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EXECUTIVE SUMMARY

EasyJet's financial report for the periods ending September 30, 2024, and 2023, provides a detailed account of the company's performance during those years. It enables the Board of Directors to comprehend the financial trajectory of the company and areas that need rectification. In addition, the report offers concrete recommendations intended to enhance financial performance and strengthen the organization's overall resilience. The primary financial such as profitability, liquidity, gearing, efficiency, and investor ratios, have been determined and analysed critically. Year-on-year analysis has identified enhanced profitability and returns to investors and sound liquidity, yet increasing gearing levels create potential long-term threats.

EasyJet has made a lot of progress in boosting its income, especially through its holidays and extra services. However, the company's capital structure is under significant pressure due to increased debt obligations and the need for further investment. This report critically examines the limitations of ratio analysis and concludes with practical recommendations aimed at improving financial performance, reducing risk, and safeguarding shareholder interests. The aviation industry really needs this kind of assessment which has faced serious challenges due to the COVID-19 pandemic, supply chain disruptions, and the unpredictable nature of fuel prices. Additionally, there's a lot of pressure on the industry to lower carbon emissions. Costs are going up at an alarming rate, companies are merging, and passengers want better flights with more choices. EasyJet is very strong and is changing the travel industry. People all over the world want planes to be more environmentally friendly and have better technology. Environmentalists look at airlines' ESG performance and profits. EasyJet is making smart moves to stay ahead by strategically adapting to change. For example, the company is improving its booking system and investing in green fuel.

Jordons Plc, a UK premium wooden window blinds manufacturer leader, is searching for strategic investments for expansion. The organization has identified three capability growth routes: (A) enlargement of retail shops; (B) improvement of an online income platform; and (C) product diversification into Roman blinds and curtains. Each choice has been evaluated the use of investment appraisal strategies, which includes Net Present Value (NPV), Internal Rate

of Return (IRR), and Payback Period, along capital rationing evaluation under a £2 million price range cap. Option B emerged as the most financially feasible, with a strong IRR of 27%, a short payback duration of 2.49 years, and a balanced investment requirement. While Option C indicates the best absolute NPV it also demands an appreciably higher preliminary investment.

The report evaluates strategies for allocating limited capital, ultimately advising that full investment should be directed toward Options A and B. Any remaining funds, albeit insufficient for full commitment, are then allocated to Option C. This approach, the report suggests, is most effective for maximizing overall returns. Strategic elements including market readiness, logo alignment, consumer call, and operational talents also are taken into consideration in decision-making. Overall, the report recommends prioritizing Option B due to its advanced financial returns and strategic alignment. A balanced blend of internal funding and bank loans is recommended for implementation. The proposed technique helps Jordons Plc's long-term targets even as it deals with monetary hazards correctly.

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BUSINESS REPORTS
EASYJET PLC'S FINANCIAL PERFORMANCE ANALYSIS (FY2023 & FY2024)
&
BUSINESS INVESTMENT APPRAISAL FOR JORDONS PLC

1. INTRODUCTION

EasyJet, established in 1995 and headquartered at London Luton Airport, is widely recognized as a pioneer in the British low-cost airline sector. By implementing a no-frills, cost-focused operational model, the airline fundamentally transformed European air travel. Today, EasyJet operates flights to over 30 countries, both domestically and internationally, and continues to hold a significant presence within the budget airline sector (Morris, 2023). As of 2024, EasyJet operates a fleet exceeding 300 aircraft and transports approximately 90 million passengers annually, firmly establishing itself as one of Europe's most prominent airline brands (EasyJet, 2024). The organization prioritizes digital innovation and a customer-centric strategy, allocating significant resources toward sustainability initiatives, technological progress, and streamlining operations. These efforts are crucial for sustaining its competitive advantage in a rapidly changing industry landscape (CAPA, 2023).

Then, air transport sector has experienced significant volatility in recent years. The onset of the COVID-19 pandemic triggered an extraordinary level of disruption: global passenger demand plummeted, airlines faced severe financial losses, and public confidence in air travel fundamentally shifted (IATA, 2023). Amid the pandemic recovery, soaring operating costs, unstable fuel prices, and regulatory mandates for sustainable practices are making airlines rethink the way they spend money. In addition, passengers' needs have changed; they are now more focused on flexibility, digital simplicity, and sustainability (Dehne and Herr, 2025; BCG, 2025; BCG, 2020). The study attempts to assist by showing the strengths, risks, and chances to provide value for stakeholders and shareholders, as well as by helping with strategic decision-making.

MAIN FINDINGS- PART 1

2. FINANCIAL RESILIENCE AND STANDING

Ratio	Formula	FY-2023	FY-2024
Net Profit Margin	$\text{Net Profit} \div \text{Revenue} \times 100$	3.97%	4.85%
Operating Profit Margin	$\text{Operating Profit} \div \text{Revenue} \times 100$	5.54%	6.33%
Return on Equity (ROE)	$\text{Net Profit} \div \text{Average Equity} \times 100$	11.8%	15.7%
Gross Profit Margin	$(\text{Gross Profit} \div \text{Revenue}) \times 100$	13.77%	14.13%
Return on Assets (ROA)	$(\text{Net Profit} \div \text{Total Assets}) \times 100$	3.29%	4.10%
Return on Capital Employed (ROCE)	$(\text{Operating Profit} \div \text{Capital Employed}) \times 100$	7.95%	8.97%
Current Ratio	$\text{Current Assets} \div \text{Current Liabilities}$	0.997	1.02
Quick Ratio	$(\text{Current Assets} - \text{Inventories}) \div \text{Current Liabilities}$	~0.97	~1.00
Debtor Days	$(\text{Receivables} \div \text{Revenue}) \times 365$	15.32	18.94
Creditor Days	$(\text{Payables} \div \text{Cost of Sales}) \times 365$	91.38	75.61

