

Business review of another business utilising their published Financial Statements - McLaren Holdings Company (ACPA7002)

Financial Management and Planning

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Abstract

The organisation is currently considering a joint venture with McLaren Holdings Company (McLaren). The purpose of the joint venture will be to produce an electric vehicle in collaboration with McLaren.

Prior to entering the joint venture, this report was requested to determine the current financial security of McLaren.

This report analyses data from annual reports and financial statements including but not limited to:

- Key performance indicators (KPIs)
- Organisational trends (risks and uncertainties)
- Financial trends
- Financial ratio analysis
- Comparison to a similar organisation (Aston Martin Lagonda)

As a result of the above, the author concluded that the organisation **should not** enter a joint venture with McLaren Holdings Company

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1.0 Introduction

The organisation currently has an opportunity to enter a joint venture with McLaren Holdings Company (McLaren). The purpose of the venture will be to produce an electric vehicle with McLaren.

McLaren is an automotive organisation that manufactures and sells luxury/ performance cars with a price range between £125k and £400k (McLaren, 2019)

Before a joint venture can be signed, senior management have requested a business report is published, highlighting the current financial position of McLaren using publicly available information.

The following report is a financial study of the proposed company, looking at their financial statements and other information from the last four years. Analysis will be complete, highlighting trends and any risks, concluding with recommendations on whether or not the company is worth investing in.

2.0 The Financial Statement

Financial statements give an overview of a business' performance through a specified period (Davies, 2022). The three main types of financial statements are:

- The income statement (also known as profit & loss (P&L) statement)
 - Shows business performance
 - Cost of goods sold (COGS)
 - Gross & net margins (EBITDA)
 - Overheads
 - Revenue levels
- Balance sheet
 - Assets
 - Liabilities
 - Equity
- Cash Flow
 - Cash inflow
 - External investments (Hayes, 2022)

With the information documented above, it is possible to complete ratio analysis to determine: (SZYDEŁKO & BIADACZ, 2016)

- 1) Sales result,
- 2) Operating activity result,
- 3) Business activity result,
- 4) Gross financial result,
- 5) Net financial result

This information can be used by:

- External to organisation:
 - Customers
 - Competitors
 - Government
 - Investors
 - Supplier/ Lenders
- Internal to organisation:
 - Owners
 - Employees and representatives
 - Managers

- Shareholders

2.1 Financial ratios

The three aforementioned reports that sum up to the financial statement, give good understanding of an organisation's annual performance. Although, in order to build a truer understanding of the health of the business, we can use financial ratios to understand the performance metrics. These are useful tools that help companies and investors analyse and compare relationships between different pieces of financial information.

These financial ratios are split into groups, each outlining areas of performance:

1. Profitability Ratios – To measure performance and effectiveness of an organisation
2. Liquidity ratios – To measure an organisations ability to meet current obligations
3. Activity ratios – To measure how efficiently an organisation utilises assets
4. Leverage ratios – To measure the proportion of debt and equity in financing assets within the organisation
5. Investor ratios – Evaluation used by investors to determine whether continual positive returns against investment can be achieved

3.0 [A review of McLaren's annual reports](#)

3.1 2018

Performance against key performance indicators:

- Financial
 - **Turnover** – Increased from £871.3M in 2017 to £1.256B 2018
 - **Sales** – Deliveries up in all markets
 - **Earnings before interest** – Grew from 2017 to 2018
 - **Tax** - -£5.1M in 2017 to -£7.6M in 2018
 - **Depreciation and amortisation** – increased from £88.4M in 2017 to £154.1M in 2018
 - **Profit before tax** - £9M increase from 2017 to 2018
- Non-Financial
 - **Position in FIA Formula 1** - Finished 6th in World Constructors Championship
 - **Production volumes** – Consistently achieved in line with 7 year strategy
 - **Performance against engineering milestones** – Not where McLaren racing had forecast

