

**Ericsson Limited**

**Annual Report and Financial Statements**

**Year ended 31 December 2023**



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## Strategic report

The directors present their strategic report on the Company for the year ended 31 December 2023.

### Review of the business

The Company is a major product and service provider to fixed and mobile telecommunications systems operators in the UK. The company continues to provide all-IP, 4G/LTE and 5G networks as the evolution of telecommunications towards data continues. Our portfolio also includes a wide range of OSS/BSS, transmission solutions, and Customer Experience Management (CEM). We continue to deliver managed services, consulting and systems integration, customer support and network rollout.

The Company delivered a strong performance in 2023, which was a year that has seen further consolidation in the market place of some of the major telecommunications operators. There remains ongoing fulfilment of the network roll out contracts won over the past few years and there continues to be a concentration on improvements on delivery of its local services contracts, remaining committed to expand its product sales to its existing customer base where possible. There remains a need for increased communication efficiency and reliability due to the landscape of the working environment changing within the UK economy and globally post the pandemic to a more hybrid based work force, this continues to present further opportunities to our customers and our business, although we expect mobile operators still to continue to focus on increasing their operational efficiency, consolidation opportunities and reducing their operating expenses in a competitive trading environment.

The gross margin percentage has increased during the year to 14.8% from 13.7% in the prior year, with the gross profit increasing by £2.5m year on year. This is primarily due to changes in sales mix.

### Principal risks and uncertainties

**Challenging macro economic conditions may adversely impact the demand and pricing for our products and services as well as limit our ability to grow.**

Challenging economic conditions could have adverse, wide-ranging effects on demand for our products and for the products of our customers. Adverse global economic conditions could cause network operators to postpone investments or initiate other cost cutting initiatives to improve their financial position. This could result in significantly reduced expenditures for network infrastructure and services, in which case our operating results would suffer. When deemed necessary, we undertake specific restructuring or cost saving initiatives, however, there are no guarantees that such initiatives will be sufficient, successful or executed in time to deliver any improvements in our earnings.

**The UK telecommunications industry fluctuates and is affected by many factors, including the economic environment, decisions by operators and other customers regarding their deployment of technology and their timing of purchases.**

The UK telecommunications industry has experienced downturns in the past in which operators substantially reduced their capital spending on new equipment, this is also applicable in times when there are mergers and acquisitions ongoing within the industry. There is uncertainty surrounding the global economic recovery and this may materially harm actual market conditions. Even if macroeconomic conditions improve, conditions in the specific industry segments in which we participate may be weaker than in other segments. In that case, the results of our operations may be adversely affected. If capital expenditures by service providers and other customers is weaker than we anticipate, our revenues and profitability may be adversely affected. The level of demand by service providers and other customers who buy our products and services can change quickly and can vary over short periods of time, including from month to month. Due to the uncertainty and variations in the telecommunications industry, accurately forecasting revenues, results, and cash flow remains difficult.

**Growth of our managed services business is difficult to predict, and requires taking significant contractual risks.**

Operators outsource parts of their operations to reduce cost and focus on new services. To address this opportunity, we offer operators various services in which we manage their networks. The growth rate in the managed services market is difficult to forecast and each new contract carries a risk that transformation and integration of the operations will not be as fast or smooth as planned. Additionally, early contract margins are generally low and the mix of new and old contracts may negatively affect reported results in a given period. Contracts for such services normally cover several years and generate recurring revenues. However, contracts have been, and may in the future be, terminated or reduced in scope, which has negative impacts on sales and earnings. While we believe we have a strong position in the managed services market, competition in this area is increasing, which may have adverse effects on our future growth and profitability.

**Climate change and the potential resulting environmental impact may also result in new environmental, health and safety laws, rules and regulations that may affect us, our suppliers, and our customers.**

Such laws, rules or regulations could cause us to incur additional direct costs for compliance (environmental, occupational health and safety liabilities) and indirect costs from our customers and suppliers. In addition, climate change could cause severe weather events, which could pose physical risks to our suppliers' facilities, cause disruptions in our logistic flows, and consequently increase operating costs and/or cause business interruptions. It is difficult at this time to reasonably estimate the future impact of environmental matters, such as climate and regulation change, the changes could impact the following areas: fixed assets, provisions, liabilities, fair values and disclosure of key accounting judgements, estimation uncertainties and related sensitivities.

The Ericsson Group continue to address rising requirements and stakeholder expectations, particularly regarding transparency around climate related business impacts, for more information on Climate action please read our Sustainability and Corporate Responsibility Report 2023. (<https://www.ericsson.com/4933e6/assets/local/investors/documents/2023/sustainability-and-corporate-responsibility-report-2023-en.pdf>).

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**Strategic report (continued)****Financial key performance indicators (KPIs)**

The Company's key financial performance indicators and alternative performance measures during the year were as follows:

	2023	2022	
	£000	£000	% Change
Revenue	634,162	664,908	(4.6)%
Gross profit	93,555	91,102	2.7%
Gross margin %	14.8%	13.7%	1.1%
Profit before taxation	33,354	26,379	26.4%
Current assets as % of current liabilities	101.4%	95.4%	6.0%
Average number of employees	1,429	1,417	0.8%

Revenue for the business decreased by 4.6% compared to prior year, the core business has remained unchanged. The performance was in line with expectations as the telecommunication operators continued to be cautious with their expansion plans and the competition and consolidation amongst the telecommunication suppliers in the UK market.

Gross margin defined as gross profit/(loss) as a percentage of sales, is an alternative performance measure. This increased by 1.1%, with the gross profit increasing by £2.5m year on year. This is primarily due to changes in sales mix.

Current asset ratio, as another alternative performance measure, has increase by 6%. Current assets are approximately £58m higher than financial year end 2022, mainly due to trade receivable, inventories, contract assets and cash all in line with payment structures and trading out customer contracts. Current liabilities have increased by approximately £37m on financial year end 2022, this is due to reduction in accrued expense (employee bonuses) and VAT repayable being offset by an increase in intercompany balances at the year ends trading.

Average employees increased by 0.8%. As the company continues to focus on the delivery of services to the customer this has led to a small increase in heads employed to ensure contract delivery whilst remaining focused on its overall profitability.

**Revenue by region:**

	2023	2022	
	£000	£000	% Change
UK	612,632	648,096	(5.5)%
Rest of Europe	20,891	16,673	25.3%
Other	639	139	359.7%
	634,162	664,908	(4.6)%

Revenue has decreased by 5.5% in the core region of the UK in which the business mainly operates, this is mainly attributable to the slow down in investments by the main operators in the industry due to consolidation of the market place. The overseas revenue is income derived from recharging services and people to the Ericsson Group rather than core services and products.

**Financial position**

The financial position of the Company is presented in the balance sheet, on page 16, and is summarised as follows:

	2023	2022
	£000	£000
Total equity:		
Total assets	539,229	505,446
Total liabilities	(413,464)	(382,493)
	125,765	122,953

Asset increases have arisen from current assets, which rose by £58m, due to: increases in inventories (WIP) for customers; contract assets whereby recognition of revenue is allowable under the applicable IFRS, however, contractual billing milestones have not been triggered; and trade debtors which is due to a reduction in use of debt factoring for balances held at the end of a quarter. This have been offset by a reduction of £24m in long term assets, solely those held in the defined benefit scheme due to actuarial losses recognised.

Liabilities have increased overall by £31m. This has come from a reduction of long-term liabilities, namely the deferred tax recognised on the defined benefit asset movements year on year. With current liabilities increasing by some £37m, mainly due to: contract liabilities based on revenue that has not been recognised due to the contractual agreement and the applicable IFRS standard.

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**Strategic report (continued)****SECR Report Summary**

Ericsson Limited is committed to complying with relevant environmental legislation, striving to achieve transparency and accountability in our carbon emissions. To further this commitment, this section of our Directors report contains Ericsson Limited's energy consumption and carbon footprint in the UK. In compliance with the Streamline Energy and Carbon Reporting (SECR) initiative, this section includes consumption and emissions from this financial year and previous financial years.

**Reporting Period**

1st January 2023 - 31st December 2023

**UK Energy & Carbon****Total Emission Scope Summary**

Emission Type	2023 Total Volume (kWh)	2023 Calculated Emissions (Tonnes of CO <sub>2</sub> e)
Scope 1 (direct)	7,252,206	1,739
Scope 2 (indirect)	407,768	84
Scope 3 (indirect - for selected categories)	4,260,929	1,034
<b>Total</b>	<b>11,920,904</b>	<b>2,858</b>

Emission Type	2022 Total Volume (kWh)	2022 Calculated Emissions (Tonnes of CO <sub>2</sub> e)
Scope 1 (direct)	6,998,389	1,672
Scope 2 (indirect)	248,595	48
Scope 3 (indirect)	267,152	41
<b>Total</b>	<b>7,514,136</b>	<b>1,761</b>

**Scope 1 Emissions (Direct)**

Emissions from activities owned or controlled by Ericsson Limited that release emissions into the atmosphere. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment.

Energy Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO <sub>2</sub> e)
Facility	Emissions from combustion of fuel for Facility purposes	17,532	4
Transport	Emissions from combustion of fuel for transport purposes	7,234,675	1,735
<b>Total</b>		<b>7,252,206</b>	<b>1,739</b>

**Scope 2 Emissions (Indirect)**

Emissions released into the atmosphere associated with Ericsson Limited's consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that are a consequence of Ericsson Limited's activities, but which occur at sources that Ericsson Limited do not own or control.

Energy Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO <sub>2</sub> e)
Electricity	Emissions from purchased electricity	407,768	84
<b>Total</b>		<b>407,768</b>	<b>84</b>

**Scope 3 Emissions (Indirect)**

Emissions that are a consequence of Ericsson Limited's actions, which occur at sources which Ericsson Limited do not own or control and which are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by Ericsson Limited (e.g. grey fleet and rental cars). For 2023 these numbers also include additional items like Air Travel, Hotel and Commuting & Teleworking estimates for the first time.

Energy Type	Definition	Total Volume (kWh)	Calculated Emissions (Tonnes of CO <sub>2</sub> e)
Business Travel	Air Travel & Hotel	1,922,582	467
Commuting & Teleworking	The EFs are sourced from an Ericsson survey on commuting habits from 2022 & 2023	2,189,840	532
Employee Owned Cars	Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (mandatory)	148,507	36
<b>Total</b>		<b>4,260,929</b>	<b>1,034</b>

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**Strategic report (continued)**

**SECR Report Summary (continued)**

**Out of Scope**

All fuels with biogenic content (such as 'Diesel and petrol (average biofuel blend)') should have the 'outside of scopes' emissions reported to ensure a complete picture of an organisation's emissions is created. However, these are not required to be included in Ericsson Limited's emissions total.

**How does it compare**

The company must state the emissions and energy use from previous years reports. This allows the company to track their emissions to encourage monitoring performance. Additional Items were reported for the first time under scope 3 for 2023 - Business Travel (Hotel & Air) and Commuting & Teleworking estimates.