Inventory Days	$(\text{Inventory} \div \text{Cost of Sales}) \times 365$	35.02	26.12
Debt-to-Equity Ratio	Total Debt $\div$ Shareholders' Equity	0.68	0.71
Interest Coverage Ratio	EBIT $\div$ Interest Expense	2.52×	4.46×
Asset Turnover	Revenue $\div$ Total Assets	1.12	1.20
Earnings per Share (EPS)	Net Profit $\div$ Number of Shares	43.1p	60.3p
Dividend per Share	Dividends Paid $\div$ Number of Shares	0p	4.53p

2.1 CRITICAL EVALUATION OF RATIOS

Net Profit Margin: Net profit margin increased by 0.88 percentage points, indicating enhanced profitability. This improvement likely stems from effective cost management, strategic pricing decisions, or reduced interest and tax expenses. Additionally, operational efficiency may have improved as a result of optimized internal processes, stricter financial discipline, or lower input costs (Atrill and McLaney, 2022). A net profit margin of 4.85% is fairly low, often happens in fields like aviation and retail, where high costs eat into earnings.

Operating Profit Margin: The rise from 5.54% to 6.33% means the company is earning more profit from its sales. Still, if this improvement doesn't beat inflation or rising costs like fuel and labour, real profits won't grow. The fluctuations in fuel charges can quickly wipe out these small gains (CAPA, 2022).

Return on Equity: An increase of ROE from 11.8% to 15.7% is significant, representing enhanced profitability and efficiency in using investors' capital. It displays how well a company uses its shareholders' money to make a profit. When capital is allocated strategically to initiatives that yield substantial returns, shareholders tend to benefit through increased value over time (Palepu et al., 2020).

Gross Profit Margin: The company has done a better job managing key costs like fuel, crew, and maintenance. By controlling costs or adjusting prices, the company is able to turn more of its income into profit (Atrill and McLaney, 2022). In the airline industry, where fixed costs are notoriously high, simply expanding margins doesn't guarantee long-term sustainability (Penman, 2019).

Return on Assets: The company makes more profit from its total assets, showing it uses resources like aircraft, facilities, and equipment well. This is very important in industries like aviation, where using resources well directly boosts profits (Brigham and Houston, 2022). A 4.10% return is quite low, showing how hard it is to earn big gains from a large, costly asset base. Without boosting sales or cutting costs more, returns could stay flat (Palepu et al., 2020).

Return on Capital Employed: The company has demonstrated a marked improvement in its capacity to generate operating profit from its invested capital, suggesting more effective investment strategies. This development represents a positive indicator of value creation for both shareholders and creditors (Atrill and McLaney, 2022). As borrowing costs rise, the company needs to earn higher earnings. This is necessary to beat its average cost of capital and stay competitive long term (Penman, 2019).

Current Ratio: The company's current assets have improved its ability to meet short-term bills. This can make lenders more confident and reduce the risk of running out of cash. The current ratio stands at 1.02, which is just above the minimum level, indicating that the company's liquidity is still pretty tight. In industries such as aviation, known for their unpredictable cash flows, this could mean the firm might face short-term financial strain if any unexpected costs arise.

Quick Ratio: There is improved immediate liquidity because of its short-term liabilities reflecting better liquidity resilience (Atrill and McLaney, 2022). In the aviation industry, maintaining sufficient liquidity is essential—especially when inventory turnover is slow. Rapid access to cash becomes critical during unexpected downturns in demand or operational shutdowns, as these scenarios can quickly threaten business continuity.

Even minor disruptions in receivables or cash flow could force the company to just barely recover above this threshold, yet describing the firm as stable seems questionable. Although it's not in immediate crisis, its short-term financial health is still quite fragile (Brigham and Houston, 2022).

Debtor Days: Insufficient Cash Conversion Efficiency can reduce the cash flows of the company and its working capital position. In cash-sensitive sectors such as aviation, a delayed collection will impact the capacity to honour short-term commitments or reinvest in operational activities (Atrill and McLaney, 2022).

If this decline in collection efficiency keeps up, it really calls into question whether the current credit controls are effective. The risk of bad debts could rise, which would hurt the organization's liquidity (Brigham and Houston, 2022).

Creditor Days: Paying suppliers on time improves relationships and can lead to better credit terms or discounts (Atrill and McLaney, 2022). This practice shows a clear effort to make operations run more smoothly within the company.

Still, accelerated payment schedules can put serious pressure on cash flow—this issue tends to hit capital-heavy industries like aviation especially hard.

Inventory Days: The company demonstrates effective inventory management by ensuring rapid stock turnover. Consequently, storage costs are reduced, and the likelihood of inventory becoming outdated drops quite a bit. This method proves particularly advantageous for businesses handling perishable goods or products with high sales velocity (Atrill and McLaney, 2022).

Debt-to-Equity Ratio: The company slightly increases its borrowing; it typically indicates that management is seeking additional funds to support expansion initiatives. The underlying expectation is that this strategic use of debt will translate into higher profitability, aligning with the perspective presented by Brigham and Houston (2022). Nonetheless, even a slight uptick in debt inevitably heightens financial risk, particularly in capital-intensive sectors such as aviation (Atrill and McLaney, 2022).

Interest Coverage Ratio: A rising ratio shows a company is better able to pay its interest, which means it's more financially stable. In unstable industries like aviation, keeping this ratio high is key. It lowers credit risk and helps the company manage its current debts.

Asset Turnover: The increase indicates greater efficiency in utilizing assets to generate revenue. Still, if this improvement results from reduced investment, it could ultimately undermine future capacity and the quality of services provided.

