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Part 1:

1. Introduction

This report presents a comprehensive evaluation of the financial performance and management efficiency of Unilever PLC, a leading multinational operating in the fast-moving consumer goods (FMCG) industry. As a company listed on the London Stock Exchange and included in the FTSE 100 Index, Unilever occupies a prominent position in the global business environment. The FMCG sector is characterised by intense competition, rapidly changing consumer preferences, and sensitivity to macroeconomic conditions, making effective financial management essential for sustained growth and profitability.

The analysis draws on Unilever’s published financial statements for the 2023 and 2024 fiscal years, focusing on profitability, liquidity, operational efficiency, capital structure, and shareholder returns. The primary method employed is financial ratio analysis, which allows for the identification of performance trends, assessment of strengths, and recognition of potential areas of risk.

Financial ratios are widely recognised as an important tool for interpreting accounting data and supporting managerial and investment decisions (Brealey, Myers and Allen, 2020). They enable comparisons over time, helping management evaluate improvements or declines in performance, while also providing investors with insight into how effectively their capital is being utilised and whether returns meet expectations. However, ratios have limitations: they are based on historical data and fail to capture intangible factors such as brand value, innovation capacity, or environmental, social, and governance (ESG) considerations (Arnold, 2013).

To address these limitations, this report combines quantitative ratio analysis with qualitative insights drawn from corporate finance literature. In addition to assessing historical performance, it examines operational, strategic, and industry-specific factors influencing financial outcomes. The aim is to provide the Board of Directors with actionable recommendations for strategic planning, capital allocation, and enhancing long-term shareholder value, while also acknowledging the constraints of ratio analysis and suggesting improvements in financial management and operational efficiency.

2. Company Overview

Unilever PLC operates in over 190 countries and has a broad portfolio of well-known brands across four main business segments: Beauty & Wellbeing, Personal Care, Home Care, and Food & Refreshment. The company's strategic focus is on building and maintaining strong brand equity, improving operational effectiveness, and creating sustainable value for shareholders over the long term (Grant, 2019). This diversified portfolio provides resilience against sector-specific risks, such as changes in consumer preferences, and allows the company to capitalise on global economies of scale.

However, the scale and diversity of Unilever's operations expose the company to a wide range of risks. These include currency fluctuations, inflationary pressures, supply chain disruptions, and shifting consumer behaviours in key markets (Johnson, Scholes and Whittington, 2020). Additionally, Unilever must respond to external factors such as energy price volatility, regulatory changes, and sustainability requirements, which all have implications for financial performance.

During the 2023–2024 period, Unilever implemented several strategic measures to improve profitability and operational resilience. These included streamlining the product portfolio to focus on high-performing brands, introducing cost-reduction initiatives across the supply chain, and enhancing operational efficiency. These measures were designed to mitigate the impact of rising input costs, energy price inflation, and global economic uncertainty. The company's ability to implement these strategies effectively plays a critical role in influencing its financial outcomes (Porter, 2008).

Unilever's global presence and diversified product range provide significant advantages in terms of market reach, brand recognition, and economies of scale. At the same time, these factors increase operational complexity, requiring effective financial management to balance growth initiatives, cost control, and risk management. The company's strategic emphasis on operational excellence and brand development ensures that financial decisions are closely aligned with long-term corporate objectives, allowing it to navigate the challenges of the FMCG sector effectively.

3. Ratio Analysis and Results

Financial ratios provide a structured framework to evaluate various aspects of a company's performance, including profitability, liquidity, efficiency, leverage, and investor returns. The following section examines Unilever's financial ratios for 2023 and 2024 in detail.

3.1 Profitability Ratios

Profitability ratios measure the company's ability to generate profits relative to sales, assets, and shareholders' equity (Penman, 2013). During the period under review, Unilever experienced a decline in operating margin, reflecting that operating costs increased at a faster rate than revenues. The growth in operating expenses can be attributed to inflationary pressures, higher raw material and energy costs, and restructuring initiatives aimed at improving operational efficiency (Damodaran, 2012).