Risks and uncertainties:

- Costs associated with development of future vehicles
- The brand is exposed to Formula 1 as a global sports entertainment business
- Foreign exchange volatility
- Brexit

3.2 2019

Performance against key performance indicators:

- Financial
 - **Turnover** – Increased from £1.256B in 2018 to 1.485B in 2019, an increase of 18%
 - **Sales** – Decrease in deliveries to all markets except North America. Total global decrease of 3% globally
 - **Earnings before interest** – Grew from 2018 to 2019
 - **Tax** – Decreased from -£7.6M in 2018 to – £5M in 2019
 - **Depreciation and amortisation** – increased from £154.1M in 2018 to £179.6M in 2019
 - **Profit before tax** – £40M better off in 2019 over 2018
- Non-Financial
 - **Position in FIA Formula 1** - Finished 4th in World Constructors Championship (highest points total since 2014)
 - **Production and retail volumes** – Achieved in line with 7 year strategy (down on 2018 volumes)
 - **Performance against engineering milestones** – The new car (McLaren racing) has one of the best pre-season tests in recent memory

Risks and uncertainties:

- Costs associated with development of future vehicles
- The brand is exposed to Formula 1 as a global sports entertainment business
- Foreign exchange volatility
- Brexit
- Emergence of Covid-19

Concern about the potential financial, health and brand impact of the Covid-19 pandemic is clear to see in this annual report, with a number of pages

New investment was announced from a new shareholder (Nidala BVI Ltd).

3.3 2020

Performance against key performance indicators:

- Financial
 - **Turnover** – Dropped 48% when compared with previous year
 - **Sales** – Global reduction in sales of 64%
 - **EBITDA** – A new KPI for the year 2020, which was 127% worse off in 2020 when compared with the same period in 2019
 - **Profit before tax** – Reduced 2249% when compared directly to 2019. Including £310.7M appreciation in fair value on preference share liability
- Non-Financial
 - **Production** – 66% reduction in production
 - **Wholesales** – Reduction of 3003 units for year 2020, when compared with previous year
 - **Retail sales** – 2019 retail sales equalled 4311 units, 2020 amassed just 2831 units
 - **Performance against engineering milestones** – No clear objective met

Risks and uncertainties:

- Costs associated with development of future vehicles
- The brand is exposed to Formula 1 as a global sports entertainment business
- Foreign exchange volatility
- Interest exposure
- Brexit
- Covid-19

The annual report states 'The Group does not perceive a significant risk from recent announcements regarding the ban of the sale of diesel and petrol cars by 2030'

3.4 2021 (interim)

No KPIs available to interpret performance against.

Risks and uncertainties:

- Costs associated with development of future vehicles
- Demand for the McLaren brand and vehicles, is subject to customer preferences, competitor offerings and industry trends
- Deteriorating economic position of key markets could adversely affect McLaren
- Covid-19

- Disruption to supply chains or a decline in the quality of goods and services provided may adversely affect operations
- Foreign exchange volatility
- Changing preferences or regulations, such as in relation to electric vehicles, may reduce demand for/ or increase the cost of developing or manufacturing the McLaren vehicles
- Brexit

4.0 [Income Statement](#)

Below is a detailed analysis of the income statement. The income statement is the financial statement that reports a company's revenues and expenses and resulting net income.

