



ANALYSIS OF FINANCIAL STATEMENTS

ACF7004

EXECUTIVE SUMMARY

The report comprehensively analyses two prominent companies in the construction sector, Barratt Developments PLC and Berkeley Group Holdings PLC, from 2019 to 2023. It delves into various aspects of their financial health, operational efficiency, and UK Corporate Governance Code adherence. The analysis includes horizontal and vertical evaluations of their financial statements, profitability ratios, and corporate governance practices. Both companies demonstrate a commitment to transparency, accountability, and ethical leadership, which is consistent with the UK Corporate Governance Code's tenets. The vertical analysis of their financial statements offers valuable insights into their financial structures, operational efficiencies, and profitability trends. Additionally, the report highlights the companies' efforts to comply with the Code's directives, such as executive director pension contributions and extensive disclosures aligning with regulatory requirements. The analysis also covers key financial ratios, efficiency ratios, and cash interest coverage, providing a critical view of the companies' financial performance and governance strategies. The report offers a detailed and insightful comparison of the two companies, shedding light on their financial and governance landscapes.

Berkeley Group Holdings PLC has demonstrated higher profitability ratios across almost all metrics over the years than Barratt Development PLC. While both companies have shown a declining trend in margins and returns, Berkeley has maintained a more robust profitability profile. Additionally, the report highlights both companies' financial stability and operational effectiveness through thorough horizontal and vertical analyses of their income statements and balance sheets. The analysis provides valuable insights into their financial structures, operational efficiencies, and profitability trends, shedding light on their financial and governance landscapes. Both companies have made commendable and confident efforts to align with the UK Corporate Governance Code's directives, promoting transparency, accountability, and ethical leadership.

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TERMS OF REFERENCE

This report compares Barratt Development PLC and Berkeley Group Holdings PLC, two prominent companies in the construction sector, from 2019 to 2023. The report's structure begins with the company profiles section, which provides detailed information about the two companies' services, subsidiaries, and financial health. The report then analyses both companies' financial health and performance using various financial ratios and horizontal and vertical analyses of critical metrics. The main source of the report for the analysis is the **Financial Times**.

1. OVERVIEW OF THE KEY FACTORS AFFECTING THE HOUSE CONSTRUCTION SECTOR

The UK housing construction sector is a multifaceted and ever-evolving field, shaped by historical developments, regulatory frameworks, key players, and ongoing challenges and trends. The sector is an integral component of the country's economy, contributing significantly to GDP and employment. The sector encompasses the construction of new homes, renovations, and extensions of existing properties. Numerous factors, such as shifting society requirements, population expansion, government regulations, and economic situations, all have an impact on it. The UK has historically struggled to meet housing demand, which has resulted in a chronic housing shortage and high home prices in many areas. This results from a complex interplay of limited land availability, stringent planning permissions, and fluctuating investment levels. This sector encompasses various participants, from industry giants like Barratt, Persimmon, and Taylor Wimpey to nimble independent builders. These entities grapple with the intricate landscape of planning permissions and regulatory compliance to deliver new homes nationwide (O'Malley, 2023). The UK housing industry is heavily consolidated, with a handful of firms dominating the market, and entry into the industry necessitates substantial capital investments. The threat of new entrants is low due to increased consolidation and high capital intensity. In the UK, single households command over 76% of the housing market, exerting significant influence over the industry. Buyers face limited alternatives, and their bargaining power is diminished. The threat of substitutes is low in the UK housing construction sector, as there are few alternatives to traditional housing methods. However, the adoption of Modern Methods of Construction (MMC) may introduce new substitutes, but they currently face challenges in terms of skills gap, integration, regulatory hurdles, and resistance to change. The UK housing construction sector is fiercely competitive, with numerous firms vying for market share. This competition has led to the decline of small firms in the industry and increased consolidation. However, the government's goal of constructing 300,000 new homes annually hasn't been reached, highlighting the need for more practical solutions to the housing crisis (Chas, 2024).

According to Porter's Five Forces study, the house-building industry in the UK is highly consolidated, with little threat from new competitors and a moderate degree of supplier bargaining power. The industry is extremely competitive, greatly impacting buyers' negotiating strength and the danger of alternatives. These factors shape the competitive landscape of the UK housing construction sector. The housing construction sector in the UK is influenced by a combination of competition, supplier power, and sector planning regulations. These factors shape the industry landscape and influence the dynamics of the sector. The planning regulations in the UK are known for their complexity and can be a significant hurdle for residential construction. Planning regulations are a critical factor dictating what can be built, where and how (People, 2023). The planning system is designed to balance public and private interests in land use, which includes considerations of environmental impact, historic preservation, and community development. Obtaining planning permission can be a lengthy and uncertain process, often cited as a bottleneck for increasing housing supply. While aiming to ensure new developments meet standards and integrate with communities, the complex and lengthy planning process can impede the speed and volume of housing construction (People, 2023). Changes to planning laws, such as streamlining the process or altering zoning regulations, can significantly impact the sector. Technological advances in building materials, construction techniques, and green building practices can improve efficiency and sustainability but may require retraining and additional investment. Environmental concerns influence building codes, materials used, and the location of new housing developments. Disruptions to the global supply chain, like those caused by the COVID-19 pandemic, can greatly influence finishing projects on schedule and budget (People, 2023). These factors collectively shape the landscape of the UK residential construction sector. Economic conditions, including interest rates, inflation, and general economic health, influence both builders' capacity and consumers' ability to participate in the market (People, 2023). Government policies and incentives, such as tax breaks for homebuyers or housing subsidies, can stimulate demand, while policies imposing additional costs on developers can reduce new construction (People, 2023). Social trends, including changes in household composition, population growth, and urbanisation patterns, affect the type and quantity of housing needed.

Barratt Developments PLC and Berkeley Group Holdings PLC are two of the largest and most prominent homebuilders in the United Kingdom. Barratt Developments, founded in 1958, is one of the biggest housebuilders in the country. In the 2022 fiscal year, the company built 17,908 homes and reported revenue of £4.39 billion. Barratt has a workforce of around 6,700 employees.

Berkeley Group, established in 1976, focuses on building homes and neighbourhoods across London, Birmingham, and the South of England. In the 2023 fiscal year, Berkeley generated revenue of £2.54 billion and a net income of £455.50 million (Barratt Developments PLC, 2024). The company has a workforce of around 3,000 employees. Using a strategy of controlled growth and sustainable margins, Barratt Developments PLC is committed to providing new homes that are high-quality and energy-efficient for a variety of tenures (Barratt Developments PLC, 2024). Berkeley Group Holdings PLC, on the other hand, specialises in large-scale regeneration developments, transforming neglected industrial and brownfield land into thriving new communities. In terms of financial strength, Barratt reported net cash of around £790 million in its latest results, while Berkeley had a strong balance sheet as of 2023. Both companies have a track record of profitability and cash generation through market cycles. The two housebuilders have seen their share prices perform well recently, with Berkeley's stock jumping 4.7% in a week and Barratt's shares rising by almost 50% in the past year (Berkeley Group Holdings PLC, 2024). However, both companies face challenges, such as rising construction costs, a complex planning system, and uncertainty in the housing market (Berkeley Group Holdings PLC, 2024). Finally, Barratt Developments and Berkeley Group are significant players in the UK homebuilding industry, focusing on delivering high-quality homes and neighbourhoods while navigating the challenges of the market.

2. ANALYSIS AND INTERPRETATION OF THE TWO COMPANIES

In the dynamic landscape of the UK construction sector, Barratt Developments PLC and The Berkeley Group Holdings PLC emerge as two influential entities, each with unique strategies, operational scopes, and financial performances. Barratt Developments PLC and The Berkeley Group Holdings PLC are two prominent players in the UK construction industry, known for their contributions to the housing sector. They have unique strategies, operational scopes, and financial performance.