The decline in net profit margin indicates a reduction in overall earnings performance, despite an increase in revenue. This suggests that while the company has been able to maintain market share, cost pressures have eroded profitability. Managing operating costs and achieving greater efficiency is therefore critical for sustaining long-term profitability (Ross, Westerfield and Jordan, 2022).

Return on equity (ROE) also declined, driven by a combination of lower net income and an expanded equity base. Although the ROE remains relatively strong compared with industry benchmarks, the downward trend may concern investors who expect consistent returns (Palepu, Healy and Peek, 2020). Return on assets (ROA) and gross profit margin provide

additional insight into operational efficiency and asset utilisation. A declining ROA, for instance, may indicate that the company is not generating adequate profits from its existing assets, highlighting opportunities for improvement in resource allocation and operational management.

Profitability analysis also benefits from an understanding of broader sector trends. The FMCG industry has faced sustained inflationary pressures, supply chain disruptions, and heightened competition, all of which can impact margins. Unilever's efforts to streamline operations and focus on higher-margin brands are consistent with strategic approaches to mitigating these pressures and maintaining financial performance in a challenging environment.

3.2 Liquidity Ratios

Liquidity ratios assess the company's capacity to meet short-term obligations as they fall due (Brigham and Ehrhardt, 2017). Unilever's liquidity ratios, including the current ratio and quick ratio, are relatively low, with some below the benchmark level of one. This suggests that the company relies heavily on efficient cash flow management rather than maintaining large cash reserves. While this approach is common in the FMCG sector, it increases vulnerability to unexpected disruptions in cash flow (Atrill and McLaney, 2019).

Effective liquidity management is critical for ensuring that the company can meet operational and financial obligations without interruption. Strategies such as optimising the cash conversion cycle, accelerating receivables collection, managing inventory efficiently, and negotiating favourable payment terms with suppliers can enhance liquidity while minimising the opportunity cost of holding idle cash. Maintaining appropriate liquidity levels also allows Unilever to seize growth opportunities, make strategic investments, and respond flexibly to changes in market conditions.

3.3 Gearing Ratios

Gearing ratios measure the proportion of a company's financing that is derived from debt relative to equity (Frank and Goyal, 2009). During 2023–2024, Unilever maintained relatively

high leverage levels, although a modest reduction in the debt-to-equity ratio indicates a cautious approach to capital structure management. However, the interest coverage ratio weakened, reflecting rising financing costs and increased strain on the company's ability to service debt (Myers, 2001).

The balance between debt and equity is critical for financial strategy. Leverage can provide tax advantages and support growth initiatives, but excessive debt increases financial risk and reduces flexibility. Unilever's management of its capital structure aligns with the trade-off theory, which balances the benefits of debt against potential financial distress (Modigliani and Miller, 1963; Graham, 2000). Monitoring leverage closely is essential, particularly in the context of rising global interest rates and market volatility.

3.4 Efficiency Ratios

Efficiency ratios evaluate how effectively a company utilises its assets and manages working capital (Higgins, 2018). During the period under review, Unilever's asset turnover declined, and receivables collection periods lengthened, suggesting reduced operational efficiency (Wild, Subramanyam and Halsey, 2019).

Inventory turnover and other operational metrics highlight opportunities for improvement in supply chain and production processes. Enhancing efficiency in these areas can support profitability by reducing working capital requirements, improving cash flow, and enabling the company to respond more flexibly to changes in market demand. Improved efficiency also strengthens shareholder confidence by demonstrating prudent management of company resources.

3.5 Investor Ratios

Investor-focused ratios assess the company's performance from the perspective of shareholders (Bodie, Kane and Marcus, 2021). Although earnings per share declined, Unilever maintained dividend payouts, leading to an increase in dividend yield. This approach reflects a commitment to dividend stability, reinforcing investor confidence despite weaker profitability (Lintner, 1956).

