Financial Evolution and Future Trajectory: An In-Depth Analysis of Next plc's Performance and Governance

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In the ever-evolving tapestry of fashion, where Coco Chanel once remarked, 'Fashion is not something that exists in dresses only. Fashion is in the sky, in the street, fashion has to do with ideas, the way we live, what is happening,' NEXT PLC stands as a testament to the enduring power of adaptability and foresight. In this financial report, we delve into how NEXT PLC has woven these principles into its fabric, navigating through trends and seasons to emerge as a vanguard of style and sustainability in the United Kingdom's retail landscape. NEXT PLC, a prominent UK-based retailer specializing in clothing, footwear, and home products, operates within the competitive and dynamic retail industry.

A detailed comparison of Next plc's financial health between 2022/23 and 2021/22, leveraging calculated financial ratios and insights from the annual report narratives.

In the fiscal year 2023, NEXT PLC demonstrated robust financial performance, underpinned by substantial growth in various key performance indicators (KPIs) compared to the prior year. The UK fashion industry, a vibrant tapestry valued at £22.4 billion, has demonstrated resilience with an annual growth of 2.4% from 2019 to 2024. Amidst this backdrop, NEXT PLC has asserted its dominance, accounting for a notable 13.8% of the market share, juxtaposed against key players such as Primark Stores and ASOS.com Ltd. The industry expects to maintain momentum with projected growth of 2.8% from 2024 to 2029, paving the way for brands like NEXT PLC to expand their footprint. An examination of sales growth, a pivotal metric for retail success, reveals that NEXT PLC Brand full-price sales swelled by 6.9%, with total trading sales climbing by an impressive 8.4%. This marks a decisive acceleration from the growth rates of 3.4% and 3.5% in 2022, respectively. Such an upturn not only underscores NEXT's resilience in a competitive market but also suggests successful strategic initiatives that have resonated with consumer purchasing behaviour.

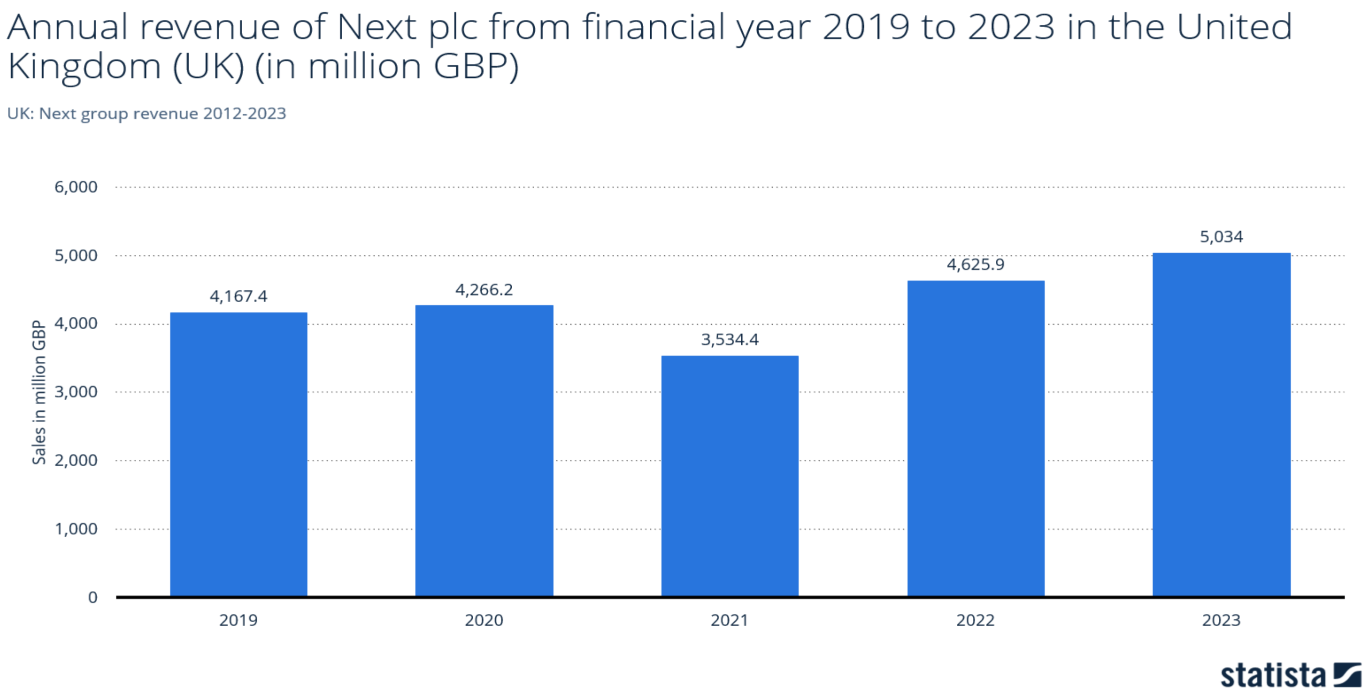

Figure: Annual revenue chart for Next plc, 2019-2023, UK (Statista, 2023a)