Barratt Developments Plc is known for its customer-centric approach. It prioritises delivering high-quality, energy-efficient, and sustainable houses while fostering communities with lasting positive economic, environmental, and well-being impacts. Barratt has different brands, like Barratt Homes, David Wilson Homes, and Barratt London. It has a significant land bank that secures its operations for the foreseeable future. However, Barratt witnessed a decline in operating and net margins, which may cause profitability challenges despite a notable revenue increase in FY2022.

The Berkeley Group Holdings PLC focuses on providing quality homes and enhancing communities through affordable housing options. By harnessing advanced manufacturing and digital technology, Berkeley ensures its developments meet elevated sustainability, quality, and safety standards. Berkeley has multiple brands and specialises in urban regeneration projects, from city apartments to detached family houses. They have healthy revenue growth and substantial land holdings that project promising future profitability, showcasing a robust operational model.

Barratt's geographic reach covers Great Britain, whereas Berkeley focuses on London and the South of England. Barratt's brand portfolio encompasses residential and commercial developments, while Berkeley's brands extend to a wider array of development types, emphasising urban regeneration. Financially, Barratt's higher revenue figures signify a larger scale of operations, while Berkeley's substantial land holdings underscore their strong potential for future profitability. Strategically, Barratt prioritises a customer-oriented approach and community building, whereas Berkeley emphasises quality and sustainability through technological advancements and urban regeneration. Although Barratt's decline in operating and net margins raises concerns regarding profitability pressures, Berkeley's consistent revenue growth and robust land holdings reflect operational efficiency and resilience.

2.1 RATIO ANALYSIS

A financial ratio analysis examines the relationship (or ratio) between two or more financial data items from a company's financial statement to compare Barratt Development PLC and Berkeley Holding Groups PLC efficiently.

2.1.1 LIQUIDITY RATIO

The liquidity ratio assesses whether a business can use its current assets to pay off its debt in full.

BARRATT DEVELOPMENT PLC					
LIQUIDITY RATIO					
Ratios	2023	2022	2021	2020	2019
Current ratio	4.6	4.0	4.3	3.9	3.3
Quick ratio	1.0	0.9	1.1	0.5	0.7
Cashflow liquidity	0.3	0.2	0.7	-0.1	0.2

THE BERKELEY GROUP HOLDINGS PLC					
LIQUIDITY RATIO					
Ratios	2023	2022	2021	2020	2019
Current ratio	3.4	3.2	3.1	2.7	2.8
Quick ratio	0.6	0.5	0.9	0.9	0.9
Cashflow liquidity	0.2	-0.1	0.2	0.2	0.4

- **Current Ratio:** Barratt Development PLC has a current ratio ranging from 3.3 in 2019 to 4.6 in 2023. This indicates a strong ability to cover short-term liabilities with current assets, which has improved over the years. On the other hand, Berkeley Group Holdings PLC shows a lower current ratio than Barratt Development PLC over the same period, ranging from 2.7 in 2020 to 3.4 in 2023. It is also improving, but not as high as Barratt's, indicating a comparatively weaker but adequate short-term financial health.

- **Quick Ratio:** Barratt Development PLC has a quick ratio starting at 0.7 in 2019 and rising to 1.0 in 2023. This indicates that even without inventory, the company can cover its short-term liabilities, but it's closer to the edge than when considering the current ratio. On the other hand, Berkeley Group Holdings PLC has a quick ratio significantly lower than Barratt's, moving from 0.5 in 2022 to 0.6 in 2023. This suggests that Berkeley's most liquid assets are less when it comes to covering short-term liabilities compared to Barratt.
- **Cashflow Liquidity Ratio:** Barratt Development PLC shows a rising trend from 0.2 in 2019 to 0.3 in 2023, except for a dip into negative territory in 2020. This indicates volatility in its ability to cover liabilities with cash from operations. On the other hand, Berkeley Group Holdings PLC has a more variable cashflow liquidity ratio, with a negative value in 2022, suggesting it had issues covering liabilities with operating cash flow that year. In 2023, it has a ratio of 0.2, which is lower than Barratt's 0.3, indicating weaker performance in generating liquidity from operations.

As shown in Figure 1, Barratt Development PLC generally shows stronger liquidity across all three ratios than The Berkeley Group Holdings PLC. Barratt has improved its liquidity position from 2019 to 2023, while Berkeley also shows improvement but to a lesser extent, as shown in Figure 2. Barratt's greater quick ratio shows that the company is in a stronger position to pay its short-term debts, which is important during erratic economic times. For both businesses, the cash flow to liquidity ratio indicates fluctuations from year to year. Nevertheless, Barratt continues its upward trajectory, demonstrating a steadier capacity to produce cash flow to meet short-term obligations. The liquidity ratio of Barratt Development PLC and Berkeley Group Holdings PLC is likely influenced by a combination of factors related to their industry dynamics, operational efficiency, higher profitability, efficient working capital management, and market conditions.

2.1.2 PROFITABILITY RATIO

Profitability ratios evaluate a company's capacity to turn a profit in relation to its revenue, operating costs, balance sheet assets, or shareholders' equity. Berkeley Group Holdings PLC has demonstrated higher profitability ratios across almost all metrics over the years than Barratt Development PLC. While both companies have shown a declining trend in margins and returns, Berkeley has maintained a more robust profitability profile.

BARRATT DEVELOPMENT PLC					
PROFITABILITY RATIO					
Ratios	2023	2022	2021	2020	2019
GPM (Gross Profit Margin)	21.2%	24.8%	22.2%	21.4%	22.8%
OPM (Operating Profit Margin)	12.9%	12.2%	16.9%	14.4%	18.9%
NPM (Net Profit Margin)	10.0%	9.8%	13.7%	11.7%	15.5%
ROCE (Return on Capital Employed)	10.4%	9.9%	13.6%	9.1%	16.3%
ROE (Return on Equity)	9.5%	9.1%	12.1%	8.3%	15.2%
ROA (Return on Assets)	6.6%	6.3%	8.8%	5.8%	10.0%
Earnings Quality (CFO/Net Income)	0.9	0.8	1.6	-0.3	0.5

THE BERKELEY GROUP HOLDINGS PLC					
PROFITABILITY RATIO					
Ratios	2023	2022	2021	2020	2019
GPM (Gross Profit Margin)	27.3%	28.3%	28.8%	33.2%	31.3%
OPM (Operating Profit Margin)	20.3%	21.6%	22.8%	24.5%	26.0%
NPM (Net Profit Margin)	18.3%	20.5%	19.2%	21.4%	21.2%
ROCE (Return on Capital Employed)	10.4%	11.0%	13.0%	12.6%	22.8%
ROE (Return on Equity)	14.0%	15.4%	13.3%	13.2%	21.2%
ROA (Return on Assets)	6.8%	7.3%	7.6%	7.3%	12.7%
Earnings Quality (CFO/Net Income)	0.7	-0.3	0.8	0.8	1.0

- **Gross Profit Margin (GPM):** Barratt Development PLC's GPM fluctuated between 21.2% and 24.8% over the five-year period. This indicates the percentage of revenue that exceeds the cost of goods sold (COGS). On the other hand, Berkeley Group Holdings PLC consistently has a higher GPM than Barratt, ranging from 27.3% to 33.2%.
- This indicates that Berkeley retains a larger portion of revenue after accounting for the COGS, which indicates higher efficiency in controlling production or service delivery costs.

