

Review of Aston Martin Lagonda Annual Financial Statements (2021)

For the consideration of Joint Venture



Student : Ovidiu Barlea UWTSD MADE 2023.01.30

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Summary

This report looks at the past, the present and the future of Aston Martin Lagonda(AML) with the purpose of starting a joint venture with the company.

AML is associated with luxury cars as symbols of glamorous lives, but presently the Annual Reports for 2021 do not make for a comforting reading if read by potential investors.

The business is in danger of being left behind by its competitors (Gibbs 2022), and the calculation and interpretation of Profitability, Liquidity, Efficiency, Gearing and Investor ratios give a better view of the companies health or lack thereof.

It is concluded that more time is required to evaluate AML in light of the current round of financing expected, but, that, without this additional funding, a joint venture cannot be considered as the company will be fighting yet again for its life.

Introduction

AML is a living piece of British automotive history, and this longevity has left its mark also on the geography of the English and, more recently, Welsh countryside the heritage sites like Henniker Mews, Kensington, where the original company of Bamford & Martin resided since 1913, and other sites, from the very well-preserved Newport Pagnell (Joseph 2012) to the not so well preserved Hanworth Park House (ASTON'S FORGOTTEN HOME. 2021).



Figure 1 - VMF 37 today, at Hanworth Park House (ASTON'S FORGOTTEN HOME. 2021)

Throughout its 110-year history, Aston Martin Lagonda has been associated with the glamorous aristocracy and high society, it's been the car of choice for everyone's favourite fictional secret agent, garnering a cult following and establishing the Aston Martin brand as one of the must have luxury cars (Largest-ever Aston meet. 2021).

The fame and nostalgia will have also contributed to the survival and longevity of what ABC News identified as perennially loss-making company with a difficult history, numerous owners and even 7 bankruptcies (Korn 2018).

Fast forward through history and into the company's second century, since being listed on the London Stock Exchange in 2018, AML Global Holdings plc. has been struggling, with the latest investor to come to its rescue being the Lawrence Stroll-led consortium in January 2020 (Dawkins 2020).

Financial Statements Analysis

The Annual report for Aston Martin Lagonda presents an overview of the current financial status of the business. The 3 financial statements provide data relating to the organisation's performance. Firstly, the income statement (CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 – Page 154 of AML 2021) deals with the earnings and expenses of day-to-day business activities. The balance sheet (CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021 – Page 157 of AML 2021) details the assets, liabilities and shareholders equity. Finally, The Statement of Cash Flow (CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 – Page 158 of AML 2021) focuses on how the company generates cash, and whether it comes from its activities or (re)financing.

McLaney states that the statements are a very useful tool not only for internal (managers) and external (investors) stakeholders, but also for clients, suppliers, employees, and the public (McLaney 2011). The financial ratios can be used to compare performance over different years within the same business, or to compare results against competing organisations in the same industry.

Financial Ratio Analysis

The Financial Ratios are used by interested parties, such as investors, shareholders, lenders, and other stakeholders (Marsh 2012a) for understanding the performance of the business better. These simple tools will only have a retrospective view on the organisation in question, analysing published data, that can be already out of date, as the 2022 set of accounts may not be published until mid-2023 (Wainman 2022). The ratios obtain allow the interested party to ask the right questions based on the numbers, as they highlight the strengths and weaknesses of the company.

The limitation of financial ratios lies in the understanding of the reasons behind these strengths or what needs to change to eliminate the weaknesses (Atrill 2020a). To overcome this limitation in making their decision, the person engaged in the calculation of the ratios must also consult other sources, such as interim and management accounts and statements (Marsh 2012a).

In the chapters that follow, the focus will be on 5 categories of ratios: Profitability, Liquidity, Leverage, Activity and Investor ratios. The calculation of these ratios is attached in Appendix.

Profitability Ratios

The profitability ratios measure the organisation's success in creating wealth for its owners (Atrill, McLaney et al. 2018)

Gross Profit Margin

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Revenue}} \times 100$$

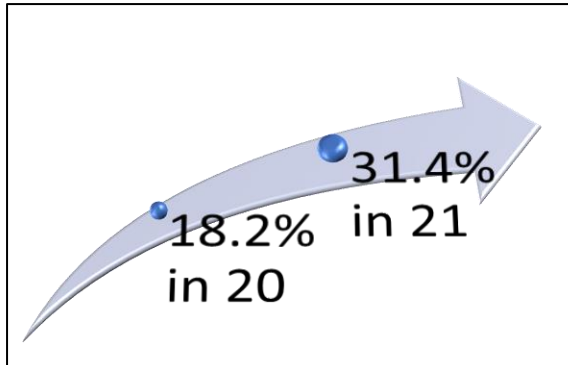


Figure 2 - Gross Profit Margin in 2020 and 2021

The revenue in 2020 was circa 55% of the revenue AML recorded in the following year, while the gross profit in 2020 only amounted for 33% of the value in 2021. The company has improved its gross profit margins, meaning that in the year 2021 for every £1 sold, 31.4p would be left to cover the operating costs that arose (salaries, rent, overheads, ea.).