Within the fiscal landscape of 2022/23, NEXT PLC has deftly navigated the economic currents to deliver a nuanced financial performance. In comparison to ASOS, NEXT PLC has showcased a robust gross profit margin of 43.21%, outpacing ASOS's 41.10%. This superior margin demonstrates NEXT's effective pricing strategies and cost management acumen, allowing it to retain a healthy profitability amidst the competitive fray. This increment, albeit slight, is indicative of NEXT PLC's adept handling of its cost of goods sold or potential adjustments in pricing strategies—actions that resonate with the company's capacity to sustain profitability in a fluctuating retail milieu.

(Note: The financial analyses of ASOS and M&S are based on their annual reports, which are cited in the references. Detailed financial ratio calculations are available in the appendix for further reference.)

In the crucible of heightened competition and volatile economic conditions, NEXT PLC has harnessed its strengths, such as low imports and diversified product offerings, to maintain a competitive edge. However, it must continue to navigate the industry's inherent weaknesses like high competition and market volatility. The UK fashion sector, characterized by its mature life cycle stage, has seen limited product innovation and stable supply chain processes. Yet, there is a burgeoning impetus towards sustainability, spurred by the conscientious Gen Z demographic, which is increasingly influencing market dynamics (IBISWorld, 2023). Delving deeper into the profitability metrics, the Net Profit Margin experienced a contraction, edging down from 17.79% to 17.26%. This reduction could be attributed to an uptick in operating expenses or ancillary outlays relative to sales revenue. Unpacking the factors contributing to this decline is essential, as it may unveil strategic investments that are poised to enrich NEXT PLC's fiscal future.

"NEXT PLC's financial agility and astute asset management are vividly highlighted through its superior Return on Total Assets (ROTA) and Return on Equity (ROE), indicative of its robust position within the UK fashion sector. The company's ROTA, an insightful indicator of operational acumen, stands at a commendable 15.71%, showcasing a significant outperformance when juxtaposed against M&S's 5.23%. This leap is not just a mere improvement but a stride, as evidenced by the year-over-year increase from 29.67% to 30.07%, reinforcing the narrative of NEXT PLC's strategic enhancement in asset utilization. Such efficiency ensures that every asset is optimally employed to bolster earnings, reflecting the company's innovative approaches to driving profitability.

Simultaneously, NEXT PLC's ROE, a critical measure of fiscal proficiency, has witnessed an ascension from 20.67% to 21.82%, underlining the company's escalating success in generating value from shareholders' equity. This upward trajectory not only dwarfs M&S's ROE of 16.89% but also signals NEXT PLC's increasing adeptness in leveraging equity to amplify returns. These figures collectively attest to NEXT PLC's financial wisdom and its strategic investment decisions, which have culminated in a fortified trust among its investors and a consolidated market presence." This surge embodies the company's commitment to enhancing shareholder wealth and underscores the efficacy of its financial strategies.

Online sales have increasingly captured a significant portion of the fast fashion market. NEXT PLC, alongside purely online entities like ASOS, has invested in enhancing digital consumer experiences through innovative technologies such as AI and augmented reality. This strategic online engagement has allowed NEXT PLC to maintain its relevance, particularly as retailers like Primark lag in digital adoption.

Market segmentation based on age also influences NEXT's strategic direction, with the largest consumer segment aged 25 to 44 representing 60% of the market. Business locations further accentuate NEXT PLC's strategic positioning, with London's affluent and youthful demographic providing a fertile ground for the brand's high-street and online convergence. The elevation in profitability is further echoed in the company's pre-tax profits, which ascended to £870.4 million in 2023 from £823.1 million in 2022. Dividends soared to £237.4 million in 2023, up from £344.5 million in the preceding year, while share buybacks witnessed a monumental rise to £224.0 million from a mere £13.1 million in 2022. This strategic deployment of capital not only reflects the company's solid financial position but also reinforces investor confidence through a tangible return on investment.

Contrasting performances were observed in the online and retail sectors. While online full-price sales growth decelerated by 3.9% in 2023, a stark contrast to the 29.8% boost in 2022, retail full-price sales growth leapt to 30.0% from a 48.6% increase in the previous year. This divergence may indicate shifting consumer preferences or a saturation in online market growth, prompting a renewed emphasis on the in-store experience. As NEXT PLC fortifies its presence in the UK fashion industry, it stands amid a competitive landscape marked by significant players such as ASOS and Marks & Spencer (M&S).