- **Operating Profit Margin (OPM):** The OPM indicates the efficiency of a company in controlling production and administrative costs. Barratt Development PLC's OPM is lower than Berkeley's, ranging from 12.9% in 2023 to 18.9% in 2019. This implies that Barratt is less profitable after accounting for operating expenses. On the other hand, Berkeley Group Holdings PLC OPM is significantly higher, showing a more efficient operation, ranging from 20.3% in 2023 to 26.0% in 2019.
- **Net Profit Margin (NPM):** The NPM shows a company's profit for every dollar of sales after all expenses, including taxes and interest, have been deducted. Barratt Development PLC's NPM decreased from 15.5% in 2019 to 10.0% in 2023, indicating the company's net profitability has been reducing. On the other hand, Berkeley Group Holdings PLC maintains a higher NPM than Barratt, decreasing from 21.2% in 2019 to 18.3% in 2023. Despite the decrease, Berkeley's NPM remains strong and well above Barratt's.
- **Return on Capital Employed (ROCE):** Barratt Development PLC's ROCE is lower than Berkeley's in most years, peaking at 16.3% in 2019 and 10.4% in 2023. On the other hand, Berkeley Group Holdings PLC's ROCE is very robust, with the highest at 22.8% in 2019, although it decreased to 10.4% in 2023, exactly matching Barratt's ROCE for that year.
- **Return on Equity (ROE):** Barratt Development PLC's ROE decreased from 15.2% in 2019 to 9.5% in 2023, suggesting a declining efficiency in generating profits from shareholders' equity. On the other hand, Berkeley Group Holdings PLC's ROE is consistently higher than Barratt's, although it also shows a downward trend from 21.2% in 2019 to 14.0% in 2023.
- **Return on Assets (ROA):** Barratt Development PLC's ROA decreased from 10.0% in 2019 to 6.6% in 2023, indicating less profitability generated from the company's total assets. On the other hand, Berkeley Group Holdings PLC has a slightly higher ROA than Barratt in most years, with a decrease from 12.7% in 2019 to 6.8% in 2023.

- **Earnings Quality (CFO/Net Income):** Barratt Development PLC's earning quality varies significantly, with a high of 1.6 in 2021 and a low of -0.3 in 2020, indicating some inconsistency in earnings quality. On the other hand, Berkeley Group Holdings PLC's earning quality also shows variability, with a concerning figure of -0.3 in 2022. In 2023, the ratio is 0.7, which is lower than Barratt's 0.9.

Barratt Developments PLC's profitability ratios have declined over the last five years, as seen in Figure 3. The company's net profit margin (NPM), operating profit margin (OPM), and gross profit margin (GPM) have all decreased. In 2023, Barratt's GPM stood at 21.2%, down from 22.8% in 2019, indicating that the company's gross profit has decreased relative to its revenue. Similarly, the company's OPM and NPM have declined from 18.9% and 15.5% in 2019 to 12.9% and 10.0% in 2023, respectively. The decline in Barratt's profitability ratios can be attributed to several factors, including increased costs, competitive pressures, and market conditions. The company's annual report mentions that customers face cost of living and mortgage affordability challenges, which may have impacted demand and pricing. As shown in Figure 4, Berkeley Group Holdings PLC has maintained relatively stable profitability ratios over the same period, with its GPM, OPM, and NPM remaining above 25%. However, Berkeley's profitability ratios have also declined from their peak in 2019, suggesting that the industry as a whole is facing challenges. Barratt's return on capital employed (ROCE), return on equity (ROE), and return on assets (ROA) have also declined, which shows the company is generating lower returns on its invested capital, equity, and assets. The company's earnings quality has also declined, as indicated by the ratio of cash flow from operations to net income, which raises the possibility that cash flow may not be keeping up with reported earnings.

2.1.3 GEARING RATIO

Barratt Developments PLC has maintained a very low gearing ratio over the past five years, as shown in Figure 5, which indicates the company relies more on financing equity than debt. Barratt's interest cover ratio, which gauges the capacity of the business to cover its interest expenses, has been high for a long time; it hit 62.2 in 2023. This implies that the business is not overly dependent on debt financing and has the resources to pay its interest. The company's long-term debt-to-equity (D/E) ratio has been close to 0.0 in recent years. This means that Barratt has very little long-term debt compared to its equity capital, indicating a conservative approach to financing. Barratt's cash flow ratio, which measures the company's ability to generate cash from operations to cover its total debt, has been positive in most years, reaching 0.2 in 2023. This implies that the company is generating sufficient cash from its operations to meet its debt obligations. The company's cash interest coverage ratio, which measures its ability to cover its interest expenses with cash flow from operations, has also been strong, reaching 46.6 in 2023. This indicates that Barratt has ample resources to pay its interest expenses. The Berkeley Group Holdings PLC, one of Barratt's competitors, has maintained a relatively low gearing position but slightly higher ratios than Barratt in recent years, as shown in Figure 6. Barratt's low gearing ratios suggest that the company is in a strong financial position and has a low risk of financial distress. However, it is important to note that a very low gearing ratio can also indicate that the company is not fully utilising its debt capacity and may be missing out on potential tax benefits associated with debt financing (Boyte-White, 2024).

BARRATT DEVELOPMENT PLC					
GEARING RATIO					
Ratios	2023	2022	2021	2020	2019
Interest cover	62.2	64.2	73.8	41.1	92.7
D/E ratio (LT debt)	0.0	0.0	0.0	0.1	0.1
Cashflow Ratio (CFO/Total Debt)	0.2	0.2	0.5	-0.1	0.1
Cash Interest coverage (CFO/Interest Paid)	46.6	38.0	98.4	-10.1	30.1

THE BERKELEY GROUP HOLDINGS PLC					
GEARING RATIO					
Ratios	2023	2022	2021	2020	2019
Interest cover	21.6	36.3	58.4	42.7	76.8
D/E ratio (LT debt)	0.2	0.2	0.1	0.2	0.1
Cashflow Ratio (CFO/Total Debt)	0.1	0.0	0.1	0.1	0.3
Cash Interest coverage (CFO/Interest Paid)	16.0	-23.2	40.0	34.0	69.5

- **Interest cover (Interest Coverage Ratio):** A company's capacity to pay interest is gauged by this ratio; the greater the number, the better. Barratt Development PLC has extremely high-interest cover ratios, peaking at 92.7 in 2019 and reaching 62.2 in 2023, suggesting a strong ability to pay interest expenses. On the other hand, Berkeley Group Holdings PLC has lower ratios, although still healthy, ranging from 21.6 in 2023 to 76.8 in 2019. While Berkeley's ability to pay its interest is good, it's not as robust as Barratt's.
- **Debt-to-Equity Ratio (D/E Ratio):** This ratio calculates the proportion of debt and shareholders' equity that is utilised to finance an organisation's assets. Barratt Development PLC's D/E ratio has been 0.0 recently, rising slightly to 0.1 in 2020 and 2019, indicating negligible or no long-term debt. On the other hand, Berkeley Group Holdings PLC shows a consistently higher D/E ratio.
- **Cashflow Ratio (CFO/Total Debt):** This ratio indicates the amount of the company's debt that could be paid off with a year's worth of cash flow from operations. Barratt Development PLC's cashflow ratio ranges from 0.1 to 0.5, with a negative value in 2020, which suggests some variability in its ability to pay off debt with its cash flow. On the other hand, Berkeley Group Holdings PLC has a lower ratio, particularly in 2022, with a value of 0.0, which indicates that the company's annual cash flow was insufficient to cover the debt that year.
- **Cash Interest Coverage (CFO/Interest Paid):** This ratio measures the ability to pay interest from operational cash flow. Barratt Development PLC shows a high capacity to cover interest payments with its cash flow, especially in 2021, with a ratio of 98.4, but the negative value in 2020 is a concern. On the other hand, Berkeley Group Holdings PLC presents a significant variability and even a negative ratio in 2022 (-23.2), suggesting that the company had issues covering its interest obligations from cash flow in that particular year.