Emission	2023	2022
Tonnes of CO2e	41	1,761
Total Energy (kWhs)	267,152	7,514,136
Intensity Ratio	0.1	2.6

**Intensity Ratio**

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. Ericsson Limited has chosen to use tonnes of CO<sub>2</sub>e per £ Turnover for its Intensity Ratio.

Intensity Measurement	Turnover (£000)	Intensity Ratio (tCO <sub>2</sub> e / Turnover £000)
Tonnes of CO2e per total £m sales revenue 2022	664,908	2.6
Tonnes of CO2e per total £m sales revenue 2023	634,162	0.1

**Quantification and Reporting Methodology**

Emissions for this report were calculated following the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition). Emission factors published by the UK government department for Business, Energy & Industrial Strategy (2022) were used to convert energy consumption to carbon emissions. This report will be covering emissions from scopes 1 to 3, using a location-based calculation methodology. Scope of reporting is as follows:

- Scope 1: Company-owned vehicles
- Scope 2: Electricity consumed in leased assets
- Scope 3: Business mileage in employee-owned vehicles, and from 2023 - Other Business Travel, Commuting & Teleworking estimates

Because Ericsson Limited has no natural gas on site, energy consumption from properties is electricity exclusively. Consumption data was sourced from a mix of invoiced consumption and calculated spend based estimations. Spend based estimations were supported by invoiced spend on electricity.

**Energy Efficiency Action**

At Ericsson Limited we are committed to monitor and decrease our overall carbon footprint to minimise our impact to the environment. By assessing our energy usage on a site level, we are continuously looking implementing practical and feasible energy efficiency opportunities to reduce the overall energy demand. In 2023, we have participated in the Energy Savings Opportunities Scheme (ESOS) to reach 95% of Significant Energy Consumption (SEC) threshold for compliance purposes. We have conducted 3 building energy audits across the Ericsson portfolio and have identified a total of 9 quantified and unquantified energy efficiency opportunities. Previous energy efficiency projects completed in 2022 included LED lighting replacement and optimisation of HVAC controls in plant rooms (equipment run and start times) in our Reading office.

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**Strategic report (continued)****Climate related Financial Disclosures requirements - (Climate related Financial Disclosure) Regulations 2022**

In addition, as a high turnover company, the following items are applicable for our the non-financial and sustainability information statement ("the NFSI statement").

**a) A description of the company's governance arrangements in relation to assessing and managing climate related risks and opportunities.**

This is owned and managed at a Group level, globally our Group climate strategy and targets are coordinated and driven by the central Sustainability and Corporate Responsibility unit. There is no additional Company Governance structure for climate related issues. Further information of our Group climate strategy, as part of our Sustainability and Corporate Responsibility report can be found at <https://www.ericsson.com/4933e7/assets/local/investors/documents/2023/annual-report-2023-en.pdf>

**b) A description of how the company identifies, assesses, and manages climate related risks and opportunities.**

As per previous section this is owned and managed at a Group level, globally our Group climate strategy and targets are coordinated and driven by the central Sustainability and Corporate Responsibility unit. Items were identified through consultations with internal subject matter experts covering several company functions, and through external benchmarking. The probability and impact of all items were analysed qualitatively through the usage of heatmaps. This was followed by a more granular analysis of a shortlist of risks and opportunities considered to be of highest relevance to Ericsson. Risks and opportunities upstream and downstream in the value chain, as well as in own operations were considered. Physical risks were mainly assessed using the assumptions under the Current Policies scenario, whereas transitional risks and opportunities were primarily analysed in the context of the Net Zero 2050 scenario. Both scenarios are published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

Regarding time horizons, the quantitative analysis of opportunities focused on the period up to 2025, and the quantitative analysis of risks on the period between 2025 and 2030. For the purpose of this analysis, Ericsson defined short-, medium-, and long-term time horizons as up to 2025, 2025-30, and beyond 2030, respectively. The more long-term impacts of risks and opportunities, stretching beyond 2030, were primarily assessed in a qualitative fashion.

Under the Current Policies scenario, the impacts of physical risks are expected to become more severe after 2030

**c) A description of how processes for identifying, assessing, and managing climate related risks are integrated into the company's overall risk management process.**

This is owned and managed at a Group level, and therefore is not integrated into the company's risk management process. For further information please see our Sustainability and Corporate Responsibility report which can be found at: <https://www.ericsson.com/4933e7/assets/local/investors/documents/2023/annual-report-2023-en.pdf>.

**d) & e) A description of the principal climate related risks and opportunities arising in connection with the company's operations.**

The time periods by reference to which those risks and opportunities are assessed.

A description of the actual and potential impacts of the principal climate related risks and opportunities on the company's business model and strategy.

Climate change and the potential environmental impact resulting therefrom may also result in new environmental, health and safety laws, rules and regulations that may affect the Company, its suppliers, and its customers. Such laws, rules or regulations could cause Ericsson to incur additional direct costs for compliance, including costs associated with changes to manufacturing processes, or costs associated with the procurement of raw materials and components used in Ericsson's products, as well as increased indirect costs resulting from its customers, suppliers or both incurring additional costs that are passed on to us.

These costs may adversely impact the Company, including its reputation, business, financial condition, operating results, cash flows, or prospects. In addition, climate change could cause severe weather events, such as droughts, heat waves, wildfires, storms, and flooding, to occur more frequently or with greater intensity, as well as chronic changes in temperatures and rising sea levels, which could pose physical risks to the Company's facilities or its suppliers' facilities, cause disruptions in its upstream and downstream logistic flows, and consequently increase operating costs and/or cause business interruptions.

It is difficult to reasonably estimate the future impact of environmental matters, such as climate change and extreme weather events, including potential liabilities

**Short Term - Expansion of network energy performance offering**

(opportunity – products and services)

Under the Net Zero 2050 scenario, both emission reduction targets and higher energy prices drive further efforts by communications service providers to increase energy performance in mobile networks. The combination of these two factors creates opportunities for Ericsson to expand its offering of network energy performance solutions.

**Medium Term - Enabling emission reductions in enterprise sectors**

(opportunity – markets)

As other more emission-intensive sectors – such as power and utilities, transport and manufacturing – rapidly increase efforts to decarbonize in the Net Zero 2050 scenario, significant investments are made to achieve decarbonization goals. These investments, such as the deployment of smart grids and private networks, all depend on ICT solutions, which provides significant opportunity for Ericsson to expand its connectivity offering to these sectors

**Medium Term - Increased demand for equipment with lower embodied emissions**

(opportunity – products and services)

In the Net Zero 2050 scenario, the price of carbon emissions increases substantially. Simultaneously, Ericsson's customers rapidly increase the share of renewable energy used to power the networks, meaning the relative share of their upstream emissions increases. To address these embodied, and increasingly costly, emissions, customers' demand for low-carbon products, meaning equipment made from less carbon-intensive materials and processes, is expected to increase, which can mean new business opportunities for Ericsson

**Medium Term - Increased costs due to carbon emissions pricing**

(transition risk – policy)

In the Net Zero 2050 scenario, the price of carbon emissions increases substantially, leading to increased costs for actors in Ericsson's value chain. While direct impacts are limited, indirect impact upstream in the value chain is more significant, assuming emissions stay the same and costs are passed through to Ericsson from affected suppliers

**Long Term - Disruptions caused by severe weather events**

(acute physical risk)

In the Current Policies scenario, the frequency and intensity of severe weather events, as well as coastal and riverine flooding, increases. This leads to heightened risks for long-term business interruptions as well as damage to inventory and fixed assets in the supply chain at both outsourced manufacturing sites and at Ericsson's own sites.

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**Strategic report (continued)**

**Climate related Financial Disclosures requirements - (Climate related Financial Disclosure) Regulations 2022 (continued)**

**f) An analysis of the resilience of the company's business model and strategy, taking into consideration different climate related scenarios**

While the climate related risks highlighted previously may individually, or in aggregate, have a high impact to the business operations, strategy, and financial performance of the Company, the Directors consider the risks are managed or mitigated through initiatives driven by the Group's central Sustainability and Corporate Responsibility unit. As a result, the Directors are satisfied with the Company's resilience to Climate related risk.

**g) A description of the targets used by the company to manage climate related risks and realise climate related opportunities and of performance against those targets.**

Group climate strategy and targets are coordinated and driven by the central Sustainability and Corporate Responsibility unit. On an operational level, climate action strategies and policies are integrated across business and market areas (in our case market Area MELA), as well as Group functions, with each organization being responsible for executing on its respective strategies and targets.

**Emission reductions – long-term**

Globally Net Zero value chain emissions by 2040. This implies at least a 90% reduction of emissions in Scope 1, 2 and relevant Scope 3 categories (Business travel and Employee commuting, Purchased goods and services, Capital goods, Fuel- and energy-related activities, Upstream transportation, Downstream transportation, End-of-life treatment of sold products and Waste generated in operations & Use of sold products and services from a 2020 baseline, and the potential use of carbon removal and storage technology for the remaining unavoidable maximum 10% of emissions). This target has been validated as 1.5 °C aligned by the Science Based Targets initiative (SBTi). As of 2023 Globally, The Ericsson Group has achieved a 38% reduction.

**Emission reductions – near-term**

Globally Halving of total value chain emissions by 2030, including a 90% reduction in Scope 1 and 2, and a 50% reduction of overall relevant Scope 3 categories (Business travel and Employee commuting, Purchased goods and services, Capital goods, Fuel- and energy-related activities, Upstream transportation, Downstream transportation, End-of-life treatment of sold products and Waste generated in operations & Use of sold products and services from a 2020 baseline, and the potential use of carbon removal and storage technology for the remaining unavoidable maximum 10% of emissions). As of 2023 Globally, The Ericsson Group has achieved a 38% reduction.

**Portfolio energy performance**

Globally reduce energy consumption at radio base station sites by 40% by 2025. This target supports the Net Zero target by addressing downstream GHG emissions through reducing the energy consumption of customers' mobile networks. The target entails reducing the energy consumption of radio base station type sites by 40% by 2025 compared with a 2021 baseline. The target is intended to track Group's capability to provide energy-efficient solutions to its customers. For this reason, it measures energy consumption reduction, compared with the base year, from the best performing solution of software and hardware available in the target and reporting year, respectively. These values should be understood as the maximum potential energy savings possible in each respective year. Globally the reduction achieved by 2023 was 30%.

**h) A description of the key performance indicators used to assess progress against targets used to manage climate related risks and realise climate related opportunities and of the calculations on which those key performance indicators are based**

Scope 1, 2 and 3 emissions (at the Ericsson Group level) are the relevant indicators used

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## Strategic report (continued)

### Section 172(1) Statement

The Directors are required to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172.