NEXT PLC's Finance division painted a picture of financial fortitude with a rise in interest income from £249.4 million in 2022 to £274.4 million in 2023. Moreover, the Return on Capital Employed (ROCE) edged up from 14.1% to 14.5%, and profit after the cost of funding improved from £149.5 million to £170.5 million. These figures not only suggest prudent management of financial services but also highlight the subsidiary's growing contribution to the group's overall profitability. NEXT PLC's financial narrative in 2023 will be one of growth and prosperity. Despite the backdrop of economic uncertainties, the company has navigated the market adeptly, achieving commendable performance across several KPIs. However, the dichotomy in online and retail growth trajectories suggests a complex retail landscape, one that NEXT PLC seems poised to navigate with strategic dexterity.

When considering the accounts receivable period, NEXT PLC exhibits a disciplined approach to its credit policies and collections. With an accounts receivable period of 103 days, it sits between ASOS's more extended period of 141 days and M&S's tighter window of 13 days. This positioning reflects a balanced approach, potentially optimizing liquidity without unduly constraining customer credit terms, which can be critical in fostering customer loyalty and market share expansion.

Figure: Top online fashion retailers by brand awareness, UK, 2023 (Statista, 2023b).

The industry faced unprecedented challenges due to the COVID-19 pandemic, with mandatory store closures leading to a stark decline in revenue as consumer demand for new attire dwindled. However, NEXT PLC's agility in navigating this downturn is reflected in its recent financial uptick. Furthermore, as environmental concerns burgeon, the scrutiny of fast fashion's ecological footprint has intensified, prompting a shift in consumer behaviour towards more sustainable practices. This cultural pivot aligns with NEXT PLC's ongoing efforts to integrate environmental considerations into its business model.

Evaluating Next plc's potential, focusing on opportunities, challenges, and strategic responses as discerned from the latest annual report and external analyses.

As we delve into the prospects of NEXT PLC for the foreseeable future, it is imperative to analyze both the opportunities and challenges that lie ahead for the group, as well as its strategic responses. Drawing from the narrative sections of the 2022/23 annual report and additional analyses, we observe a landscape marked by significant potential for growth tempered by notable obstacles. NEXT PLC, a stalwart in the retail sector, has demonstrated remarkable adaptability and strategic foresight, enabling it to navigate the tumultuous retail market successfully.

In the NEXT PLC development, they have seen numerous hurdles that put their resilience and resolve to the test. The market presented significant challenges, including strong rivalry and economic uncertainties, which demanded strategic navigation. They developed talents, improved strategies, and established the basis for long-term expansion. Navigating through twenty crucial years indicates a consistent expansion of Earning Per Share (EPS). They have generated pre-tax EPS at a Compound Annual Growth Rate (CAGR) of 14.1%. This signifies success and a praiseworthy return when compared to other companies. Now, they use the knowledge gained from our previous difficulties to propel our advancement in the market. In the current situation of NEXT PLC, increase in revenue is anticipated at a CAGR of 2.4% to £22.4 billion over the five years ending in 2023–24, with a 5.1% increase in revenue predicted in 2023–24, throughout which an average profit of 6.4% of revenue is projected.

Overseeing investments, acquisitions, and third-party brands, they have created a new division under the direction of new board director Jeremy Stakol. This new division will increase business opportunities like distribution, investments, and procurements by third parties. The marketing of the total platform to adequate clients will also be taken care of by them. They will also focus on distributing, licencing, and franchising NEXT-branded inventory worldwide.

Important considerations include the fact that NEXT has approximately 7 million online consumers in the United Kingdom, which represents nearly 25% of the country's 28 million households. They have 466 stores in every commercial location in the UK and Ireland. They are providing a range in every section, from women's clothing to furnishings. Therefore, there are fewer prospects for them to broaden their customer base, trading space, and product offering compared to the past. However, looking at the share of its primary market, i.e., women's clothing, it is less than 10%.