Year	Income Statement					
	2018	2019	2020	Interim 2021		
	£000	£000	£000	£000		
Revenue	£ 1,256,555	£ 1,485,785	£ 771,660	£ 495,501		
COGS	£ 897,049	£ 1,033,817	£ 627,847	£ 338,145		
Gross Profit	£ 359,506	£ 451,968	£ 143,813	£ 157,356		
SG&A	£ 238,016	£ 276,090	£ 245,710	£ 174,362		
Other income	-£ 27,865	-£ 28,605	-£ 51,821	-£ 40,791		
Operating Profit	£ 149,355	£ 204,483	-£ 50,076	£ 23,785		
Loss from joint venture	£ -	£ -	£ 886	£ -		
Impairment of assets	£ -	£ -	£ 12,762	£ 377		
Depreciation	£ 21,175	£ 27,527	£ 29,635	£ 11,704		
Amortisation	£ 132,972	£ 152,098	£ 202,724	£ 101,694		
EBITDA	£ 134,842	£ 181,896	-£ 49,113	£ 39,365		
Operating profit (revised)	-£ 4,792	£ 24,858	-£ 296,083	-£ 89,990		
Interest receivable	£ 308	£ 17,811	£ 14,812	£ -		
Interest payable	£ 64,987	£ 71,877	£ 425,600	£ -		
Gain on share (subsidy)	£ -	£ -	£ 21,070	£ -		
Finance cost	£ -	£ -	£ -	-£ 35,247		
Loss before Tax	-£ 69,492	-£ 29,157	-£ 685,801	-£ 125,237		
Tax	-£ 7,683	-£ 4,955	£ 44,639	£ 56,344		
Net Income	-£ 77,175	-£ 34,112	-£ 641,162	-£ 68,893		

4.1 Trend analysis of income statement

From the income statement, the below statements have been made based on information found in all annual reports available.

- Revenue has dropped significantly in the year 2020. This is likely attributed to the coronavirus pandemic.
 - Global wholesale volumes reduced by 64% between 2019 & 2020
 - From McLaren 2019 annual report, it is clear the organisation were concerned about the impact Brexit would have
 - Hiring EU talent
 - Sourcing parts (50% from EU)
 - Exchange rate volatility
- Cost of goods sold (COGS) rose from £897M in 2018 to 1B in 2019 before dropping sharply in 2020. This is reflected in the reduction in product sold globally
 - Production was stopped in Q2 of 2020 as a result of lockdown measures in the United Kingdom
 - Production was at half capacity in H2 of the year
 - Q4 and Q1 2021 was also affected by national lockdowns
- Gross profit follows the same trend as all the points above
- Selling, general and administrative (SG&A) has remained constant throughout the four year period measured.
- Operating profit was healthy in both 2018 and 2019, sharply decreasing and going negative in 2020 and 2021.
- Revised operating profit (after depreciation, amortisation, loss from joint venture and impairment of assets) shows that only the year 2019 was a profit making year. This truly shows how hard McLaren were hit by the Covid-19 pandemic making an overall loss (before tax) of £296M.
- Interest payable for the year 2020 increased significantly. This is attributed to both a huge change in fair value preference shares and preference share dividend payable.
- Loss before tax gave negative figures for all four years analysed.
- Net income for all four years gave a negative figure. The net income figure for 2019 was half that of 2018, showing reasonable progress, although, the figure for 2020 show a £630M loss. The figure for the interim of 2021 is already in excess of the figure for endo of year 2019.

4.2 Profitability ratios

From analysis completed on the income statement, the following ratios have been calculated. The below statements are a summarisation of findings.

Ratios	2018	2019	2020	2021
Gross Margin %	28.61%	30.42%	18.64%	31.76%
Operating Profit %	11.89%	13.76%	-6.49%	4.80%
Net Profit %	-6.14%	-2.30%	-83.09%	-13.90%
Return on Assets	-4.86%	-1.91%	-38.30%	-4.63%
Return on Shareholder Equity	-43.5%	-13.2%	-207.7%	-10.3%