Balancing dividend payments with the need for reinvestment in strategic growth opportunities is crucial. Maintaining stable dividends supports shareholder trust and long-term market valuation, while reinvesting in high-performing brands ensures sustainable value creation.

4. Critical Evaluation of Financial Performance

The financial performance analysis indicates that Unilever continues to demonstrate resilience, despite the challenges of rising costs, competitive pressures, and macroeconomic uncertainty. Profitability declined due to higher operating expenses and margin compression, reflecting broader industry trends in the FMCG sector (Kotler and Keller, 2016).

Liquidity ratios show that Unilever relies on cash flow management rather than significant liquid reserves, which, while efficient, increases exposure to financial disruptions (Higgins, 2018). High leverage remains manageable, but interest coverage concerns indicate the need for careful monitoring (Modigliani and Miller, 1963; Graham, 2000). Efficiency ratios suggest potential for improvement in asset utilisation and receivables management. While declining EPS may worry shareholders, stable dividend payments help maintain confidence and support market perception (DeAngelo and DeAngelo, 2007).

Compared with industry peers, Unilever's performance is consistent with sector trends, including input cost inflation, competition, and operational pressures. Opportunities exist to improve financial performance through enhanced cost management, stronger working capital control, and targeted investment in high-margin, strategically aligned brands.

5. Limitations of Ratio Analysis

While financial ratios are invaluable for understanding performance, they have notable limitations. Ratios are derived from historical accounting data and may not accurately predict future performance (Brealey, Myers and Allen, 2020). Differences in accounting

methods, assumptions, and estimation practices can reduce comparability across periods and companies (Deegan, 2014).

Moreover, ratio analysis cannot capture intangible assets, such as brand reputation, innovation capability, or ESG initiatives, which increasingly drive long-term value (Lev and Gu, 2016; Eccles, Ioannou and Serafeim, 2014). Therefore, ratio analysis should be supplemented with qualitative assessments, market insights, and strategic considerations to provide a comprehensive understanding of corporate performance (Kaplan and Norton, 1996).

6. Recommendations

Based on the comprehensive analysis of Unilever PLC's financial performance and management effectiveness, several strategic and operational recommendations can be proposed to enhance long-term performance, shareholder value, and organisational resilience. These recommendations aim to address identified areas of concern, including profitability pressures, operational inefficiencies, liquidity management, leverage levels, and the integration of non-financial performance measures. By implementing these measures, Unilever can build on its current strengths and ensure sustainable growth in a dynamic global FMCG environment.

1. Cost Management

One of the key priorities for Unilever is to maintain stringent cost management practices. Profitability analysis for 2023–2024 highlighted a decline in operating and net profit margins, largely attributable to rising input costs, restructuring expenditures, and competitive pressures. To mitigate these challenges, the company should continue to focus on strengthening operational efficiency across all aspects of its supply chain and production processes.

Optimising the supply chain can involve improving procurement strategies, negotiating better terms with suppliers, leveraging technology to streamline logistics, and reducing waste in production and distribution channels. These measures not only reduce operating

costs but also contribute to greater agility in responding to market fluctuations (Damodaran, 2012; Ross, Westerfield and Jordan, 2022). Enhanced operational efficiency ensures that resources are utilised effectively, inventory is managed optimally, and products are delivered to markets in a cost-efficient manner.

Furthermore, cost discipline should be embedded across organisational culture, ensuring that managers at all levels are accountable for controlling expenses while maintaining quality standards. Strategic cost reduction, when aligned with long-term growth objectives, can protect profit margins even during periods of inflation and economic uncertainty.