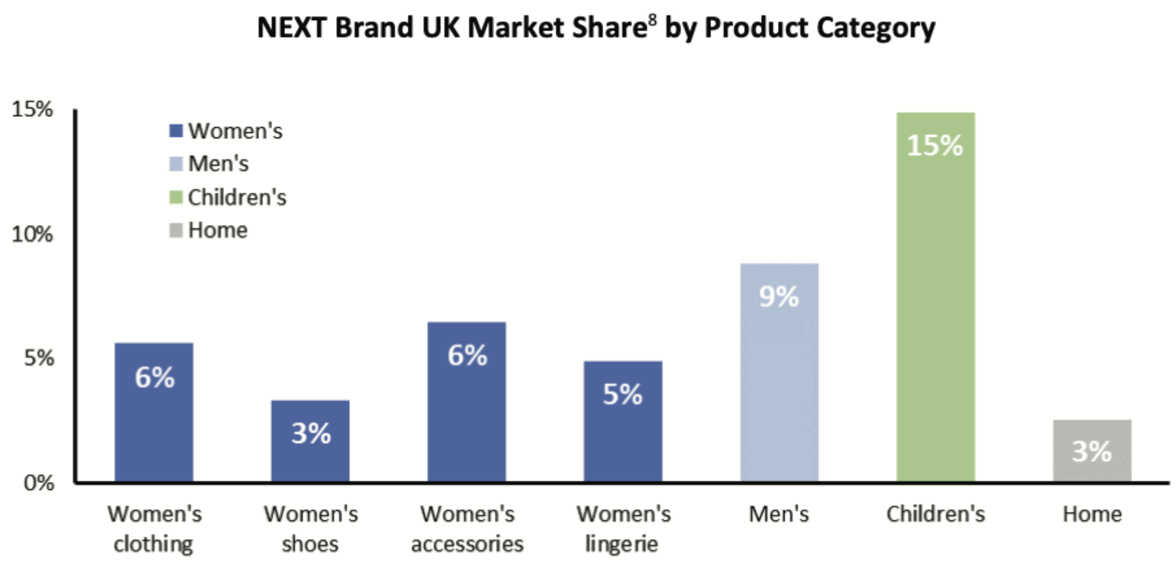

Figure: NEXT UK Market Share by Product Category

In the future, we can also see the complete implementation of two new websites, namely JoJo Maman Bébé and MADE.com, as well as the construction of Joules' website, which is scheduled to take place in April 2024.

At present, three factors impede their capacity to acquire new clients: the capacity of their warehouses, the time required to operate their systems, and the personnel and expertise necessary for the onboarding process. Strategies to surmount these limitations have already been devised. Elmsall 3, a brand-new, expansive warehouse for boxes, is scheduled to go into operation by the conclusion of 2023. Physical barriers will be eliminated from the recruitment process for new fashion clients at this new warehouse. Total Platform will be constrained in 2024 by the rate at which it can create new website "platforms" for new customers. At the end of 2022, the process for developing new Total Platform websites was initiated, which involved utilising existing code, templates, a single code base, and progress. In addition to enhancing technological capabilities, they will bolster the personnel responsible for assessing, onboarding, and overseeing new clients. This will guarantee that growth is not impeded by the burden.

Other obstacles may also be impeding the development of direct-to-consumer web commerce in some locations. The challenges include high tariffs, regulatory hurdles, slow delivery times, strong local competition, little brand recognition, and a potential mismatch with consumer preferences. All these issues may be resolved using certain strategies.

They are now investigating several business models to overcome these challenges, such as wholesaling or franchising items to local businesses and directly sending stock to them from the place of origin. Additional testing may be necessary to meet product requirements that vary from those in the UK. Establishing licencing agreements with local operators who might potentially produce the items independently.

Increasing the utilisation of emerging local aggregators to expand customer reach and enhance brand recognition. They will be testing all these methods in various regions in the upcoming years and enhancing the necessary teams to do this. The current market conditions this year make genuine growth challenging for all businesses. Prior to the coming years, Next PLC is concentrating on transforming opportunities into strengths and fortifying the foundation of their business. Maintaining unwavering commitment to the ongoing enhancement of their product portfolios, thereby expanding the scope of what they can provide to customer. They are concentrating solely on meeting the expectations of their consumers by examining their suppliers and seeking sources of inspiration that will renew the collection. During the onset of the pandemic, customers turned to online platforms for assistance; however, this resulted in significant delivery delays from the brand, with warehouse capacity being the primary cause as already stated. Presently equipped with cutting-edge technology, new warehouses will facilitate on-time delivery to a greater number of consumers. The objective is to regain and exceed their reliability prior to the pandemic. Additionally, they have made an investment in modern contact centre technology that will enhance their capacity to manage complaints and optimise workflow. During a fiscal year characterised by declining revenue and rising expenses due to inflation, their attention has shifted towards identifying opportunities for cost reductions within the organisation. A mix of negotiation, the creation of new supply sources, and inbound shipping cost management has started bearing fruit.

Every operational team, from stores to contact centres, is currently exploring creative ways to enhance efficiency. The implementation of new automation at the Elmsall 3 warehouse presents a significant opportunity to rectify numerous inefficiencies that have arisen due to storage space constraints and congestion. They have made significant progress in conducting an in-depth examination of every product category and brand that they distribute across all channels and territories. Major possibilities have emerged because of modifying pricing and offerings to ensure profitability across product categories, brands, channels, and international territories. During the previous year, NEXT PLC successfully implemented a great deal of essential new technology and made major progress in modernization initiatives. After establishing a solid technological foundation, the focus must now shift to ensuring that it provides increasing value for money.