Following note 3 on the Income Statement regarding the Segmental reporting on Revenue, presented in figure 2, the single largest contributor to this improvement in Gross Profit margin is the sale of vehicles, totalling over £1bn of revenue in 2021, an improvement of 188% year on year to 2020. Across all the categories: parts, servicing, brands and motorsport there is an improvement in performance. Also, sales across all the geographic regions considered have improved, with Asia Pacific region leading the pack at over 2 times the amount of revenue compared to 2020.

A plausible reason for the increase was the fact that 2020 and the international pandemic had put a hold on customer's purchases due to the global insecurity (Wainman 2022).

Revenue	2021 £m	2020 £m
Analysis by category		
Sale of vehicles	1,005.4	535.1
Sale of parts	65.5	56.6
Servicing of vehicles	10.6	6.6
Brands and motorsport	13.8	13.5
	1,095.3	611.8
Revenue	2021 £m	2020 £m
Analysis by geographic location		
United Kingdom	231.3	106.0
The Americas	302.7	162.5
Rest of Europe, Middle East and Africa	233.8	184.9
Asia Pacific	327.5	158.4
	1,095.3	611.8

Figure 3- Segmental Revenue Reporting AML 2021 (Aston Martin Lagonda 2022)

Operating Profit Margin

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Revenue}} \times 100$$

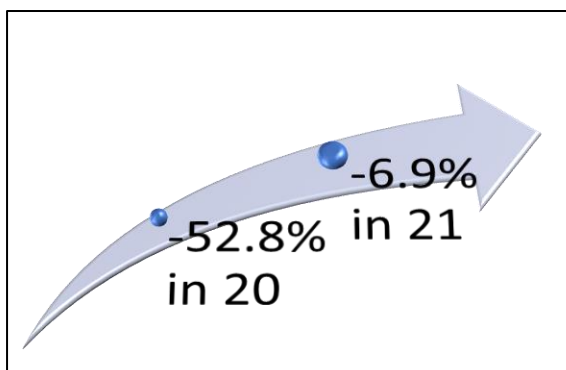


Figure 4 - Operating Profit Margin in 2020 and 2021

The purpose of this ratio is to compare two outputs of the business: operating profit (profit/loss before applying tax and interest) and revenue, with the intended outcome of measuring the operational performance of the business and is considered the most useful means of achieving this for comparisons with other companies (Atrill 2020a).

AML's performance in both years was poor, making a loss. While in 2020, the aforementioned reason of the Covid pandemic put off potential customers generating an operating loss of £322.9m, in 2021 the company lost £ 76.5m, representing a 45% shift towards making a profit, yet falling short for a consecutive year. This figure reveals that the expenses incurred during operations have been larger than the revenue in both 2020 and 2021 and are a cause for concern for any interested parties.

Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Revenue}} \times 100$$

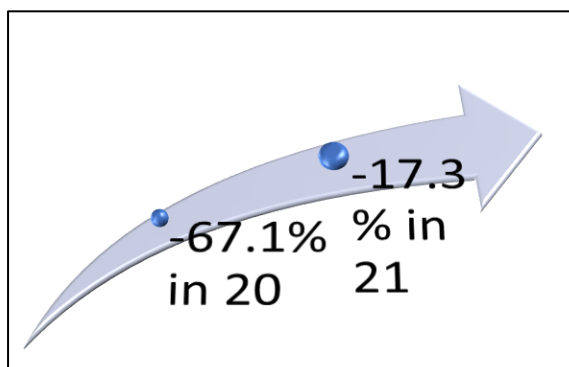


Figure 5 Net Profit Margin in 2020 and 2021

The Net Profit ratio performance of AML was poor in both years, while making a movement of just under 50% in the right direction, on par with the Operating Profit (Loss) Margin.

The negative ratio reveals that the finance expense was larger than the revenue in both years. Figure 6 lists the breakdown of interest and other expenses contributing to the Net Loss and can be found under Note 8 of the 2021 Annual Report. Of note is the value of bank loans for 2021, £ 151.3m is 1.5 times larger than the figure in 2020.

8 FINANCE EXPENSE		
	2021 £m	2020 £m
Bank loans, overdrafts and secured notes	151.3	98.4
Foreign exchange loss on borrowings not designated as part of a hedging relationship	12.4	–
Interest on lease liabilities (note 15)	3.9	4.1
Net interest expense on the net Defined Benefit liability (note 25)	1.3	0.7
Hedge ineffectiveness	–	2.5
Interest on contract liabilities held (note 20)	4.8	1.9
Finance expense before adjusting items	173.7	107.6
Adjusting finance expense items:		
Premium paid on the early redemption of Senior Secured Notes	–	21.4
Write-off of capitalised borrowing fees upon early settlement of Senior Secured Notes	–	7.6
Loss on financial instruments recognised at fair value through Income Statement (note 22)	–	45.3
Professional fees incurred on refinancing expensed directly to the Income Statement	–	1.2
Total Adjusting finance expense	–	75.5
Total finance expense	173.7	183.1

Figure 6 Finance Expense for 2020 and 2021

Return on Equity

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholders Equity}} \times 100$$