2. Working Capital Optimisation

Liquidity analysis indicates that Unilever operates with relatively low current and quick ratios, reflecting reliance on effective cash flow management rather than substantial liquid reserves. While this approach aligns with industry norms, it increases vulnerability to unexpected financial pressures (Atrill and McLaney, 2019). Therefore, improving working capital management is essential to safeguard financial stability and support operational flexibility.

Effective working capital optimisation requires targeted actions in three key areas: receivables, inventory, and payables. Strengthening receivables collection involves setting clear credit policies, monitoring overdue accounts closely, and offering incentives for early payments. This reduces the risk of cash flow shortages and ensures that funds are available to finance operational and strategic initiatives.

Inventory management should focus on balancing adequate stock levels to meet demand without tying up excessive capital in slow-moving or obsolete products. Implementing advanced demand forecasting, lean inventory practices, and integrated supply chain systems can improve turnover and reduce holding costs.

Payables management is also critical. While extending payment terms with suppliers can support liquidity, it must be balanced to maintain strong supplier relationships and avoid operational disruptions. By optimising all elements of working capital, Unilever can improve

its liquidity position, reduce financing costs, and increase the availability of cash for strategic investment and shareholder returns (Higgins, 2018).

3. Leverage Monitoring

The analysis of Unilever's gearing ratios indicates relatively high debt levels, although the company has taken steps to reduce its debt-to-equity ratio and maintain interest coverage within manageable limits (Frank and Goyal, 2009; Myers, 2001). Despite these positive signs, it is essential that management continues to monitor leverage closely to safeguard financial flexibility and mitigate risks associated with rising interest rates or economic downturns.

Prudent debt management involves establishing clear limits on borrowing relative to equity, evaluating the cost of debt versus the benefits of tax shields, and maintaining sufficient interest coverage to ensure obligations can be met under adverse conditions (Modigliani and Miller, 1963; Graham, 2000). Additionally, the company should explore opportunities to refinance existing debt under more favourable terms when market conditions allow, reducing interest expenses and freeing up capital for investment.

Monitoring leverage also requires stress-testing financial scenarios to assess the impact of unexpected changes in cash flows, interest rates, or macroeconomic conditions. By proactively managing debt and interest exposure, Unilever can maintain operational flexibility, reduce the risk of financial distress, and position itself to capitalise on growth opportunities even during periods of market volatility.

4. Strategic Capital Allocation

Capital allocation decisions play a critical role in supporting profitability and long-term value creation. Based on the findings, Unilever should prioritise investment in high-margin brands and initiatives that align closely with its competitive advantages (Barney, 1991; Porter, 1985). Strategic capital allocation ensures that resources are directed toward projects with the greatest potential to enhance shareholder value and strengthen market positioning.

Investing in high-margin brands allows Unilever to leverage existing brand equity, consumer loyalty, and operational capabilities to achieve higher returns on invested capital.

Additionally, capital should be directed toward innovation initiatives, market expansion, and technology-driven improvements that reinforce operational efficiency and product differentiation. Such investments not only support revenue growth but also enhance the company's resilience against competitive pressures and market volatility.

Strategic allocation requires a rigorous project evaluation framework, incorporating both financial appraisal methods such as NPV and qualitative assessments including market potential, risk profile, and alignment with corporate strategy. By aligning capital investment with strategic priorities, Unilever can optimise returns, strengthen competitive positioning, and ensure sustainable long-term growth.

5. Integration of Non-Financial Key Performance Indicators (KPIs)

Financial metrics alone do not provide a complete picture of organisational performance. To support holistic decision-making, Unilever should integrate non-financial performance indicators alongside traditional financial KPIs (Koller, Goedhart and Wessels, 2020). These may include environmental, social, and governance (ESG) measures, operational efficiency metrics, and strategic performance indicators.

Incorporating ESG factors into performance evaluation not only addresses regulatory and stakeholder expectations but also enhances long-term sustainability and brand reputation. Operational metrics, such as production efficiency, supply chain reliability, and customer satisfaction, provide insights into areas where management can improve operational resilience and value creation. Strategic indicators, including market share growth, innovation pipeline performance, and alignment with corporate objectives, help ensure that decision-making remains consistent with the company's long-term vision.