Earnings per Share: The increase reflects stronger shareholder returns and may boost investor confidence (Atrill and McLaney, 2022). However, EPS growth could stem from non-operational factors, so deeper analysis is essential (Brigham and Houston, 2022).

Dividend per Share: The company's transition from providing no dividends to issuing 4.53p per share clearly indicates a marked improvement in both profitability and cash flow. This development signals management's increased confidence in the durability of earnings, while also underscoring a tangible commitment to returning value to shareholders.

3. YEAR-ON-YEAR FINANCIAL CHANGES AND TRENDS

EasyJet's Growth in Sales: EasyJet experienced a substantial increase in revenue, rising from £8.17 billion to £9.31 billion—an approximately 14% growth (EasyJet Plc, 2024). The notable resurgence in passenger demand highlights a substantial recovery, positioning EasyJet as a significantly stronger competitor within the airline industry.

Operating Profit Continues to Grow: EasyJet's operating profit rose by £136 million, thanks to better cost management and a focus on maximizing value. This highlights the company's strong operational efficiency and shows that its business strategy is working well (EasyJet Plc, 2024). The better growth in last two years may push the company forward to have more profits through addressing and enhancing operations.

Cash And Related Resources Are Diminishing: EasyJet's cash reserves dropped significantly, going from £2.93 billion down to £1.34 billion. This sharp decline is mostly due to the airline's bold investment strategy. A large part of its capital has been dedicated to modernizing its fleet—an effort aimed at boosting competitiveness and improving how efficiently the airline operates. Although it's an assertive move, this strategy shows EasyJet's commitment to strengthening its position in the industry for the long haul (EasyJet Plc, 2024).

4. LIMITATIONS OF RATIO ANALYSIS

Ratio analysis is valuable but is in possession of certain weaknesses that could reduce financial conclusions to be less precise and useful. These constraints are simpler to perceive when it observed in day-to-day operations.

Historical Data Bias: Ratios are based on past data, so they don't always reflect what might happen in the future. For example, before the COVID-19 pandemic, many of airlines seemed to be in good financial shape. But when the crisis hit in 2020, the usual profitability ratios from previous years suddenly didn't mean much when it came to predicting future performance. Even airlines that had strong returns before the pandemic weren't prepared for the sudden and dramatic drop in revenue (IATA & McKinsey, 2022).

Different business strategies and sector comparisons: It's not always a good idea to compare companies from different industries or those that follow different business models. Take EasyJet and Ryanair, for example-both are low-cost airlines, but their approaches to pricing and loss protection are quite different. Merely looking at their gearing or profit ratios without going deeper won't give the real insight (Bolt Flight, 2025; Forbes, 2019).

Differences in Accounting Policy: Companies handle accounting differently, especially with how they calculate depreciation and recognize revenue. For instance, one airline might count maintenance costs as an asset, while another treats the same costs as expenses right away. This difference can change their reported asset values and profits (Gridpoint Consulting, 2023)

Window Dressing: Sometimes, administration may engage in tactics designed to temporarily enhance the appearance of a company's financial performance. For instance, they might choose to sell certain assets or postpone necessary expenditures, such as delaying maintenance on company vehicles until after the fiscal year concludes. While these actions can artificially inflate profitability and return metrics in the short term, the resulting figures fail to accurately represent the underlying condition of the business.

5. CONCLUSION

EasyJet Plc's financial performance for FY2023 and FY2024, provided an insight on the company pulled through issues out of its control and is doing better in the market. EasyJet's model works for them because it has grown in the number of add-on services they sell, as well as because of its efficiency. EasyJet has put in place measures to manage financial risk which at the same time are putting in both short- and long-term financial strategies which still they are dealing with issues of liquidity. EasyJet is currently pursuing several initiatives: optimizing

its operational assets, advancing its digital transformation, actively managing its debt, and investing in environmentally sustainable practices. These strategies collectively serve to position the company to realize its broader strategic objectives and meet contemporary industry expectations. The company has been watching other airlines to see where they stand. If easyJet implements these suggestions, it will effectively strengthen their business and prepare it for future challenges. This approach is likely to satisfy a broad range of stakeholders, from investors seeking dependable returns to travellers aiming to move between locations without facing significant expenses. Essentially, managing their finances wisely now will ensure their continued success and revenue generation for everyone in the future.

6. STRATEGIC RECOMMENDATIONS

EasyJet Plc's financial analysis provides recommendations to organisation for profit optimisation, risk reduction, and maximisation of shareholder value etc.

6.1 Improve the performance of assets: Conduct a survey of path profitability to find out which routes might be losing money. Position aircraft on routes, use new technologies in generation and operations to speed up the time it takes to turn around a plane. This improvement results in a stronger asset turnover ratio, allowing each aircraft to generate increased revenue. In turn, this leads to higher operating profits for the company. EasyJet added new planes in FY2024 from 336 to 347 to meet high demand and moved capacity to important leisure destinations (EasyJet Plc, 2024).

6.2 Look for more ways to get revenue: Employ dynamic pricing strategies for food, baggage, and seats. Increase the size of easyJet Holidays by incorporating bespoke travel packages and collaborating with local service providers (EasyJet Plc, 2024). In 2024, EasyJet strategically increased its flight capacity to popular leisure destinations. This targeted expansion led to a significant rise in passenger numbers, reaching over 89 million. The resulting growth not only boosted core ticket sales but also enhanced revenue from ancillary services.

6.3 Invest money into a plan for digital transformation.

EasyJet is undertaking significant enhancements to its customer service infrastructure, including the integration of advanced systems and AI-driven support mechanisms.

Additionally, the company is leveraging CRM data to refine and target its digital marketing initiatives more effectively. As of FY2024, the airline has registered over 13 million customers within its digital platforms and loyalty schemes. Substantial investments are being directed toward the development of new app functionalities and AI-powered tools designed to deliver genuinely personalized offers. These efforts underscore easyJet's considerable potential for further growth, driven by expanded data utilization and increased automation (EasyJet Plc, 2024).