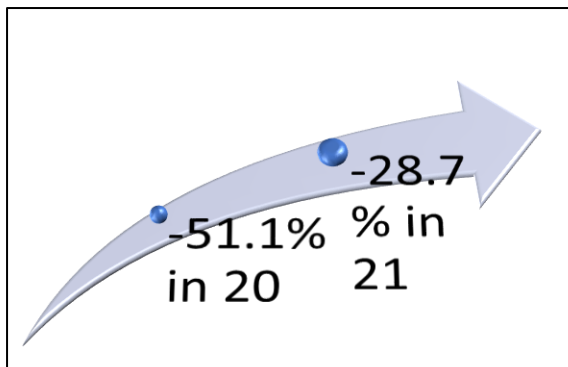


Figure 7 ROE in 2020 and 2021

Combining the Shareholder Equity found in the Consolidated Balance Sheet of AML and the Net Profit from the bottom of the income statement, makes the ROE (Warren Buffet's favourite number (Pysh 2012)) a financial tool that measures the success of a business from the perspective of a shareholder and links information from 2 of the main financial reports. While the equity has decreased in 2021 by £143.7m and ratio has moved up by 22.4 percentage points, a real concern still exists from the perspective of current and potential investors.

There are plans of an equity capital rise in the region of £653m to be used to, quoting the announcement of Proposed new Equity financing and Investing Announcement of AML in 2022, 'de-leverage the balance sheet, strengthen and accelerate long-term growth.' (Investegate | Aston Martin Lagonda Announcements | Aston Martin Lagonda: Proposed New Equity Financing and Investment. 2022) This Capital infusion, should it come to fruition, will affect the ROE ratio.

Return on Assets

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100$$

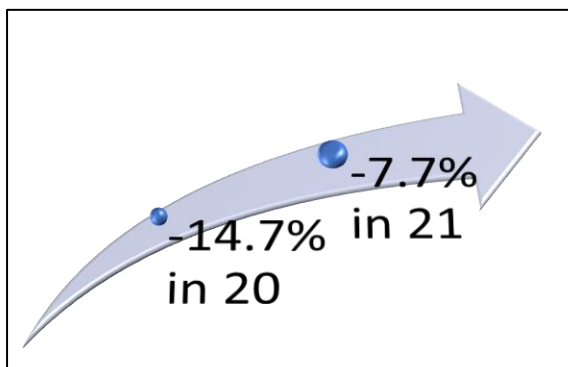


Figure 8 ROA in 2020 and 2021

An ROA of under 5% is poor and indicative of a company that needs to use a large proportion of its assets to produce profits (The Finance Storyteller 2017). In both years, the ROA value is negative due to the loss made by the business. In spite of this, the ascending trend in the ratio, can be considered as a positive sign, as an increasing revenue results in a positive mix of investment in assets and the potential additional profit generated from said assets. (Boyte-White 2022)

Liquidity Ratios

The three ratios calculated in this category are indicators of the company's position relative to paying back debt. The current, quick and cash ratios are tests for the business' ability to fulfil its obligations in a short period of time (McLaney 2011).

Current Ratio

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

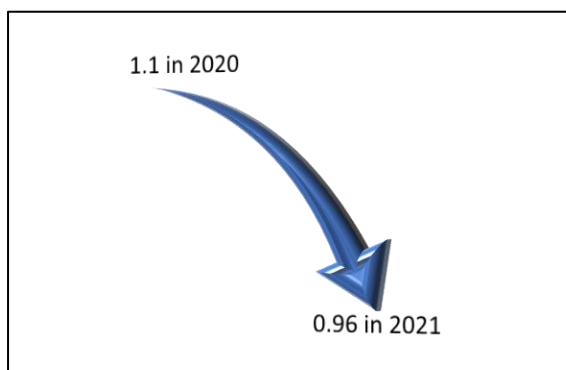


Figure 9 Current Ratio in 2020 and 2021

The value of 1.2 is considered positive for a company when it comes to current ratios (working capital) (Wilkins 2022), and in both years the business is under that value. Further to that point, AML was in a position to cover its short-term liabilities in 2020 with the ratio being above 1. In 2021 the ratio has fallen to 0.96, meaning that it would not meet its obligations. A potential explanation for the negative shift in this ratio is a mix of increasing trading activities in 2021 compared to the Covid hit 2020 as illustrated by a £142.1m increase in Trade Liabilities year on year and a decrease in inventories of £10.4m (more units sold in 2021).

		1,974.0	1,903.3
Current assets			
Inventories	16	196.8	207.4
Trade and other receivables	17	243.4	177.9
Income tax receivable		1.5	0.2
Other financial assets	19	7.3	14.6
Cash and cash equivalents	18	418.9	489.4
		867.9	889.5
Total assets		2,842.5	2,794.8
Current liabilities			
Borrowings	22	114.3	113.5
Trade and other payables	20	721.0	578.9
Income tax payable		5.5	1.2
Other financial liabilities	21	34.8	83.3
Lease liabilities	15	9.7	9.3
Provisions	24	19.9	22.1
		905.2	808.3

Figure 10 Excerpt from the Balance sheet (Aston Martin Lagonda 2022)

Quick Ratio

$$\text{Quick Ratio} = \frac{\text{Current assets less Stock}}{\text{Current Liabilities}}$$

