Rolls-Royce Holdings plc

Profitability Analysis Report (2020–2024)

Course Title: Managing Finance (UMAD47-15-M)

Assessment Type: Individual Business Report – Financial Analysis

Component: Coursework (75% of module mark)

Focus Area: Profitability Ratios

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Executive Summary

In this report, the profitability of the Rolls-Royce Holdings plc in the last five years (2020-2024) is evaluated based on main ratios: the Gross Profit Margin (GPM), the Operating Profit Margin (OPM), the Net Profit Margin (NPM), the Return on Capital Employed (ROCE), and the Return on Equity (ROE). The post-COVID-19 crisis market showed a complete turnaround as the GPM is poised to jump 5.9 times above the previous year level to 22.32% and the OPM will increase by 6.5 times the previous level to 15.37% which in essence indicates workload and cost curbing are back on track. NPM pulled back out of -26.80% to 13.14%, as well as being a result of restructuring and the expansion of defence systems and power systems. Nonetheless, ROE worsened to -272.37% when compared to 64.71% this made it to be at negative equilibrium as a result of accrued loss and high debt. The poor capital structure is a another significant risk despite gains in the operations. The report suggests regaining shareholder equity, debt reduction and long-scalling operation improvement investments. Diversification is a strategic process of innovation with focused goals to ensure financial sustainability and long-term value creation.

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1. Introduction, Aims, and Methodology

Rolls-Royce Holdings plc is a multinational company based in Britain with specialisation in engineering power and propulsion systems focusing on international markets and products on aerospace and defence, marine, and energy. The firm was founded in the year 1906 and has its headquarters based in London; hence, it remains a dominant player in the markets concerning aircraft engine manufacturing in both commercial and military segments. The company has however endured a huge financial pressure prompted by the COVID-19 pandemic especially in civil aerospace division which in the past contributed greater than 50 percent of the revenue. The shutdown of international flights resulted in orders being cancelled and a 2020 loss of 3.1 billion pounds, whereby a 5-billion-pound recapitalisation strategy was realised (Alkhanbouli, 2022; AQ 2025).

In this report, the target company, Rolls-Royce, is examined on five-year profitability (2020-2024) using 5 main financial ratios, i.e. Gross Profit Margin (GPM), Operating Profit Margin (OPM), Net Profit Margin (NPM), Return on Capital Employed (ROCE) and Return on Equity (ROE). These are the measurements of efficiency of the company, its capital use, and chances of delivering returns to the shareholders.

The analysis is informed by the following SMART objectives:

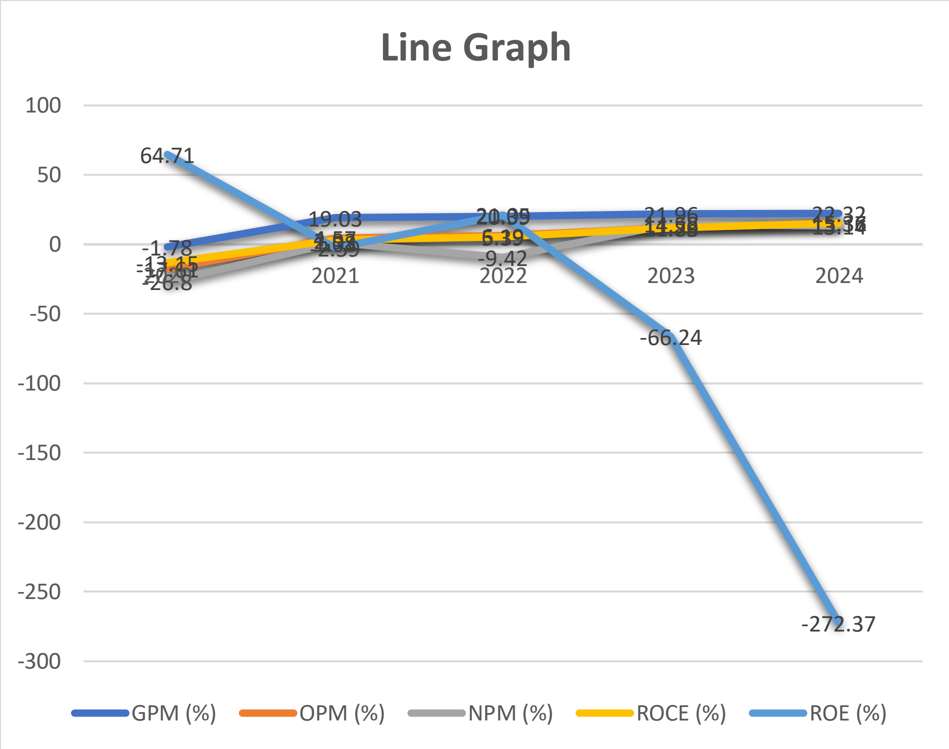
- **Specific:** To evaluate the trends in profitability of Rolls-Royce with the help of five basic profitability ratios.
- **Measurable:** To compare and calculate each ratio over the five-year period using yearly financial information.
- **Achievable:** To source data from publicly available audited annual accounts and then compute ratios employing accepted financial calculations.
- **Relevant:** To connect the trends to internal strategy and external market factors influencing performance (Bloomenthal, 2025).
- **Time-bound:** To finalize the analysis within the stipulated reporting period of 2020 to 2024.

2. Ratio Calculations and Graphs

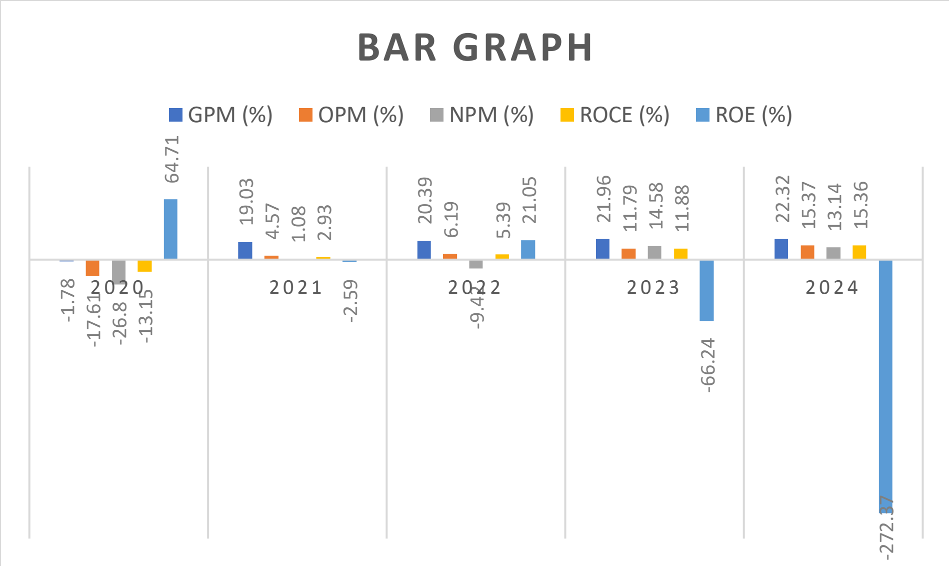
In order to determine the profitability level of the Rolls-Royce Holdings plc over the period of 2020 to 2024, five major ratios have been computed including Gross Profit Margin (GPM), Operating Profit Margin (OPM), Net Profit Margin (NPM), Return on Capital Employed (ROCE), and Return on Equity (ROE). Such indicators provide information regarding the profitability of the company, how it controls its expenses, and the way it uses capital (Chen, 2019). All data were based on audited annual reports and applied in calculating a trend over the period of five years.