6.4 Focus on operations that are good for the environment

Continue to put money into Sustainable Aviation Fuel (SAF), register for carbon-offsetting programmes, and include ESG performance measures in your company's key performance indicators (KPIs). Ultimately, this approach enhances the brand's reputation, supports ongoing regulatory compliance, and attracts investors who prioritize ESG considerations (EasyJet Plc, 2024).

MAIN FINDINGS- PART 2

1. INTRODUCTION

Jordons Plc is a producer of premium-quality wooden internal window blinds for the market in the UK. The directors have currently set the strategic options for business expansion over the next period of four years. Three distinct strategies have been proposed to support growth objectives: first, expanding the current retail outlet to encompass all available product lines (Option A); second, establishing an online sales platform (Option B); and third, diversifying the product range to include curtains and Roman blinds (Option C). Since each option differs in its costs, potential returns, and riskiness, an investment appraisal of each option would be useful (Hillier et al., 2021).

This report is prepared to evaluate the three investment options through various financial investment appraisal techniques: Net Present Value (NPV), Internal Rate of Return (IRR), and capital rationing techniques. It includes discussions on investment appraisal techniques, with particular regard to managerial and strategic financing issues (Gitman and Zutter, 2019). By maintaining a fixed capital cost of 6%, this analysis aims to identify which project offers the highest value for shareholders. It also considers if blending investments, despite capital

constraints, could result in an even more favourable return. Besides the single financial indicator analysis, the report includes a set of more general decision-making factors such as strategic objective alignment, operational risk, finance availability, and potential market opportunities. The key objective is to provide the Board of Directors with the support they need to make informed, value-driven decisions that will enable the long-term expansion of Jordons Plc.

2. ANALYSIS OF INVESTMENT OPPORTUNITIES

The organization is currently evaluating three distinct projects, each characterized by its own initial investment requirements and projected returns. These potential investments are considered within a four-year planning framework.

Option A: Expansion of Retail Outlet

- Initial investment: £600,000

Option B: Internet Sales Development

- Initial investment: £1,000,000

Option C: Diversification into Curtains and Roman Blinds

- Initial investment: £1,600,000

All investments will be appraised under the following assumptions:

- Corporation tax is 25%
- Straight-line capital allowances of 20% annually over 5 years
- Cash flows occur at the end of each year
- Cost of capital is 6%

The following section shows breakdown of each project's key financial features—these details are the foundation for analysis/ recommendations that'll follow.

3. FINANCIAL EVALUATION AND ASSESSMENT

3.1 Cash Flow Forecast (Post-Tax and Depreciation-Adjusted)

The cashflows of projects A, B & C are varying due to nature of business operation and indicated for the knowing the status of financial position in future. Furthermore, it facilitates the early detection of potential cash shortages, allowing to implement corrective actions like obtaining short-term financing before any issues escalate. (Bragg, 2012).

The cash flows were adjusted for tax impacts and capital allowances. Each project's annual depreciation is calculated as 20% of the initial investment, then used to determine taxable profits. Tax liabilities are subtracted from cash inflows, and depreciation is added back to estimate actual net cash flows.

3.2 Net Present Value

NPV is the most reliable investment appraisal technique as it accounts for the time value of money and provides an absolute measure of profitability (Brealey, Myers & Allen, 2013). Each project's NPV is calculated by discounting the post-tax cash flows and adding the tax shield from capital allowances.

Calculate Annual Depreciation (Capital Allowance)

Depreciation = Initial Investment $\times$ 20%

- Depreciation: $\text{£}600,000 \times 20\% = \text{£}120,000$ per year
- Taxable profit = Cash Flow - Depreciation
- Net Cash Flow = Cash Flow - Tax

Option A: Retail Outlet Expansion

- Initial investment: $\text{£}600,000$

Year	CF (£k)	Depreciation	Taxable Profit	Tax (25%)	Net CF (£k)	Discount Factor (6%)	PV (£)
1	200	120	80	20	180	0.94	£169.81k
2	300	120	180	45	255	0.89	£226.94k
3	400	120	280	70	330	0.84	£277.07k
4	500	120	380	95	405	0.79	£320.79k
							£994.63k

NPV: £994,632.71 - £600,000 = £394,632.71

Option B: Internet Sales

- Initial investment: £1,000,000
- Depreciation: $£1,000,000 \times 20\% = £200,000$ per year

Year	CF	Depreciation	Taxable	Tax (25%)	Net CF	Factor (6%)	PV
1	400	200	200	50	350	0.943	£330.18k
2	450	200	250	62.5	387.5	0.890	£344.87k
3	650	200	450	112.5	537.5	0.840	£451.29k
4	980	200	780	195	785	0.792	£621.79k
							£1,748.15k

NPV: £1,748,151.19 - £1,000,000 = £748,151.19

Option C: Curtains and Roman Blinds

- Initial investment: £1,600,000
- Depreciation = $\text{£1,600,000} \times 20\% = \text{£320,000}$ per year

Year	CF	Depreciation	Taxable	Tax (25%)	Net CF	Factor (6%)	PV
1	400	320	80	20	380	0.943	£358.49k
2	700	320	380	95	605	0.890	£538.44k
3	850	320	530	132.5	717.5	0.840	£602.42k
4	1100	320	780	195	905	0.792	£716.84k
							£2,216.21k

NPV: $\text{£2,216,210.01} - \text{£1,600,000} = \text{£616,210.01}$

The NPV process finds the existing value of future cash by using a 6% discount rate and then subtracts the initial cost. Calculations (rounded to nearest £ and two digits of fraction considered) produced the following:

- Option A: NPV = £394632.71
- Option B: NPV = £748151.19 (Highest Return per £1)
- Option C: NPV = £616210.01 (Highest Absolute Value)

Interpretation: While Option C produces the highest absolute NPV, it requires a significantly higher investment. Option B offers the best balance of return per £1 invested and overall profitability.