Throughout its history, NEXT PLC has demonstrated a remarkable ability to navigate through numerous challenges and strategic advancements, solidifying its resilience and adaptability in the face of a highly competitive market environment. This journey underscores the company's successful strategic navigation amidst economic uncertainties and fierce competition. At the heart of NEXT PLC's philosophy is a keen understanding of the balance between growth and risk. Unlike many mature organizations that have compromised their stability in the relentless pursuit of growth, NEXT PLC adopts a more measured approach. The company recognizes the significant value of assets that generate robust cash flow and offer modest growth, preferring to assume greater risks only when it leads to commensurate returns. This prudent strategy is evident in NEXT PLC's straightforward agenda: the company commits to returning any excess cash to its shareholders if it cannot identify high-quality investments, highlighting a responsible approach to capital allocation.

The company's resilience is further illustrated through strategic initiatives such as the introduction of new divisions, the expansion of its online consumer base, and investments in technology and infrastructure, including the development of the Elmsall 3 warehouse. These efforts are not only poised to drive growth but also reflect NEXT PLC's commitment to overcoming operational challenges and enhancing efficiency. By transforming opportunities into strengths and continuously fortifying its business foundation, NEXT PLC is equipped to navigate the complexities of the market landscape successfully. This approach, coupled with a focus on prudent capital allocation, ensures NEXT PLC's commitment to sustained growth and enhancing shareholder value, positioning the company for continued success amidst the challenges and opportunities that lie ahead.

Analysing the diversity of Next plc's board of directors in the context of prevailing good governance practices.

Corporate governance, the scaffolding upon which the operational and strategic facets of any corporation rest, is predicated on a system of policies, laws, and processes. These elements collectively guide the company's direction, ensuring accountability and aligning the interests of all stakeholders, including shareholders, management, customers, and the community (Khan, 2011). For NEXT plc, the governance framework is not just about compliance or oversight but serves as a dynamic mechanism for facilitating growth, ensuring resilience, and fostering ethical practices. This framework reflects an advanced understanding of corporate governance as an evolving construct, responsive to the changing tides of societal values, market demands, and regulatory landscapes.

At the heart of NEXT plc's governance strategy lies a profound commitment to diversity and inclusion, transcending the traditional confines of tokenistic approaches to embody a deeper, more strategic imperative. The board's composition, with a 40% gender representation, is not an end in itself but a reflection of a broader commitment to creating a balanced and effective decision-making body. This commitment extends beyond gender to encompass a wide range of professional expertise and cultural perspectives, fostering a governance structure that is not only dynamic and robust but also reflective of the society and market it serves (Council, 2021).

NEXT plc's approach to diversity acknowledges the multifaceted value of varied experiences and cultural understandings, moving beyond mere numerical representation to emphasize the qualitative benefits of diverse perspectives in enhancing corporate governance and decision-making. The company's alignment with the Parker Review recommendations further highlights its dedication to mirroring societal and market diversity within its leadership, thereby enhancing its strategic positioning and customer engagement.

The cornerstone of NEXT plc's diversity ethos lies in its merit-based appointments policy, which prioritizes skills and experience over demographic characteristics. This policy underscores the company's performance-oriented culture, where diversity is embraced for the enriched perspectives it offers, promoting a culture of inclusivity where all members can contribute to the company's strategic objectives.

NEXT plc's recognition for its efforts in gender diversity, notably its high ranking in the FTSE 100 for Women on Boards and Leadership, underscores the company's proactive measures to advance women into leadership roles. This accolade is a testament to the company's balanced and inclusive corporate culture, which values the strengths and perspectives of diverse leadership.

NEXT plc's governance and diversity strategies find support in both theoretical constructs and empirical evidence, which underscore the importance of aligning managerial actions with shareholder interests and the critical role of diversity in mitigating conflicts and enhancing performance. Empirical studies, such as those by Ferrero-Ferrero, Fernández-Izquierdo, and Muñoz-Torres, and reports by McKinsey and the LBS, highlight the positive correlation between diverse executive teams and superior financial performance, suggesting that diversity is not merely a social metric but a strategic advantage.