The S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and the complexity of the business. When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

#### S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the telecommunication industry. With the evolution of 5G and beyond, we are moving technological boundaries forward to create the biggest innovation platform ever. The number of connected applications and devices will continue to increase exponentially, so too will the economic value which relies on their integrity. Intelligent networks will carry an abundance of industry and consumer data, changing the nature of business competition. Securing those assets will make future network security key to ensuring trustworthiness of society and industry.

#### S172(1) (B) "The interests of the company's employees"

The Directors recognise that our employees are fundamental to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. See Employee consultation in the Director's Report.

Ericsson's approach and commitments are set out in its Health, Safety, and Well-being policy, which states that the Company shall apply a risk based approach to prevent, control and mitigate work-related hazards and risks, and continually improve its processes. Ericsson shall comply with customer and other applicable health and safety requirements that extend beyond legal compliance, even when these requirements exceed local legislation. Further, Ericsson shall design workplaces and work processes, and provide tools that promote and support the health, safety and well-being of workers. The Company shall provide necessary training and engage and consult with employees and other stakeholders to get input for continuous improvement of the health, safety and well-being management system

#### S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Our business model is built to manage changing market requirements and to capture new business opportunities. Customer focus and motivated employees are key to drive our business, create stakeholder value and to build a stronger company long term. With an agile and efficient business model, we create value for our stakeholders by providing industry leading, high performing, sustainable and cost-efficient solutions to our customers.

The Company's business partners, including suppliers adhere to The Code of Conduct for Business Partners, It covers four main areas: environmental management, human and labour rights, occupational health and safety and business ethics and anti-corruption. Suppliers not adhering to the CoC may be subject to termination of their contracts. Ericsson offers free online training on the Company website for business partners that cover the CoC in general as well as additional focus training on anti-corruption, conflict minerals, occupational health and safety and climate action.

#### S172(1) (D) "The impact of the company's operations on the community and the environment"

Sustainability is central to Ericsson's purpose. We are committed to creating positive impacts in society and reducing risks to Ericsson, our customers and society through our technology, our solutions and the expertise of our people. The work is a continuous journey and our Sustainability and Corporate Responsibility strategy covers three focus areas: Responsible business, Environmental sustainability and Digital inclusion.

Ericsson Limited adheres to the Ericsson Group policy on Sustainability and Corporate Responsibility. For more information on Climate action please read our Sustainability and Corporate Responsibility report for Telefonaktiebolaget LM Ericsson Group 2023 Annual Report. (<https://www.ericsson.com/4933e6/assets/local/investors/documents/2023/sustainability-and-corporate-responsibility-report-2023-en.pdf>).

Proactive management of topics relating to climate action and environment is a core component of Ericsson's Group sustainability strategy. We leverage a circular economy (design, use, re-use, recycle) approach in everything we do; and work to reduce environmental impacts and emissions from our operations, our portfolio and in society.

#### S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

Ericsson Group's purpose is to empower an intelligent, sustainable and connected world in ways which are economically, environmentally and socially responsible. Ericsson Group has clear frameworks, such as Code of Conduct, Code of Business Ethics & Compliance manuals, and its Modern Slavery Statements, to ensure that its high standards are maintained both within Ericsson and the business relationships we maintain.

Please visit the appropriate corporate website addresses for more information on the following subjects:

- Corporate responsibility  
<https://www.ericsson.com/en/about-us/sustainability-and-corporate-responsibility/responsible-business>
- Our Compass (Code of business ethics) - <https://www.ericsson.com/en/about-us/corporate-governance/code-of-ethics>
- Ericsson Code of Conduct for Business Partners -  
[https://www.ericsson.com/4982d3/assets/local/about-ericsson/sustainability-and-corporate-responsibility/documents/supplier-code-of-conduct/ericsson-code-of-conduct-for-business-partners\\_english.pdf](https://www.ericsson.com/4982d3/assets/local/about-ericsson/sustainability-and-corporate-responsibility/documents/supplier-code-of-conduct/ericsson-code-of-conduct-for-business-partners_english.pdf)
- Occupational Health & Safety policy  
<https://www.ericsson.com/en/about-us/sustainability-and-corporate-responsibility/responsible-business/health-and-safety>

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**Strategic report (continued)**

**Section 172(1) Statement (continued)**

**S172(1) (F) "The need to act fairly as between members of the company"**

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on all stakeholders (suppliers, customers, employees, society and shareholders).

In discharging its section 172 duties the Company has regard to the factors set out above. The directors also take into account the views and interests of a wider set of stakeholders when making decisions. During the year the Directors received information to enable them to consider the impact of the company's decisions on its key stakeholders. This information was distributed in a range of different formats, including through reports and presentations on our financial and operational performance, non-financial KPIs and risk matters. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the Directors have to make difficult decisions based on competing priorities. By considering the company's purpose and values, together with its strategic priorities and having a process in place for decision-making, the Directors do, however, aim to balance those different perspectives.

As is normal for large companies, Directors have delegated authority for day-to-day management of the company to its key management executives and then engage management in setting, approving and overseeing the execution of the strategy and related policies. During the year, the Directors reviewed the company's financial and operational performance; key transactions (if any); matters relating to the commitments which were made as part of the Ericsson's Group DPA with the US Department of Justice; regulatory, funding and pensions matters, mechanisms of stakeholder engagement and diversity and inclusion. The Directors received papers and reports on these matters which were then reviewed, discussed and approved, as necessary.

The impact of the company's activities on our stakeholders, including our colleagues, customers and suppliers is an important consideration when making decisions. The Directors will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders and of Telefonaktiebolaget LM Ericsson Group means that stakeholder engagement often takes place at an operational or group level. This is deemed as being a more efficient and effective approach, also helping to achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on how the Ericsson Group engages with its stakeholders and how stakeholder interests and section 172 duties have been considered in reaching certain key strategic decisions, please see page 234. "Section O1" in the Telefonaktiebolaget LM Ericsson Group 2023 Annual Report, which is available from: <https://www.ericsson.com/4933e7/assets/local/investors/documents/2023/annual-report-2023-en.pdf>

As set out above, decisions taken by the Directors consider the interests of our key stakeholders and the impacts of these decisions. The Directors of the Company feel that there has not been a singular example of what they consider is a key decision that has been made in regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duties.

Approved for issue by the board of directors

DocuSigned by:

*Liam O'Brien*

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Mr L O'Brien

Director

14/06/2024

## Directors' report

The directors present their annual report and financial statements of the Company as at and for the year ended 31 December 2023.

### Principal activities

The Company is a private company, limited by shares and incorporated and domiciled in England, United Kingdom. Its registered office and principal place of business is the 14th Floor, Thames Tower, Station Road, Reading, Berkshire RG1 1LX.

The principal activities of the Company are the design, supply, installation and service of telecommunications equipment and network services. The Company provides complete solutions for operators, and consumers from fixed and mobile networking, intelligent network platforms, telecom management solutions, through to end-user applications and service delivery.

### Going concern

As at 31 December 2023, the company has been in a net assets and a net current asset position. After ensuring that financial, operational and liquidity forecasting updates are maintained and reviewed on an ongoing basis, and receiving an undertaking from the ultimate parent company, Telefonaktiebolaget LM Ericsson, that it will provide all necessary financial support to the Company for at least 12 months from the date of approval of these financial statements, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing financial statements.

### Future developments

Ericsson's vision is of a Networked Society where everything that benefits from being connected will be connected. During the transformation to the Networked Society clear customer segmentation is taking place as operators assume different roles in the transforming information and communications technology (ICT) market. Ericsson supports its customers in the new ICT landscape by using the advantages of technology leadership, a position which has resulted in a competitive portfolio of radio networks, core networks and backhaul solutions. Since network performance has become the prime driver of consumer loyalty, and increasing customer loyalty has significant benefits in terms of generating long-term value, there is also a demand for network design and optimization expertise to maintain high-quality of service, including accessibility, speed, reliability and high-quality user experience.

Ericsson has identified three emerging and strategic operator segments where connectivity is, and will continue to be, the foundation of business: Network developer; Service enabler; and Service creator.

**Network developer:** Ericsson addresses the demands with solutions for high-performance network architecture including mobile infrastructure, software-defined networking (SDN) technologies, network functions virtualization (NFV) and indoor connectivity.

**Service enabler:** Ericsson addresses demands for a high-performing network, billing, customer care and service assurance with its OSS and BSS platforms and professional services offering. These offerings cater to needs for control and management of operations and the identification of new revenue streams. Included in Ericsson's offerings are also the Network-enabled Cloud, network functions virtualization (NFV) and software-defined networking technologies that enable common management and orchestration across network resources and cloud applications.

**Service creator:** Ericsson offers intelligent nodes and platforms, and tools to transform the platforms, including service capabilities that fit the demands of service creators and enable them to expand their business. Ericsson also addresses service creator needs by providing technology that brings cloud capabilities into the network, with the flexibility and elasticity needed to deploy software applications wherever and whenever they are needed. Offerings include Smart Meter Managers and IoT Security.

### Employee engagement and business relationships

Please see the Strategic Report S172(1) (B) and S172(1) (C) on page 6.

### Dividends

No dividend payment was made during the year (2022: £nil) and the directors do not propose to declare a final dividend in respect of 2023 (2022: £nil).

### Post balance sheet event

There were no material or significant events that occurred in the period from 31 December 2023 to the date of reporting that would require adjustment to or disclosure in the financial statements.

### Directors and their interests

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

Mr L O'Brien  
Mr R Peacock  
Mr J Griffin  
Ms K Ainley  
Ms S Croft (appointed 2 October 2023)

None of the directors held an interest in the share capital of the Company or that of its parent company, Telefonaktiebolaget LM Ericsson, a Company incorporated in Sweden (which is domiciled in Sweden at Torshamnsgatan 21, SE-164 83 Stockholm), at any time during the year. During the year and at the date of approval of the financial statements, the Company held third party indemnity cover in respect of directors of the Company.

The directors are the only key management personnel of the Company and their remuneration is included in the disclosure in Note 17 of the financial statements.

**Directors' report (continued)**

**Financial risk management**

The Company's financial risk management policy is primarily driven by Ericsson Group Treasury. The principal role is to ensure that appropriate financing is in place to manage the Company's liquidity as well as financial assets and liabilities, and to control financial risks exposures in a manner consistent with underlying business risks and financial policies. The Company does not undertake any local hedging activities.

See Note 11 for further details on credit risks.

See Note 15 for further details on foreign exchange, interest rate and liquidity risks.

**Research and development activities**

The research and development program currently employs 10 dedicated researchers and support heads to lead 6G research projects that contribute to the development of global technology, network innovation and new product solutions. 6G is expected to become available in the 2030s, building on societal, consumer and industry use-case mobile connectivity breakthroughs enabled by the high-end capabilities of 5G. It is anticipated that 6G will merge the digital and physical world, contribute to a more intelligent, sustainable and efficient society and help deliver new use cases that include multi-sensory extended reality, precision healthcare, smart agriculture, cobots, and intelligent autonomous systems.

The current research investment in the UK builds on Ericsson's long history at the heart of the country's telecommunications industry and supports the Government's ambition to be a leader in the development of future communications and global standards.