- **Gross margin** - This ratio refers to the sales' ability to generate gross profit (Robinson et al., 2015), with the exception of 2020, this has shown steady growth, rising from 28.61% in 2018 to 31.76% in 2021 interim report.
- **Operating profit margin** - . This is a very important ratio because it reflects the organisations ability to generate profit from ordinary operations. Between 2018 and 2019, there appears to have been some growth. Owing to the Covid-19 pandemic, operating profit tumbled to -6.49% in 2020. The interim 2021 report appears to show some recovery.
- **Net profit margin** - This ratio includes the operating profit plus extraordinary revenue (non-recurring) and minus extraordinary expenses (Robinson et al., 2015). For all years analysed, net profit margin returned negative numbers after the calculations.
- **Return on assets** - It refers to a relation between net profit and asset. Like most other figures has suffered in 2020. Interim 2021 figure appears to show 2018 (pre Covid-19) levels
- **Return on shareholder equity (ROE)** – This ratio provides investors with insight into how efficiently the management team is handling the money that shareholders have contributed to. ROE was negative for all years analysed. This suggests McLaren is quite inefficient at generating income or growth from equity financing

5.0 Balance sheet

The balance sheet is the financial statement of a company which includes assets, liabilities, equity capital, total debt, etc. at a point in time, giving a total 'book value' for an organisation.

Balance Sheet				
Year	2018	2019	2020	Interim 2021
	£000	£000	£000	£000
Debtors	£ -	£ -	£ -	£ -
Fixed Assets (non-current assets)	£ 1,039,644	£ 1,182,108	£ 1,156,980	£ 911,955
Stock (Inventories)	£ 155,393	£ 151,656	£ 112,773	£ 163,880
Cash and Cash Equivalents	£ 97,347	£ 56,252	£ 66,784	£ 116,283
Debtors (Trade and other receivables)	£ 296,577	£ 396,755	£ 337,658	£ 296,830
Current Assets	£ 549,317	£ 604,663	£ 517,215	£ 576,993
Total Assets	£ 1,588,961	£ 1,786,771	£ 1,674,195	£ 1,488,948
Creditors (Trade and other payables)	£ 155,393	£ 101,038	£ 61,398	£ 62,990
Borrowings	£ 478	£ -	£ 68,899	£ -
Other - trade creditors	£ 595,589	£ 645,886	£ 483,303	£ 251,080
Current Liabilities	£ 751,460	£ 746,924	£ 613,600	£ 314,070
Other Liabilities	£ 41,107	£ 43,393	£ 4,967	£ 12,544
Creditors	£ -	£ -	£ -	£ -
Borrowings	£ 549,653	£ 613,857	£ 613,576	£ 449,839
Long Term Liabilities	£ 680,495	£ 780,539	£ 751,934	£ 503,686
Total Liabilities	£ 1,431,955	£ 1,527,463	£ 1,365,534	£ 817,756
Net Assets	£ 157,006	£ 259,308	£ 308,661	£ 671,192
Ordinary Shares (Share capital)	£ 87	£ 89	£ 89	£ 108
Share premium	£ 149,993	£ 203,123	£ 203,123	£ 839,481
Preference shares	£ -	£ -	£ 688,350	£ -
Reserves (All other reserves)	£ 218,168	£ 269,685	£ 271,746	£ 188,775
Retained Earnings	-£ 190,672	-£ 214,188	-£ 854,647	-£ 357,172

Shareholders' Equity	£ 177,576	£ 258,709	£ 308,661	£ 671,192
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5.1 Trend analysis of income statement

From the balance sheet provided, the below statements have been made based on information found in all annual reports available

- Fixed assets at McLaren have remained fairly stable throughout the four years analysed. 2021 is an interim reported figure, it is suggested that the reported figure for year end 2021 is gathered when available
- McLaren have consistently had no debtors for the four years analysed
- Stock holding dropped in 2020, likely as a result of reduced production due to the Covid-19 pandemic. This appears to be around the normal level in 2021 interim report
- Debtors (trade and other receivables) remained consistent throughout all years analysed
- Both current and total assets remained stable for all years analysed.
- Current liabilities trend downwards from year 2018 to 2021, where a sudden drop is reported. It is suggested that 2021 figure is revised on release of full annual report.
- Preference shares were paid in year 2020 to a value of £688,350