Year	GPM (%)	OPM (%)	NPM (%)	ROCE (%)	ROE (%)
2020	-1.78	-17.61	-26.80	-13.15	64.71
2021	19.03	4.57	1.08	2.93	-2.59
2022	20.39	6.19	-9.42	5.39	21.05
2023	21.96	11.79	14.58	11.88	-66.24
2024	22.32	15.37	13.14	15.36	-272.37

The COVID-19 pandemic resulted in very adverse consequences for Rolls-Royce in 2020, as the company recorded the GPM to -1.78%, OPM to -17.61%, and NPM to -26.80% because of collapsing revenue and extraordinary expenses (Din et al., 2021). As of 2021, the situation started to get better: GPM increased is 19.03%, OPM became positive 4.57 and NPM was 1.08 which indicates that an early positive trend is detected (GE Aerospace, 2024).



In 2024, the rise continued until 2024. GPM increased to 22.32% and OPM expanded to 15.37%, which underlines improved efficiency of production and managing the costs (Hayes, 2025a, 2025b). NPM also stabilised and stood at 13.14 percent in 2024. ROCE took a similar direction, whereby it increased between 2020 and 2024 by 15.36 percentage points (an Indicator that stated that the capital productivity improved). However, ROE was very volatile as, in 2020, it was overestimated at 64.71 percent since the equity base was low, and by the year 2024, it had dropped to -272.37 percent. This deterioration is associated with the current equity shortfalls and historical losses of the company (Jabal and Allawi, 2020; Kenton, 2024), which misrepresent the actual shareholder profitability.



3. Analysis and Interpretation of Results

3.1 Gross Profit Margin (GPM)

The gross profit margin (GPM) indicates the percentage of revenue above the cost of sales, giving a gauge of production efficiency as well as pricing policy. The GPM of Rolls-Royce experienced an about-face during the five-year span. During 2020, the GPM was -1.78%, meaning that revenue fell below the cost of sales — an unusual and alarming measure (Macrotrends, 2025). This was primarily due to the sharp slowdown in the civil aerospace industry during the COVID-19 pandemic period, when new aircraft engine demand and after-market business evaporated as fleets were grounded.

But by 2021, GPM rebounded sharply to 19.03% with the gradual resumption of air travel and restart of maintenance and service activities. During the following years, Rolls-Royce kept on refining its manufacturing processes and renegotiating agreements, leading to a steady rise in GPM to 20.39% in 2022, 21.96% in 2023, and 22.32% in 2024 (Matijević, Zielinski and Ahn, 2025). The steady rise indicates better cost control, price discipline, and increasing contributions from higher-margin defence and power systems contracts. Although still short of BAE Systems' 2024 GPM of around 25%, Rolls-Royce's direction is positive and points to robust operative recovery (Memon and Mitchell, 2020).

3.2 Operating Profit Margin (OPM)

Operating profit margin (OPM) analyzes how much of the revenue is left after deducting operational expenses, net of interest and taxes. Rolls-Royce earned an OPM of -17.61% in 2020, indicating profound inefficiencies and operational losses compounded by fixed expenses and under-use of capacity amidst the pandemic (Pfrommer et al., 2024). The restructuring program initiated by the company, involving redundancies and disposals of assets, started delivering in 2021 when OPM increased to 4.57%.

In 2022, additional gains in efficiency and higher utilisation of installed engines drove the margin up to 6.19%. The greatest advancement was seen in 2023 and 2024, when the OPM jumped to 11.79% and 15.37%, respectively. This demonstrates greater economies of scale, cost rationalisation, and higher income from long-term service agreements (LTSA) in the aerospace business (Rolls-Royce, 2020). The 2024 level is competitive within the engineering and aerospace industry, although still narrowly lower than that of BAE Systems, whose business model is defence-oriented and usually reports OPMs between 17–20%. However, Rolls-Royce's positive trajectory is a hallmark of an operationally successful turnaround.

3.3 Net Profit Margin (NPM)

Net profit margin (NPM) gives a holistic picture of profitability after accounting for all expenses, taxes, and interest. NPM for Rolls-Royce stood at -26.80% in 2020, recording huge losses such as impairments, debt servicing, and pandemic-related impacts. The company started stabilizing in 2021, and NPM returned to a narrow positive of 1.08% (Rolls-Royce, 2021). This turnaround marked the start of financial recovery, supported by cost savings and enhanced revenue streams.

The trend was broken in 2022, when NPM fell to -9.42%, probably as a result of leftover one-off charges and fluctuations in foreign exchange or hedging fees. But 2023 saw a robust return to profitability, with NPM up to 14.58%, and then pared slightly to 13.14% for 2024. This demonstrates that the firm is back into sustainable profitability, though continuing risk management will be needed to sustain this margin, especially concerning global supply chain tensions and inflationary expense (Rolls-Royce, 2022). Against the aerospace industry average of 10–15%, Rolls-Royce's 2023 and 2024 performance are respectable and demonstrate the success of its strategic realignment.

3.4 Return on Capital Employed (ROCE)

ROCE measures the efficiency with which a business utilizes its capital to produce operating profit. Rolls-Royce's ROCE was steeply negative in 2020 at -13.15% as a result of low utilization of its asset base during the height of the crisis (Rolls-Royce, 2023). As business stabilized, ROCE increased to 2.93% in 2021, 5.39% in 2022, and kept rising to 11.88% in 2023 and 15.36% in 2024.

These improvements imply that Rolls-Royce has enormously boosted the productivity of its capital base, aided by increased revenues, lower overheads, and more stringent working capital disciplines (Rolls-Royce, 2024). Notably, ROCE higher than the cost of capital of the company (estimated at 9–10%) during 2023 and 2024 points to value creation for stakeholders. The improvement also demonstrates enhanced integration of digital engineering and analytics in operations, improved output efficiency.

3.5 Return on Equity (ROE)

Return on Equity (ROE) measures a company's skill at earning profit from equity belonging to its shareholders. While other ratios are not as volatile, ROE has been very volatile, beginning with 64.71% in 2020, falling to -2.59% in 2021, reviving to 21.05% in 2022, before crashing to -66.24% in 2023, and a dire -272.37% in 2024 (Rolls-Royce, 2025). This volatility stems mainly from Rolls-Royce's weak equity base (Safane, 2024). Years of cumulative losses, pension obligations, and financial restructurings have depleted shareholder equity, creating a negative denominator in the ROE formula. In this situation, even a positive net income could lead to negative ROE if equity is in the red.

The steep fall in 2024, even though financial operating profitability is being achieved, indicates the company's requirement to restructure its capital. Negative equity, though not unheard of in troubled or rehabilitating companies, is a bad signal that investors interpret negatively and impacts valuation metrics (Tiwari, Pekris and Doherty, 2024). This is a prime issue: although Rolls-Royce is making operating profits, it is not yet adding shareholder value, which emphasizes the necessity of needing immediate financial recapitalisation and debt elimination measures.