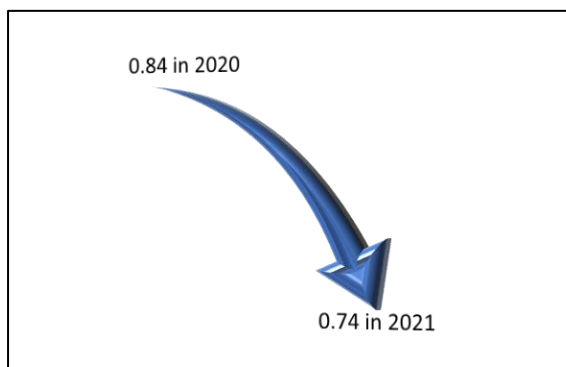


Figure 11 Quick Ratio in 2020 and 2021

The main difference between the quick and current liquidity ratios is taking the inventory out of the equations because it is difficult to quickly convert this asset type into cash (Wilkins 2022), especially considering depreciation in value over time. AML are in a precarious position yet again when it comes to liquidity, as both years show it has a deficit in fulfilling its debt obligations.

Cash Ratio

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$$

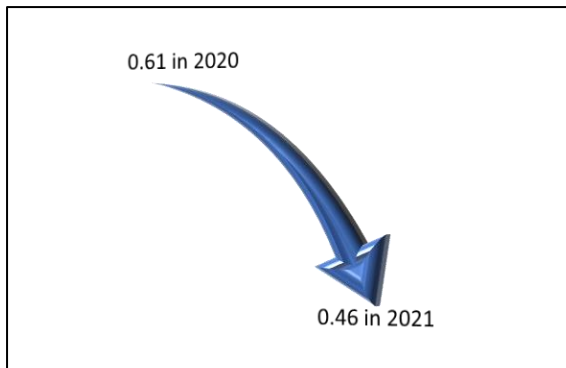


Figure 12 Cash Ratio in 2020 and 2021

The three ratios in this category can be viewed as 3 levels of liquidity testing of the company. The current is the low level scrutiny, the quick represents the medium test and, by default, the cash ratio is considered the highest level test in the category because it only takes into account cash and equivalents to cover short term liabilities. Unsurprisingly, the precarious liquidity problem apparent with AML leaves the company in need of cash/assets to remedy this problem to sustain it in the long term.

Leverage Ratios

Looking at how the business is funded and where are the funds coming from into the business- either from share and sale units or from loans and debts to make sure the business works.

Financial Gearing Ratio

$$\text{Gearing Ratio} = \frac{\text{Non Current Liabilities}}{\text{Equity} + \text{Non Current Liabilities}} \times 100$$

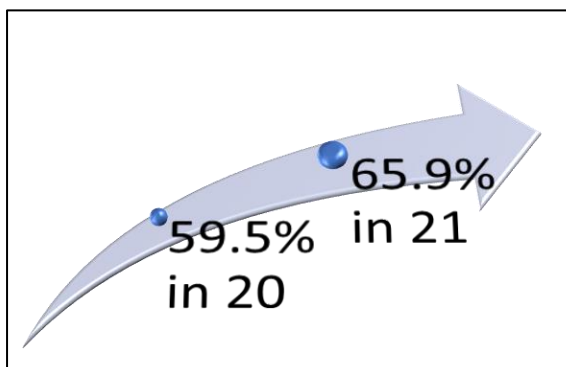


Figure 13 Gearing Ratio in 2020 and 2021

Gearing ratios differ from business to business within the same sector and even between different sectors. According to Atrill, car manufacturing is a capital-intensive sector, with many relying on loans, as evidenced in figure 13. The increase of 6.4 percentage points indicates an increase in borrowing in 2021, while still being in line with the industry ratio values (Atrill 2020b).

Gearing up

Car manufacturing is a highly capital-intensive business. To help finance the investment needed in plant and machinery there is often heavy reliance on borrowing. Gearing ratios for leading car manufacturers are shown in Figure 3.4.

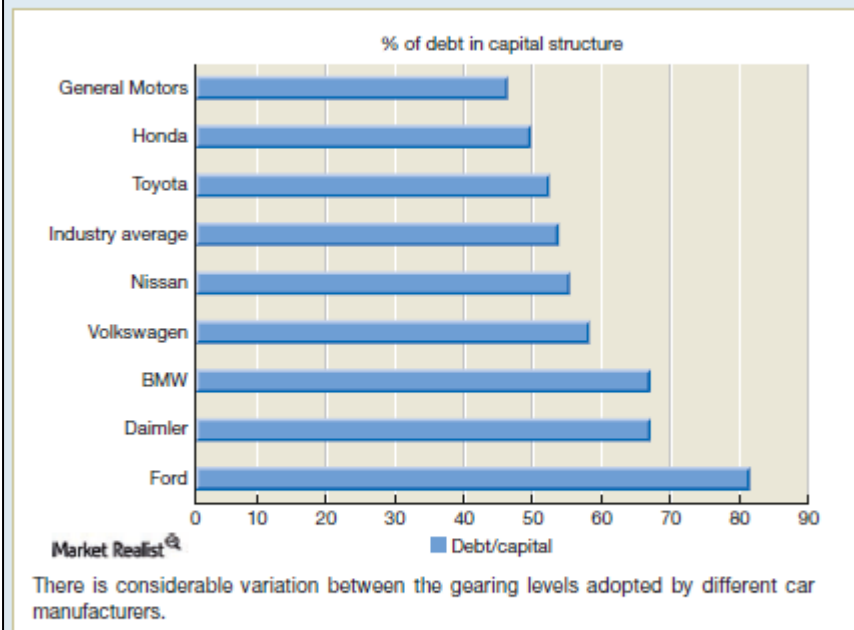


Figure 3.4 Gearing ratios of leading car manufacturers

We can see that the gearing ratios vary from around 45 per cent to more than 80 per cent.