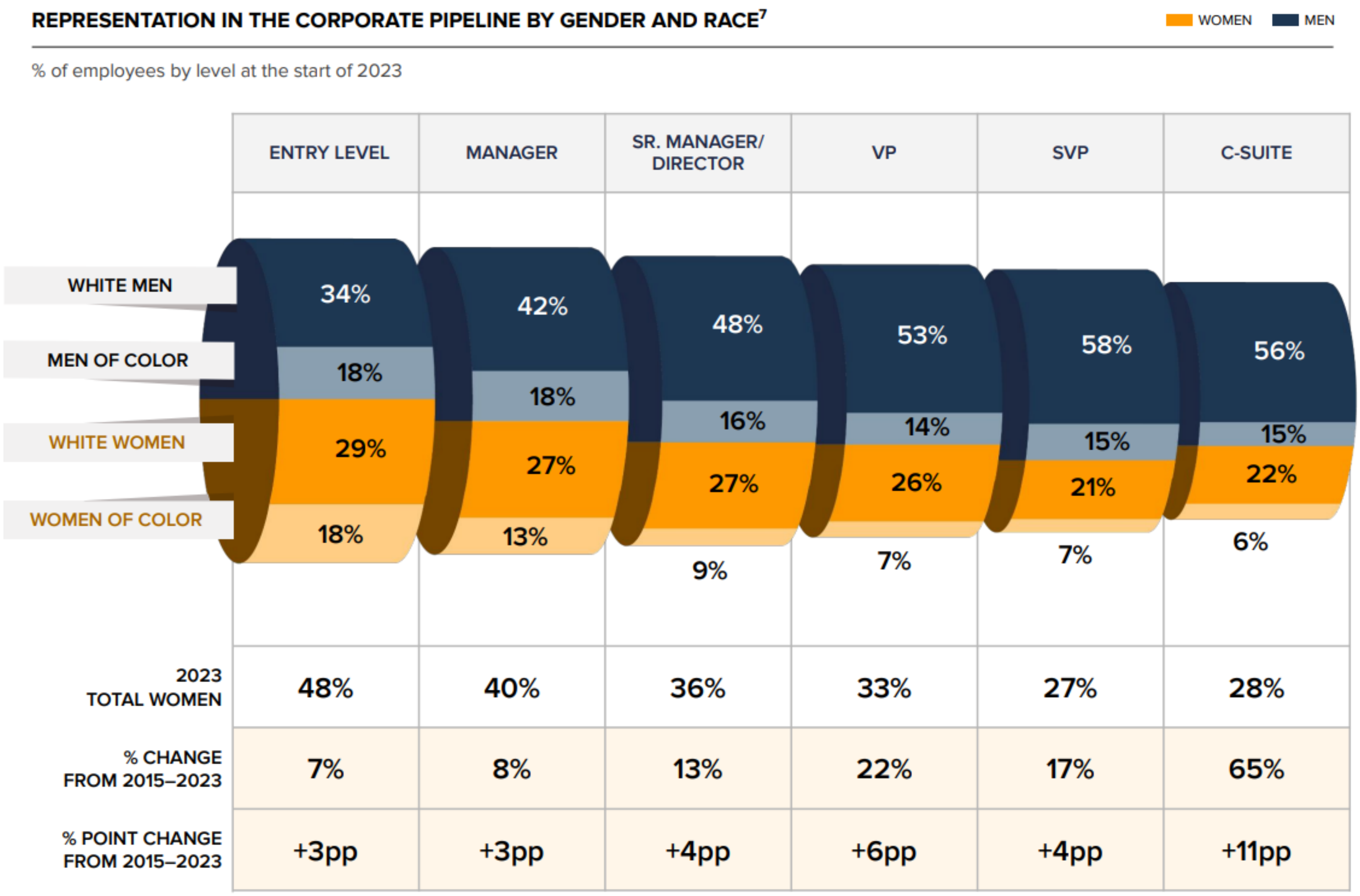

Figure: Gender and racial diversity in corporate leadership (Council, 2021).

For NEXT plc, the journey towards effective governance and diversity does not stop at achieving a diverse board composition. It extends into fostering an inclusive culture that values and leverages diversity for strategic decision-making and sustainable business practices. This entails implementing structured pathways for the progression of diverse talents, actively combating biases and microaggressions, and transparently reporting on diversity goals and outcomes. Achieving and justifiably claiming board diversity in accordance with good governance practices requires a holistic approach that encompasses various dimensions of diversity-beyond gender and ethnicity-to include age, disability, and socio-economic backgrounds, reflecting a broad spectrum of perspectives (Hunt et.al, 2018).

At NEXT plc, corporate governance and diversity interact in a nuanced and forward-looking manner. Underscoring the company's commitment to excellence in governance through the prism of diversity. This approach not only aligns with theoretical constructs and empirical evidence but also positions NEXT plc as a leader in fostering an inclusive corporate culture that is poised for sustainable growth and long-term value creation for all stakeholders.

Conclusion: Strategic Insights and Synthesis of Next plc's Financial and Governance Analysis

At the crossroads of change and continuity, NEXT PLC emerges not merely as a participant in the retail narrative but as a pioneering architect of its future, steering through uncharted waters with unwavering resolve and visionary leadership. The fiscal year 2022/23 has been a testament to NEXT PLC's strategic acumen, financial resilience, and steadfast commitment to diversity and governance. A comprehensive analysis of financial ratios and performance metrics highlights the company's adaptability and robustness in the face of the retail sector's complexities. Marked by enhanced gross profit margins and a notable improvement in return on equity, NEXT PLC has adeptly navigated economic uncertainties.