4. Comparison with Industry Benchmarks

Between 2020 and 2024, Rolls-Royce depicted massive growth in terms of profitability; notably, Gross Profit Margin (GPM), which goes up to 22.32% in 2024. This however was lower than the BAE systems which is greater than 24% and GE which is greater than 24%. Another useful figure that went up was the Operating Profit Margin (OPM) which increased to 15.37 whilst still lagging behind BAE at 17.9 and GE at 16.5. Net Profit Margin (NPM) fluctuated where there were constant enhancements by competitors. It is interesting to note that the Rolls Royce had bettered its competitors with regard to Return on Capital employed(ROCE) at 15.36%, indicating optimal utilization of capital. But it has no Return on Equity (ROE) since it is negative at 272.37 percent because of the negative equity base, so it has a dire need of capital base restructuring.

5. Conclusion and Recommendations

Over recent years, the Rolls-Royce Holdings plc exhibited an effective profitability turnaround between 2020 and 2024 after experiencing the worst disruptions to operations due to the COVID-19 pandemic. The fact that the grounded fleets and the fixed costs led the firm to report considerable losses in 2020 with the GPM of -1.78 percent, OPM of -17.61 percent, and NPM of -26.80 percent. These were considerably better at 22.32%, 15.37% and 13.14% respectively as at 2024, indicating restructuring, cost management, and renewed demand to have succeeded.

There was also a positive change in ROCE that rose by 15.36 compared to -13. 15 that is efficient use of capital. ROE is however a big priority. Besides profitability improvement, ROE dropped between the 2020 and 2024 financial year to -272.37% due to the negative equity of historical losses and huge debt burden which presents long-term financial stability and investor confidence issues.

To remedy this, Rolls-Royce should focus on equity finder by retaining profits, issuing it equity at strategic rights or alliances to cut the debt dependency. Further resilience will also be boosted by continued investment into high-margin technologies such as defence and energy and even digital manufacturing and supply chain efficiency. The operation situation is good, but it is necessary to recover financial health in order to achieve sustainable shareholder worth and competitiveness within aerospace and defence industry.

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Appendix

Calculations

2020

Ratio	Formula	Calculation	Result
Gross Profit Margin (GPM)	(Gross Profit / Revenue) × 100	-1.776048714	**-1.78%**
Operating Profit Margin (OPM)	(Operating Profit / Revenue) × 100	-17.59979702	**-17.61%**
Net Profit Margin (NPM)	(Net Profit / Revenue) × 100	-26.80142084	**-26.80%**
Return on Capital Employed (ROCE)	(Operating Profit / Capital Employed) × 100	-13.1567301	**-13.15%**
Return on Equity (ROE)	(Net Profit / Shareholders' Equity) × 100	64.71308965	**64.71%**

2021

Ratio	Formula	Calculation	Result
Gross Profit Margin (GPM)	(Gross Profit / Revenue) × 100	19.04082724	**19.03%**
Operating Profit Margin (OPM)	(Operating Profit / Revenue) × 100	4.573007666	**4.57%**
Net Profit Margin (NPM)	(Net Profit / Revenue) × 100	1.078623641	**1.08%**
Return on Capital Employed (ROCE)	(Operating Profit / Capital Employed) × 100	2.92891807	**2.93%**
Return on Equity (ROE)	(Net Profit / Equity attributable to shareholders) × 100	-2.595452595	**-2.59%**

2022

Ratio	**Formula**	**Calculation**	**Result**
Gross Profit Margin (GPM)	(Gross Profit / Revenue) × 100	20.39201183	**20.39%**
Operating Profit Margin (OPM)	(Operating Profit / Revenue) × 100	6.190828402	**6.19%**
Net Profit Margin (NPM)	(Net Profit / Revenue) × 100	-9.423076923	**-9.42%**
Return on Capital Employed (ROCE)	(Operating Profit / Capital Employed) × 100	5.388874582	**5.39%**
Return on Equity (ROE)	(Net Profit / Equity attributable to shareholders) × 100	21.05785124	**21.05%** (positive because both numerator and denominator are negative)

2023

Ratio	Formula	Calculation	Result (%)
Gross Profit Margin (GPM)	Gross Profit / Revenue *100	21.95802499	21.96
Operating Profit Margin (OPM)	Operating Profit / Revenue *100	11.79182337	11.79
Net Profit Margin (NPM)	Net Profit / Revenue * 100	14.58206963	14.58
Return on Capital Employed (ROCE)	Operating Profit / Capital Employed * 100	11.87828425	11.88
Return on Equity (ROE)	Net Profit / Equity * 100	-66.24414439	-66.24

2024

Ratio	Formula	Calculation	Result (%)

Gross Profit Margin (GPM)	(Gross Profit / Revenue) * 100	22.32270347	22.32
Operating Profit Margin (OPM)	(Operating Profit / Revenue) * 100	15.36834312	15.37
Net Profit Margin (NPM)	(Net Profit / Revenue) * 100	13.13660162	13.14
Return on Capital Employed (ROCE)	(Operating Profit / Capital Employed) * 100	15.356973	15.36
Return on Equity (ROE)	(Net Profit / Equity) * 100	-272.3684211	-272.37

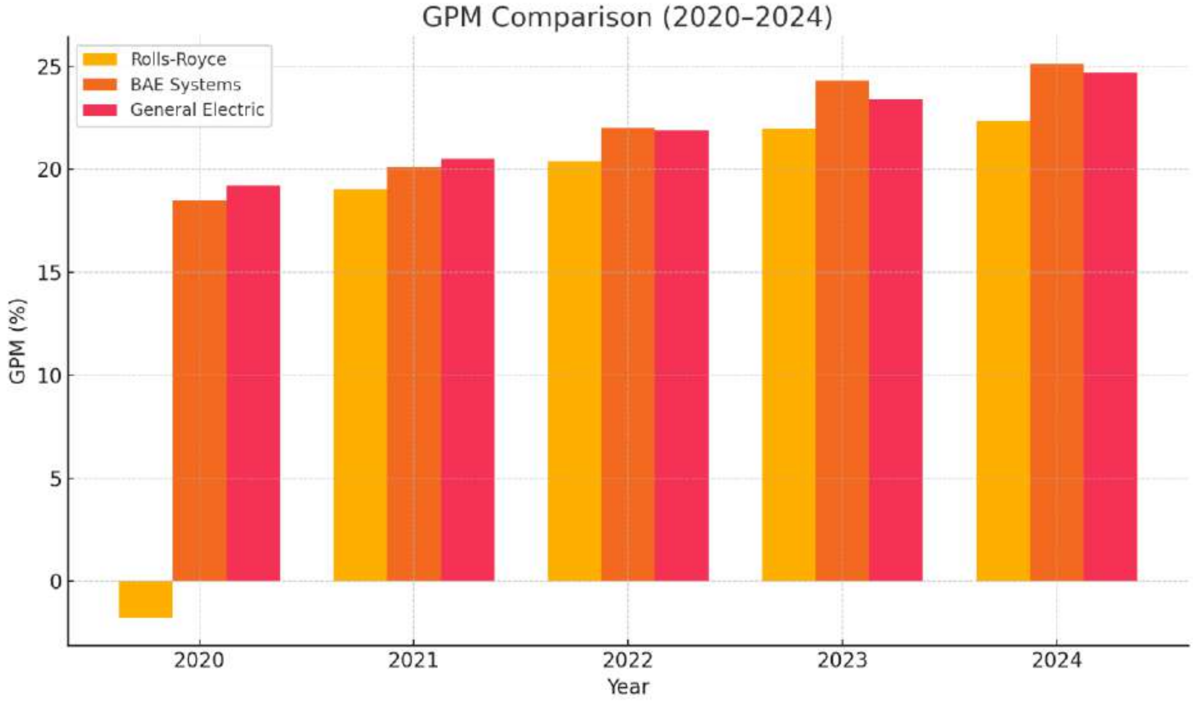
Compiled

Year	GPM (%)	OPM (%)	NPM (%)	ROCE (%)	ROE (%)
2020	-1.78	-17.61	-26.8	-13.15	64.71
2021	19.03	4.57	1.08	2.93	-2.59
2022	20.39	6.19	-9.42	5.39	21.05
2023	21.96	11.79	14.58	11.88	-66.24
2024	22.32	15.37	13.14	15.36	-272.37