The integration of financial and non-financial KPIs allows for a balanced scorecard approach, enabling management to monitor performance comprehensively and make informed decisions that consider both economic and non-economic outcomes (Kaplan and Norton,

1996). This holistic perspective supports sustainable growth, strengthens stakeholder confidence, and reinforces Unilever's commitment to responsible business practices.

7. Conclusion

In conclusion, Unilever PLC demonstrates strong financial resilience and a leading competitive position in the FMCG sector. While profitability and efficiency indicators have declined, the company's strategic initiatives and prudent financial management provide a solid foundation for sustainable growth. By maintaining cost discipline, improving operational efficiency, and aligning financial management with strategic priorities, Unilever is well-positioned to enhance shareholder value and support long-term success.

Part 2: Explanation to Management – Why NPV Is the Most Suitable Investment

Appraisal Method

1. Justification for Using Net Present Value (NPV)

Net Present Value (NPV) is widely regarded as the most effective technique for assessing capital investment opportunities, particularly for firms focused on maximising long-term shareholder value (Brealey et al., 2020). Unlike simpler methods, NPV explicitly incorporates both the anticipated cash inflows and outflows of a project and the time value of money, providing a direct estimate of the value an investment is likely to add to the company. By discounting future cash flows using the firm's cost of capital, NPV offers a clear indication of whether a project will contribute positively to shareholder wealth.

A key strength of NPV is that it expresses returns in absolute monetary terms, rather than percentages or arbitrary units, enabling management to compare projects of differing scales, durations, and cash flow profiles on a consistent basis. For mutually exclusive projects—

where only one can be undertaken—NPV provides a reliable criterion for selecting the alternative that maximises value. Projects with a positive NPV are expected to generate returns exceeding the company's required rate of return, thus directly enhancing shareholder wealth (Ross et al., 2022).

NPV also allows for the integration of risk considerations by adjusting discount rates for higher-risk projects. In contrast, non-discounted methods such as the payback period or accounting rate of return (ARR) do not account for the timing of cash flows and therefore provide a less accurate measure of value creation. In essence, NPV aligns project evaluation directly with the firm's core financial objective: maximising the economic value of invested capital.

2. Importance of the Time Value of Money

The NPV approach is underpinned by the time value of money, which recognises that funds received today are more valuable than the same amount received in the future. This is because current funds can be invested to earn returns and are less exposed to uncertainty. Future cash flows are subject to factors such as inflation, opportunity costs, and project-specific risk; neglecting these factors can result in overestimating an investment's value (Arnold, 2013).

NPV addresses this by discounting each projected cash flow to its present value using the company's cost of capital. This ensures that all future inflows and outflows are evaluated in today's terms, incorporating both the opportunity cost of capital and risk exposure. By accounting for the time value of money, NPV allows managers to make more consistent and informed decisions regarding capital allocation.

This principle differentiates NPV from simpler approaches such as the payback period, which only considers the time needed to recover the initial investment and ignores cash flows beyond that point. Ignoring the time value of money can lead to suboptimal investment decisions, particularly in long-term projects with uneven or delayed cash flows. By expressing future cash flows in present-value terms, NPV provides both a theoretically sound

and practically useful assessment of a project's potential contribution to firm value (Atrill and McLaney, 2019).

3. Shareholder Wealth Maximisation

Maximising shareholder wealth is a central objective of financial management. NPV aligns directly with this goal because it quantifies the expected increase in the firm's value resulting from a proposed investment (Ross et al., 2022). Projects with positive NPV are expected to generate returns that exceed the cost of capital, thereby creating economic value for shareholders. Conversely, projects with negative NPV destroy value and reduce shareholder wealth.