5.2 Liquidity ratios

Ratios	2018	2019	2020	2021	Mean
Current Ratio	0.73	0.81	0.84	1.84	1.06
Quick Ratio	0.52	0.61	0.66	1.32	0.78

- **Current ratio** – This is the measure of an organisations ability to pay short-term liabilities, which represents the ratio of current assets to current liabilities. Until 2021, McLaren had a current ratio below 1, this means that they did not have enough liquid assets to cover short term liabilities (not more than one year). A figure above 1 is positive, above 1.3 is good. A comparison has been made between McLaren and Aston Martin Lagonda (AML), similar sized, luxury automotive organisation. It can be seen by comparing directly that overall, for the average of the four years analysed, McLaren has a higher current ratio. 2019 for AML was particularly low. The root cause for this has not yet been determined.

Date	2018	2019	2020	2021	Mean
CR Aston Martin Lagonda	0.7	0.64	1.1	0.96	0.85

- **Quick ratio** - This ratio only includes the most liquid of current assets to current liabilities. This ratio excludes prepaid expenses and inventory from current assets being difficult conversion into cash (Sinha, 2012). A figure above 0.85 is largely considered good. As per the current ratio, only 2021 has achieved this, significantly increasing the average over the four years analysed. Comparison has been made between McLaren and AML. McLaren's quick ratio grows each year analysed, whereas AML is less stable. AML overall average of 0.62 is a cause for concern.

Date	2018	2019	2020	2021	Mean
QR Aston Martin Lagonda	0.49	0.41	0.84	0.74	0.62

5.3 Activity ratios

Ratios	2018	2019	2020	2021	Mean
Days Sales Outstanding (DSO)	86.15	97.47	159.71	218.65	140.50
Inventory Turns	5.77	6.82	5.57	2.06	5.06
Days Payable Outstanding	63.23	35.67	35.69	67.99	50.65

- **Days sales outstanding** – This is an organisations ability to handle sales and credit policies. This is a measure of the average number of days taken for the organisation to collect payment after a sale has been made (Abbas, 2019). McLaren have a high DSO value. When compared to Aston Martin Lagonda (AML), a similar organisation, it can be seen that McLaren take over twice as long to collect payment

Date	2018	2019	2020	2021	Mean
DSO Aston Martin Lagonda	52.65	75.42	81.01	40.52	62.4

- **Inventory turns** – This is an indication of how efficient a business is of managing and selling of stock. Until the year 2021, McLaren have had relatively good inventory turns per year, averaging 5.6 turns per year over the four years analysed. When compared with AML, all years except 2021 are favourable.

Date	2018	2019	2020	2021	Mean
DPO Aston Martin Lagonda	4.4	3.57	2.48	3.7	3.5375

- **Days payable outstanding** – This ratio indicates the average time in days, that an organisation takes to pay creditors, suppliers, and vendors. McLaren are far superior in DPO when compared directly to AML. Aston Martin are taking an average of 140 days to pay creditors, which may have a long term impact on the organisational relationships between them and suppliers.

Date	2018	2019	2020	2021	Mean
DPO Aston Martin Lagonda	197.01	219.02	87.24	58.16	140.3575

5.4 Leverage ratios

Ratios	2018	2019	2020	2021	Mean
Debt / Equity Ratio	310%	237%	221%	67%	209%
Interest Coverage	207%	253%	12%	0%	118%

- **Debt Equity** – This ratio takes total liabilities of an organisation and compares it to shareholder equity. This can then be used to measure how much leverage a company uses. High ratios often indicate higher risk to shareholders. From AML and McLaren data analysed, it can be seen that both have high debt equity ratios, although, McLaren is trending downward throughout, whereas AML has no fixed trend. The mean for both is largely comparable.