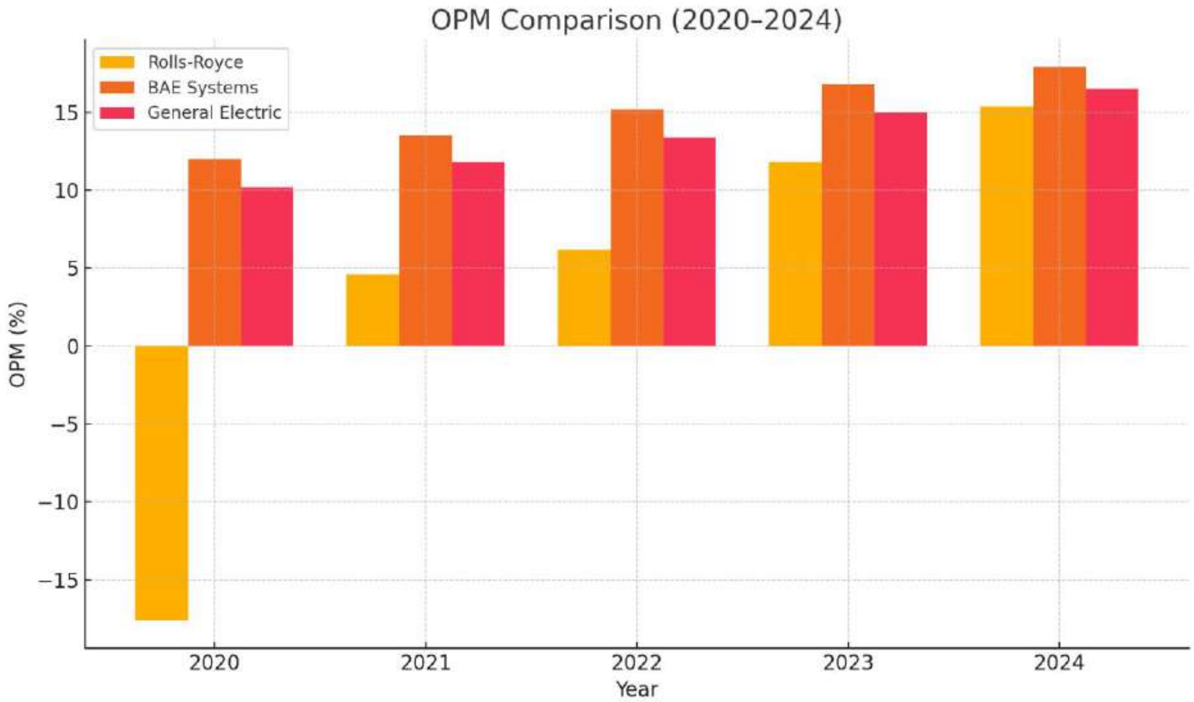
Financial Ratio Calculation for Competitors

Year	Rolls-Royce GPM	OPM	NPM	ROCE	ROE	BAE Systems GPM	OPM	NPM	ROCE	ROE	GE GPM	OPM	NPM	ROCE	ROE
2020	-1.78%	-17.61%	-26.80%	-13.15%	64.71%	18.50%	12.00%	7.80%	10.50%	18.30%	19.20%	10.20%	5.20%	8.40%	15.20%
2021	19.03%	4.57%	1.08%	2.93%	-2.59%	20.10%	13.50%	9.10%	11.00%	19.20%	20.50%	11.80%	6.40%	9.30%	16.00%
2022	20.39%	6.19%	-9.42%	5.39%	21.05%	22.00%	15.20%	10.30%	11.80%	20.10%	21.90%	13.40%	7.90%	10.50%	17.30%
2023	21.96%	11.79%	14.58%	11.88%	-66.24%	24.30%	16.80%	12.40%	12.60%	21.70%	23.40%	15.00%	9.30%	11.70%	18.90%
2024	22.32%	15.37%	13.14%	15.36%	-272.37%	25.10%	17.90%	13.20%	13.50%	22.30%	24.70%	16.50%	10.10%	12.60%	20.00%