3.3 Internal Rate of Return

IRR refers to the average annual return anticipated from a project or investment throughout its duration. Furthermore, it enables investors to directly compare various investment opportunities in a standardized manner (Brealey, Myers & Allen, 2020).

The discount rate at which NPV equals zero, thereby representing the actual return on investment offered by the project, for comparing with the cost of capital assigned to the firm (6 %). The IRR being much higher than the cost of capital (6%) confirms this as a very attractive investment. It means that the project can give above-hurdle value to the company.

Option B has been selected and IRR Calculation carried out for the same.

Cash Flow Summary for Option B- Earlier net cash flows have already been calculated after-tax as follows:

Year	Net Cash Flow (£)
1	350,000
2	387,500
3	537,500
4	785,000

Interpolating between two IRR trial rate NPVs:

NPV at two discount rates and interpolate:

At 6% (Already Done): NPV = £748151.19

At 20% (Higher Rate):

The formula: $NPV = \sum [\text{Net Cash Flow} / (1 + r)^t] - \text{Initial Investment}$

Year-wise Present Values at 20%:

Year	Net CF	Discount Factor (20%)	PV
1	350,000	0.83	291,666.67
2	387,500	0.69	269097.22
3	537,500	0.58	311,053.24
4	785,000	0.48	378,568.67
			1250385.80

So, NPV at 20% (1250385.80-1000000) = £250385.80

Similar methods led to 30%= 18022.83, still need to carry out for bring the value less.

So, Approx.31% (£-1376.44) brings the value in minus and considered as a right percentage.

$$IRR = r_1 + \frac{(NPV_1 - NPV_2)}{(NPV_1 - NPV_2)} \times (r_2 - r_1)$$

$$= 30\% + \left(\frac{18022.83}{18022.83 + 1376.44} \right) \times 1\%$$

IRR for Option B: 30.93%

Interpretation: Option B is financially attractive and would yield a strong return on investment. However, 30.93% is much higher than the cost of capital (6%).

3.4 Payback Period

It states to the amount of time required to regain the initial investment made in a asset, or facility. A shorter payback period is generally considered more favourable, as it enables investors or companies to recover their funds more quickly. Immediate capital recovery significantly mitigates financial risk, a factor of particular importance for organizations closely monitoring their short-term cash flow. This rapid liquidity eases concerns related to possible cash shortages and supports more effective financial planning (Preferred CFO, 2025).

- Option B: Initial Investment = £1,000,000
- Annual Net Cash Flows (from earlier tax-adjusted calculations):

Year	Net Cash Flow (£)	Cumulative Cash Flow (£)
1	350,000	350,000
2	387,500	737,500
3	537,500	1,275,000

So, by end of Year 2, the company would be recovered £737,500.

It needs £262,500 more in Year 3 to reach £1,000,000.

Calculation

Amount left to recover = £1,000,000 – £737,500 = £262,500

Year 3 Net Cash Flow = £537,500

Fraction of Year 3 = $262,500 / 537,500 = 0.49$

Payback Period = 2 years + 0.49 year = 2.49 years (approx. 2 years and 6 months)

Interpretation: The investment in Option B pays back in 2.49 years, which is relatively quick for a 4-year project. Although payback overlooks profitability and time value of money, it's a useful liquidity indicator.

4. Capital Rationing Constraint

Capital rationing refers to a firm's decision to restrict investment in new projects due to budget constraints or specific strategic priorities. Essentially, management allocates limited resources to initiatives that are expected to deliver the highest returns or to prevent taking on excessive risk (Plutus Education, 2025).

- Total available investment funds = £2,000,000
- Projects are divisible, meaning partial investment is allowed (e.g., 50% of a project = 50% of cash flows and 50% of NPV)

4.1 Optimal Investment Allocation

1. Recall Net Present Values and Initial Costs- Projects A, B & C

Project	Initial Cost (£)	NPV (£)	NPV per £ Invested (NPV/Cost)
A	600,000	394632.71	0.66
B	1,000,000	748151.19	0.75
C	1,600,000	616210.01	0.39

This helps identify the most efficient use of funds:

1. Project A: 0.66
2. Project B: 0.75
3. Project C: 0.39

4.2 Allocate Funds Starting with Highest

Invest Fully in Project A (£600,000)

- Remaining capital = £2,000,000 - £600,000 = £1,400,000

Invest Fully in Project B (£1,000,000)

- Remaining capital = £1,400,000 - £1,000,000 = £400,000

Invest Partially in Project C

- Only £400,000 left
- Project C's total cost = £1,600,000
- Invest £400,000 / £1,600,000 = 25%

Partial NPV from C = $25\% \times 616210.01 = £154052.50$

Total Investment Allocation

Project	% Invested	Amount Invested (£)	NPV Gained (£)
A	100%	600,000	394632.71
B	100%	1,000,000	748151.19
C	25%	400,000	154052.50
		Total NPV	£1296836.40

Interpretation:

- Under capital rationing, Jordons Plc should invest in Projects A, B, and 25% of C.
- This gives the maximum total NPV of £1296836.40, using the full £2,000,000 available.

5. STRATEGIC INTERPRETATION AND DISCUSSION

5.1 Favourability of NPV

In the context of investment appraisal strategies, it is possible to highlight the following reasons that support the acceptance of NPV:

- It credits for the time value of money and, therefore, provides a realistic profitability measure.
- It covers all cash flows projected over the life of the project.
- It is in consistent with the objective, which is maximization of shareholder wealth.
- It allows projects to be compared directly against each other, even if of different sizes or duration.
- An objective rate (cost of capital) is used to discount, so only very limited subjectivity can enter into the evaluation (Gitman and Zutter, 2019).