Source: H. Kallstrom (2015) 'Investing in the automotive industry: What you need to know', www.marketrealist.com, 6 February.

Figure 14 Car Manufacturing Gearing Ratios (Atrill 2020b)

Debt on Equity Ratio

$$\text{Debt on Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Stockholders Equity}} \times 100$$

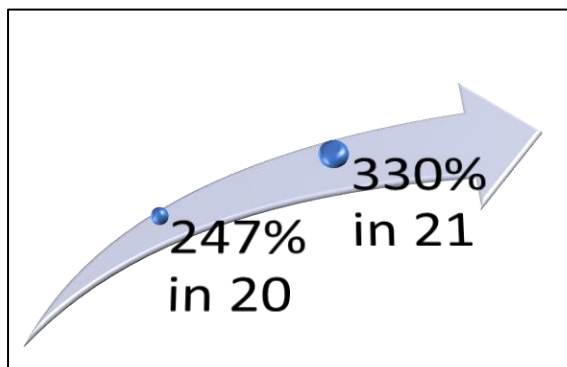


Figure 15 Debt on Equity Ratio in 2020 and 2021

Unlike with other ratios presented in the report, Debt on Equity can have both positive and negative outcomes with such a high value. Marsh describes the optimum debt to equity ratio as being a strategic decision with an important impact on the shareholders and their return on investment (Marsh 2012b).

In some cases, a D/E ratio greater than 100% can work in the favour of investors, when the interest is low and there are substantial profits (Atrill, McLaney et al. 2018). This is not the case for AML who is suffering from acute liquidity problems leading to the company's over-reliance on creditors.

Interest Coverage

$$\text{Interest Coverage} = \frac{\text{Operating Profit}}{\text{Interest Charge}} \times 100$$

This ratio result is concerning to shareholders of AML, because of the company's inability to cover the Interest charge. This is due to the company registering losses in both years and the interest coverage will not be calculable as its results will not garner any useful information. The company remains at risk of lenders taking action against it to recover all due interest. The figure AML should strive for is above 2 according to the finance storyteller (The Finance Storyteller 2020).

Activity(Efficiency) Ratios

The activity ratios are concerned with the company's efficiency in using its assets. There are three levers that can be used to improve also another set of ratios – the Liquidity of the company. By understanding where these durations can be manipulated, the management can boost its cash flow – by ensuring the DSO is shorter than the DPO and that the stock turnover is as accelerated as possible.

Days Sales Outstanding (DSO)

$$DSO = \frac{\text{Trade and other receivables}}{\text{Average Revenue per day}}$$

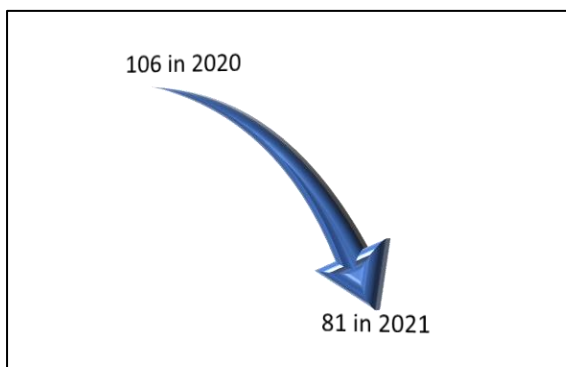


Figure 16 DSO in 2020 and 2021

Days Sales Outstanding decreased by 34% in 2021, when it took 81 days to receive payment for sales compared with 106 the year before. It is a good sign of efficiency that the company receives payment before it must pay out its creditors. This is in part due to AML's sales strategy - customers must finance their purchase using 3rd party creditors (Wainman 2022). This way, the business can receive full payment for its goods in a shorter time.

Inventory Turnover

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$$

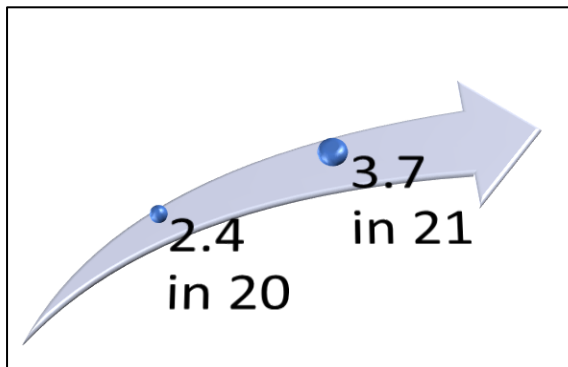


Figure 17 Inventory Turnover in 2020 and 2021

The inventory turnover increased by 54% in 2021, which means that stock was moving faster in this year compared to 2020.