**Disabled employees**

Applications for employment by disabled persons are 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 that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**Employee engagement and business relationships**

Please see the Strategic Report S172(1) (B) and S172(1) (C) on page 6.

**Employee consultation**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Employees are engaged with on a group wide basis via Voice Surveys, where by the engagement is delegated via departmental heads. These surveys serve as a multi directional tool to feedback to the Ericsson group on subjects that matter and affect the staff and their interests and discussions are implemented on improvements and actions needed.

**Policy and practice on payment of creditors**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are informed of payment and that the Company abides by the terms of payment.

Trade creditors (including intercompany) of the Company at 31 December 2023 were equivalent to 65 days purchases (2022: 74 days), based on the average daily amount invoiced by suppliers during the year.

**Approved for issue by the board of directors**

DocuSigned by:

*Liam O'Brien*

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Mr L O'Brien

Director

14/06/2024

### 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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the United Kingdom. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. 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, International Accounting Standard 1 requires the directors to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the IASB and as adopted by the United Kingdom 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 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 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

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

### Disclosures included in the strategic report

Items that are required to be included within the Directors report and the strategic report have been limited to the Strategic report and are cross referenced here for simplicity.

- How the director have had regard to fostering business relationships and the engagement with suppliers, customers and others. (See section 172 disclosure pages 6 - 7);
- Annual quality of emissions (See SECR Report summary pages 4 - 5);
- Intensity ratio in respect of annual emissions (See SECR Report summary pages 4 - 5); and
- Measure to increase energy efficiency (See SECR Report summary pages 4 - 5).

### Disclosure of information to the auditors

In accordance with Section 418 of the Companies Act 2006 in the case of each director in office at the date the directors' report, it has been approved 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.

### Independent auditors

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP have expressed their willingness to continue in office as auditors and are therefore deemed reappointed as auditors.

On behalf of the board of directors

DocuSigned by:

Liam O'Brien

Mr L O'Brien

Director

14/06/2024

## Independent auditors' report to the members of Ericsson Limited

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 comprehensive income;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

#### 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.

#### 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.

**Independent auditors' report to the members of Ericsson Limited (continued)**

**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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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.

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.

As a result of performing the above, we identified the greatest potential for fraud to be the risk that revenue is overstated as a result of unrecorded price concessions in relation to re-negotiation of agreements with existing customers that could result in retrospective price adjustments that are not reported timely in the financial statements.

Our procedures performed to address it included:

- Testing the design, implementation and operating effectiveness of relevant controls that are in place to ensure accurate accounting treatment of identified performance obligations.
- Performing inquiries with controllers as to ongoing negotiations of agreements with existing customers.
- Obtaining relevant meeting minutes and inspecting those for any discussions of potential price concessions.
- Obtaining the list and supporting evidence for post fiscal year-end revenue reversals and determining if the revenue reversal pertains to the correct period, or if a price concession has been identified that should have been estimated and recorded in the period under audit.

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 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.

**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.

DocuSigned by:

*Gavin Waters*

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Gavin Waters FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor, Reading, United Kingdom

14 June 2024 | 18:04:26 CEST

**Income statement**

Year ended 31 December 2023

	Notes	2023 £000	2022 £000
Revenue	2	634,162	664,908
Cost of sales		(540,607)	(573,806)
Gross profit		93,555	91,102
Administration and selling expenses		(69,393)	(68,695)
Operating profit	3	24,162	22,407
Finance expense	6	(4,750)	(2,163)
Finance income	6	5,591	2,400
Net pension scheme finance income	16	8,351	3,735
Profit before taxation		33,354	26,379
Tax	5(a)	(8,055)	(6,379)
Profit for the financial year		25,299	20,000

All of the above results relate to continuing activities.

**Statement of comprehensive income**

Year ended 31 December 2023

	Notes	2023 £000	2022 £000
Profit for the financial year		25,299	20,000
Other comprehensive expense			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	16	(30,214)	(46,638)
Tax on remeasurements of defined benefit pension plans	5(c)	7,553	11,660
Total comprehensive income / (expense)		2,638	(14,978)

The total comprehensive (loss) / income above is attributable to the owners of the company.

**Balance sheet**

At 31 December 2023

	Notes	2023 £000	2022 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	2,687	2,944
Right-of-use assets	14	5,072	5,891
Pension assets	16	148,117	171,118
		<b>155,876</b>	<b>179,953</b>
<b>Current assets</b>			
Inventories	8	32,471	25,650
Contract assets	2	26,806	12,017
Trade and other receivables	9	319,863	287,624
Cash	10	4,213	202
		<b>383,353</b>	<b>325,493</b>
<b>TOTAL ASSETS</b>		<b>539,229</b>	<b>505,446</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>			
Share capital	13	52,600	52,600
Retained earnings		73,165	70,353
		<b>125,765</b>	<b>122,953</b>
<b>Non-current liabilities</b>			
Lease liabilities	14	5,430	6,673
Deferred tax	5	28,852	33,918
Provisions	12	1,065	755
		<b>35,347</b>	<b>41,346</b>
<b>Current liabilities</b>			
Provisions	12	3,511	1,596
Contract liabilities	2	109,447	84,543
Lease liabilities	14	1,867	1,814
Trade and other payables	11	263,292	253,194
		<b>378,117</b>	<b>341,147</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>539,229</b>	<b>505,446</b>

The financial statements on pages 15 to 37 were approved and authorised for issue by the board and were signed on their behalf by Mr L O'Brien on 14/06/2024.

DocuSigned by:

*Liam O'Brien*

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Mr L O'Brien (Director)

Registered No: 00942215

**Statement of cash flows**

For the year ended 31 December 2023

	Note(s)	2023 £000	2022 £000
<b>Operating activities</b>			
Profit before taxation		33,354	26,379
Adjustments for:			
Depreciation - property, plant and machinery	7	612	890
Depreciation - right-of-use assets		1,826	1,913
Loss on disposal of property, plant and equipment		-	33
Loss on disposal of right-of-use assets		43	24
Finance income		(5,591)	(2,400)
Finance costs		4,750	2,164
R&D credit		(1,157)	(1,126)
Provisions	12	2,225	(2,030)
Withholding tax write off		-	1
<b>Changes in operating net assets</b>			
Inventories	8	(6,821)	2,799
Contract assets		(14,789)	41,395
Trade and other receivables		(32,239)	(108,552)
Contract liabilities		24,904	13,975
Trade and other payables		(327)	22,939
Pensions		(2,236)	(3,271)
Cash used in operations		4,554	(4,867)
Group relief payment		-	-
<b>Cash outflow from operating activities</b>		<b>4,554</b>	<b>(4,867)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	7	(355)	(238)
Interest received	6	5,686	2,151
<b>Cash outflow from investing activities</b>		<b>5,331</b>	<b>1,913</b>
<b>Financing activities</b>			
Interest paid	6	(4,344)	(1,680)
Lease payments	14	(1,530)	(3,887)
<b>Cash outflow from financing activities</b>		<b>(5,874)</b>	<b>(5,567)</b>
<b>Net change in cash</b>		<b>4,011</b>	<b>(8,521)</b>
Cash at the beginning of year		202	8,723
<b>Cash and cash equivalents, end of year</b>	10, 11	<b>4,213</b>	<b>202</b>

**Statement of changes in equity**

For the year ended 31 December 2023

	Share capital (note 13) £000	Retained earnings £000	Total equity £000
At 1 January 2022	52,600	84,883	137,483
Profit for the financial year	-	20,000	20,000
Share based payments	-	448	448
Other comprehensive expense	-	(34,978)	(34,978)
<b>At 31 December 2022</b>	<b>52,600</b>	<b>70,353</b>	<b>122,953</b>
At 1 January 2023	52,600	70,353	122,953
Profit for the financial year	-	25,299	25,299
Share based payments	-	174	174
Other comprehensive expense	-	(22,661)	(22,661)
<b>At 31 December 2023</b>	<b>52,600</b>	<b>73,165</b>	<b>125,765</b>

**Notes to the financial statements**  
For the year ended 31 December 2023

**1 Accounting policies**

**Basis of preparation**

The Company is a private company, limited by shares and incorporated and domiciled in England, United Kingdom. Its registered office and principal place of business is the 14th Floor, Thames Tower, Station Road, Reading, Berkshire RG1 1LX.

The principal activities of the Company are the design, supply, installation and service of telecommunications equipment and network services. The Company provides complete solutions for operators, and consumers from fixed and mobile networking, intelligent network platforms, telecom management solutions, through to end-user applications and service delivery.

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

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

The financial statements have been prepared under the historical cost convention except as described in the accounting policy on plan assets related to defined benefit pension plans.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

**Going concern**

As at 31 December 2023, the company has been in a net assets and a net current asset position. After ensuring that financial, operational and liquidity forecasting updates are maintained and reviewed on an ongoing basis, and receiving an undertaking from the ultimate parent company, Telefonaktiebolaget LM Ericsson, that it will provide all necessary financial support to the Company for at least 12 months from the date of approval of these financial statements, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing financial statements.

**Standards, amendments and interpretations effective in 2023**

**New standards and interpretations**

On January 1, 2023, the following amendments issued by the IASB were adopted with no material impact on the results and financial position of the Company.

- IFRS 17 Insurance contracts (including the June 2020 and December 2021 amendments to IFRS 17, which establishes principles for
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules

**New standards, amendments and interpretations not yet adopted**

A number of new amendments to standards and interpretations are not yet effective for the year ended December 31, 2023, and have not been applied in preparing these consolidated financial statements.

**The IASB has issued the following Amendments with effective date January 1, 2024:**

- Amendments to IAS 1 Presentation of financial statements – Classification of liabilities as current or non-current
- Amendments to IAS 1 Presentation of financial statements – Non-current liabilities with covenants
- Amendments to IFRS 16 Leases – Lease liability in a sale and leaseback
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements. These amendments will increase the disclosures for Supplier Finance Arrangements

**The IASB has issued the following Amendments with effective date January 1, 2025:**

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Issued on 15 August 2023)

The Company has finalised the evaluation of any impact on financial results or position from this standard and these amendments and concluded that they will not have a material impact on the results and financial position of the Company.

**Statement of cash flows**

The statement of cash flows is prepared in accordance with the indirect method.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

**Foreign currency transactions and translation**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Revenue recognition**

Revenue primarily represents the value of goods and services supplied to customers during the period and is recorded net of both discounts/rebates and VAT. Revenue also includes transactions with group companies ranging from supply of goods, services and cost recharges. Revenue is recognised with reference to all significant contractual terms when the product or service has been delivered, when the revenue amount is fixed or determinable and when collection is reasonably assured. Specific contractual performance and acceptance criteria may impact the timing and amounts of revenue recognised.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**1 Accounting policies (continued)**

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation and any impairment charges are included in Administration and selling expenses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, at the following annual rate:

Leasehold buildings	- Term of lease
Plant and machinery	- 2 to 10 years
Software development costs	- 3 to 4 years

The assets' useful lives are reviewed and adjusted as appropriate at the end of each reporting period. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains and losses on disposals are determined by comparing the proceeds less cost to sell with the carrying amount and are recognised within Administration and selling expenses in the income statement.