Unlike relative performance measures such as the internal rate of return (IRR), NPV provides an absolute measure of value creation in monetary terms. This is particularly useful when comparing projects of different sizes, durations, or cash flow structures. It also facilitates more strategic decision-making, as managers can prioritise projects that maximise total economic benefit rather than focusing solely on percentage returns.

Additionally, NPV assumes that interim cash flows are reinvested at the firm's cost of capital, which generally reflects realistic market conditions. In contrast, IRR assumes reinvestment at the internal rate of return itself, which may be impractical or overly optimistic, particularly for projects with unusually high returns (Damodaran, 2012). By using a consistent reinvestment assumption, NPV provides a more accurate and reliable measure of the project's contribution to shareholder wealth.

4. Implications for Management

From a strategic management perspective, using NPV as the primary criterion for investment appraisal ensures that capital is allocated efficiently and in line with long-term value creation objectives. NPV provides a framework that integrates risk, taxation, and the timing of cash flows, enabling managers to evaluate projects comprehensively (Petty et al., 2015).

The use of NPV facilitates prioritisation among competing investment opportunities, ensuring that resources are directed toward projects that enhance long-term financial performance. It also supports disciplined capital budgeting by discouraging investments that do not meet the firm's required return threshold. Ultimately, NPV helps align managerial decisions with shareholder interests, providing a clear, quantifiable basis for evaluating the economic impact of capital projects.

5. Reasons Managers Continue to Use Non-Discounting Investment Appraisal Methods

Despite the theoretical advantages of NPV, many managers continue to rely on non-discounting methods such as the payback period and accounting rate of return (ARR). This is largely due to practical considerations, including simplicity, speed of calculation, and ease of communication with non-financial stakeholders (Arnold, 2013).

5.1 Payback Period

The payback period measures the time required for an investment to recover its initial outlay through net cash inflows. Managers often use this method as a preliminary screening tool, particularly in environments characterised by capital constraints or uncertainty (Atrill and McLaney, 2019).

Its main advantage is its focus on liquidity and risk. Projects with shorter payback periods are perceived as less risky because the initial investment is recovered more quickly, reducing exposure to future uncertainty. This is particularly valuable in industries such as FMCG or technology, where market conditions can change rapidly (Lumby and Jones, 2015).

However, the payback method has significant limitations. It ignores cash flows that occur after the payback period and does not account for the time value of money, which can result in suboptimal investment decisions. While useful for initial project screening, it should not serve as the sole basis for investment appraisal (Brealey et al., 2020).

5.2 Accounting Rate of Return (ARR)

ARR calculates the ratio of average accounting profit to the average investment in a project. Managers often prefer ARR because it is simple, familiar, and closely aligned with internal financial reporting metrics (Pike and Neale, 2016).

ARR is easy to communicate to stakeholders and is consistent with accounting-based performance measures such as return on capital employed (ROCE). However, ARR suffers from conceptual limitations, including reliance on accounting profit rather than cash flows and the failure to consider the timing of returns. Like the payback period, ARR does not account for the time value of money, making it theoretically inferior to NPV (Ross et al., 2022).

5.3 Why Non-Discounting Methods Remain Popular

The continued use of non-discounting methods can be explained by behavioural and organisational factors. Their simplicity and transparency make them easier to explain to non-financial stakeholders, while their speed allows managers to quickly eliminate clearly unattractive projects before applying more sophisticated techniques (Graham and Harvey, 2001).

Managerial incentives often emphasise accounting-based performance metrics, which can encourage reliance on ARR. Empirical studies indicate that firms frequently apply multiple appraisal methods simultaneously, combining non-discounting techniques with NPV to balance theoretical accuracy and practical convenience (Brounen et al., 2004). While these methods are less precise, their continued use reflects managerial priorities rather than financial optimality.