Date	2018	2019	2020	2021	Mean
DE Aston Martin Lagonda	195%	338%	151%	201%	221%

- **Interest coverage** – This ratio takes a company's EBITDA to payment due on debt for borrowings. This financial ratio measures the company's ability to satisfy its interest payments as they become due. A higher interest coverage indicates stronger financial health, the lower the ratio shows less operating profits are available to meet interest payments. 2018 and 2019 at McLaren were more capable of meeting obligations than 2020 and 2021 (to date). AML on the other hand had one strong year (2018), with the rest being a cause for concern.

Date	2018	2019	2020	2021	Mean
IC Aston Martin Lagonda	163%	12%	0%	0%	44%

Although, if revised operating profit is used instead of reported EBITDA, the outlook for McLaren looks very unhealthy.

Date	2018	2019	2020	2021
McLaren revised operating profit	-7%	35%	-70%	0%

5.5 Investor ratios

Ratios	2018	2019	2020	2021	Mean
Earnings per ordinary share (EPS)	-887.07	-383.28	-7204.07	-637.90	-2278.08

- **Earnings per ordinary share** – This is the portion of a company's profit allocated to each outstanding share of common stock. From the years analysed, it can be seen that all years returned a negative EPS. This is attributed to net income being negative from 2018 to 2021. AML also returned negative figures (net income negative each year), although the figures are significantly lower.

Date	2018	2019	2020	2021	Mean
EPS Aston Martin Lagonda	-0.393	-0.727	-7.300	-2.206	-2.656

- **Dividend yield** – Could not be calculated as there has been no dividend paid
- **Dividend coverage** – Could not be calculated as there has been no dividend paid

6.0 [Conclusion](#)

Now all data available over the past four years has been reviewed and analysed using financial ratios. It is recommended that the organisation **does not invest in McLaren Holdings Company**. Please see points below outlining reasons for this decision.

- The organisation has not yet recovered from the effect of the Covid-19 pandemic, this can be seen throughout this document.
- McLaren have not consistently achieved key performance indicators set out by the directors of the company since 2019.
- McLaren did not recognise that changing of regulations to promote the use of electric vehicles until the year 2021, specifically stating in 2020 'The Group does not perceive a significant risk from recent announcements regarding the ban of the sale of diesel and petrol cars by 2030'
- The quick ratio shows an average of just 0.6 for years 2018 to 2020. This is particularly low and a cause for concern
- DSO is high, although, DPO is reasonable.
- Interest coverage is showing a downward trend for all years analysed.
- Very few references throughout reports to environmental, social and governance goals.
- Despite the above, the McLaren brand remains strong, this is likely to be attributed to their continued participation in the Formula 1 World Championships. AML also entered Formula 1 in 2021.

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8.0 Appendix

8.1 Profitability ratio calculations

$\frac{\text{Gross Profit}}{\text{Revenue}}$	=	Gross Margin (%)	Gross Profit Revenue	2018 £ 359,506 £ 1,256,555	2019 £ 451,968 £ 1,485,785	2020 £ 143,813 £ 771,660	2021 (interim) £ 157,356 £ 495,501
			Gross Profit Margin	28.61%	30.42%	18.64%	31.76%
$\frac{\text{Operating profit}}{\text{Revenue}}$	=	Operating profit (%)	Operating Profit Sales	2018 £ 149,355 £ 1,256,555	2019 £ 204,483 £ 1,485,785	2020 -£ 50,076 £ 771,660	2021 (interim) £ 23,785 £ 495,501
			Operating Profit Margin	11.89%	13.76%	-6.49%	4.80%
$\frac{\text{Net income}}{\text{Revenue}}$	=	Net profit (%)	Net Income Sales	2018 -£ 77,175 £ 1,256,555	2019 -£ 34,112 £ 1,485,785	2020 -£ 641,162 £ 771,660	2021 (interim) -£ 68,893 £ 495,501
			Net Profit Margin	-6.14%	-2.30%	-83.09%	-13.90%
$\frac{\text{Net income}}{\text{Assets}}$	=	Return on assets	Net Income Assets	2018 -£ 77,175 £1,588,961.00	2019 -£ 34,112 £1,786,771.00	2020 -£ 641,162 £1,674,195.00	2021 (interim) -£ 68,893 £1,488,948.00
			Return On Assets	-4.86%	-1.91%	-38.30%	-4.63%
$\frac{\text{Net income}}{\text{Shareholder equity}}$	=	Return on shareholders equity	Net Income Shareholders' Equity	2018 -£ 77,175 £177,576.00	2019 -£ 34,112 £258,709.00	2020 -£ 641,162 £308,661.00	2021 (interim) -£ 68,893 £671,192.00
			Return on Equity	-43.46%	-13.19%	-207.72%	-10.26%