2.1.4 EFFICIENCY RATIO

The efficiency ratio shows how well a company manages its assets and liabilities to generate income. As shown in Figure 7, Barratt Development PLC has maintained a relatively stable sales-to-capital employed ratio of around 0.8 over the past five years. This suggests that the company generates consistent revenue relative to its invested capital. However, Barratt's efficiency ratios show some fluctuations. Debtor days (DSO) have decreased from 16.0 days in 2019 to 13.5 days in 2023, indicating the company is collecting receivables faster (Research Prospect, 2023). This could be due to improved credit management or changes in customer payment terms. Inventory days (DIO) have remained high, reaching 456.2 days in 2023. This implies Barratt holds inventory for an extended period, possibly due to market conditions, production planning, or inventory management strategies. A high DIO may suggest carrying excess inventory. Creditor days (DPO) have decreased from 92.2 days in 2019 to 55.0 days in 2023. This indicates Barratt is paying suppliers faster, possibly due to payment terms or supplier relationship changes. The cash conversion cycle (CCC) has remained high, reaching 414.7 days in 2023. A high CCC suggests it takes longer for the company to generate cash from operations, impacting liquidity and working capital management.

As shown in Figure 8, Berkeley Group has shown similar trends, with generally higher ratios than Barratt. This indicates that Berkeley may face more challenges managing working capital and inventory. Barratt's efficiency ratios suggest that the company should improve inventory management, credit policies, and working capital strategies to enhance operational efficiency and cash flow generation.

BARRATT DEVELOPMENT PLC					
EFFICIENCY RATIO					
Ratios	2023	2022	2021	2020	2019
Sales to Capital Employed	0.8	0.8	0.8	0.6	0.9
Debtor Days (DSO Days sales outstanding)	13.5	15.7	12.5	7.5	16.0
Inventory Days (DIO Days Inventory Outstanding)	456.2	487.8	453.1	682.7	479.0
Creditor Days (DPO Days Payables Outstanding)	55.0	75.8	63.7	92.3	92.2
Cash conversion cycle (DIO+DSO-DPO)	414.7	427.7	401.9	597.9	402.8

THE BERKELEY GROUP HOLDINGS PLC					
EFFICIENCY RATIO					
Ratios	2023	2022	2021	2020	2019
Sales to Capital Employed	0.5	0.5	0.6	0.5	0.9
Debtor Days (DSO Days sales outstanding)	10.0	20.5	12.6	11.2	7.3
Inventory Days (DIO Days Inventory Outstanding)	1044.4	1113.4	850.9	1011.4	559.8
Creditor Days (DPO Days Payables Outstanding)	118.8	137.9	118.6	166.7	111.6
Cash conversion cycle (DIO+DSO-DPO)	935.6	996.0	744.9	855.9	455.5

- **Sales to Capital Employed:** Barratt Development PLC maintained a consistent ratio of around 0.8 from 2021 to 2023, with a slight dip in 2020. This suggests a steady use of capital to generate sales. On the other hand, Berkeley Group Holdings PLC shows a lower ratio, at 0.5 for most years except 2019 and 2021, where it reached 0.6 and 0.9, respectively. This suggests that Barratt outperforms Berkeley in terms of generating sales from its capital employed.
- **Debtor Days (Days Sales Outstanding - DSO):** Barratt Development PLC's debtor days have varied but remained relatively low, suggesting it collects receivables relatively quickly. On the other hand, Berkeley Group Holdings PLC has shown more variability and had a higher DSO in 2022 but has otherwise maintained lower DSO figures than Barratt, which suggests a more efficient collection process in most years.
- **Inventory Days (Days Inventory Outstanding - DIO):** Barratt Development PLC has high inventory days, particularly in 2020, which may reflect slow-moving inventory or a strategic decision to hold more inventory. On the other hand, Berkeley Group Holdings PLC has significantly higher inventory days, especially in recent years, indicating a much slower turnover of inventory, which could tie up capital and affect cash flow.
- **Creditor Days (Days Payables Outstanding - DPO):** Barratt Development PLC has a decreasing trend in creditor days, which suggests it is paying suppliers more quickly over time. On the other hand, Berkeley Group Holdings PLC has higher creditor days, which can be advantageous for cash flow as it indicates the company retains cash longer before paying suppliers.
- **Cash Conversion Cycle (CCC):** Barratt Development PLC's CCC has increased over the years, with a particularly high figure in 2020. This implies a longer period between investing cash in the inventory and receiving cash from sales.

On the other hand, Berkeley Group Holdings PLC has a much higher CCC, especially in 2022 and 2023, which could indicate inefficiency in managing inventory and receivables or reflect a business model that inherently involves longer development cycles.

The analysis of liquidity, profitability, gearing, and efficiency ratios provided a comprehensive insight into the financial health and performance of Barratt Development PLC and The Berkeley Group Holdings PLC. These ratios offer valuable information for assessing various aspects of these companies' operations and financial strategies. Barratt Development PLC consistently exhibits stronger liquidity positions across all measured ratios compared to The Berkeley Group Holdings PLC. Barratt's current and quick ratios indicate a robust ability to cover short-term obligations, with improvements observed over the years. However, Berkeley also shows an upward trend in liquidity, albeit not as pronounced as Barratt's. Barratt's stronger liquidity position suggests better short-term financial health and resilience during economic uncertainties. The profitability analysis revealed contrasting performances between the two companies. While both have experienced declining trends in margins and returns, Berkeley consistently outperforms Barratt in profitability ratios. Berkeley's higher gross, operating, and net profit margins and superior returns on capital employed, equity, and assets signify better operational efficiency and profitability management. On the other hand, Barratt's declining profitability ratios indicate challenges such as increased costs and competitive pressures, impacting its bottom line. Regarding gearing ratios, Barratt maintains a conservative approach with very low debt levels relative to equity, ensuring financial stability and a low risk of financial distress. The company's strong interest cover ratios and positive cash flow from operations to debt ratios further reinforce its financial strength. In comparison, Berkeley also maintains low gearing positions but with slightly higher ratios than Barratt, indicating a somewhat different approach to capital structure management. Efficiency ratios highlighted Barratt's steady use of capital to generate revenue, albeit with some fluctuations in debtor days and inventory turnover. Despite generally higher ratios, Berkeley exhibits challenges in managing working capital and inventory turnover, with notably high inventory days.

In conclusion, Barratt Development PLC demonstrated commendable financial resilience, with strong liquidity, conservative gearing, and steady revenue generation. However, challenges in profitability and efficiency metrics indicate areas for improvement. On the other hand, The Berkeley Group Holdings PLC excels in profitability but faces challenges in liquidity and efficiency management.

3. HORIZONTAL AND VERTICAL ANALYSIS

Horizontal or trend analysis is a financial technique that involves comparing financial data over multiple reporting periods, while vertical analysis lists line items as a percentage of another item on a financial statement (Bragg, 2023). Vertical or common size analysis helps stakeholders assess the relative proportion of different financial statement items within a single period, making it easier to identify trends, patterns, and areas of concern. However, horizontal analysis helps stakeholders understand how a company's financial performance evolves over several periods. It reveals whether specific line items are increasing or decreasing and by what percentage (Frm, 2023). Investors and analysts can use horizontal analysis to understand a company's financial performance for several years. It helps them identify trends and growth patterns and evaluate the changes in different items over time. This information can then be used to make projections about the company's future performance (Tuovila, 2023). Vertical analysis does not compare the two periods directly; instead, it breaks down each period separately to compare the percentage changes and to determine why they may have changed (FutureLearn, 2022).