6. Additional Factors in Capital Investment Decisions

While NPV provides a rigorous quantitative foundation for investment appraisal, decisions should not be based solely on financial metrics. Qualitative and strategic considerations are critical to ensuring long-term project success (Brealey et al., 2020).

6.1 Risk

Risk reflects the uncertainty surrounding future cash flows and the possibility that actual outcomes may differ from forecasts. Even projects with positive NPV can underperform if risks are underestimated or poorly managed. Sources of risk include economic volatility, competitive pressures, technological changes, and operational disruptions (Arnold, 2013).

Managers address risk through sensitivity analysis, scenario planning, and adjustments to discount rates for higher-risk projects. Not all risks can be quantified, however, and operational or strategic risks, such as reputational damage or supply chain failures, require managerial judgment beyond financial models (Damodaran, 2012). Understanding a project's risk profile is essential to ensure that expected returns compensate adequately for uncertainty.

6.2 Market Demand

The success of an investment depends on its ability to generate sustainable demand. Cash flow forecasts are based on assumptions regarding customer behaviour, pricing strategies, and competitive dynamics. Overestimating demand can result in projects failing to achieve expected returns, despite sound financial planning (Kotler and Keller, 2016).

To mitigate this, financial analysis should be complemented by market research, competitor analysis, and insights into consumer behaviour. Shifts in consumer preferences, technological substitution, and market saturation can all undermine revenue forecasts. Accurate demand estimation is therefore a critical factor in capital investment decisions (Grant, 2019).

6.3 Strategic Fit

Strategic fit refers to the alignment of an investment with the firm's long-term objectives, core competencies, and competitive strategy. Projects that generate strong financial returns but do not support strategic priorities may divert resources from higher-value initiatives and weaken the company's competitive position (Johnson et al., 2020).

Conversely, investments aligned with strategic goals, such as innovation, market expansion, or brand development, may be justified even if short-term financial returns are modest.

Ensuring strategic alignment guarantees that capital allocation contributes to sustainable competitive advantage rather than focusing solely on short-term profitability (Porter, 2008).

7. Conclusion

In conclusion, Net Present Value (NPV) is the most theoretically robust and practically reliable method for evaluating capital investments. By accounting for the time value of money, aligning with the objective of shareholder wealth maximisation, and providing an absolute measure of value creation, NPV offers managers a clear, consistent basis for decision-making (Brealey et al., 2020; Ross et al., 2022).

While non-discounting methods such as the payback period and ARR remain popular due to their simplicity and ease of communication, they should serve only as supplementary tools. A comprehensive investment appraisal should also consider qualitative factors such as risk, market demand, and strategic fit to ensure long-term project success (Arnold, 2013; Kotler and Keller, 2016; Johnson et al., 2020).

Integrating rigorous financial evaluation with strategic and market-based judgment allows managers to make well-informed, resilient, and value-enhancing investment decisions, ultimately supporting sustainable growth and long-term shareholder wealth.

Appendix 1:

Category	Ratio	Formula (where applicable)	2023	2024
Profitability	Operating Profit Margin	Operating Profit ÷ Revenue	16.4%	15.5%

Category	Ratio	Formula (where applicable)	2023	2024
	Net Profit Margin	Net Profit ÷ Revenue	12.0%	10.5%
	Return on Equity (ROE)	Net Profit ÷ Shareholders' Equity	34.4%	28.2%
Liquidity	Current Ratio	Current Assets ÷ Current Liabilities	0.76	0.76
	Quick Ratio	(Current Assets – Inventory) ÷ Current Liabilities	0.52	0.54
Gearing	Debt-to-Equity Ratio	Total Debt ÷ Shareholders' Equity	1.38	1.36
Efficiency	Interest Cover	Operating Profit ÷ Finance Costs	9.8×	8.9×
	Asset Turnover	Revenue ÷ Total Assets	0.79	0.76
	Receivables Days	(Trade Receivables ÷ Revenue) × 365	34 days	36 days
Investor	Earnings per Share (EPS)	Net Profit ÷ Shares Outstanding	€2.85	€2.54
	Dividend Yield	Dividend per Share ÷ Market Price	3.6%	3.8%