Looking ahead, the landscape is rife with both opportunities and challenges, ranging from digital transformation to evolving consumer behaviours and competitive pressures. NEXT PLC's proactive strategies, such as expanding its market presence and embracing technological innovation, lay the groundwork for continued growth and leadership in the market.

The company's dedication to governance and diversity, particularly within its Board of Directors, affirms its commitment to inclusive and effective leadership. This approach mirrors the diversity of society and the market, enriching NEXT PLC's strategic direction and decision-making processes.

Reflecting on NEXT PLC's journey and its strategic alignment with market trends and consumer demands, it is evident that the company's success is rooted not only in its ability to navigate the present but also in its focused vision for the future. Henry Ford's words, "Coming together is a beginning; keeping together is progress; working together is success," resonate profoundly with NEXT PLC's ethos. This spirit of collaboration, innovation, and diversity propels NEXT PLC towards continued success in the ever-evolving retail landscape.

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Appendix

NEXT PLC

		2022/2023		2021/2022	
		Computation	**% or ratio**	**Computation**	**% or ratio**
1.	Gross Profit Margin	= Gross Profit /Sales Revenue $= \left(\frac{2175.3}{5034}\right) * 100$	43.21%	= (Gross Profit /Sales Revenue) * 100 = (1972/4625) * 100	42.63%
2.	Net Profit Margin	= Operating Profit (PBIT) / Sales Revenue = (869.3/5034) * 100	17.26%	= Operating Profit (PBIT) / Sales Revenue = (823.1/4625.9)*100	17.79%
3.	Return on Total Assets	= Operating Profit (PBIT) / Total Assets = {869.3/(1165.1+1725.4)}*100	30.07%	= Operating Profit (PBIT) / Total Assets = {823.1/(1010+1763.7)}*100	29.67%
4.	Return on Equity	= Operating Profit (PBIT) / Total Equity = (869.3/3983) * 100	21.82%	= Operating Profit (PBIT) / Total Equity = (823.1/3981.8) * 100	20.67%
5.	Total Asset Turnover	= Sales Revenue / Total Assets = 5034 / 3983.8	1.26:1	= Sales Revenue / Total Assets = 4625.9 / 3981.8	1.16:1
6.	Working capital	= Current Assets / Current Liabilities		= Current Assets / Current Liabilities	

		= 2234.5 / 1093.3	2.04:1	= 2407.2 / 1208.1	1.99:1
7.	Acid Test	= Current Assets – Inventories / Current Liabilities = 2234.5 – 662.2 / 1093.3	1.44:1	= Current Assets – Inventories / Current Liabilities = 2407.2 – 633 / 1208.1	1.46:1
8.	Accounts Receivable Period	= Trade Receivable/ Sales * 365 =1425.5/5034 * 365	103.36 (103 Days)	= Trade Receivable/ Sales * 365 = 1280.9/4625.9 * 365	101.07(101 days)
9.	Accounts Payable Period	= Trade Payables/ Cost of Sales * 365 = 791.1 / 2827.7 * 365	102.12(102 days)	= Trade Payables/ Cost of Sales * 365 = 798.4 / 2625.3 * 365	110.96(111 days)
10.	Stock turnover	= Inventory/Cost of Sales * 365 = 662.2/2827.7 *365	85 Days	= Inventory/Cost of Sales * 365 =633/2625.3 *365	88 Days
11.	Gearing	= Long-Term Debt / Equity + Long-Term Debt = 1725.4 / 1165.1 + 1725.4	0.60 : 1	= Long-Term Debt / Equity + Long-Term Debt = 1763.7 / 1010 + 1763.7	0.64 : 1
12.	Interest coverage	= Operating Profit (PBIT) / Interest = 869.3 / 77.9	11.16 : 1	= Operating Profit (PBIT) / Interest 823.1 / 86.5	9.51 : 1