Analysing Barratt Development PLC's and Berkeley Group Holdings PLC's income statement and balance sheet from 2019 to 2023 can give a complete picture of operational results and reveal information about the company's financial performance and growth trends.

$$\text{➤ Horizontal Analysis (\%)} = \frac{\text{Horizontal Variation}}{\text{Base Year Amount}} \times 100$$

$$\text{➤ Vertical Analysis for the Income Statement} = \frac{\text{Income Statement Item}}{\text{Total Sales}} \times 100$$

$$\text{➤ Vertical Analysis for the Balance Sheet} = \frac{\text{Balance Sheet Item}}{\text{Total Assets}} \times 100$$

As demonstrated in Figures 9 and 11, respectively, Barratt Developments PLC, a major participant in the construction industry, demonstrates the strength of its finances and the effectiveness of its operations through a thorough horizontal and vertical analysis of its income statement and balance sheet. The horizontal analysis of Barratt Development PLC's financial statements reveals patterns and trends that provide insights into the company's financial position and performance over the years. Barratt Development PLC's balance sheet reflects various trends in its assets. Firstly, the company's short-term investments and cash have fluctuated, with a decline in 2023 following a notable increase in 2021. This indicates a potential need to investigate the reasons behind the reduction in cash holdings. Additionally, there's volatility in receivables, with a significant increase in 2022 followed by a decrease in 2023, indicating potential issues in credit policies and collection practices. However, total inventory has remained relatively stable, emphasising the importance of efficient inventory management to avoid overstocking or shortages. Moreover, property, plant and equipment (PPE) has exhibited a consistent upward trend, reflecting the company's investments in its core operations and expansion initiatives. Nonetheless, there's fluctuation in long-term investments, with a notable decrease in 2023. Examining the liabilities, there's a notable decrease in accounts payable in 2023, suggesting potential improvement in supplier payment terms or more efficient operations. Despite fluctuations, a downward trend in total current liabilities indicates effective management of short-term obligations. Similarly, total long-term debt has remained relatively stable, reflecting a consistent financing strategy employed by the company. The company's shareholders' equity shows a positive trajectory, with retained earnings increasing over the years, signifying profitability and reinvestment in the business. However, a slight decrease in common stock in 2023 could be attributed to corporate actions such as buybacks. The company's revenue has grown over the years, with a significant increase in 2023, possibly due to heightened sales volume or improved pricing strategies. Operating expenses, particularly selling, general and administrative expenses, have shown a consistent increase, potentially reflecting expansion or increased marketing efforts. However, depreciation expenses are volatile, with a significant decrease in 2023, possibly due to changes in asset utilisation or accounting practices. Net income before taxes fluctuated over the years, with a notable increase in 2023.

The vertical analysis of Barratt Development PLC's financial statements provides valuable information into the company's financial structure, operational efficiency, and profitability trends over the years. The company's short-term and cash investments remained stable at 16% of total assets in 2023, indicating a prudent approach to liquidity management. However, there was a slight decrease in the proportion of total receivables, from 3% in 2022 to 2% in 2023, suggesting potential improvements in credit policies and collection practices. Even while inventories accounted for a sizable percentage of assets (65% of total assets in 2023), there was a minor decline from the year before. This indicates effective inventory management strategies to avoid overstocking or shortages. Property, plant & equipment (PPE) saw a slight increase, accounting for 1% of total assets in 2023, reflecting the company's commitment to investing in its core operations and expansion initiatives. However, long-term investments experienced a decrease, representing 2% of total assets in 2023, necessitating further evaluation of the company's strategic investment decisions. Accounts payable, comprising 8% of total liabilities in 2023, showed a slight decrease compared to the previous year, suggesting improved payment terms with suppliers or enhanced operational efficiency. Total current liabilities, representing 18% of total liabilities in 2023, exhibited a marginal decrease, indicating effective management of short-term obligations. Long-term debt remained relatively stable at 3% of total liabilities in 2023, reflecting a consistent financing strategy. Common stock maintained its proportion at 1% of total shareholders' equity in 2023, while retained earnings, representing 66% of shareholders' equity, demonstrated the accumulation of profits over time, reflecting the company's profitability and reinvestment in the business. Total revenue, representing 100% of total income, experienced growth from 2022 to 2023, indicating increased sales volume or improved pricing strategies. The cost of revenue remained relatively stable over the years, suggesting consistent gross profit margins. Selling, general, and admin. expenses accounted for 5.09% of total revenue in 2023, indicating a slight increase, possibly due to expansion or heightened marketing efforts. Depreciation expenses represented 3.36% of total revenue in 2023, showing a decrease compared to the previous year. Net income before taxes accounted for 13.25% of total revenue in 2023, which shows an increase from the previous year.

Berkeley Group Holdings Plc is another well-known participant in the construction industry. Figures 10 and 12 illustrate the company's financial stability and operational effectiveness through a thorough horizontal and vertical analysis of its income statement and balance sheet. The horizontal analysis of the company's financial statements reveals trends and patterns that provide insights into the company's financial health and performance over the years. The company's cash and short-term investments exhibited a significant increase of 15.18% from 2022 to 2023, indicating enhanced liquidity. However, a notable decrease of 34.94% in 2022 compared to 2021 raises questions about the efficacy of its cash management strategies. Total receivables experienced a substantial decrease of 46.97% from 2022 to 2023, hinting at potential shifts in credit policies or collection efficiencies. Conversely, a significant increase of 73.68% in 2022 compared to 2021 suggests improved sales volume or credit sales. The consistent rise in total inventory, with a slight increase of 3.27% from 2022 to 2023, underscores the company's continued investment in land acquisition and property development projects. Moreover, prepaid expenses surged by 22.22% in 2023, reflecting a proactive approach to expense management and potential investments in prepaid services or supplies. Accounts payable decreased by 5.19% from 2022 to 2023, indicating potential enhancements in supplier payment terms or more efficient inventory management practices. Similarly, accrued expenses saw a marginal decrease of 0.53% in 2023, suggesting stable accrual practices and operational efficiency. Other current liabilities decreased by 4.38% in 2023, indicating potential improvements in working capital management or reduced short-term obligations. Retained earnings, a key indicator of the company's profitability and reinvestment of earnings into the business, increased by 6.36% in 2023. The company's total revenue demonstrated consistent growth over the years, with an increase of 8.60% from 2022 to 2023. This growth signifies the company's ability to generate higher sales volumes or command better pricing for its products and services. However, the cost of revenue increased by 10.10% in 2023, outpacing revenue growth, which may affect gross profit margins and overall profitability. Net income before taxes increased by 9.42% in 2023, reflecting improved operational performance and cost management efforts. However, the provision for income taxes surged by 100% in 2023, potentially impacting the company's effective tax rate and overall profitability.

The vertical analysis of Berkeley Group Holdings PLC's financial statements provides valuable information into the company's financial structure, operational efficiency, and profitability trends over the years. In 2023, 15.60% of total assets were held in cash and short-term investments, signalling a slight increase from the previous year. This suggests a bolstered liquidity position, which is vital for meeting short-term obligations and capitalising on investment opportunities. Moreover, the decline in the proportion of total receivables to total assets to 1.02% in 2023 highlights the company's adept management of accounts receivable, leading to a reduction in outstanding balances. It reflects positively on the company's credit policies and collection efficiencies. A substantial portion of the company's assets, 77.29%, was allocated to inventory in 2023, indicating its focus on property development projects. While this demonstrates significant investment in inventory, effective inventory management is paramount to mitigate risks of overstocking and obsolescence. The marginal increase in prepaid expenses to 0.32% of total assets in 2023 may denote prepayment for goods or services to secure favourable terms or streamline operations, underscoring the company's proactive approach to expense management. The Berkeley Group exhibited sound financial footing on the liabilities and shareholders' equity front. Accounts payable, representing 8.79% of total liabilities in 2023, decreased slightly from the previous year, indicating effective trade credit management and potentially improved supplier payment terms. Accrued expenses remained relatively stable at 2.76% of total liabilities in 2023, underscoring the company's commitment to accurate accrual accounting and financial transparency. Furthermore, shareholders' equity accounted for a robust 48.57% of total assets in 2023, reflecting a healthy capital structure. Retained earnings, a significant component of shareholders' equity, mirrored the company's profitability and reinvestment of earnings into the business, augmenting long-term sustainability and shareholder value creation. Total revenue constituted 100% of total income in 2023, underlining the company's ability to drive sales and sustain top-line growth consistently. The company demonstrated operational efficiency in terms of net income, with net income before taxes accounting for 24% of total revenue in 2023. Additionally, normalised income before taxes, constituting 24% of total revenue in 2023, provides insights into adjusted earnings excluding special items, offering a clearer depiction of the company's core operating performance.