Appendix 2:

Project	Initial Investment (£)	Capital Allowance per Year (£)	Annual Tax Shield (£)
A	600,000	120,000	30,000
B	1,000,000	200,000	50,000
C	1,600,000	320,000	80,000

Project A: Net Present Value Calculation (6% Discount Rate)

Year	Pre-tax Cash Flow (£)	After-tax Cash Flow (£)	Tax Shield (£)	Net Cash Flow (£)	Discount Factor (6%)	Present Value (£)
0	—	—	—	−600,000	1.000	−600,000
1	200,000	150,000	30,000	180,000	0.943	169,811
2	400,000	300,000	30,000	330,000	0.890	293,699
3	500,000	375,000	30,000	405,000	0.840	340,046
4	700,000	525,000	30,000	555,000	0.792	439,612

NPV (Project A): £643,168

Project B: Net Present Value Calculation (6% Discount Rate)

Year	Pre-tax Cash Flow (£)	After-tax Cash Flow (£)	Tax Shield (£)	Net Cash Flow (£)	Discount Factor (6%)	Present Value (£)
0	—	—	—	-1,000,000	1.000	-1,000,000
1	400,000	300,000	50,000	350,000	0.943	330,189
2	450,000	337,500	50,000	387,500	0.890	344,874
3	720,000	540,000	50,000	590,000	0.840	495,375
4	980,000	735,000	50,000	785,000	0.792	621,794

NPV (Project B): £792,231

Project C: Net Present Value Calculation (6% Discount Rate)

Year	Pre-tax Cash Flow (£)	After-tax Cash Flow (£)	Tax Shield (£)	Net Cash Flow (£)	Discount Factor (6%)	Present Value (£)
0	—	—	—	-1,600,000	1.000	-1,600,000
1	450,000	337,500	80,000	417,500	0.943	393,868
2	700,000	525,000	80,000	605,000	0.890	538,448
3	900,000	675,000	80,000	755,000	0.840	633,913

Year	Pre-tax Cash Flow (£)	After-tax Cash Flow (£)	Tax Shield (£)	Net Cash Flow (£)	Discount Factor (6%)	Present Value (£)
4	1,200,000	900,000	80,000	980,000	0.792	776,252

NPV (Project C): £742,480

Step 3: Project Comparison Summary

Project	Net Present Value (£)
A	643,168
B	792,231
C	742,480

Appendix 3:

IRR Calculation – Project B

Project Information Used

Item	Value
Initial investment	£1,000,000
Corporation tax rate	25%
Capital allowance	20% straight line
Annual tax shield	£50,000
Benchmark discount rate	6%

Net Cash Flows – Project B

Year	Net Cash Flow (£)
0	-1,000,000
1	350,000
2	387,500
3	590,000
4	785,000

Discount Factors at 25%

Year	Discount Factor (25%)
1	0.800
2	0.640
3	0.512
4	0.410

Present Value Calculation at 25%

Year	Net Cash Flow (£)	DF (25%)	Present Value (£)
0	-1,000,000	1.000	-1,000,000
1	350,000	0.800	280,000
2	387,500	0.640	248,000
3	590,000	0.512	302,080
4	785,000	0.410	321,850

Discount Factors at 35%

Year	Discount Factor (35%)
1	0.741
2	0.549
3	0.407
4	0.301

Present Value Calculation at 35%

Year	Net Cash Flow (£)	DF (35%)	Present Value (£)
0	-1,000,000	1.000	-1,000,000
1	350,000	0.741	259,350
2	387,500	0.549	212,738
3	590,000	0.407	240,130
4	785,000	0.301	236,285

Summary for IRR Interpolation

Discount Rate	NPV (£)
25%	+151,930
35%	-51,497

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