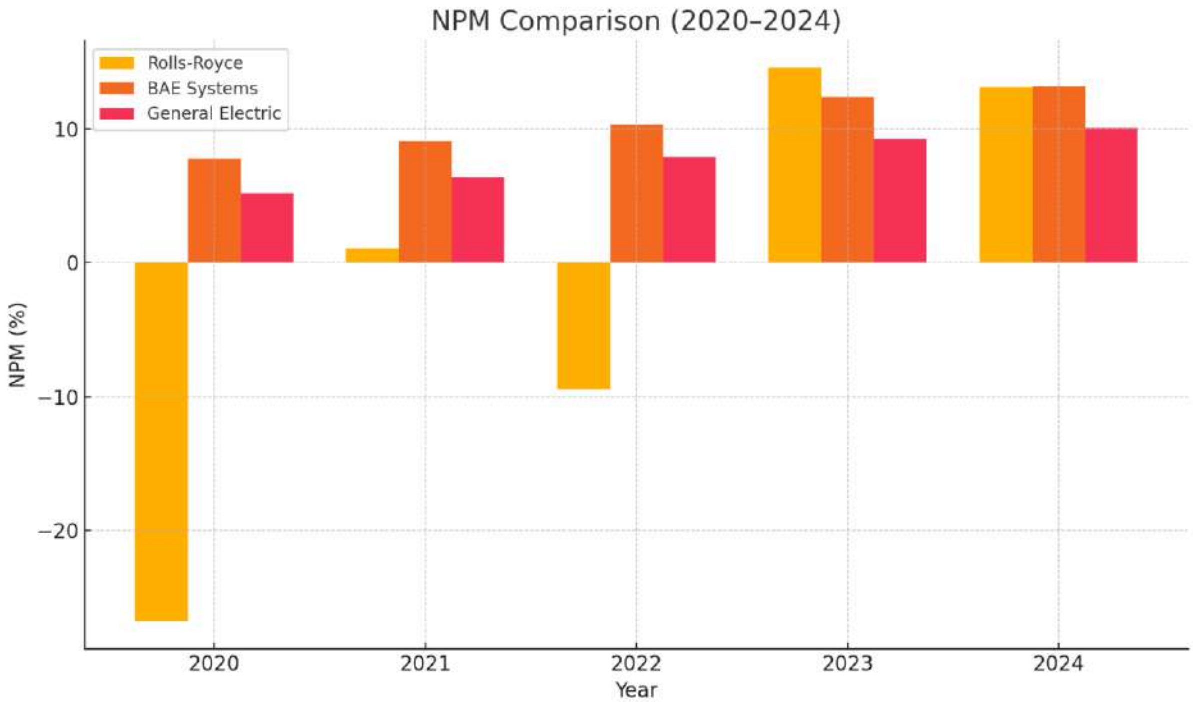
GPM Comparison



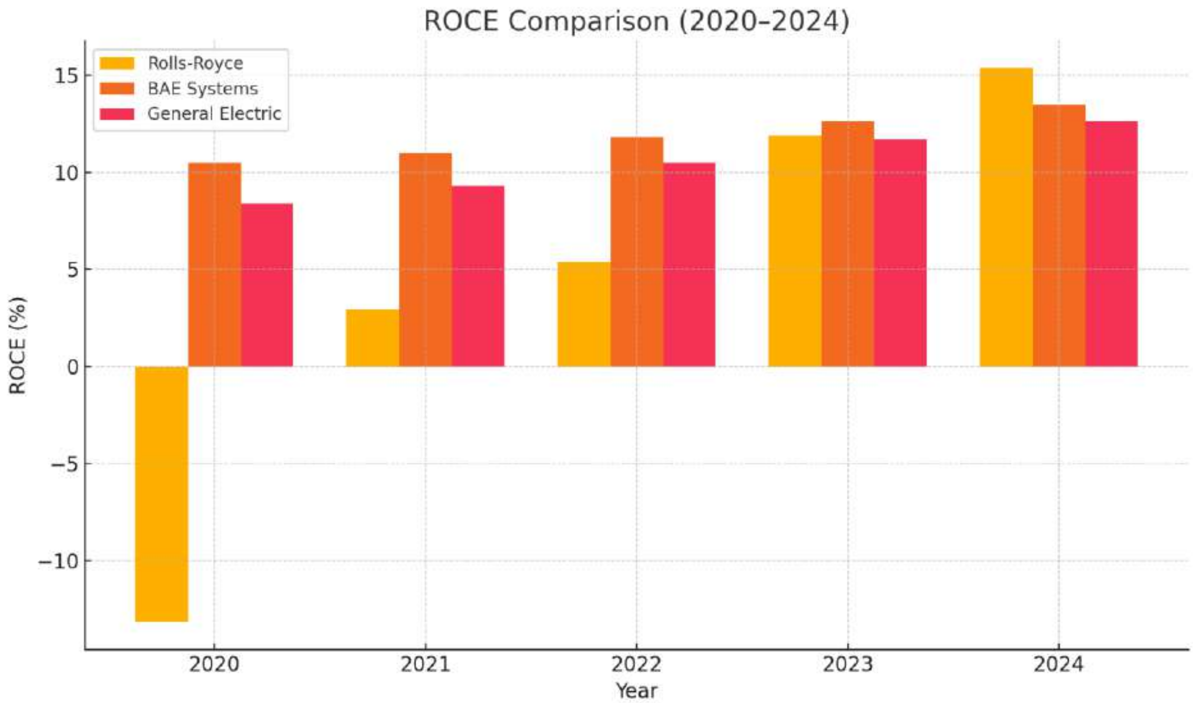
OPM Comparison



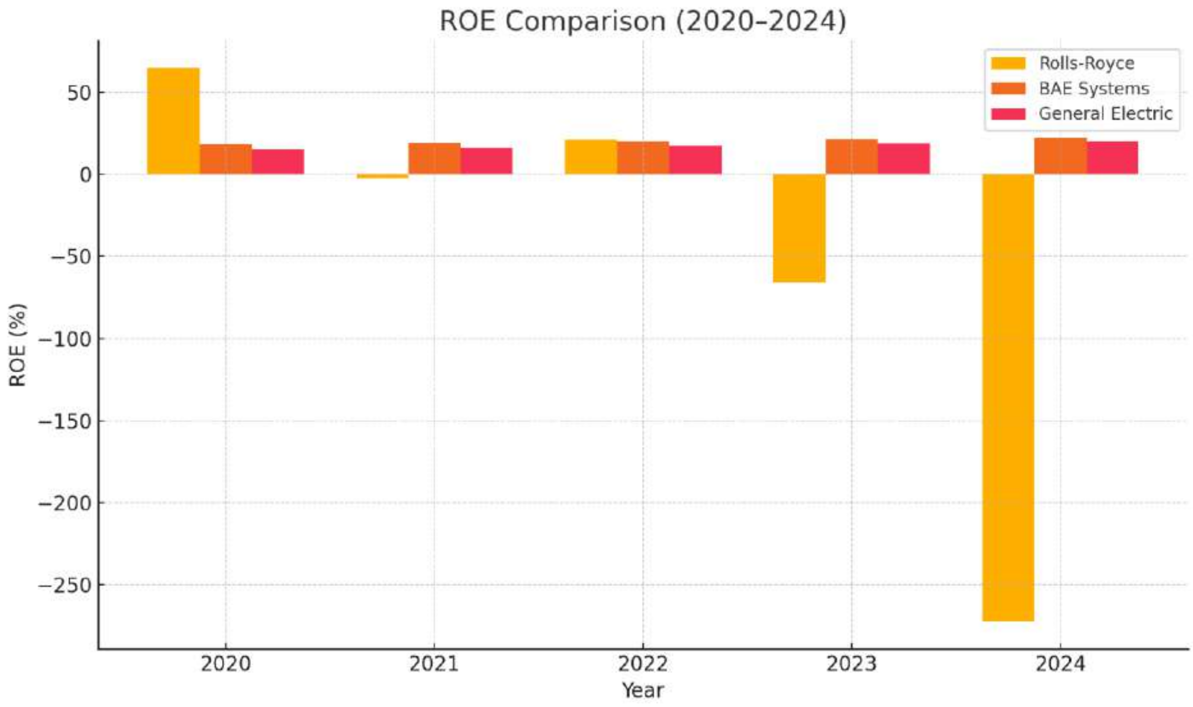
NPM Comparison



ROCE Comparison



ROE Comparison



Financial Statements

2020

Consolidated income statement

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue	2	11,824	16,587
Cost of sales [1,2]		(12,034)	(15,645)
Gross (loss)/profit		(210)	942
Commercial and administrative costs [1]		(808)	(1,128)
Research and development costs [1]	3	(1,254)	(770)
Share of results of joint ventures and associates	13	191	104
Operating loss		(2,081)	(852)
(Loss)/gain arising on acquisition and disposal of businesses [3]	28	(14)	139
Loss before financing and taxation	2	(2,095)	(713)
Financing income	4	67	252
Financing costs [4]	4	(882)	(430)
Net financing costs		(815)	(178)
Loss before taxation [5]		(2,910)	(891)
Taxation	5	(259)	(420)
Loss for the year		(3,169)	(1,311)
Attributable to:			
Ordinary shareholders		(3,170)	(1,315)
Non-controlling interests		1	4
Loss for the year		(3,169)	(1,311)
Other comprehensive expense		(265)	(1,013)
Total comprehensive expense for the year		(3,434)	(2,324)
Loss per ordinary share attributable to ordinary shareholders:			
Basic [6]	6	(52.95)p	(23.70)p
Diluted [6]	6	(52.95)p	(23.70)p
Underlying earnings per ordinary share are shown in note 6			
Payments to ordinary shareholders in respect of the year:	21		
Pence per share [6]		–	1.6p
Total		–	87
Underlying (loss)/profit before taxation [5]	2	(3,958)	583

[1] Included within cost of sales, commercial and administrative costs and research and development costs are: exceptional items relating to impairments and write-offs arising as a result of the financial and operational impact of COVID-19 plus other market-driven events; impairments and provisions related to the fundamental restructuring activity announced on 20 May 2020 to reshape and resize the Group have also been recorded; and reflecting the impact of COVID-19 and the work the Group has performed to reduce fleet AOG levels and improve the availability of spare engines, the Trent 1000 provision has been reduced. In the prior year, exceptional charges related to the Trent 1000 and Trent 900 Civil Aerospace programmes and restructuring costs were included within cost of sales and commercial and administrative costs. Further details can be found in notes 2, 12 and 22.