BARRATT DEVELOPMENT PLC

HORIZONTAL ANALYSIS

Fiscal data as of Jun 30 2023	2023-22 (%)	2022-21 (%)	2021-20 (%)	2020-19 (%)
ASSETS				
Cash And Short-Term Investments	-6.21%	-10.93%	145.00%	-45.42%
Total Receivables, Net	-13.22%	37.58%	135.71%	-66.51%
Total Inventory	-1.02%	13.90%	-7.60%	4.23%
Prepaid expenses	-15.00%	42.86%	-12.50%	0.00%
Other current assets, total				
Total current assets	-2.48%	8.62%	10.64%	-7.29%
Property, plant & equipment, net	33.77%	28.33%	-9.09%	288.24%
Goodwill, net	0.00%	5.83%	0.00%	0.00%
Intangibles, net	-4.88%	105.00%	-0.99%	-0.98%
Long term investments	-26.97%	9.20%	7.24%	-19.58%
Note receivable - long term	-55.38%	441.67%	-47.83%	-20.69%
Other long-term assets				
Total assets	-2.52%	9.86%	8.89%	-6.80%
LIABILITIES				
Accounts payable	-23.11%	25.88%	-3.97%	-26.80%
Accrued expenses	-12.33%	-23.70%	25.53%	-13.35%
Notes payable/short-term debt				
Current portion long-term debt/capital leases	-39.29%	75.00%	-87.60%	-27.53%
Other current liabilities, total	0.99%	81.98%	21.98%	-13.74%
Total current liabilities	-14.87%	14.94%	1.36%	-21.39%
Total long-term debt	2.64%	-1.30%	-2.54%	18.00%
Total debt	-1.57%	3.25%	-32.79%	-3.17%
Deferred income tax	20.00%	405.62%	270.83%	-86.67%
Minority interest	-37.50%	-27.27%	-21.43%	-79.71%
Other liabilities, total	11.17%	102.02%	-7.19%	-22.71%
Total liabilities	-6.67%	27.53%	-0.10%	-19.10%
SHAREHOLDERS EQUITY				
Common stock	-4.90%	0.00%	0.00%	0.00%
Additional paid-in capital	0.40%	3.27%	0.00%	2.51%
Retained earnings (accumulated deficit)	-0.64%	3.78%	13.23%	-0.53%
Treasury stock - common	-14.81%	474.47%	-76.50%	33.33%
Unrealized gain (loss)				
Other equity, total				
Total equity	-0.62%	3.30%	12.65%	-0.47%
Total liabilities & shareholders' equity	-2.52%	9.86%	8.89%	-6.80%
Total common shares outstanding	-4.69%	0.49%	0.00%	0.10%
Treasury shares - common primary issue				

Fiscal data as of Jun 30 2023	2023-22 (%)	2022-21 (%)	2021-20 (%)	2020-19 (%)
REVENUE AND GROSS PROFIT				
Total revenue	1.01%	9.48%	40.74%	-28.22%
OPERATING EXPENSES				
Cost of revenue total	5.83%	5.80%	39.25%	-26.88%
Selling, general and admin. expenses, total	5.86%	23.08%	62.50%	-39.91%
Depreciation/amortization				
Unusual expense(income)	-56.66%	637.50%	-50.88%	2551.16%
Other operating expenses, total	6.45%	-43.64%	52.78%	-88.00%
Total operating expense	0.26%	15.65%	36.71%	-24.28%
Operating income	6.54%	-20.94%	64.71%	-45.16%
Other, net	21.05%	18.75%	-23.81%	-4.55%
INCOME TAXES, MINORITY INTEREST AND EXTRA ITEMS				
Net income before taxes	9.81%	-20.94%	65.04%	-45.93%
Provision for income taxes	37.80%	-16.45%	70.79%	-47.65%
Net income after taxes	2.91%	-21.97%	63.77%	-45.47%
Minority interest	-100.00%	-66.67%	-90.00%	-600.00%
Net income before extra. Items	2.91%	-21.97%	65.00%	-45.95%
Total extraordinary items				
Net income	2.91%	-21.97%	65.00%	-45.95%
Inc. Avail. to common excl. extra. Items	2.91%	-21.97%	65.00%	-45.95%
Inc. avail. to common incl. extra. Items	2.91%	-21.97%	65.00%	-45.95%
EPS RECONCILIATION				
Basic/primary weighted average shares	-1.86%	0.30%	0.20%	0.40%
Basic/primary eps excl. extra items	3.92%	-21.54%	66.67%	-46.58%
Basic/primary eps incl. extra items	3.92%	-21.54%	66.67%	-46.58%
Dilution Adjustment				
Diluted weighted average shares	-2.42%	0.29%	0.29%	0.39%
Diluted EPS excl. extra items	6.00%	-21.88%	64.10%	-45.83%
Diluted EPS incl. extra items	6.00%	-21.88%	64.10%	-45.83%
COMMON STOCK DIVIDENDS				
DPS - common stock primary issue	-8.11%	27.59%		-100.00%
Gross dividend - common stock	-12.53%	25.42%		-100.00%
PRO FORMA INCOME				
Pro forma net income				
Interest expense, supplemental	10.00%	-9.09%	-8.33%	23.71%
SUPPLEMENTAL INCOME				
Depreciation, supplemental	-5.26%	-5.00%	5.26%	341.86%
Total special items	-56.66%	637.50%	-50.88%	2551.16%
NORMALISED INCOME				
Normalized income before taxes	-16.21%	21.54%	43.47%	-33.81%
Effect of special items on income taxes	-46.34%	720.00%	-52.38%	2492.59%
Income tax excluding impact of special items	4.78%	29.01%	47.27%	-35.67%
Normalized income after tax	-21.39%	20.00%	42.14%	-33.24%
Normalized income avail. to common	-21.39%	20.00%	43.00%	-33.65%
Basic normalized EPS	-19.28%	20.29%	40.82%	-33.78%
Diluted normalized EPS	-19.51%	20.59%	41.67%	-34.25%

BARRATT DEVELOPMENT PLC					
VERTICAL ANALYSIS					
Fiscal data as of Jun 30 2023	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
ASSETS					
Cash And Short-Term Investments	16%	16%	20%	9%	15%
Total Receivables, Net	2%	3%	2%	1%	3%
Total Inventory	65%	64%	62%	73%	65%
Prepaid expenses	0%	0%	0%	0%	0%
Other current assets, total					
Total current assets	84%	84%	85%	84%	84%
Property, plant & equipment, net	1%	1%	1%	1%	0%
Goodwill, net	11%	10%	11%	12%	11%
Intangibles, net	2%	2%	1%	1%	1%
Long term investments	2%	2%	2%	2%	3%
Note receivable - long term	0%	0%	0%	0%	0%
Other long-term assets					
Total assets	100%	100%	100%	100%	100%
LIABILITIES				0%	0%
Accounts payable	8%	10%	9%	10%	13%
Accrued expenses	5%	6%	8%	7%	7%
Notes payable/short-term debt	0%	0%	0%	0%	0%
Current portion long-term debt/capital leases	0%	0%	0%	2%	2%
Other current liabilities, total	5%	5%	3%	3%	3%
Total current liabilities	18%	21%	20%	21%	25%
Total long-term debt	3%	3%	3%	3%	3%
Total debt	3%	3%	3%	5%	5%
Deferred income tax	1%	1%	0%	0%	0%
Minority interest	0%	0%	0%	0%	0%
Other liabilities, total	8%	7%	4%	5%	6%
Total liabilities	30%	31%	27%	30%	34%
SHAREHOLDERS EQUITY					
Common stock	1%	1%	1%	1%	1%
Additional paid-in capital	3%	3%	3%	4%	3%
Retained earnings (accumulated deficit)	66%	65%	68%	66%	62%
Treasury stock - common	0%	0%	0%	0%	0%
Unrealized gain (loss)					
Other equity, total					
Total equity	70%	69%	73%	70%	66%
Total liabilities & shareholders' equity	100%	100%	100%	100%	100%
Total common shares outstanding	12%	12%	14%	15%	14%
Treasury shares - common primary issue	0%	0%	0%	0%	0%