**Leasing**

The assets leased by the Company are vehicle and real estate related.

*Leasing when the Company is the lessee*

The Company recognizes right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions. This model reflects that, at the start of a lease, the lessee always obtains the right to use an asset for a period of time and has an obligation to pay for that right.

In the assessment of a lease contract the lease components are separated from non-lease components and the lease term is defined based on the contract lease term and when reasonably certain estimated extension or termination options are included.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted normally using the Company's incremental borrowing rate. The incremental borrowing rate is calculated considering interest swap rates, the creditworthiness of the entity that signs the lease and an adjustment for the asset being collateralised. Lease payments included in the liability are fixed payments, variable payments depending on an index or rate and penalties for termination of contracts.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs, and restoration costs.

The Company applies the recognition exemption for short-term leases and leases for which the underlying asset is of low-value recognizing the lease payments for those leases as an expense on a straight-line basis over the lease term. The interest expense on lease liabilities is presented as a component of finance costs separate from the depreciation charges for right-of-use assets. For more information regarding leasing, see note 14, "Leases."

**Financial assets**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

**Financial assets at amortized cost**

Financial assets are classified as amortized cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortized cost using the effective interest method, minus impairment allowances. Interest income and gains and losses from financial assets at amortized cost are recognized in financial income.

**Impairment**

At each balance sheet date, financial assets and contract assets are assessed for impairment based on Expected Credit Losses (ECL). ECLs are the differences between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company adopts a simplified approach for trade receivables and contract assets whereby allowances are always equal to lifetime ECLs. The Company has established a provision matrix based on historical credit loss experience, which has been adjusted for current conditions and expectations of future economic conditions. The losses are recognized in the income statement. When there is no reasonable expectation of collection, the asset is written off.

**Financial liabilities**

Financial liabilities are recognised when the Company becomes bound to the contractual obligations of the instrument. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired.

**Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Inventories**

Inventories are measured at the lower of cost or net realizable value and using cost formula first-in, first-out (FIFO) related to the Company's owned production and weighted average cost formula for externally purchased components and raw materials within the Company's production units. The cost of inventories related to work in progress is measured at its individual costs. Risks of obsolescence have been measured by estimating market value based on future customer demand and changes in technology and customer acceptance of new products.

A significant part of inventories is Contract work in progress (CWIP). Recognition and derecognition of CWIP relates to the Company's revenue recognition principles meaning that costs incurred under a customer contract are initially recognized as CWIP (see Revenue recognition policy). When the related revenue is recognised, CWIP is derecognised and is instead recognised as Cost of sales.

## Notes to the financial statements (continued)

For the year ended 31 December 2023

### 1 Accounting policies (continued)

#### Income taxes

Income taxes in the financial statements include both current and deferred taxes. Income taxes are reported in the income statement unless the underlying item is reported directly in equity or other comprehensive income (OCI). For those items, the related income tax is also reported directly in equity or OCI. A current tax liability or asset is recognised for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognised for temporary differences between the book values of assets and liabilities and their tax values and for tax loss and tax credit carry forwards. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax loss and tax credit carry forwards can be utilised. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or when it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognised in the income statement, unless it relates to a temporary difference earlier recognised directly in equity or OCI, in which case the adjustment is also recognised in equity or OCI.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilization of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilization.

#### Provisions and contingent liabilities

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflows. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to restructuring, customer projects and other obligations and claims or obligations as a result of patent infringement and other litigations.

A restructuring obligation is considered to have arisen when the Company has a detailed formal plan for the restructuring (approved by management), which has been communicated in such a way that a valid expectation has been raised among those affected. Provision for restructuring is recorded when the Company has a constructive obligation and can reliably estimate the related liabilities. The estimate is based on the Company's expected expenditure to settle the obligation and is adjusted when changes to the expenditure are known.

Project related provisions include estimated losses on onerous contracts, contractual penalties and undertakings. For losses on customer contracts, a provision equal to the total estimated loss is recorded when a loss from a contract is anticipated and possible to estimate reliably. These contract loss estimates include any probable penalties to a customer under a loss contract.

Provisions are recognised when it is probable that an obligation has arisen, and the amount can be reasonably estimated based on a detailed analysis of each individual issue.

Present or possible obligations which do not meet the provision recognition criteria are reported as contingent liabilities. For further detailed information, see note 18.

#### Pensions

Pensions are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditures for defined contribution plans are recognised as expenses during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to current and former employees. The related actuarial and investment risks fall on the Company.

The Company operates two defined benefit pension schemes and a defined contribution pension scheme for its employees. The assets of the schemes are held separately from those of the Company.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme assets are measured using market values at the balance sheet date.

The pension scheme asset is recognised in full on the balance sheet. The deferred tax liability relating to a benefit asset is recorded separately in provisions, as a deferred tax liability.

Increases in the present value of the scheme liabilities expected to arise from employee service in the period are charged to operating profit. The expected return on scheme assets less the increase in the present value of scheme liabilities arising from the passage of time are included within net finance charges. Actuarial gains and losses are recognised in OCI in the period in which they occur.

#### Critical accounting estimates and judgements

The preparation of financial statements and application of accounting standards often involve management's judgement and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgements or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. The following are the accounting policies subject to such judgements and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**1 Accounting policies (continued)**

**Critical accounting estimates and judgements (continued)**

*Revenue recognition*

**Key sources of estimation uncertainty**

The Company uses estimates and judgments in determining the amount and timing of revenue particularly when determining the transaction price and its allocation to performance obligations identified under the contract.

Transaction price may consist of variable elements such as discounts, performance related price and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer. This includes assessment of price concession based on latest available information on contract negotiations that could have retrospective impact on prices for products and services already ordered or delivered.

Revenue is allocated to each performance obligations by reference to their standalone selling prices. The Company considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates comprise prices set for similar customers and circumstances, adjusted to reflect appropriate profit margins for the market. Estimates are used to determine discounts that relate specifically to each performance obligation, thus impacting the stand-alone selling price.

**Judgments made in relation to accounting policies applied**

Management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then no further revenue shall be recognized until the collectability criteria is met. Conversely, this assessment may also change favourably over time, upon which revenue shall now be recognized on a contract that did not initially meet the collectability criteria.

Management also applies judgment in assessing criteria for contract combination. Master purchase agreement can cover a number of different businesses with the same customer and judgment is applied to assess if prices relating to the different businesses are highly dependent, in which case, contracts relating to such businesses shall be combined and the total transaction price allocated to each performance obligation based on estimated stand-alone selling prices. Judgment can also be applied on contract amendments related to prior performance obligations, in which case, the judgment is related to assess if part of the transaction price shall be applied retrospectively.

Revenue for standard products shall be recognized when control over the equipment is transferred to the customer at a point in time. This assessment shall be viewed from a customer's perspective considering indicators such as transfer of titles and risks, customer acceptance, physical possession, and billing rights. Judgment may be applied in determining whether risk and rewards have been transferred to the customer and whether the customer has accepted the products. Often all indicators of transfer of control are assessed together and an overall judgment formed as to when transfer of control has occurred in a customer contract.

*Pensions*

**Key sources of estimation uncertainty**

Accounting for the costs of defined benefit pension plans is based on actuarial valuations, relying on key estimates for discount rates, expected return on plan assets, future salary increases, employee turnover rates and mortality tables (see note 16). The discount rate assumptions are based on rates for high-quality fixed-income investments with durations as close as possible to the Company's pension plans.

As at 31 December 2023 the carrying value of defined benefit schemes stood at £141.5m of assets (2022: £171.0m assets), with the defined contribution with underpin of £6.6m of assets (2022: £0.1m assets).

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**2 Revenue**

All revenue is derived from the main activity of the company. An analysis of revenue by geographical market is given below, based on the region in which the order is received:

	2023 £000	2022 £000
UK	612,632	648,096
Rest of Europe	20,891	16,673
Other	639	139
	<b>634,162</b>	<b>664,908</b>

During the year five customers from the UK geographical market individually contributed to more than 10% of the company's total revenue. The total value of revenue derived from these five customers amounted to £578.4m (2022: five customers amounting to £627.3m).

All revenue is derived from the main activity of the company. An analysis of revenue by category is given below:

	2023 £000	2022 £000
Internal cost recovery	20,318	16,231
External sales:		
Customer support	309,192	325,935
Hardware	192,741	218,658
Software	111,911	104,084
	<b>634,162</b>	<b>664,908</b>

**Assets and liabilities related to contracts with customers**

	Contract assets £000	Contract liabilities £000
At 1 January 2022	53,412	70,568
At 31 December 2022	12,017	84,543
At 31 December 2023	<b>26,806</b>	<b>109,447</b>

Contract assets are recognised when a performance obligation is satisfied, revenue recognition is applied under IFRS 15, this occurs where a performance measure meets the condition of recognition, but the goods and services have not met billing milestones within the contract. This year's increase has come from continued network roll out activities during the year which have yet to reach those billing milestones within the contract but are recognisable as revenue under IFRS 15.

Contract liabilities are recognised where there is an obligation to deliver goods or services after a customer has made payment. Under IFRS 15 some amounts of billed items will still need to be delivered such as service credits, contractual vouchers and discounts when contractual performance metrics have been achieved. The increase this year in liabilities has again arisen from the continued network roll work that has been undertaken during the year.

The following table shows how much of the revenue recognised in the current reporting year relates to carried forward contract liabilities:

	2023 £000	2022 £000
Revenue recognised in the year		
Revenue recognised in the year related to the opening contract liability balance	48,546	64,018

**Unsatisfied long-term contracts**

The following table shows unsatisfied performance obligations resulting from contracts:

	2023 £000	2022 £000
Unsatisfied long-term contracts	329,049	386,502

Management expects that 68% of the transaction price allocated to the unsatisfied contracts as of 31 December 2023 will be recognised as revenue during the next reporting period. The remaining 32% will be recognised in the 2025 financial year or later.

**3 Operating profit**

This is stated after charging:

	2023 £000	2022 £000
Depreciation of owned fixed assets	612	890
Depreciation of right-of-use assets	1,826	1,915
Foreign exchange (gains) / losses	872	460
Auditors' remuneration - for audit of the Company's financial statements	36	86

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**4 Staff costs**

	2023	2022
	£000	£000
Wages and salaries	127,126	122,094
Social security costs	15,672	15,378
Other pension costs:		
Defined benefit pension costs	3,374	1,573
Defined contribution pension costs	9,459	8,364
	<b>155,631</b>	<b>147,409</b>

The monthly average number of employees during the year was as follows:

	2023	2022
	No.	No.
Services	1,213	1,208
Research & development	10	9
Sales and marketing	78	79
General & administration	128	121
	<b>1,429</b>	<b>1,417</b>

See note 17 for disclosure on directors' emoluments and the number of directors who are accruing benefits under the defined benefit scheme.