ASOS

		2022/2023		2021/2022	
		Computation	**% or ratio**	**Computation**	**% or ratio**
1.	Gross Profit Margin	= Gross Profit /Sales Revenue = (1459/3549.5)*100	41.10%	= (Gross Profit /Sales Revenue) * 100 = (1717.5/3936.5)*100	43.63%
2.	Net Profit Margin	= Operating Profit (PBIT) / Sales Revenue = (296.7)/3549.5*100	8.35%	= Operating Profit (PBIT) / Sales Revenue = (31.9)/3936.5*100	0.81%
3.	Return on Total Assets	= Operating Profit (PBIT) / Total Assets = {(296.7)/(715.2+866.7)}*100	18.75%	= Operating Profit (PBIT) / Total Assets = {(31.9)/(1040+1014.9)}*100	1.55%
4.	Return on Equity	= Operating Profit (PBIT) / Total Equity = (296.7)/866.7 * 100	34.23	= Operating Profit (PBIT) / Total Equity = (31.9)/1014.9 * 100	3.14%
5.	Total Asset Turnover	= Sales Revenue / Total Assets = 3549.5/ 1581.9	2.24:1	= Sales Revenue / Total Assets = 3936.5 / 2054.9	1.92:1
6.	Working capital	= Current Assets / Current Liabilities = 1234.5 / 715.2	1.73:1	= Current Assets / Current Liabilities = 1554.0 / 1040	1.49:1
7.	Acid Test	= Current Assets – Inventories / Current Liabilities = 1234.5 – 768 / 715.2	0.65:1	= Current Assets – Inventories / Current Liabilities = 1554 – 1078.4 / 1040	0.46:1
8.	Accounts Receivable Period	= Trade Receivable/Cost of Sales * 365 =81.4/2090.5 * 365	14.21 (14 Days)	= Trade Receivable/ Cost of Sales * 365 = 88.2/ 2219* 365	14.51(15 days)
9.	Accounts Payable Period	= Trade Payables/ Cost of Sales * 365		= Trade Payables/ Cost of Sales * 365	

		= 680.4 /2090.5 * 365	118.80(119 days)	= 993.3 / 2219* 365	163.39(163 days)
10.	Stock turnover	= Inventory/Cost of Sales * 365 = 768/2090.5 *365	134.09(134 Days	= Inventory/Cost of Sales * 365 = 1078.4/ 2219* 365	177.38(177 days)
11.	Gearing	= Long-Term Debt / Equity + Long-Term Debt = 671.3 / 671.3 + 866.7	0.44: 1	= Long-Term Debt / Equity + Long-Term Debt = 474.5/ 474.5+1014.9	0.32: 1
12.	Interest coverage	= Operating Profit (PBIT) / Interest = (296.7) / (33.6)	8.83: 1	= Operating Profit (PBIT) / Interest (31.9) / (11.1)	2.87: 1

MARKS & SPENCER

		2022/2023		2021/2022	
		Computation	**% or ratio**	**Computation**	**% or ratio**
1.	Gross Profit Margin	= Gross Profit /Sales Revenue = (4144.6/11931.3)*100	34.74%	= (Gross Profit /Sales Revenue) * 100 = (3724.8/10885.1)*100	34.22%
2.	Net Profit Margin	= Operating Profit (PBIT) / Sales Revenue = (475.7)/11931.3*100	3.97%	= Operating Profit (PBIT) / Sales Revenue = (391.7)/10885.1*100	3.60%
3.	Return on Total Assets	= Operating Profit (PBIT) / Total Assets = {(475.7)/(9097.8)}*100	5.23%	= Operating Profit (PBIT) / Total Assets = {(391.7)/(9443.4)}*100	4.15%
4.	Return on Equity	= Operating Profit (PBIT) / Total Equity = (475.7)/2814.9 * 100	16.89%	= Operating Profit (PBIT) / Total Equity = (391.7)/2917.9 * 100	13.42%
5.	Total Asset Turnover	= Sales Revenue / Total Assets = 11931.3/9097.8	1.31:1	= Sales Revenue / Total Assets = 10885.1 / 9443.4	1.15:1
6.	Working capital	= Current Assets / Current Liabilities = 2155 / 2706.4	0.80:1	= Current Assets / Current Liabilities = 2182.3 / 2370.8	0.92:1

7.	Acid Test	= Current Assets – Inventories / Current Liabilities = 2155 – 764.4 / 2706.4	0.51:1	= Current Assets – Inventories / Current Liabilities = 2182.3 – 706.1 / 2370.8	0.62:1
8.	Accounts Receivable Period	= Trade Receivable/ Sales * 365 =280.6/7786.7 * 365	13.15 (13 Days)	= Trade Receivable/ Sales * 365 = 217.1/ 7130.3* 365	11.11(11 days)
9.	Accounts Payable Period	= Trade Payables/ Cost of Sales * 365 = 2048.8 /7786.7* 365	96.03(96 days)	= Trade Payables/ Cost of Sales * 365 = 1960.9/ 7130.3* 365	100.37(100 days)
10.	Stock turnover	= Inventory/Cost of Sales * 365 = 764.4/7786.7*365	35.83(36 Days	= Inventory/Cost of Sales * 365 = 706.1/ 7130.3* 365	36.15(36 days)
11.	Gearing	= Long-Term Debt / Equity + Long-Term Debt = 3184 / 3184 + 2814.9	0.53: 1	= Long-Term Debt / Equity + Long-Term Debt = 3561/ 3561+2917.9	0.55: 1
12.	Interest coverage	= Operating Profit (PBIT) / Interest = 475.7 / (212.5)	2.23: 1	= Operating Profit (PBIT) / Interest 391.7 / (216.6)	1.81: 1