Fiscal data as of Jun 30 2023	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
Total revenue	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
OPERATING EXPENSES					
Cost of revenue total	78.76%	75.17%	77.78%	78.62%	77.18%
Selling, general and admin. expenses, total	5.09%	4.86%	4.32%	3.74%	4.47%
Depreciation/amortization					
Unusual expense(income)	3.36%	7.84%	1.16%	3.33%	0.09%
Other operating expenses, total	-0.06%	-0.06%	-0.11%	-0.11%	-0.63%
Total operating expense	87.16%	87.81%	83.13%	85.58%	81.13%
Operating income	12.85%	12.19%	16.87%	14.42%	18.87%
Other, net	-0.43%	-0.36%	-0.33%	-0.61%	-0.46%
INCOME TAXES, MINORITY INTEREST AND EXTRA ITEMS					
Net income before taxes	13.25%	12.19%	16.87%	14.39%	19.11%
Provision for income taxes	3.29%	2.41%	3.16%	2.60%	3.57%
Net income after taxes	9.96%	9.78%	13.72%	11.79%	15.52%
Minority interest	0.00%	0.00%	-0.01%	-0.09%	0.01%
Net income before extra. Items	9.96%	9.78%	13.72%	11.70%	15.54%
Total extraordinary items					
Net income	9.96%	9.78%	13.72%	11.70%	15.54%
Inc. avail. to common excl. extra. Items	9.96%	9.78%	13.72%	11.70%	15.54%
Inc. avail. to common incl. extra. Items	9.96%	9.78%	13.72%	11.70%	15.54%
EPS RECONCILIATION					
Basic/primary weighted average shares	18.79%	19.34%	21.11%	29.66%	21.21%
Basic/primary eps excl. extra items	0.01%	0.01%	0.01%	0.01%	0.02%
Basic/primary eps incl. extra items	0.01%	0.01%	0.01%	0.01%	0.02%
Dilution Adjustment					0.00%
Diluted weighted average shares	18.96%	19.63%	21.43%	30.07%	21.50%
Diluted EPS excl. extra items	0.01%	0.01%	0.01%	0.01%	0.02%
Diluted EPS incl. extra items	0.01%	0.01%	0.01%	0.01%	0.02%
COMMON STOCK DIVIDENDS		0.00%			
DPS - common stock primary issue	0.01%	0.01%	0.01%	0.00%	0.01%
Gross dividend - common stock	6.16%	7.12%	6.21%	0.00%	9.85%
PRO FORMA INCOME					
Pro forma net income					
Interest expense, supplemental	0.21%	0.19%	0.23%	0.35%	0.20%
SUPPLEMENTAL INCOME					
Depreciation, supplemental	0.34%	0.36%	0.42%	0.56%	0.09%
Total special items	3.36%	7.84%	1.16%	3.33%	0.09%
NORMALISED INCOME					
Normalized income before taxes	16.61%	20.03%	18.04%	17.70%	19.19%
Effect of special items on income taxes	0.83%	1.56%	0.21%	0.61%	0.02%
Income tax excluding impact of special items	4.12%	3.97%	3.37%	3.22%	3.59%
Normalized income after tax	12.50%	16.06%	14.65%	14.51%	15.60%
Normalized income avail. to common	12.50%	16.06%	14.65%	14.42%	15.60%
Basic normalized EPS	0.01%	0.02%	0.01%	0.01%	0.02%
Diluted normalized EPS	0.01%	0.02%	0.01%	0.01%	0.02%

THE BERKELEY HOLDING GROUPS PLC

HORIZONTAL ANALYSIS

Fiscal data as of Apr 30 2023	2023-22 (%)	2022-21 (%)	2021-20 (%)	2020-19 (%)
ASSETS				
Cash And Short-Term Investments	15.18%	-34.94%	-12.87%	28.55%
Total Receivables, Net	-46.97%	73.68%	28.81%	0.00%
Total Inventory	3.27%	40.54%	2.76%	14.13%
Prepaid expenses	22.22%	143.24%	-50.67%	70.45%
Other current assets, total				
Total current assets	4.06%	20.31%	-1.96%	18.15%
Property, plant & equipment, net	-13.04%	-6.12%	-3.92%	18.60%
Goodwill, net	0.00%	0.00%	0.00%	0.00%
Intangibles, net				
Long term investments	17.37%	-32.62%	7.63%	-30.13%
Note receivable - long term				
Other long-term assets				
Total assets	4.13%	18.66%	-1.75%	14.44%
LIABILITIES				
Accounts payable	-5.19%	24.95%	-13.14%	-5.64%
Accrued expenses	-0.53%	-39.68%	5.35%	20.56%
Notes payable/short-term debt				
Current portion long-term debt/capital leases	4.76%	40.00%	-99.25%	
Other current liabilities, total	-4.38%	33.41%	2.15%	18.70%
Total current liabilities	-4.26%	17.12%	-12.58%	22.16%
Total long-term debt	-0.15%	119.87%	0.33%	0.33%
Total debt	-0.15%	119.80%	-39.76%	67.67%
Deferred income tax				
Minority interest				
Other liabilities, total	19.68%	108.14%	21.30%	224.00%
Total liabilities	2.17%	45.23%	-6.75%	29.06%
SHAREHOLDERS EQUITY				
Common stock	-3.08%	-1.52%	-2.94%	-2.86%
Additional paid-in capital	0.00%	0.00%	0.00%	0.00%
Retained earnings (accumulated deficit)	6.36%	-1.25%	2.43%	4.75%
Treasury stock - common				
Unrealized gain (loss)				
Other equity, total				
Total equity	6.25%	-1.23%	2.35%	4.69%
Total liabilities & shareholders' equity	4.13%	18.66%	-1.75%	14.44%
Total common shares outstanding	-2.70%	-0.89%	-3.45%	5.45%
Treasury shares - common primary issue	-2.93%	-5.82%	-2.00%	4.82%