**5 Tax expense**

**a. Tax expense**

	2023	2022
	£000	£000
Current tax:		
UK current income tax	5,032	2,839
WHT write off	-	1
Adjustments in respect of prior years	536	1,841
Total current tax	<b>5,568</b>	<b>4,681</b>
Deferred tax:		
Origination and reversal of temporary differences	3,245	2,368
Effect of rate change	208	748
Adjustments in respect of prior years	(966)	(1,418)
Total deferred tax	<b>2,487</b>	<b>1,698</b>
Tax on profit	<b>8,055</b>	<b>6,379</b>

The year end balance for current income tax is as follows:

	2023	2022
	£000	£000
Current income tax (payable) / receivable	<b>(5,508)</b>	<b>(1,263)</b>

**Notes to the financial statements (continued)**  
For the year ended 31 December 2023

**5 Tax expense (continued)**

**b. Factors affecting tax charge for year**

The UK standard rate of tax was 23.5% in 2023 and 19% in 2022. Due to the increase in the UK corporation tax rate from 19% to 25% effective from 1 April 2023, the deferred tax liability is valued at a tax rate of 25%.

	2023	2022
	£000	£000
Profit before taxation	33,354	26,379
Profit at standard rate 23.5% (2022: 19.00%)	7,838	5,012
Effects of:		
Expenses not deductible for tax purposes	439	196
Adjustments in respect of prior years	(430)	423
Effect of rate change	208	748
WHT write off	-	1
<b>Total tax expense for the year</b>	<b>8,055</b>	<b>6,379</b>

**c. Deferred tax liability**

A deferred tax liability of £28.9m (2022: £33.9m), was recognised in the books at 31 December 2023. It is payable in more than one year.

	2023	2022
	£000	£000
Depreciation in excess of capital allowances	4,837	5,879
Pensions	(37,013)	(42,779)
Other temporary differences	695	708
Deferred tax credits	2,629	2,274
<b>Total deferred tax liability</b>	<b>(28,852)</b>	<b>(33,918)</b>
	2023	2022
	£000	£000
Amounts recognised in the financial statements		
At 1 January	(33,918)	(43,880)
Charge to income statement	(2,487)	(1,698)
Recognised in OCI	7,553	11,660
<b>At 31 December</b>	<b>(28,852)</b>	<b>(33,918)</b>

**d. Factors affecting current and future tax charges**

On 11 July 2023 Finance (No2) Act 2023 was enacted in the UK introducing a global minimum effective tax rate of 15%. The legislation implements a multinational top up tax, and a qualifying domestic top up tax to apply for fiscal years beginning on or after 31 December 2023. The company is within a multinational group subject to the scope of Pillar 2 taxation and so the UK domestic minimum top up tax will apply to the aggregated jurisdictional results of all the Ericsson UK companies to ensure a minimum effective tax rate of 15%. Management is continuing to assess the impact of this new legislation on its future performance, however, based on the analysis performed, management does not expect the legislation effective in 2024 to have a material impact on the results of operations or cash flows for the year ending 31 December 2024 or the financial position as at that date due to the benefits of substance based income exclusion amounts and other adjustments.

The company has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS12. Accordingly, the company neither recognises nor discloses information about any deferred tax assets or liabilities related to Pillar 2 income taxes.

**6 Finance income / (expense)**

	2023	2022
	£000	£000
Finance income:		
Interest receivable and similar income:	4,719	1,940
Foreign exchange gains	872	460
	5,591	2,400
Finance expense:		
Interest payable and similar charges:		
Interest due to group companies	(4,344)	(1,680)
Interest on lease liabilities	(406)	(484)
	(4,750)	(2,164)

Notes to the financial statements (continued)  
For the year ended 31 December 2023

7 Property, plant and equipment

	Assets under construction £000	Leasehold buildings £000	Plant & machinery £000	Total £000
<b>Cost:</b>				
At 1 January 2023	-	4,366	11,497	15,863
Additions	306	-	49	355
Disposals	-	-	-	-
<b>At 31 December 2023</b>	<b>306</b>	<b>4,366</b>	<b>11,546</b>	<b>16,218</b>
<b>Accumulated depreciation:</b>				
At 1 January 2023	-	1,800	11,119	12,919
Charge for the year	-	442	170	612
Disposals	-	-	-	-
<b>At 31 December 2023</b>	<b>-</b>	<b>2,242</b>	<b>11,289</b>	<b>13,531</b>
<b>Net book value:</b>				
At 31 December 2023	306	2,124	257	2,687
At 31 December 2022	-	2,566	378	2,944

8 Inventories

	2023 £000	2022 £000
Work in process and goods in transit	27,754	20,238
Finished goods and goods for resale	4,717	5,412
	<b>32,471</b>	<b>25,650</b>

The above balances include £0.38m (2022: £0.44m) which represents the allowance for obsolescence.

9 Trade and other receivables

	2023 £000	2022 £000
Trade receivables	292,762	275,468
Allowances for impairment	(92)	(18)
Net trade receivables	292,670	275,450
Amounts owed by group undertakings	24,651	7,187
Prepayments	2,542	4,987
	<b>319,863</b>	<b>287,624</b>

Included within the amounts owed by group undertakings are cash balances amounting to £20.0m (2022: £1.7m) held in cash pooling facility arrangements. Inter-company balances relating to normal trading amounted to £4.6m (2022: £5.5m) and are receivable on group standard payment terms (30 days net) with no extended credit.

Trade receivables are primarily denominated in sterling, with £0.1m being denominated in US dollars/US dollar linked currencies (2022: £0.2m) and £35.1m being denominated in Euros (2022: £27.0m). The book value of trade and other receivables is consistent with fair value in the current and prior year.

Movement in allowances for impairment

	2023 £000	2022 £000
Balance at 1 January	(18)	(8)
Additions	(512)	(363)
Utilisation	438	353
Balance at 31 December	<b>(92)</b>	<b>(18)</b>

Aging analysis as at 31 December 2023

	Amount £000	Of which neither impaired nor past due £000	Of which impaired, not past due £000	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days £000	90 days or more £000	less than 90 days £000	90 days or more £000
Trade receivables	292,762	284,222	-	7,974	474	-	92
Allowances for impairment	(92)	-	-	-	-	-	(92)
Net trade receivables	292,670	284,222	-	7,974	474	-	-

**Notes to the financial statements (continued)**  
For the year ended 31 December 2023

**9 Trade and other receivables (continued)**

Aging analysis as at 31 December 2022

	Amount	Of which neither impaired nor past due	Of which impaired, not past due	Of which past due in the following time intervals		Of which past due and impaired in the following time intervals	
				less than 90 days	90 days or more	less than 90 days	90 days or more
	£000	£000	£000	£000	£000	£000	£000
Trade receivables	275,468	273,721	-	1,687	42	-	18
Allowances for impairment	(18)	-	-	-	-	-	(18)
Net trade receivables	275,450	273,721	-	1,687	42	-	-

Credit risk in trade receivables is governed by a policy applicable for all legal entities in Ericsson. The purpose of the policy is to:

- Avoid credit losses through establishing internal standard credit approval routines in all Ericsson legal entities
- Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers
- Ensure efficient credit management within the Company and thereby improve Days Sales Outstanding and Cash Flow
- Ensure payment terms are commercially justifiable
- Define escalation path and approval process for payment terms and customer credit limits.

The creditworthiness of all customers is regularly assessed and a credit limit is set. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system. This is based on the credit risk set on the customer. Credit blocks appear if the credit limit set on customer is exceeded or if past due receivables are higher than permitted levels. Release of a credit block requires authorization.

Trade receivables amounted to £292.7m (2022: £275.5m). Provisions for expected losses are regularly assessed and amounted to £0.0m (2022: £0.0m). Ericsson's nominal credit losses have, however, historically been low. The five largest customers are the main telecom operators in the UK and represent 96.6% (2022: 96.5%) of the total trade receivables.

**10 Cash**

	2023	2022
	£000	£000
Cash in hand and at bank	4,213	202
	4,213	202

**11 Trade and other payables**

	2023	2022
	£000	£000
Trade creditors	32,865	33,215
Amounts owed to group undertakings	162,792	133,579
Taxation and social security	19,502	29,271
Accruals and deferred income	48,133	57,129
	263,292	253,194

On 8 June 2022 a new loan agreement from the ultimate parent undertaking and controlling party Telefonaktiebolaget LM Ericsson was signed by the company. This loan amounted to £50m and was agreed for a period of a year, the prior loan between Ericsson Limited and Telefonaktiebolaget LM Ericsson also amounted to £50m. The interest rate mechanism being utilised during the financial year end 2023 was the Secured Overnight Financing Rate (SOFR) which was a direct replacement to LIBOR which was discontinued between late 2022 and 2023. The transition between the two has led to a number of loan periods offered by Telefonaktiebolaget LM Ericsson:

- 10 November 2022 – for 6 months, with interest being charged over the term of this element of the loan calculated at SOFR plus agreed markup, and payable on the last day of the loan.
- 8 May 2023 – for 1 month with interest being charged over the term of this element of the loan calculated at SOFR plus agreed markup, and payable on the last day of the month period.
- 8 June 2023 – for 6 month with interest being charged over the term of this element of the loan calculated at SOFR plus agreed markup, and payable on the last day of the month period.

On 8 December 2023 a new loan agreement from the ultimate parent undertaking and controlling party Telefonaktiebolaget LM Ericsson was signed by the company. This loan amounted to £50m, the loan period (including any accrued interests) was for 6 months from the date of disbursement, with interest being charged over the full term of the loan calculated at SOFR plus agreed markup, and payable on the last day of the loan period.

Notes to the financial statements (continued)  
For the year ended 31 December 2023

12 Provisions

	Onerous customer contracts	LTV scheme	Restructuring	Total
	£000	£000	£000	£000
At 1 January 2022	215	3,452	714	4,381
Additions	-	713	-	713
Reversals	(66)	(216)	(287)	(569)
Utilisation	(146)	(1,901)	(127)	(2,174)
At 31 December 2022	3	2,048	300	2,351
Additions	-	1,955	3,058	5,013
Reversals	-	(171)	(28)	(199)
Utilisation	(3)	(1,360)	(1,226)	(2,589)
At 31 December 2023	-	2,472	2,104	4,576
Of which at 31 December 2023:				
Non-current liabilities	-	1,065	-	1,065
Current liabilities	-	1,407	2,104	3,511
At 31 December 2023	-	2,472	2,104	4,576
Of which at 31 December 2022:				
Non-current liabilities	-	755	-	755
Current liabilities	3	1,293	300	1,596
At 31 December 2022	3	2,048	300	2,351

**Onerous contract provision**

Onerous contract provision of £nil (2022: £nil) relates to loss on customer contracts where the expected contract revenues will not be sufficient to cover the expected contract costs.

