
Profit before taxation	**2,229**	1,037
Profit multiplied by standard rate of corporation tax in the UK of 20% (2016: 20.20%)	**446**	209
Effects of:		
Expenses not deductible for tax purposes	**6**	38
Capital allowances in excess of amortisation and depreciation	-	-
Utilisation of tax losses	-	-
Adjustments in respect of prior periods	-	-
Other timing differences	-	-
Impact of share options	-	(239)
Amounts not recognised	**(449)**	(7)
Current tax charge for the year	**3**	1

Deferred tax

There was no provision for deferred tax at 31 March 2017 (2016: £Nil). No deferred tax asset has been recognised due to the uncertainty surrounding its recoverability. The unrecognised deferred tax asset comprises:

	Unrecognised For year ended on 31.3.2017 £000	Unrecognised For the period from 1.1.2015 to 31.3.2016 £000
Fixed assets	**404**	512
Losses	**698**	1,087
Timing differences - trading	**498**	499
	1,600	2,098

The unrecognised deferred tax asset has been calculated at 17% for the period ended 31 March 2017 (2016: 18%).

Motorola Mobility UK Limited

Notes to the financial statements for the year ended 31 March 2017

7. Tax on profit (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

During 2016, the Chancellor of Exchequer announced a further reduction in the corporation tax to 17% from 1 April 2020; this was substantively enacted in October 2016. Consequently, the company has recognised the impact of the rate change which is substantively enacted at the balance sheet date in its financial statements, this being 17%.

8. Dividends

	For the year ended on 31.3.2017 £000	For the period from 1.1.2015 to 31.3.2016 £000
Ordinary shares		
No dividends paid in this year/period (2016: £Nil)	-	-

9. Tangible assets

	Leasehold improvements £000	Plant, machinery and equipment £000	Total £000
Cost			
At 1 April 2016	1,779	595	2,374
Additions	-	-	-
At 31 March 2017	1,779	595	2,374
Accumulated Depreciation			
At 1 April 2016	1,591	554	2,145
Charge for the year	27	13	40
At 31 March 2017	1,618	567	2,185
Net book value			
At 31 March 2017	161	28	189
At 31 March 2016	188	42	229

Motorola Mobility UK Limited

Notes to the financial statements for the year ended 31 March 2017

10. Debtors

	31 March 2017 £000	31 March 2016 £000
Trade debtors	**9,909**	8,763
Amounts owed by group undertakings - trading	**9,505**	11,438
VAT receivable	**-**	230
Other debtors	**7**	-
Prepayments and accrued income	**318**	409
	19,739	20,840

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

11. Creditors: amounts falling due within one year

	31 March 2017 £000	31 March 2016 £000
Trade creditors	**1,739**	4,162
Amounts owed to group undertakings - trading	**21,963**	7,697
Corporation tax	**4**	1
Other taxation and social security	**-**	22
Other creditors	**181**	609
Accruals and deferred income	**7,600**	9,873
	31,487	22,364

Trade amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

12. Other provisions

	Dilapidation provision £000
At 1 April 2016	**188**
Additional amount required following lease review	**165**
At 31 March 2017	**353**

13. Called up share capital

	31 March 2017 £	31 March 2016 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each (2016: 100)	100	100

14. Pension

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the period represents contributions payable by the Company to the scheme and amounted to £116,000 (2016: £604,000). Pension contributions outstanding at 31 March 2017 amounted to £Nil (2016: £Nil).

15. Operating lease commitments

At 31 March 2017, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Payments due:				
Not later than one year	580	395	6	12
Later than one year and not later than five years	2,318	1,580	3	6
Later than 5 years	-	395	-	-
	2,898	2,370	9	18

The company had no other off-balance sheet arrangements.

16. Share-based payment plans

Long term incentive programme

Motorola Mobility UK Limited participates in a group operated long term incentive programme. Lenovo Group Limited, the ultimate parent undertaking at 31 March 2017, operates the 2008 Plan. The 2008 Plan is the Lenovo Group Limited Amended and Restated Restricted Share Unit Plan from which the Company issues RSUs. An RSU award is an agreement to issue shares of the stock at the time of vest. RSUs issued to employees under the 2008 Plan generally vest over three years contingent upon employment with Lenovo Group Limited on the vesting date.

This programme is for the purpose of rewarding and motivating directors, executives and top performing employees of the group. The long term incentive programme is designed to attract and retain the best available personnel, and encourage and motivate participants to work towards enhancing the value of the group and its shares by aligning their interests with those of the shareholders of the group.

16. Share-based payment plans (continued)

Under the long term incentive programme, the group may grant awards at its discretion, using one of two types of equity based compensation (i) share appreciation rights and (ii) restricted share units, which are described below.

(i) Share Appreciation Rights ("SARs")
SARs entitle the holder to receive the appreciation in value of the group's share price above a pre-determined level. SARs are typically subject to a vesting schedule of up to four years.

(ii) Restricted Share Units ("RSUs")
RSUs are equivalent to the value of one ordinary share of the group. Once vested, RSUs are converted to an ordinary share or its cash equivalent. RSUs are typically subject to a vesting schedule of up to four years. Dividends are typically not paid on RSUs.

Under the two types of compensation, the group reserves the right, at its discretion, to pay the award in cash or in ordinary shares of the group.

Movements in the number of units of awards granted during the period and their related average fair values are as follows:

	SAR's No.	RSU's No.
Unvested awards outstanding at 1 January 2015	-	1,637,650
Granted during the year	453,557	955,246
Vested during the year*	-	(1,414,825)
Lapsed/cancelled	-	(857,923)
Transfer	-	-
At 31 March 2016	453,557	320,148
Unvested awards outstanding at 1 April 2016	453,557	320,148
Granted during the year	-	363,628
Vested during the year	(123,226)	(26,012)
Lapsed/cancelled	(207,104)	(217,406)
Transfer	-	(105,948)
At 31 March 2017	123,227	334,410
Average fair value per unit (HK$)		
At 31 March 2016	1.87	12.02
At 31 March 2017	1.87	12.02

The only requirement for vesting is that individuals must be an employee of the company.

16. Share-based payment plans (continued)

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the period ended March 31, 2017, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 37.06 percent (31 March 2016: 36.07 percent), expected dividends during the vesting periods of 2.74 percent (31 March 2016: 2.43 percent), contractual life of 4.5 years (31 March 2016: 4.25 years), and a risk-free interest rate of 0.7 percent (31 March 2016: 0.56 percent).

The remaining vesting periods of the awards under the long-term incentive program as at 31 March 2017 ranged from 0.25 to 3 years (31 March 2016: 0.08 to 3.92 years).

The charge through the profit and loss account for the year/period ended 31 March 2017 was £111,956 (31 March 2016: £499,009).

The total capital contribution from the parent company as at 31 March 2017 was £2,740,788 (31 March 2016: £2,628,832).

17. Immediate and ultimate parent undertaking

The company's ultimate parent undertaking of and controlling party is Lenovo Group Limited which is incorporated in Hong Kong. Lenovo Group Limited is the largest group which consolidates these financial statements. Copies of the financial statements of this undertaking may be obtained from 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

As at 31 March 2017, Motorola Mobility International Sales LLC was the immediate parent undertaking, a company incorporated in Bermuda.

18. Post balance sheet events

There are no post balance sheet events requiring disclosure.