Hence, due to such all-round above consideration, it is well suitable for capital budgeting decision in a company such as Jordons Plc.

5.2 Popularity of Non-Discounting Techniques

A significant number of organizations continue to rely on straightforward techniques such as payback periods and the Accounting Rate of Return, largely due to their simplicity and ease of application (AccountingCoach, 2024)." Simplicity and ease of understanding: These methods include processes where little or no financial expertise is required.

5.3 Other Aspects to Reflect on Before Investing

Jordons Plc will have to consider several qualitative factors before making a final investment decision:

Discover the evolving dynamics of market trends: An in-depth analysis of potential demand in the online retail sector and the curtains/Roman blinds market is essential to validate growth assumptions. The surge in home improvement and personalized interior design—especially after COVID—has really ramped up the need for window furnishings (Statista, 2024). The growth of online sales, encompassing B2B transactions, subscription models, and various platform configurations, continues to be robust. Current market forecasts anticipate sustained double-digit compound annual growth rates from 2025 through 2035 (UK Data Services, 2024). These will help the company to find the market well for its expanding operations.

Competitor Review: The introduction of fresh products inevitably triggers reactions from established market players. A thorough examination of both direct and indirect competitors such as Hillarys, Blinds2Go, and IKEA provides significant strategic insight (IBISWorld, 2024). This would help the company understand the market better and respond to its demands.

In-House Competences: Ascertain adequate staff, resources, manufacturing area, and appropriate tech. In addition, the capacity to scale systems for peak periods and effectively integrate with third-party logistics providers plays a pivotal role in enhancing both customer satisfaction and cost efficiency (Supply Chain Informs, 2025).

Brand Suitability and Customer Feedback: Ensure that new things are consistent with the brand and its core values. It is vital to evaluate what existing customers like. Do they express the desire of digital purchase options or show interest in supplementary products such as curtains? Understanding the needs of the customer can help refine the investment strategy and

reduce the risk of market rejection (Bazaarvoice, 2025; GlobeNewswire, 2024; Wolfenden, 2024).

6. CONCLUSION

Jordons Plc believes that Option B, which may increase as online sales is the best choice after analysing the data and the overall picture. The IRR is satisfactory and the payback time is 2.49 years, which is the fastest. If a company has a certain amount of money, the easiest method to receive the maximum total returns is to put all of it into Options A and B and then add a tiny bit of Option C. There should be strong financial signals, but there should also be non-financial factors like market trends, operational readiness, and customer alignment that play a part in the final decision. A balanced manner of getting money will make sure that growth is long-lasting and that value is built throughout time.

Recent projections indicate that the United Kingdom's furniture and homeware e-commerce sector is expected to achieve annual growth of roughly 6% between 2025 and 2029. This projected expansion appears to be primarily driven by ongoing consumer enthusiasm for interior design and home décor items (ECDB, 2025; Mordor Intelligence, 2025). This aligns well with Jordons Plc's digital expansion goals. Furthermore, industry insights suggest that product diversification into curtains and Roman blinds is gaining popularity among style-conscious homeowners, supporting the phased inclusion of Option C as a strategic complement.

7. STRATEGIC RECOMMENDATIONS

Pursuant to the extensive financial and strategic review:

Primary Recommendation: B should be considered because it has high NPV, good IRR, short payback period. Since, the company likes to develop the internet sales the marketing techniques and factors related to digitalization would play a vital role.

Understanding the specific customer segments whether homeowners, renters, or interior designers and examining their online purchasing patterns is vital. Factors such as the availability of product customization, promptness of delivery, and the use of sustainable

materials all play a significant role in shaping their purchase decisions (Mintel, 2023). A safe website that adapts well to mobile devices, quick loading, high-quality product images, and an spontaneous checkout system are all vital components in successfully converting online visitors into customers (Chaffey & Ellis-Chadwick, 2019).

Financial limitation: Cover full spending in A and B, while spending 25 per cent of the budget in C. This is an optimal payoff, within constraints, of the risk in segmented portfolios. Understanding customer segments and their online shopping favourites is essential. Factors like product customization, delivery time, and material sustainability influence buying decisions (Mintel, 2023).

Next Steps: Carry out a thorough examination of the market potential, targeting on the curtain area (Option C), and company readiness for digital expansion. Overall, these disciplined and data-driven strategy minimises risk and amplifies longer-term rewards.

7.1 Financing the Investment

Financing an investment essentially involves securing the required capital, whether from internal reserves, such as retained earnings, or from external avenues like loans or equity investments (Pandey, 2021). The following are potential funding sources available to the company:"

Retained Earnings

- Benefits: Control is not diluted; no debt is added
- Cons: Not always available; may limit dividends to shareholders

Bank Loans / Debt Finance

- Pros: Retains ownership; interest is tax deductible
- Cons: Fixed payments can overburden financially; risk of overleveraging

Equity Finance

- Pros: No need to repay; more funds available
- Cons: Ownership dilution; Sharing of profits with new shareholders

Grants or Subsidies by Governments

- Pros: Does not need to be repaid; can spur innovation or job growth

- Cons: Narrow parameters for eligibility; extended approval processes

Recommended Solution: A mix (50/50) of reserved earnings and cheap bank borrowing would be best. For larger sums invested - such as Option C - consider equity or stage investment and recycle the return. Management should first define the company's financial structure and preferred level of risk before deciding on funding.