8.2 Liquidity ratio calculations

$\frac{\text{Current assets}}{\text{Current liabilities}}$	=	Current ratio	Current Assets Current Liabilities	2018 £549,317.00 £751,460.00	2019 £604,663.00 £746,924.00	2020 £517,215.00 £613,600.00	2021 (interim) £576,993.00 £314,070.00
			Current Ratio	0.73	0.81	0.84	1.84
$\frac{\text{Current assets less stock}}{\text{Current liabilities}}$	=	Quick ratio (Acid test ratio)	Current Assets Less Stock Current Liabilities	2018 £393,924.00 £751,460.00	2019 £453,007.00 £746,924.00	2020 £404,442.00 £613,600.00	2021 (interim) £413,113.00 £314,070.00
			Quick Ratio (Acid Test)	0.52	0.61	0.66	1.32

8.3 Activity ratio calculations

$\frac{\text{Accounts receivable}}{\text{Average revenue per day}} =$	Days sales outstanding (DSO)	Accounts Receivable Average Revenue Per Day	2018 £296,577.00 £3,442.62	2019 £396,755.00 £4,070.64	2020 £337,658.00 £2,114.14	2021 (interim) £296,830.145 £1,357.54
		Days Sales Outstanding(DSO)	86.15	97.47	159.71	218.65
$\frac{\text{Cost of goods sold}}{\text{Average inventory}} =$	Inventory turnover	Cost of Goods Sold Average Inventory	2018 £ 897,049 £155,393.00	2019 £ 1,033,817 £151,656.00	2020 £ 627,847 £112,773.00	2021 (interim) £ 338,145 £163,880.00
		Inventory Turnover	5.77	6.82	5.57	2.06
$\frac{\text{Accounts payable}}{\text{Average COGS per day}} =$	Days payable outstanding (DPO)	Accounts Payable Average COGS Per Day	2018 £155,393.00 £ 2,457.67	2019 £101,038.00 £ 2,832.38	2020 £61,398.00 £ 1,720.13	2021 (interim) £62,990.00 £ 926.42
Where $\frac{\text{Annual revenue}}{365} =$	Annual revenue per day	Days Payable Outstanding(DSO)	63.23	35.67	35.69	67.99
Where $\frac{\text{Annual COGS}}{365} =$	Annual COGS per day					

8.4 Leverage ratio calculations

$\frac{\text{Long term debt}}{\text{Stockholder equity}} =$	Debt/ Equity ratio	Long Term Debt Stockholders' Equity	2018 £550,131.00 £177,576.00	2019 £613,857.00 £151,656.00	2020 £682,475.00 £112,773.00	2021 (interim) £449,839.00 £163,880.00
		Debt / Equity Ratio	309.80%	404.77%	605.18%	274.49%
$\frac{\text{EBITDA}}{\text{Interest charge}} =$	Interest coverage	EBITDA Interest Charge	2018 £ 134,842 £64,987.00	2019 £ 181,896 £71,877.00	2020 £ 49,113 £425,600.00	2021 (interim) £ 39,365 £0.00
		Interest Coverage	207.49%	253.07%	11.54%	0.00%