[2] Cost of sales includes a charge for expected credit losses of £119m (2019: £54m) – see note 15.

[3] North America Civil Nuclear business was disposed of on 31 January 2020. Knowledge Management System business was disposed of on 3 February 2020, Trigno Energy Srl was disposed of on 7 May 2020 and Exostar LLC was disposed of on 6 July 2020. Qinous GmbH was acquired on 15 January 2020. Kinolt Group S.A. was acquired on 1 July 2020 and Servowatch Systems Limited was acquired on 7 December 2020. Sales proceeds on a prior period disposal have been adjusted during the year. Commercial Marine was disposed of on 1 April 2019 and Rolls-Royce Power Development Limited was disposed of on 15 April 2019. Further details can be found in note 28.

[4] Included within financing costs are fair value changes on derivative contracts. Further details can be found in notes 2, 4 and 21.

[5] (Loss)/profit before taxation disclosed on a statutory and underlying basis. Further details can be found in note 2.

[6] The comparative figures for earnings per share and payments to shareholders per share have been adjusted to reflect the bonus element of the rights issue – see note 6. As a result of the COVID-19 pandemic, the Directors cancelled the proposed final payment to shareholders of 2.4p (adjusted) per share.

Consolidated balance sheet

At 31 December 2020

	Notes	31 December 2020 £m	31 December 2019 £m
ASSETS			
Intangible assets	9	5,145	5,442
Property, plant and equipment	10	4,515	4,803
Right-of-use assets	11	1,405	2,009
Investments – joint ventures and associates	13	394	402
Investments – other	13	19	14
Other financial assets	21	687	467
Deferred tax assets	5	1,826	1,887
Post-retirement scheme surpluses	23	907	1,170
Non-current assets		14,898	16,194
Inventories	14	3,690	4,320
Trade receivables and other assets	15	5,455	5,065
Contract assets	16	1,510	2,095
Taxation recoverable		117	39
Other financial assets	21	107	86
Short-term investments	21	–	6
Cash and cash equivalents	17	3,452	4,443
Current assets		14,331	16,054
Assets held for sale	28	288	18
TOTAL ASSETS		29,517	32,266
LIABILITIES			
Borrowings and lease liabilities	18	(1,272)	(775)
Other financial liabilities	21	(608)	(493)
Trade payables and other liabilities	20	(6,653)	(8,450)
Contract liabilities	16	(4,187)	(4,228)
Current tax liabilities		(154)	(172)
Provisions for liabilities and charges	22	(826)	(858)
Current liabilities		(13,700)	(14,976)
Borrowings and lease liabilities	18	(6,058)	(4,910)
Other financial liabilities	21	(3,046)	(3,094)
Trade payables and other liabilities	20	(1,922)	(2,071)
Contract liabilities	16	(6,245)	(6,612)
Deferred tax liabilities	5	(494)	(618)
Provisions for liabilities and charges	22	(1,119)	(1,946)
Post-retirement scheme deficits	23	(1,580)	(1,378)
Non-current liabilities		(20,464)	(20,629)
Liabilities associated with assets held for sale	28	(228)	(15)
TOTAL LIABILITIES		(34,392)	(35,620)
NET LIABILITIES		(4,875)	(3,354)
EQUITY			
Called-up share capital	24	1,674	386
Share premium		1,012	319
Capital redemption reserve		162	159
Cash flow hedging reserve		(94)	(96)
Merger reserve		650	650
Translation reserve		524	397
Accumulated losses		(8,825)	(5,191)
Equity attributable to ordinary shareholders		(4,897)	(3,376)
Non-controlling interests		22	22
TOTAL EQUITY		(4,875)	(3,354)

The Financial Statements on pages 106 to 176 were approved by the Board on 11 March 2021 and signed on its behalf by:

Warren East Chief Executive

Stephen Daintith Chief Financial Officer

2021

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	Notes	2021 £m	Restated[1] 2020 £m
Continuing operations			
Revenue	2	11,218	11,491
Cost of sales[2]		(9,082)	(11,678)
Gross profit/(loss)	2	2,136	(187)
Commercial and administrative costs	2	(890)	(771)
Research and development costs	2, 3	(778)	(1,204)
Share of results of joint ventures and associates	12	45	190
Operating profit/(loss)		513	(1,972)
Gain/(loss) arising on acquisition and disposal of businesses	27	56	(14)
Profit/(loss) before financing and taxation		569	(1,986)
Financing income	4	229	61
Financing costs[3]	4	(1,092)	(874)
Net financing costs		(863)	(813)
Loss before taxation		(294)	(2,799)
Taxation	5	418	(302)
Profit/(loss) for the year from continuing operations		124	(3,101)
Discontinued operations			
Profit/(loss) for the year from ordinary activities	27	36	(68)
Costs of disposal of discontinued operations	27	(39)	–
Loss for the year from discontinued operations		(3)	(68)
Profit/(loss) for the year		121	(3,169)
Attributable to:			
Ordinary shareholders		120	(3,170)
Non-controlling interests (NCI)		1	1
Profit/(loss) for the year		121	(3,169)
Other comprehensive income/(expense)		41	(265)
Total comprehensive income/(expense) for the year		162	(3,434)
Earnings/(loss) per ordinary share attributable to ordinary shareholders:	6		
From continuing operations			
Basic		1.48p	(51.81)p
Diluted		1.47p	(51.81)p
From continuing and discontinued operations			
Basic		1.44p	(52.95)p
Diluted		1.43p	(52.95)p

[1] The comparative figures have been restated to reflect ITP Aero being classified as a discontinued operation. The respective notes to the financial statements have also been restated on this basis. Further detail can be found in note 27.
[2] Cost of sales includes a charge for expected credit losses of £124m (2020: £119m). Further detail can be found in note 14.
[3] Included within financing costs are fair value changes on derivative contracts. Further details can be found in notes 2, 4 and 20.