Days Payable Outstanding (DPO)

$$DPO = \frac{\text{Trade and other payables}}{\text{Average Revenue per day}}$$

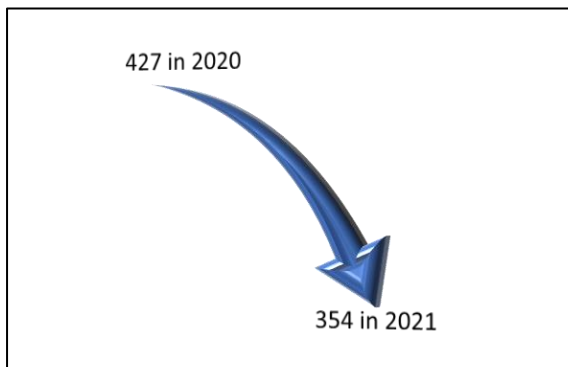


Figure 18 DPO in 2020 and 2021

Based on the findings, the DPO has decreased between the two years by 73 days, yet it still retains a positive difference to the DSO 2021 of 273 days, meaning AML manages to get money in quicker than it needs to pay out suppliers.

Investor Ratios

This set of ratios concerns the ability of the company to satisfy shareholders returns.

Dividend Cover and Dividend Yield

These two ratios cannot be calculated for the period because AML has not paid out any dividends.

Earnings per Ordinary Share

$$\text{Earning per Ordinary Share} = \frac{\text{Net Income}}{\text{Number of Shares}}$$

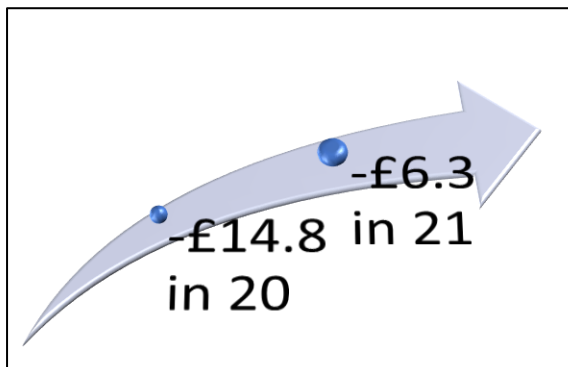


Figure 19 Earnings per Ordinary Share in 2020 and 2021

Stockholders will not be content with losses in share as this ratio depends on the company turning a profit when it comes to net income.

Price Per Earnings Ratio

$$\text{Price per Earnings Ratio} = \frac{\text{Market Value per Share}}{\text{EPS}}$$

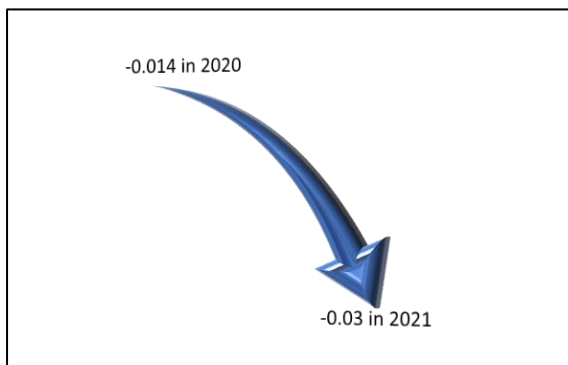


Figure 20 Price Per Earnings in 2020 and 2021



Figure 21 Price of share £7.4468 on 01/01/2021 – Source London Stock Exchange



Figure 21 Price of share £5.0152 on 31/12/2021 - Source London Stock Exchange

Summary of Findings

From all of the ratios presented in this report, there are many that raise alarms with regards to AML forecasted financial security and it's ultimate survival. In his book, Altman refers to the approach of using single ratios for anticipating future financial failure as univariate analysis. He then proceeds to present the research of two other analysts, Beaver and Zmijewski as proponents of the single ratio analysis. What differentiates the two is the ratios used by them to predict bankruptcies in the businesses they studied (Atrill 2020b).

Using Beaver's findings based on 79 failed companies, and comparing AML's current ratio of 1.1 in 2020 down to 0.96 in 2021, could indicate that the company could go bankrupt.

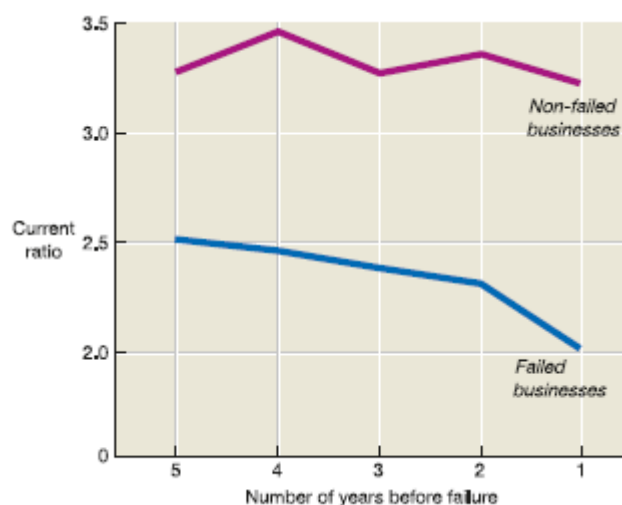


Figure 22 Univariate analysis of Current Ratio (Atrill 2020b)

Other methods of calculation include using statistical approaches in combining various ratios.