**Restructuring provision**

At 31 December 2023 the provision of £2.1m (2022: £0.3m) represents the restructuring provision for severance and other termination costs provided for in relation to the continuing cost reduction measures undertaken by the company. The overall provision is expected to be realised by the end of 2024.

**Long Term Variable scheme**

As at 31 December 2023 the provision of £2.5m (2022 £2.0m) represents the estimated cost of Long Term Variable pay compensation. There are two plans.

The Plans are cash-settled retention plans. Employees are selected as participants annually through a nomination process. Participants are assigned a potential award based on a percentage of their annual gross salary, which is converted into a number of synthetic shares based on the same market price of Ericsson B shares used for the respective year's LTV.

One plan is a retention plan, therefore there are no performance criteria for vesting of awards. In general, there is a three-year service period for receiving the award in full and the award is subject only to continued employment during the service period.

On the second plan the vesting level of the award is subject to the achievement of the same performance criteria over the same performance period defined for the respective year and generally requires that the participant retains his or her employment over the vesting period.

At the end of the vesting period, the allotted synthetic shares are converted into a cash amount, based on the market price of Ericsson B shares at Nasdaq Stockholm at the pay-out date, and this final amount is paid to the participant in cash gross before tax.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**13 Share capital**

Authorised

	2023	2022
	£000	£000
31,000,000 ordinary shares of £1 each	31,000	31,000
139,000,000 redeemable ordinary shares of £1 each	139,000	139,000
	<b>170,000</b>	<b>170,000</b>

Allotted, called up and fully paid

	2023	2022
	£000	£000
30,600,000 ordinary shares of £1 each	30,600	30,600
22,000,000 redeemable ordinary shares of £1 each	22,000	22,000
	<b>52,600</b>	<b>52,600</b>

The redeemable ordinary shares can be redeemed at par by the Company giving notice in writing of not less than one month. Both classes of shares of the Company rank pari passu in all respects.

**14 Lease liabilities**

**The Company as lessee**

i) Right of use assets

Buildings	2023	2022
	£000	£000
Opening balance at 1 January	5,596	6,768
Depreciation charge	(1,168)	(1,190)
Additions	17	18
Closing balance at 31 December	<b>4,445</b>	<b>5,596</b>

Vehicles	2023	2022
	£000	£000
Opening balance at 1 January	295	900
Depreciation charge	(658)	(723)
Additions	1,033	142
Retirements - cost	(589)	(264)
Retirements - depreciation	546	240
Closing balance at 31 December	<b>627</b>	<b>295</b>

**Closing balance of right of use assets at 31 December** **5,072** **5,891**

ii) Lease liabilities

Lease liabilities	2023	2022
	£000	£000
Non-current	5,430	6,673
Current	1,867	1,814
	<b>7,297</b>	<b>8,487</b>

	2023	2022
	£000	£000
Interest expense (included in finance costs)	(406)	(484)
Total cash outflow for leases during the financial year	<b>1,530</b>	<b>3,887</b>

**Notes to the financial statements (continued)**

For the year ended 31 December 2023

**15 Financial risk management and financial instruments**

The Company's capital and financial risk management policies are governed at the Ericsson Group level.

**Capital management**

Ericsson Group defines its managed capital as the total of Company's equity, therefore uses Equity / Total Assets ratio as a measure of determining the appropriate capital structure of its group companies.

The capital structure is managed by balancing equity, intercompany loans and liquidity in such a way that the Company secures funding of its operations in a cost effective way for the Ericsson Group.

The Company achieves its funding needs solely through Ericsson Group Treasury and does not negotiate any external borrowing independently. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

The Company strives to finance growth, normal capital expenditures and dividends to Ericsson Group by generating sufficient positive cash flows from operating activities.

Capital objectives information:

	2023 £000	2022 £000
Equity	125,765	122,953
Total assets	539,229	505,446
Equity ratio	23.3%	24.3%
Cash flow from operating activities	4,554	(4,867)

**Financial management**

The Company's financial risk management policy is primarily driven by Ericsson Group Treasury. The principal role is to ensure that appropriate financing is in place to manage the Company's liquidity as well as financial assets and liabilities, and to control financial risks exposures in a manner consistent with underlying business risks and financial policies. The Company does not undertake any local hedging activities.

**Foreign exchange risk**

The Company is exposed to foreign exchange risk in the normal course of business for transactions not denominated in GBP Sterling. For intercompany transactions, Ericsson Group Treasury seeks to minimize such risk by dictating the currency of trade between the Company and its group undertakings.

**Interest rate risk**

The Company is exposed to interest rate risk through market value fluctuations in certain balance sheet items and through changes in interest revenues and expenses. The cash balance at year end was £4.2m (2022: £0.2m net cash). There were no interest bearing liabilities at year end (2022: £nil)

Cash or overdraft balances are managed through a cash pooling arrangement, subject to floating rates applicable to the cash pooling arrangement with the Ericsson Group Treasury. No assets or liabilities are subject to fixed interest rate exposure.

The Company policy is to avoid a significant fixed rate exposure in its assets and liabilities.

**Price risk**

The Company is exposed to low price risks due to prices being regulated at a Group level. The Company receives market support and has transfer pricing arrangements in place with the Group company.

**Liquidity risk**

Liquidity risk is that the Company is unable to meet its short-term payment obligations due to insufficient funds or illiquid cash reserve. The Company minimizes the liquidity risk by maintaining a sufficient net cash position and having Ericsson Group Treasury loan facilities in place to meet potential funding needs.

All financial instruments of the company fall under level 3 of the fair value hierarchy.

The entire cash balance is held with reputable financial institutions.

Notes to the financial statements (continued)  
For the year ended 31 December 2023

15 Financial risk management and financial instruments (continued)

Carrying amounts of financial instruments

	Trade receivables (note 9) £000	Lease liabilities (note 14) £000	Trade payables (note 11) £000	2023 £000	2022 £000
Loans and receivables at amortised cost	317,321	-	-	317,321	282,637
Financial liabilities at amortised cost	-	(7,297)	(195,657)	(202,954)	(175,281)
<b>Total</b>	<b>317,321</b>	<b>(7,297)</b>	<b>(195,657)</b>	<b>114,367</b>	<b>107,356</b>

The following table shows analysis of financial liabilities, including lease liabilities by contractual maturity.

	Lease liabilities £000	Trade payables (note 11) £000	Total 2023 £000
Less than 1 year	1,892	195,657	197,549
1 - 3 years	3,497	-	3,497
3 - 5 years	1,908	-	1,908
More than 5 years	-	-	-
<b>Total</b>	<b>7,297</b>	<b>195,657</b>	<b>202,954</b>

  

	Lease liabilities £000	Trade payables (note 11) £000	Total 2022 £000
Less than 1 year	1,795	166,794	168,589
1 - 3 years	3,041	-	3,041
3 - 5 years	3,257	-	3,257
More than 5 years	1,889	-	1,889
<b>Total</b>	<b>9,982</b>	<b>166,794</b>	<b>176,776</b>

16 Pension commitments

The company operates three final salary defined pension schemes, the Ericsson Employee Benefits Scheme ("EEBS") and the Ericsson Marconi Pension Plan ("EMPP") and the Ericsson Television Defined Benefit Scheme ("ETDBS"). All of these schemes are closed to new entrants and to future accruals for existing members. In addition, the company operates a defined contribution scheme with defined benefit underpin - the Ericsson Television Pension Plan ("ETPP"). The ETPP was closed to future defined benefit accrual as at 31 May 2016. The assets for each scheme are held separately from those of the Company in independently administered funds. The trustee boards are composed of representatives from both employers and plan members. The trustee boards of the schemes are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. employees / former employees, retirees, employers. The trustee boards of the schemes are responsible for the investment policy with regard to the assets of the fund.

The pension assets and liabilities comprise:

	2023 £000	2022 £000
Defined benefit scheme	141,513	171,035
Defined contribution scheme with underpin	6,604	83
	<b>148,117</b>	<b>171,118</b>

There are no amounts of unpaid contributions at the year end relating to the defined benefit scheme or the defined contribution scheme as all payments were made within the month due.

Administration costs incurred to administer and govern the pension plan have been expensed through the income statement. Administration costs incurred for directly managing the plan assets such as fees paid to the bank for asset management services and salaries of the management board who manage the trust are included in the return in plan assets.

**Notes to the financial statements (continued)**  
For the year ended 31 December 2023

**16 Pension commitments (continued)**

The schemes typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and inflation. In addition the defined contribution scheme with a defined benefit underpin has annuity risks.

*Investment risk* - The present value of each scheme's liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on the scheme asset is below this rate, it will create a scheme deficit. Due to the long-term nature of the scheme liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the scheme assets should be invested in equity securities and real estate to leverage the return generated by the scheme. As the defined contribution scheme with the defined benefit underpin is primarily a defined contribution arrangement, the board of this scheme considers it appropriate to invest the majority of the scheme's assets in equity funds.

*Interest risk* - A decrease in bond interest rate will increase the liabilities; however, for the defined benefit scheme, this will be partially offset by an increase in the return on the plan's debt investments. The trustees of the defined benefit schemes have substantially hedged the assets against interest rate risk, relative to a gilts measure. Therefore the key exposure relative to the accounting assumptions for the defined benefit schemes relates to movements in corporate bond spreads.

*Longevity risk* - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the scheme's liability.

*Inflation risk* - The present value of the defined benefit liability is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the scheme's assets however are aligned to movements in liabilities due to the hedging arrangements in place, with the exception of the defined contribution scheme, where assets are only loosely correlated with inflation, meaning that an increase in inflation will increase the deficit shown in respect of this Plan.

In December 2022, the trustees purchased a bulk annuity buy-in contract from an insurance company to secure all future payments to members of one of the UK pension plans. This transfers risks associated with the plan to the insurance company, although, since the Company retains the legal responsibility to pay all scheme benefits, the plan liabilities remain on the balance sheet alongside the corresponding buy-in assets. In July 2023, the trustees of the ETDBS also entered into a bulk annuity buy-in contract. This is in line with the company's policy to de-risk the long term impact from the defined benefit pension schemes on the balance sheet.

**Defined benefit pension schemes**

Actuarial valuations for scheme funding purposes were carried out at 31 December 2021 EMPP and EEBS and 30 September 2020 2023 for ETDBS. The valuations have been updated at 31 December 2023 by a qualified and independent actuary using revised assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at market value.

During the year the company paid cash contributions of £0.2m for the EEBS scheme and £nil for the EMPP/ETDBS schemes, in accordance with the Schedule of Contributions agreed with the pensions trustees. Contributions are expected to be £nil in the coming year for all three DB pension plans.