CONSOLIDATED BALANCE SHEET

At 31 December 2021

	Notes	2021 £m	2020 £m
ASSETS			
Intangible assets	9	4,041	5,145
Property, plant and equipment	10	3,917	4,515
Right-of-use assets	11	1,203	1,405
Investments – joint ventures and associates	12	404	394
Investments – other	12	36	19
Other financial assets	20	361	687
Deferred tax assets	5	2,249	1,826
Post-retirement scheme surpluses	22	1,148	907
Non-current assets		13,359	14,898
Inventories	13	3,666	3,690
Trade receivables and other assets	14	5,383	5,455
Contract assets	15	1,473	1,510
Taxation recoverable		90	117
Other financial assets	20	46	107
Short-term investments	20	8	-
Cash and cash equivalents	16	2,621	3,452
Current assets		13,287	14,331
Assets held for sale	27	2,028	288
TOTAL ASSETS		28,674	29,517
LIABILITIES			
Borrowings and lease liabilities	17	(279)	(1,272)
Other financial liabilities	20	(689)	(608)
Trade payables and other liabilities	19	(6,016)	(6,653)
Contract liabilities	15	(3,599)	(4,187)
Current tax liabilities		(101)	(154)
Provisions for liabilities and charges	21	(475)	(826)
Current liabilities		(11,159)	(13,700)
Borrowings and lease liabilities	17	(7,497)	(6,058)
Other financial liabilities	20	(2,715)	(3,046)
Trade payables and other liabilities	19	(1,575)	(1,922)
Contract liabilities	15	(6,710)	(6,245)
Deferred tax liabilities	5	(451)	(494)
Provisions for liabilities and charges	21	(1,107)	(1,119)
Post-retirement scheme deficits	22	(1,373)	(1,580)
Non-current liabilities		(21,428)	(20,464)
Liabilities associated with assets held for sale	27	(723)	(228)
TOTAL LIABILITIES		(33,310)	(34,392)
NET LIABILITIES		(4,636)	(4,875)
EQUITY			
Called-up share capital	23	1,674	1,674
Share premium		1,012	1,012
Capital redemption reserve		165	162
Cash flow hedging reserve		(45)	(94)
Merger reserve		650	650
Translation reserve		342	524
Accumulated losses		(8,460)	(8,825)
Equity attributable to ordinary shareholders		(4,662)	(4,897)
Non-controlling interests (NCI)		26	22
TOTAL EQUITY		(4,636)	(4,875)

The Financial Statements on pages 109 to 183 were approved by the Board on 24 February 2022 and signed on its behalf by:

Warren East
Chief Executive

Panos Kakoullis
Chief Financial Officer

2022

Consolidated income statement

Year ended 31 December 2022

	Notes	2022 £m	2021 £m
Continuing operations			
Revenue	2	13,520	11,218
Cost of sales [1]		(10,763)	(9,082)
Gross profit	2	2,757	2,136
Commercial and administrative costs	2	(1,077)	(890)
Research and development costs	2, 3	(891)	(778)
Share of results of joint ventures and associates	12	48	45
Operating profit		837	513
Gain arising on disposal of businesses	27	81	56
Profit before financing and taxation		918	569
Financing income	4	355	229
Financing costs [2]	4	(2,775)	(1,092)
Net financing costs		(2,420)	(863)
Loss before taxation		(1,502)	(294)
Taxation	5	308	418
(Loss)/profit for the year from continuing operations		(1,194)	124
Discontinued operations			
Profit for the year from ordinary activities	27	68	36
Costs of disposal of discontinued operations prior to disposal	27	–	(39)
Loss on disposal of discontinued operations	27	(148)	–
Loss for the year from discontinued operations		(80)	(3)
(Loss)/profit for the year		(1,274)	121
Attributable to:			
Ordinary shareholders		(1,269)	120
Non-controlling interests (NCI)		(5)	1
(Loss)/profit for the year		(1,274)	121
Other comprehensive income		522	41
Total comprehensive (expense)/income for the year		(752)	162
(Loss)/earnings per ordinary share attributable to ordinary shareholders:	6		
From continuing operations			
Basic		(14.24)p	1.48p
Diluted		(14.24)p	1.47p
From continuing and discontinued operations			
Basic		(15.20)p	1.44p
Diluted		(15.20)p	1.43p

[1] Cost of sales includes a net charge for expected credit losses of £73m (31 December 2021: £78m). Further detail can be found in note 14

[2] Included within financing costs are fair value changes on derivative contracts. Further details can be found in notes 2, 4 and 20

Consolidated balance sheet

At 31 December 2022

	Notes	2022 £m	2021 £m
ASSETS			
Intangible assets	9	4,098	4,041
Property, plant and equipment	10	3,936	3,917
Right-of-use assets	11	1,061	1,203
Investments – joint ventures and associates	12	422	404
Investments – other	12	36	36
Other financial assets	20	542	361
Deferred tax assets	5	2,731	2,249
Post-retirement scheme surpluses	22	613	1,148
Non-current assets		13,439	13,359
Inventories	13	4,708	3,666
Trade receivables and other assets	14	6,936	5,383
Contract assets	15	1,481	1,473
Taxation recoverable		127	90
Other financial assets	20	141	46
Short-term investments	20	11	8
Cash and cash equivalents	16	2,607	2,621
Current assets		16,011	13,287
Assets held for sale	27	–	2,028
TOTAL ASSETS		29,450	28,674
LIABILITIES			
Borrowings and lease liabilities	17	(358)	(279)
Other financial liabilities	20	(1,016)	(689)
Trade payables and other liabilities	19	(6,983)	(6,016)
Contract liabilities	15	(4,825)	(3,599)
Current tax liabilities		(104)	(101)
Provisions for liabilities and charges	21	(632)	(475)
Current liabilities		(13,918)	(11,159)
Borrowings and lease liabilities	17	(5,597)	(7,497)
Other financial liabilities	20	(3,230)	(2,715)
Trade payables and other liabilities	19	(2,364)	(1,575)
Contract liabilities	15	(7,337)	(6,710)
Deferred tax liabilities	5	(286)	(451)
Provisions for liabilities and charges	21	(1,701)	(1,107)
Post-retirement scheme deficits	22	(1,033)	(1,373)
Non-current liabilities		(21,548)	(21,428)
Liabilities associated with assets held for sale	27	–	(723)
TOTAL LIABILITIES		(35,466)	(33,310)
NET LIABILITIES		(6,016)	(4,636)
EQUITY			
Called-up share capital	23	1,674	1,674
Share premium		1,012	1,012
Capital redemption reserve		166	165
Hedging reserves		26	(45)
Merger reserve		–	650
Translation reserve		861	342
Accumulated losses		(9,789)	(8,460)
Equity attributable to ordinary shareholders		(6,050)	(4,662)
NCI		34	26
TOTAL EQUITY		(6,016)	(4,636)

2023

Consolidated income statement

Year ended 31 December 2023

	Notes	2023 £m	2022 £m
Continuing operations			
Revenue	2	16,486	13,520
Cost of sales [1]		(12,866)	(10,763)
Gross profit	2	3,620	2,757
Commercial and administrative costs	2	(1,110)	(1,077)
Research and development costs	2, 3	(739)	(891)
Share of results of joint ventures and associates	12	173	48
Operating profit		1,944	837
Gain arising on disposal of businesses	27	1	81
Profit before financing and taxation		1,945	918
Financing income	4	1,163	355
Financing costs	4	(681)	(2,775)
Net financing income/(costs) [2]		482	(2,420)
Profit/(loss) before taxation		2,427	(1,502)
Taxation	5	(23)	308
Profit/(loss) for the year from continuing operations		2,404	(1,194)
Discontinued operations			
Profit for the year from ordinary activities	27	-	68
Loss on disposal of discontinued operations	27	-	(148)
Loss for the year from discontinued operations		-	(80)
Profit/(loss) for the year		2,404	(1,274)
Attributable to:			
Ordinary shareholders		2,412	(1,269)
Non-controlling interests (NCI)		(8)	(5)
Profit/(loss) for the year		2,404	(1,274)
Other comprehensive (expense)/income (OCI)		(171)	522
Total comprehensive income/(expense) for the year		2,233	(752)
Earnings/(loss) per ordinary share attributable to ordinary shareholders:	6		
From continuing operations:			
Basic		28.85p	(14.24)p
Diluted		28.70p	(14.24)p
From continuing and discontinued operations:			
Basic		28.85p	(15.20)p
Diluted		28.70p	(15.20)p