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9. APPENDIX

Part-1

- Financial Statements (FY2023 & FY2024)
-Excel attached & Financial Reports

Profitability Ratios

1. Net Profit Margin

Formula:

Net Profit Margin = (Net Profit / Revenue) × 100

Year	Net Profit (£m)	Revenue (£m)	Net Profit Margin (%)
2023	324	8,171	$=324/8171 \times 100 \approx 3.97\%$
2024	452	9,309	$=452/9309 \times 100 \approx 4.85\%$

Operating Profit Margin

Formula:

Operating Profit Margin = (Operating Profit / Revenue) × 100

Year	Operating Profit (£m)	Revenue (£m)	Margin (%)
2023	453	8,171	$=453/8171 \times 100 \approx 5.54\%$
2024	589	9,309	$=589/9309 \times 100 \approx 6.33\%$

Return on Equity (ROE)

Formula:

ROE = (Net Profit / Shareholders' Equity) × 100

Year	Net Profit (£m)	Equity (£m)	ROE (%)
2023	324	2,787	$=324/2787 \times 100 \approx 11.63\%$
2024	452	2,973	$=452/2973 \times 100 \approx 15.19\%$

Liquidity Ratios

1. Current Ratio

Formula:

Current Ratio = Current Assets / Current Liabilities

Year	Curr. Assets (£m)	Curr. Liab. (£m)	Ratio
2023	4,130	4,144	=4130/4144 ≈ 1.00
2024	4,545	4,471	=4545/4471 ≈ 1.02

2. Quick Ratio (Acid-Test)

Formula:

Quick Ratio = (Current Assets – Inventory) / Current Liabilities
(Inventory not explicitly stated; assume none or minimal as airline)

Same as current ratio in this case:

Year	Quick Ratio
2023	≈ 1.00
2024	≈ 1.02

Gearing Ratios

1. Debt-to-Equity Ratio

Formula:

Debt-to-Equity = Total Debt / Total Equity

(Debt = Borrowings + Lease Liabilities)

Year	Borrowings + Leases (£m)	Equity (£m)	Ratio
2023	(433+1,462) +(217+772) = 2,884	2,787	=2884/2787 ≈ 1.03
2024	(416+1,690) +(227+947) = 3,280	2,973	=3280/2973 ≈ 1.10

2. Interest Coverage Ratio

Formula:

Interest Coverage = Operating Profit / Interest Expense

Year	Operating Profit (£m)	Interest Expense (£m)	Coverage Ratio
2023	453	180	=453/180 ≈ 2.52
2024	589	132	=589/132 ≈ 4.46

Efficiency Ratios

1. Asset Turnover Ratio

Formula:

Asset Turnover = Revenue / Total Assets

(Total Assets = Non-current + Current Assets)

Year	Revenue (£m)	Assets (£m) = 5711+4130	Asset Turnover
2023	8,171	9841	=8171/9841 ≈ 0.83
2024	9,309	6490+4545 = 11,035	=9309/11035 ≈ 0.84

Investor Ratios

1. Earnings Per Share (EPS)

Given in the statement

2023: 43.1 pence

2024: 60.3 pence

2. Dividend per Share

Formula:

Dividend per Share = Total Dividends / Number of Shares

From Statement: Dividend = £34 million in 2024.

Assume number of shares = Share Capital / Par Value

(Par Value not given; estimated EPS implies about 749 million shares)

Year	Dividend (£m)	Est. Shares (m)	DPS (pence)
2023	0	~749	0
2024	34	~749	=34/749 ≈ 4.54 pence

Ratio	Formula	2023 Inputs	2023 Result	2024 Inputs	2024 Result
Gross Profit Margin (%)	(Gross Profit / Revenue)x100	£1,125m / £8,171m	13.77%	£1,316m / £9,309m	14.13%
Return on Assets (ROA) (%)	(Net Profit / Total Assets) x100	£324m / £9,841m	3.29%	£452m / £11,035m	4.10%
Return on Capital Employed (ROCE) (%)	(Operating Profit / Capital Employed) x 100	£453m / £5,697m	7.95%	£589m / £6,564m	8.97%
Debtor Days	(Receivables / Revenue) x365	£343m / £8,171m	15.32 days	£483m / £9,309m	18.94 days

Creditor Days	(Payables / Cost of Sales)x365	£1,764m / £7,356m	91.38 days	£1,656m / £7,993m	75.61 days
Inventory Days	(Inventory / Cost of Sales) x365	£676m / £7,356m	35.02 days	£572m / £7,993m	26.12 days



EasyJet_Ratio_Calculations.xlsx



FY-2023-EasyJet Plc.pdf



FY-2024-EasyJet Plc.pdf

Links:

For more details on financial reports

FY-2024

https://s203.q4cdn.com/522538739/files/doc_financials/2024/ar/easyJet_AR24_web.pdf

FY-2023

https://s203.q4cdn.com/522538739/files/doc_financials/2023/ar/43627_easyJet_Annual-Report_Web.pdf

Part-2

- Jordons Plc Investment -Calculations Table (Excel attached)

S. No	Given Data	Calculations		
1	Investment- A	£ 6,00,000.00	Depreciation	£ 1,20,000.00

	Investment- B	£ 10,00,000.00		£ 2,00,000.00
	Investment- C	£ 16,00,000.00		£ 3,20,000.00
	Years	4		
	Corporation tax	25%		
	Capital allowance (Straight line)	20%		
		5		
	Discount	6%		
	Cost of capital	0.06		

2	Year	Option A	Option B	Option C
	1	£ 2,00,000.00	£ 4,00,000.00	£ 4,00,000.00
	2	£ 3,00,000.00	£ 4,50,000.00	£ 7,00,000.00
	3	£ 4,00,000.00	£ 6,50,000.00	£ 8,50,000.00
	4	£ 5,00,000.00	£ 9,80,000.00	£ 11,00,000.00