One of the popular methods was developed by Altman over a 32 year period, named the Z-score model and based on combinations of 5 ratios:

$$Z = 0.717a + 0.847b + 3.107c + 0.420d + 0.998e$$

where a = Working capital/Total assets
 b = Accumulated retained profits/Total assets
 c = Operating profit/Total assets
 d = Book (statement of financial position) value of ordinary and preference shares/Total liabilities at book (statement of financial position) value
 e = Sales revenue/Total assets.

Figure 23 Z-score method (Atrill 2020b)

In addition to the worrying ratio interpretation results, the limitations of the ratios are made evident in the AML accounts.

The company has chosen to list its brand as an asset, which is not best practice according to Wainman and Atrill, as the presence of brand and internally generated goodwill on the financial statements diminish the statements quality (Wainman 2022) (Atrill 2020b).

Liquidity is a major problem for AML, as evidenced by the results of the ratio, which makes the current round of fundraising at the same time, necessary for course-correction and worrying for interested parties reviewing the businesses statements (Wainman 2022).

Conclusion and Recommendations

Presently, Aston Martin Lagonda should not be approached for the purpose of a joint venture.

This is due to the acute possibility of failure (bankruptcy) without securing new finances.

The recommendation is to re-evaluate the position of AML after the publication of the 2022 accounts and to keep tabs on the highly ambitious plans for future models of cars and the racing team subsidiary's performance.

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Appendix 2 – Ratio Calculations

Income Statement			Balance Sheet					
Year	£m	£m	Year	£m	£m	£m		
Revenue	1095.3	611.8	Current Assets	867.9	889.5		Profit	Ratios
Cost of sales	-751.6	-500.7	Non-current Assets	1974.6	1905.3			2021
Gross Profit	343.7	111.1	Total Assets	2842.5	2794.8			2020
Other Operating Income			Net Assets	660.4	804.1			
SG&A			Stock	196.8	207.4	202.1		
Other Operating Costs								
Operating Profit/Loss	-76.5	-322.9	Cash and Equivalents	418.9	489.4			
Interest Receivable								
Interest Payable + Similar			Debtors	245.5	178.8			
Other Finance Costs								
Tax			Net Finance Costs	137.3	143.1			
Net Income	-189.3	-410.5						
EPS								
Dividend per Share			Creditors	730.8	586.4			
Dividend per Share								
Number of shares			Non-Current Liabilities	1276.9	1182.4			
			Current Liabilities	905.2	808.3			
EBITDA								
Shares (loss of joint venture)								
Impairment of Assets			Borrowings (All Current + Non-Current)	1189.2	1084.8			
Ammortisation			Long Term Liabilities					
Depreciation			Total Liabilities	2182.1	1990.7			
Notes:			Net Assets (Total Equity)	660.4	804.1			
Average Revenue/day	3.0	1.7	Share Capital	11.6	11.5			
Average COGS/day	0.5	0.6						
Share value (£)	5.0152	7.4468						
Earnings Per ordinary share	-165.9	-543	Share Premium	1123.4	1108.2			
			Reserves	169.2	171.2			
			Retained Earnings	-662.4	-503.1			
			Shareholders Equity	660.4	804.1			
			Non-controlling interests	18.6	16.3			
			Notes:					
			Trade Debtors					
			Trade Creditors					
			Senior secured notes					

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021			2020		
		Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	1,095.3	–	1,095.3	611.8	–	611.8
Cost of sales		(751.6)	–	(751.6)	(500.7)	–	(500.7)
Gross profit		343.7	–	343.7	111.1	–	111.1
Selling and distribution expenses		(84.8)	–	(84.8)	(79.6)	–	(79.6)
Administrative and other operating expenses		(333.2)	(2.2)	(335.4)	(256.4)	(98.0)	(354.4)
Operating loss	4	(74.3)	(2.2)	(76.5)	(224.9)	(98.0)	(322.9)
Finance income	7	2.3	34.1	36.4	33.1	6.9	40.0
Finance expense	8	(173.7)	–	(173.7)	(107.6)	(75.5)	(183.1)
Loss before tax		(245.7)	31.9	(213.8)	(299.4)	(166.6)	(466.0)
Income tax credit	9	16.2	8.3	24.5	22.6	32.9	55.5
Loss for the year		(229.5)	40.2	(189.3)	(276.8)	(133.7)	(410.5)
(Loss)/profit attributable to:							
Owners of the Group				(191.6)			(419.3)
Non-controlling interests				2.3			8.8
				(189.3)			(410.5)
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of Defined Benefit liability	25			3.8			(59.1)
Taxation on items that will never be reclassified to the Income Statement	9			(1.0)			12.3
Effect of change in rate in taxation	9			6.0			–
Items that are or may be reclassified to the Income Statement							
Foreign currency translation differences				2.3			0.8
Fair value adjustment – cash flow hedges	22			(0.3)			6.6
Amounts reclassified to the Income Statement – cash flow hedges	22			(4.3)			9.7
Taxation on items that may be reclassified to the Income Statement	9			1.2			(3.1)
Other comprehensive income/(loss) for the year, net of income tax				7.7			(32.8)
Total comprehensive loss for the year				(181.6)			(443.3)
Total comprehensive (loss)/income for the year attributable to:							
Owners of the Group				(183.9)			(452.1)
Non-controlling interests				2.3			8.8
				(181.6)			(443.3)
Earnings per ordinary share							
Basic loss per share	11			(165.9p)			(543.0p)
Diluted loss per share	11			(165.9p)			(543.0p)

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in note 5.