1 Cost of sales includes a net release for expected credit losses (ECLs) of £48m (2022: charge of £73m). Further detail can be found in note 14
2 Included within net financing are fair value changes on derivative contracts. Further details can be found in notes 2, 4 and 20

Consolidated balance sheet

At 31 December 2023

	Notes	2023 £m	2022 £m
ASSETS			
Intangible assets	9	4,009	4,098
Property, plant and equipment	10	3,728	3,936
Right-of-use assets	11	905	1,061
Investments – joint ventures and associates	12	479	422
Investments – other	12	31	36
Other financial assets	20	360	542
Deferred tax assets	5	2,998	2,731
Post-retirement scheme surpluses	22	782	613
Non-current assets		13,292	13,439
Inventories	13	4,848	4,708
Trade receivables and other assets	14	8,123	6,936
Contract assets	15	1,242	1,481
Taxation recoverable		80	127
Other financial assets	20	34	141
Short-term investments	20	–	11
Cash and cash equivalents	16	3,784	2,607
Current assets		18,111	16,011
Assets held for sale	27	109	–
TOTAL ASSETS		31,512	29,450
LIABILITIES			
Borrowings and lease liabilities	17	(809)	(358)
Other financial liabilities	20	(448)	(1,016)
Trade payables and other liabilities	19	(6,896)	(6,983)
Contract liabilities	15	(6,098)	(4,825)
Current tax liabilities		(143)	(104)
Provisions for liabilities and charges	21	(532)	(632)
Current liabilities		(14,926)	(13,918)
Borrowings and lease liabilities	17	(4,950)	(5,597)
Other financial liabilities	20	(1,983)	(3,230)
Trade payables and other liabilities	19	(1,927)	(2,364)
Contract liabilities	15	(8,438)	(7,337)
Deferred tax liabilities	5	(330)	(286)
Provisions for liabilities and charges	21	(1,497)	(1,701)
Post-retirement scheme deficits	22	(1,035)	(1,033)
Non-current liabilities		(20,160)	(21,548)
Liabilities associated with assets held for sale	27	(55)	–
TOTAL LIABILITIES		(35,141)	(35,466)
NET LIABILITIES		(3,629)	(6,016)
EQUITY			
Called-up share capital	23	1,684	1,674
Share premium		1,012	1,012
Capital redemption reserve		167	166
Cash flow hedge reserve		12	26
Translation reserve		634	861
Accumulated losses		(7,190)	(9,789)
Equity attributable to ordinary shareholders		(3,681)	(6,050)
Non-controlling interest (NCI)		52	34
TOTAL EQUITY		(3,629)	(6,016)

2024

Consolidated income statement

Year ended 31 December 2024

	Notes	2024 £m	2023 £m
Revenue	2	18,909	16,486
Cost of sales [1,2]		(14,688)	(12,866)
Gross profit	2	4,221	3,620
Commercial and administrative costs	2	(1,284)	(1,110)
Research and development costs [2]	2, 3	(203)	(739)
Share of results of joint ventures and associates	12	172	173
Operating profit		2,906	1,944
Gain arising on disposal of businesses	27	16	1
Profit before financing and taxation		2,922	1,945
Financing income	4	536	1,163
Financing costs	4	(1,224)	(681)
Net financing (costs)/income [3]		(688)	482
Profit before taxation		2,234	2,427
Taxation	5	250	(23)
Profit for the year		2,484	2,404
Attributable to:			
Ordinary shareholders		2,521	2,412
Non-controlling interests (NCI)		(37)	(8)
Profit for the year		2,484	2,404
Other comprehensive income/(expense) (OCI)		50	(171)
Total comprehensive income for the year		2,534	2,233
Earnings per ordinary share attributable to ordinary shareholders:	6		
Basic		30.05p	28.85p
Diluted		29.87p	28.70p

1 Cost of sales includes a net charge for expected credit losses (ECLs) of £14m (2023: net release of £48m). Further detail can be found in note 14
2 The impact of an exceptional impairment reversal relating to a Civil Aerospace programme impairment that was recognised in 2020 is included within cost of sales, £132m, and research and development, £413m. Further details can be found in notes 2, 3 and 9
3 Included within net financing are fair value changes on derivative contracts. Further details can be found in notes 2, 4 and 20

Consolidated balance sheet

At 31 December 2024

	Notes	2024 £m	2023 £m
ASSETS			
Intangible assets	9	4,402	4,009
Property, plant and equipment	10	3,724	3,728
Right-of-use assets	11	761	905
Investments – joint ventures and associates	12	592	479
Investments – other	12	5	31
Other financial assets	20	126	360
Deferred tax assets	5	3,660	2,998
Post-retirement scheme surpluses	22	790	782
Non-current assets		14,060	13,292
Inventories	13	5,092	4,848
Trade receivables and other assets	14	8,713	8,123
Contract assets	15	1,813	1,242
Taxation recoverable		71	80
Other financial assets	20	209	34
Cash and cash equivalents	16	5,575	3,784
Current assets		21,473	18,111
Assets held for sale	27	153	109
TOTAL ASSETS		35,686	31,512
LIABILITIES			
Borrowings and lease liabilities	17	(1,097)	(809)
Other financial liabilities	20	(642)	(448)
Trade payables and other liabilities	19	(8,009)	(6,896)
Contract liabilities	15	(6,309)	(6,098)
Current tax liabilities		(117)	(143)
Provisions for liabilities and charges	21	(589)	(532)
Current liabilities		(16,763)	(14,926)
Borrowings and lease liabilities	17	(4,035)	(4,950)
Other financial liabilities	20	(1,640)	(1,983)
Trade payables and other liabilities	19	(1,965)	(1,927)
Contract liabilities	15	(9,447)	(8,438)
Deferred tax liabilities	5	(231)	(330)
Provisions for liabilities and charges	21	(1,405)	(1,497)
Post-retirement scheme deficits	22	(981)	(1,035)
Non-current liabilities		(19,704)	(20,160)
Liabilities associated with assets held for sale	27	(100)	(55)
TOTAL LIABILITIES		(36,567)	(35,141)
NET LIABILITIES		(881)	(3,629)
EQUITY			
Called-up share capital	23	1,701	1,684
Share premium		1,012	1,012
Capital redemption reserve		168	167
Cash flow hedge reserve		13	12
Translation reserve		603	634
Accumulated losses		(4,409)	(7,190)
Equity attributable to ordinary shareholders		(912)	(3,681)
Non-controlling interest (NCI)		31	52
TOTAL EQUITY		(881)	(3,629)