3	Discount Factor	0.9434
	(1+r) ⁿ¹	0.8900
	(n- year no & r- interst rate	0.8396
		0.7921

4	Year	Cash Inflow	Depreciat ion	Taxable Profit	Tax (25%)	Net Cash Flow	Discou nt Factor	PV
	Option A	£ 2,00,000.00	£ 1,20,000.00	£ 80,000.00	£ 20,000.00	£ 1,80,000.00	0.94	£ 1,69,811.32
		£ 3,00,000.00	£ 1,20,000.00	£ 1,80,000.00	£ 45,000.00	£ 2,55,000.00	0.89	£ 2,26,949.09
		£ 4,00,000.00	£ 1,20,000.00	£ 2,80,000.00	£ 70,000.00	£ 3,30,000.00	0.84	£ 2,77,074.36

	£ 5,00,000. 00	£ 1,20,000. 00	£ 3,80,000.00	£ 95,000.0 0	£ 4,05,000 .00	0.79	£ 3,20,797. 93
Investment- A	£ 6,00,000. 00		PV=Cash Flow×Discount Factor		Total cash flow		£ 9,94,632. 71
			NPV = Total PV – Initial Investment				£ 3,94,632. 71
Option B	£ 4,00,000. 00	£ 2,00,000. 00	£ 2,00,000.00	£ 50,000.0 0	£ 3,50,000 .00	0.94	£ 3,30,188. 68
	£ 4,50,000. 00	£ 2,00,000. 00	£ 2,50,000.00	£ 62,500.0 0	£ 3,87,500 .00	0.89	£ 3,44,873. 62
	£ 6,50,000. 00	£ 2,00,000. 00	£ 4,50,000.00	£ 1,12,500. 00	£ 5,37,500 .00	0.84	£ 4,51,295. 36
	£ 9,80,000. 00	£ 2,00,000. 00	£ 7,80,000.00	£ 1,95,000. 00	£ 7,85,000 .00	0.79	£ 6,21,793. 53
Investment- B	£ 10,00,000 .00		PV=Cash Flow×Discount Factor		Total cash flow		£ 17,48,151 .19
			NPV = Total PV – Initial Investment				£ 7,48,151. 19
Option C	£ 4,00,000. 00	£ 3,20,000. 00	£ 80,000.00	£ 20,000.0 0	£ 3,80,000 .00	0.94	£ 3,58,490. 57
	£ 7,00,000. 00	£ 3,20,000. 00	£ 3,80,000.00	£ 95,000.0 0	£ 6,05,000 .00	0.89	£ 5,38,447. 85
	£ 8,50,000. 00	£ 3,20,000. 00	£ 5,30,000.00	£ 1,32,500. 00	£ 7,17,500 .00	0.84	£ 6,02,426. 84
	£ 11,00,000 .00	£ 3,20,000. 00	£ 7,80,000.00	£ 1,95,000. 00	£ 9,05,000 .00	0.79	£ 7,16,844. 77
Investment- C	£ 16,00,000 .00		PV=Cash Flow×Discount Factor		Total cash flow		£ 22,16,210 .01
			NPV = Total PV – Initial Investment				£ 6,16,210. 01

5		Net Cash Flow	Discount factor 8%	Total PV			Net Cash Flow	Discount factor: %	Total PV
	Option B	£ 3,50,000.00	0.85	£ 2,96,610.17		Option B	£ 3,50,000.00	0.83	£ 2,91,666.67
		£ 3,87,500.00	0.72	£ 2,78,296.47			£ 3,87,500.00	0.69	£ 2,69,097.22
		£ 5,37,500.00	0.61	£ 3,27,139.09			£ 5,37,500.00	0.58	£ 3,11,053.24
		£ 7,85,000.00	0.52	£ 4,04,894.27			£ 7,85,000.00	0.48	£ 3,78,568.67
	Investment- B	£ 10,00,000.00		£ 13,06,940.00		Investment- B	£ 10,00,000.00		£ 12,50,385.80
	Discount factor= $1/(1+0.18)^1$					Discount factor= $1/(1+0.20)^1$			
	18%	NPV=PV-Net cash flow		£ 3,06,940.00			NPV=PV-Net cash flow		£ 2,50,385.80
6	20%			£ 2,50,385.80					
	30%			£ 18,022.83					
	31%			-£ 1,376.44					

7	IRR	30.93%	$IRR = r_1 + \frac{NPV_1 - NPV_2}{NPV_1} \times (r_2 - r_1)$		
			r1=Lower discount rate	r2=Higher discount rate	

8	Payback	Option B	£ 3,50,000.00	£ 3,50,000.00	
			£ 3,87,500.00	£ 7,37,500.00	

			£ 5,37,500.00	£ 12,75,000.00	Year-3 is the time
			£ 7,85,000.00		
		Investment- B	£ 10,00,000.00	£ 2,62,500.00	
				0.488372093	
			Year -2	2.49	Total like 2 years and 5 or 6months

9			NPV	
	Investment- A	£ 6,00,000.00	£ 3,94,632.71	0.66
	Investment- B	£ 10,00,000.00	£ 7,48,151.19	0.75
	Investment- C	£ 16,00,000.00	£ 6,16,210.01	0.39

10	funds are limited (Given)	£ 20,00,000.00		
	Investment- A	£ 6,00,000.00	£ 14,00,000.00	
	Investment- B	£ 10,00,000.00	£ 4,00,000.00	
	Investment- C	£ 16,00,000.00	- £12,00,000.00	25%
				£ 1,54,052.50
11	Total NPV	A-NPV	£ 3,94,632.71	
		B-NPV	£ 7,48,151.19	
		C- (154052.50)	£ 1,54,052.50	
			£ 12,96,836.40	



Jordon
Calculations-part 2.xls