The major assumptions used for the actuarial valuation were:

	2023			2022		
	ETDBS %	EEBS %	EMPP %	ETDBS %	EEBS %	EMPP %
Rate of increase in pensions in payment (RPI capped at 5% p.a.)	2.90	2.75	2.80	2.90	2.85	2.85
Discount rate	4.80	4.75	4.75	4.95	4.90	4.90
Inflation assumptions (RPI)	3.05	2.95	3.00	3.10	3.05	3.05
Inflation assumptions (CPI) [pre 2030 / post 2030]	2.05 / 3.05	1.95 / 2.95	2.00 / 3.00	2.10 / 3.10	2.05 / 3.05	2.05 / 3.05

For the purpose of 31 December 2023 actuarial valuation the discount rate is based on high quality corporate bonds rated AA by at least one of two principle credit rating agencies and which have an outstanding debt issue of at least £50m. This is consistent with the prior year.

The mortality assumptions used for the 2023 year end are the S3PA tables with CMI 2022 projections and 1.5% improvements with scheme specific weightings based on the best estimate assumption derived from the latest Trustee funding valuation. Average life expectancy for mortality tables used to determine the defined benefit obligation at 31 December 2023 were:

	2023		2022	
	Male	Female	Male	Female
<b>EEBS, EMPP &amp; ETDBS :</b>				
Aged 65 now, average life expectancy	21.9	24.3	22.3	24.5
Aged 40 now, average life expectancy on retirement at age 65	24.0	26.4	24.4	26.7

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**16 Pension commitments (continued)**

*Defined benefit pension schemes (continued)*

The market value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	%	2023	%	2022
		£000		£000
Equity investments categorised by risk:				
- Quoted	0.0%	-	1.1%	8,347
Bonds				
- Government (fixed linked)		141,604		125,230
- Government (index linked)		296,151		315,400
- Corporate bonds (investment grade)		-		14,870
Subtotal	55.1%	437,755	57.6%	455,500
Property	0.0%	-	0.8%	6,190
Investment funds	41.5%	329,640	37.8%	298,475
Cash and cash equivalents categorised by risk:				
- Quoted	3.4%	26,878	2.8%	21,932
Total market value of assets		794,273		790,444
Present value of scheme liabilities		(652,760)		(619,409)
Net pension asset	100%	141,513	100%	171,035

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are based on the value of the underlying securities at close of business.

Changes in the present value of benefit obligation:	2023	2022
	£000	£000
Opening benefit obligation	619,409	1,107,013
Interest cost	29,908	19,263
Benefits paid	(18,782)	(23,929)
Actuarial losses / (gains)	22,225	(482,938)
Closing benefit obligation	652,760	619,409

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**16 Pension commitments (continued)**

Changes in the value of scheme assets:	2023	2022
	£000	£000
Opening value of scheme assets	790,444	1,336,785
Interest income	38,205	23,293
Employer contributions	216	1,216
Benefits paid	(18,782)	(23,929)
Expenses	(3,374)	(1,573)
Actuarial losses	(12,436)	(545,348)
Value of scheme assets at end of year	794,273	790,444
Surplus recognised	141,513	171,035
	2023	2022
	£000	£000
Actual return on plan assets	25,769	(522,055)
Analysis of the amount charged to operating profit:	2023	2022
	£000	£000
Administration expenses	(3,374)	(1,573)
Net charged to operating profit	(3,374)	(1,573)
Analysis of the amount charged to net finance charges:	2023	2022
	£000	£000
Interest income on pension scheme assets	38,205	23,293
Interest expense on pension scheme liabilities	(29,908)	(19,263)
Net interest income	8,297	4,030
Analysis of the actuarial losses recognised in the statement of comprehensive income:	2023	2022
	£000	£000
Actual return less interest income on pension scheme assets	(12,436)	(545,348)
Experience losses arising on the scheme liabilities	(30,337)	(53,485)
Changes in demographic assumptions	14,916	2,831
Changes in financial assumptions underlying the present value of scheme liabilities	(6,804)	533,592
	(34,661)	(62,410)

**Notes to the financial statements (continued)**  
For the year ended 31 December 2023

**16 Pension commitments (continued)**

Movement in scheme surplus during the year:

	2023 £000	2022 £000
Pension scheme surplus at start of year	171,035	229,772
Administration expenses	(3,374)	(1,573)
Contributions	216	1,216
Net interest income	8,297	4,030
Actuarial losses	(34,661)	(62,410)
<b>Pension scheme surplus at end of year</b>	<b>141,513</b>	<b>171,035</b>

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, long-term expected inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

- If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease by £45.9m (increase by £51.4m).
- If the inflation rates are 0.5% higher (lower), the defined benefit obligation would increase by £38.8m (decrease by £36.7m).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by £17.0m (decrease by £17.2m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The plan trustees and the Company regularly review the plan's investment strategy to ensure that it remains appropriate for risk and return profiles.

As the schemes are closed to future accrual, employees pay no further contributions to the schemes. The Company's funding requirements depend on the level of any deficit in the plan and are based on the local actuarial measurement framework.

The average duration of the defined benefit obligation at 31 December 2023 is 15 years (2022: 18 years).

The Company expects to make a contribution of £nil to the defined benefit schemes during the next financial year.

**Defined contribution pension plan with defined benefit underpin**

The Ericsson Television Limited Pension Plan ("ETPP") is defined contribution in nature but a defined benefit underpin applies in respect of members' pensionable service up to 1 June 2016. Following completion of the actuarial funding valuation at 30 September 2023, no deficit recovery plan contributions are required to be paid by the Company.

A member by member valuation is carried out by a qualified and independent actuary using assumptions that are consistent with the requirements of IAS 19. Investments have been valued, for this purpose, at market value.

The major assumptions used for the actuarial valuation were:

	2023 %	2022 %
Net discount rate underlying annuity purchase	1.15	(0.40)
Pre-retirement discount rate	4.80	4.95
Inflation assumptions	3.05	3.10

	2023		2022	
	Male	Female	Male	Female
Aged 65 now, average life expectancy	21.8	24.4	22.3	24.6
Aged 45 now, average life expectancy on retirement at 65	23.9	26.5	23.9	26.3

The market value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

**Notes to the financial statements (continued)**  
For the year ended 31 December 2023

**16 Pension commitments (continued)**

		2023		2022
	%	£000	%	£000
Equity investments categorised by region:				
- UK		30,207		25,855
- Europe		10,519		9,003
- North America		10,519		9,003
- Other		9,016		7,717
Subtotal	87%	60,261	86%	51,578
Bonds				
- Government		6,577		5,804
- Corporate bonds (investment grade)		929		950
Subtotal	11%	7,506	11%	6,754
Cash	2%	1,162	3%	1,646
Total market value of assets	100%	68,929	100%	59,978
Present value of scheme liabilities		(62,325)		(59,895)
Net pension liability		6,604		83

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair value of properties are based on the value of the underlying securities

Changes in the present value of benefit obligation:

	2023	2022
	£000	£000
Benefit obligation at start of year	59,895	93,355
Interest expense	2,925	1,672
Benefits paid	(1,628)	(667)
Actuarial gains	1,133	(34,465)
Closing benefit obligation	62,325	59,895

Changes in the value of scheme assets:

	2023	2022
	£000	£000
Opening value of scheme assets	59,978	75,906
Interest income	2,979	1,377
Employer contributions	2,020	2,055
Benefits paid	(1,628)	(667)
Actuarial (losses) / gains	5,580	(18,693)
Value of scheme assets at end of year	68,929	59,978
Surplus / (deficit) recognised	6,604	83

Notes to the financial statements (continued)  
For the year ended 31 December 2023

16 Pension commitments (continued)

	2023 £000	2022 £000
Actual (loss) / return on plan assets	8,559	(17,316)
Analysis of the amount charged to net finance charges:		
	2023 £000	2022 £000
Interest income on pension scheme assets	2,979	1,377
Interest expense on pension scheme liabilities	(2,925)	(1,672)
Net interest expense	54	(295)
Analysis of the actuarial gains recognised in the statement of comprehensive income:		
	2023 £000	2022 £000
Actual return less interest income on pension scheme assets	5,580	(18,693)
Experience losses arising on the scheme liabilities	(2,622)	(5,097)
Changes in demographic assumptions underlying the present value of scheme liabilities	120	(47)
Changes in financial assumptions underlying the present value of scheme liabilities	1,369	39,609
	4,447	15,772
Movement in scheme deficit during the year:		
	2023 £000	2022 £000
Pension scheme deficit at start of year	83	(17,449)
Contributions	2,020	2,055
Net interest income	54	(295)
Actuarial gains	4,447	15,772
Pension scheme surplus / (deficit) at end of year	6,604	83

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate assumption, inflation assumption and mortality assumption. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

- If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease by £0.8m (increase by £1.1m).
- If the inflation rates are 0.5% higher (lower), the defined benefit obligation would increase by £1.0m (decrease by £0.6m).
- If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by £0.3m (decrease by £0.3m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The average duration of the defined benefit obligation at 31 December 2023 is 23 years (2022: 27 years).

The Company expects to make no contributions to the Plan during the next financial year.

**Notes to the financial statements (continued)**  
**For the year ended 31 December 2023**

**17 Related parties**

**Parent and ultimate controlling party**

The Company's immediate parent and ultimate parent undertaking and controlling party is Telefonaktiebolaget LM Ericsson, a company incorporated in Sweden (Torshamnsgatan 21, SE-164 83 Stockholm), the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the financial statements of Telefonaktiebolaget LM Ericsson may be obtained from [www.ericsson.com](http://www.ericsson.com).

**Transactions with key management personnel**

Key management personnel compensation comprised of the directors noted in the Directors report.

	2023	2022
	£000	£000
Salaries and short-term employee benefits	679	633
Company contributions paid to post-employment benefits	16	12
	<b>695</b>	<b>645</b>
	2023	2022
	No.	No.
Members of post-employment benefits schemes	3	3
	2023	2022
	£000	£000
<i>Highest paid director</i>		
Emoluments and amounts receivable under incentive schemes	390	382

The emoluments of certain directors were paid during the year by another Ericsson Group company which made no recharges to the Company and no allocation of costs is possible. Accordingly, the remuneration shown above does not include these emoluments.

Only the directors are considered to be key management personnel as only the directors are responsible for key decisions in the company.

**Other related party transactions**

Related party transactions during the year are as follows:

	2023	2022
	£000	£000
Immediate & ultimate parent		
- Interest on Group loan facility	4,343	1,680
- Recharges back	3,398	2,745
Fellow subsidiaries		
- Sales	18,186	13,992
- Purchases	(346,502)	(329,568)
Related party balances as at the year end are as follows:		
	2023	2022
	£000	£000
Immediate & ultimate parent		
- Receivables	1,721	234
- Liabilities	(50,189)	(50,345)
Fellow subsidiaries		
- Receivables	22,930	6,953
- Liabilities	(112,603)	(83,234)

**18 Commitments**

Bank guarantees of £0.1m (2022: £0.1m) have been made to HMRC in the ordinary course of business.

**19 Post balance sheet events**

There were no material or significant events that occurred in the period from 31 December 2023 to the date of reporting that would require adjustment to or disclosure in the financial statements.