The notes on pages 159 to 210 form an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

	Notes	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Intangible assets	12	1,384.1	1,336.8
Property, plant and equipment	14	355.5	389.6
Right-of-use lease assets	15	76.0	71.4
Trade and other receivables	17	2.1	0.9
Other financial assets	19	0.5	0.1
Deferred tax asset	9	156.4	106.5
		1,974.6	1,905.3
Current assets			
Inventories	16	196.8	207.4
Trade and other receivables	17	243.4	177.9
Income tax receivable		1.5	0.2
Other financial assets	19	7.3	14.6
Cash and cash equivalents	18	418.9	489.4
		867.9	889.5
Total assets		2,842.5	2,794.8
Current liabilities			
Borrowings	22	114.3	113.5
Trade and other payables	20	721.0	578.9
Income tax payable		5.5	1.2
Other financial liabilities	21	34.8	83.3
Lease liabilities	15	9.7	9.3
Provisions	24	19.9	22.1
		905.2	808.3
Non-current liabilities			
Borrowings	22	1,074.9	971.3
Trade and other payables	20	9.8	7.5
Lease liabilities	15	93.7	93.7
Provisions	24	19.0	16.8
Employee benefits	25	78.7	92.5
Deferred tax liabilities	9	0.8	0.6
		1,276.9	1,182.4
Total liabilities		2,182.1	1,990.7
Net assets		660.4	804.1
Capital and reserves			
Share capital	26	11.6	11.5
Share premium		1,123.4	1,108.2
Merger reserve		143.9	144.0
Capital redemption reserve		9.3	9.3
Capital reserve		6.6	6.6
Translation reserve		2.7	0.4
Hedge reserves	22	6.7	10.9
Retained earnings		(662.4)	(503.1)
Equity attributable to owners of the group		641.8	787.8
Non-controlling interests		18.6	16.3
Total shareholders' equity		660.4	804.1

The Financial Statements were approved by the Board of Directors on 22 February 2022 and were signed on its behalf by

TOBIAS MOERS
CHIEF EXECUTIVE OFFICER
COMPANY NUMBER: 11488166

KENNETH GREGOR
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £m	2020 £m
Operating activities			
Loss for the year		(189.3)	(410.5)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
Tax credit on operations	9	(24.5)	(55.5)
Net finance costs		137.3	143.1
Other non-cash movements		(0.1)	2.2
Depreciation and impairment of property, plant and equipment	4	65.3	50.8
Depreciation and impairment of right-of-use lease assets	4	9.3	14.8
Amortisation and impairment of intangible assets	4	137.6	168.5
Difference between pension contributions paid and amounts recognised in Income Statement		(11.4)	(4.1)
Decrease/(increase) in inventories		7.7	(4.8)
(Increase)/decrease in trade and other receivables		(75.4)	67.4
Increase/(decrease) in trade and other payables		52.8	(118.6)
Increase/(decrease) in advances and customer deposits	20	70.7	(52.8)
Movement in provisions		(0.2)	11.0
Cash generated from/(used in) operations		179.8	(188.5)
Decrease/(increase) in cash held not available for short term use	19	8.1	(0.9)
Income taxes paid	9	(9.0)	(9.2)
Net cash inflow/(outflow) from operating activities		178.9	(198.6)
Cash flows from investing activities			
Interest received	7	1.1	2.3
Increase in loan assets	17	(1.4)	–
Decrease in loan assets	17	0.9	–
Payments to acquire property, plant and equipment	14	(40.7)	(81.0)
Payments to acquire intangible assets	12	(144.0)	(179.7)
Net cash used in investing activities		(184.1)	(258.4)
Cash flows from financing activities			
Interest paid	27	(118.0)	(82.3)
Proceeds from equity share issue		–	812.8
Proceeds from issue of equity warrants		15.3	34.6
Proceeds from financial instrument utilised as part of refinancing transactions		–	6.9
Principal element of lease payments	27	(9.9)	(12.2)
Repayment of existing borrowings	27	(37.3)	(1,092.3)
Proceeds from inventory repurchase arrangement	20	19.0	76.8
Repayment of inventory repurchase arrangement		(40.0)	(80.0)
Proceeds from new borrowings	27	108.5	1,252.7
Transaction fees paid on issuance of shares		(1.3)	(34.9)
Transaction fees paid on financing activities	27	(2.8)	(41.9)
Net cash (outflow)/inflow from financing activities		(66.5)	840.2
Net (decrease)/increase in cash and cash equivalents	23	(71.7)	383.2
Cash and cash equivalents at the beginning of the year		489.4	107.9
Effect of exchange rates on cash and cash equivalents		1.2	(1.7)
Cash and cash equivalents at the end of the year		418.9	489.4