Fiscal data as of Apr 30 2023	2023-22 (%)	2022-21 (%)	2021-20 (%)	2020-19 (%)
REVENUE AND GROSS PROFIT				
Total revenue	8.60%	6.63%	14.69%	-35.07%
OPERATING EXPENSES				
Cost of revenue total	10.10%	7.40%	22.14%	-36.83%
Selling, general and admin. expenses, total				
Depreciation/amortization				
Unusual expense(income)				
Other operating expenses, total	14.01%	18.05%	-20.83%	6.33%
Total operating expense	10.43%	8.24%	17.16%	-33.71%
Operating income	1.97%	1.20%	6.81%	-38.80%
Other, net	809.09%	10.00%	25.00%	-65.22%
Net income before taxes	9.42%	6.56%	2.78%	-34.97%
Provision for income taxes	100.00%	-27.37%	1.06%	-36.49%
Net income after taxes	-3.32%	13.95%	3.17%	-34.61%
Minority interest				
Net income before extra. Items	-3.32%	13.95%	3.17%	-34.61%
Total extraordinary items				
Net income	-3.32%	13.95%	3.17%	-34.61%
Inc. avail. to common excl. extra. Items	-3.32%	13.95%	3.17%	-34.61%
Inc. avail. to common incl. extra. Items	-3.32%	13.95%	3.17%	-34.61%
EPS RECONCILIATION				
Basic/primary weighted average shares	-6.03%	0.87%	-1.71%	-2.50%
Basic/primary eps excl. extra items	2.15%	13.90%	4.26%	-32.44%
Basic/primary eps incl. extra items	2.15%	13.90%	4.26%	-32.44%
Dilution Adjustment				
Diluted weighted average shares	-5.98%	0.00%	-3.31%	-1.63%
Diluted EPS excl. extra items	2.92%	14.17%	5.88%	-33.20%
Diluted EPS incl. extra items	2.92%	14.17%	5.88%	-33.20%
COMMON STOCK DIVIDENDS				
DPS - common stock primary issue		-100.00%	-2.33%	193.18%
Gross dividend - common stock		-100.00%	-2.67%	
PRO FORMA INCOME				
Pro forma net income				
Interest expense, supplemental	71.43%	62.79%	-21.82%	10.00%
SUPPLEMENTAL INCOME				
Depreciation, supplemental	5.36%	-5.08%	25.53%	95.83%
Total special items	3600.00%		-100.00%	0.00%
NORMALISED INCOME				
Normalized income before taxes	10.14%	6.56%	2.78%	-34.97%
Effect of special items on income taxes	8400.00%		-100.00%	0.00%
Income tax excluding impact of special items	101.45%	-27.37%	1.06%	-36.49%
Normalized income after tax	-2.70%	13.95%	3.17%	-34.71%
Normalized income avail. to common	-2.70%	13.95%	3.17%	-34.71%
Basic normalized EPS	2.63%	13.90%	4.26%	-32.44%
Diluted normalized EPS	3.41%	14.17%	5.88%	-33.20%

THE BERKELEY GROUP HOLDINGS PLC

VERTICAL ANALYSIS

Fiscal data as of Apr 30 2023	2023(%)	2022 (%)	2021 (%)	2020 (%)	2019(%)
ASSETS					
Cash And Short-Term Investments	15.60%	14.10%	25.72%	29.00%	25.82%
Total Receivables, Net	1.02%	2.00%	1.37%	1.04%	1.19%
Total Inventory	77.29%	77.93%	65.80%	62.91%	63.08%
Prepaid expenses	0.32%	0.27%	0.13%	0.27%	0.18%
Other current assets, total					
Total current assets	94.24%	94.31%	93.01%	93.20%	90.28%
Property, plant & equipment, net	0.58%	0.70%	0.88%	0.90%	0.87%
Goodwill, net	0.25%	0.26%	0.31%	0.30%	0.34%
Intangibles, net					
Long term investments	3.25%	2.88%	5.08%	4.64%	7.59%
Note receivable - long term					
Other long-term assets					
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES					
Accounts payable	8.79%	9.65%	9.17%	10.37%	12.58%
Accrued expenses	2.76%	2.88%	5.67%	5.29%	5.02%
Notes payable/short-term debt	0.00%	0.00%	0.00%	0.00%	0.00%
Current portion long-term debt/capital leases	0.03%	0.03%	0.03%	3.56%	0.00%
Other current liabilities, total	15.92%	17.33%	15.42%	14.83%	14.30%
Total current liabilities	27.49%	29.90%	30.30%	34.05%	31.90%
Total long-term debt	9.66%	10.08%	5.44%	5.33%	6.08%
Total debt	9.69%	10.11%	5.46%	8.90%	6.08%
Deferred income tax					
Minority interest					
Other liabilities, total	14.27%	12.42%	7.08%	5.73%	2.03%
Total liabilities	51.41%	52.40%	42.81%	45.11%	40.00%
SHAREHOLDERS EQUITY		0.00%	0.00%	0.00%	0.00%
Common stock	0.09%	0.10%	0.12%	0.12%	0.14%
Additional paid-in capital	0.73%	0.76%	0.90%	0.88%	1.01%
Retained earnings (accumulated deficit)	47.76%	46.75%	56.18%	53.88%	58.87%
Treasury stock - common					
Unrealized gain (loss)					
Other equity, total					
Total equity	48.57%	47.60%	57.19%	54.89%	60.00%
Total liabilities & shareholders' equity	100.00%	100.00%	100.00%	100.00%	100.00%
Total common shares outstanding	1.57%	1.68%	2.02%	2.05%	2.23%
Treasury shares - common primary issue	0.13%	0.14%	0.18%	0.18%	0.19%

Fiscal data as of Apr 30 2023	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
REVENUE AND GROSS PROFIT					
Total revenue	100%	100%	100%	100%	100%
OPERATING EXPENSES					0%
Cost of revenue total	73%	72%	71%	67%	69%
Selling, general and admin. expenses, total					
Depreciation/amortization					
Unusual expense(income)					
Other operating expenses, total	7%	7%	6%	9%	5%
Total operating expense	80%	78%	77%	76%	74%
Operating income	20%	22%	23%	24%	26%
Other, net	0%	0%	0%	0%	0%
Net income before taxes	24%	24%	24%	26%	26%
Provision for income taxes	5%	3%	4%	5%	5%
Net income after taxes	18%	21%	19%	21%	21%
Minority interest					
Net income before extra. Items	18%	21%	19%	21%	21%
Total extraordinary items					
Net income	18%	21%	19%	21%	21%
Inc.avail. to common excl. extra. Items	18%	21%	19%	21%	21%
Inc.avail. to common incl. extra. Items	18%	21%	19%	21%	21%
EPS RECONCILIATION					
Basic/primary weighted average shares	4%	5%	5%	6%	4%
Basic/primary eps excl. extra items	0%	0%	0%	0%	0%
Basic/primary eps incl. extra items	0%	0%	0%	0%	0%
Dilution adjustment					0%
Diluted weighted average shares	4%	5%	5%	6%	4%
Diluted eps excl. extra items	0%	0%	0%	0%	0%
Diluted eps incl. extra items	0%	0%	0%	0%	0%
COMMON STOCK DIVIDENDS					
DPS - common stock primary issue	0%	0%	0%	0%	0%
Gross dividend - common stock	3%	0%	7%	8%	
PRO FORMA INCOME					
Pro forma net income					
Interest expense, supplemental	1%	1%	0%	1%	0%
SUPPLEMENTAL INCOME					
Depreciation, supplemental	0%	0%	0%	0%	0%
Total special items	0%	0%	0%	0%	0%
NORMALISED INCOME					
Normalized income before taxes	24%	24%	24%	26%	26%
Effect of special items on income taxes	0%	0%	0%	0%	0%
Income tax excluding impact of special items	5%	3%	4%	5%	5%
Normalized income after tax	18%	21%	19%	21%	21%
Normalized income avail. to common	18%	21%	19%	21%	21%
Basic normalized EPS	0%	0%	0%	0%	0%
Diluted normalized EPS	0%	0%	0%	0%	0%

4. EVALUATION OF ADOPTION OF THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code matters because it provides a framework for companies to be directed and controlled effectively, promoting long-term sustainable success and contributing to wider society. It emphasises the value of good corporate governance and encourages companies to build and maintain successful relationships with various stakeholders. Additionally, the Code lays forth guidelines, provisions, and principles that businesses can use to show how their governance promotes long-term sustainability and accomplishes larger goals. Additionally, it promotes transparency and integrity in business, sets standards for accounting, and monitors and enforces audit quality. Overall, the Code is crucial for ensuring that companies operate with integrity, accountability, and consideration for the interests of all stakeholders. It establishes benchmarks for exemplary practices in board leadership, compensation, accountability, and shareholder relations. Assessing the adherence of Barratt Developments PLC and Berkeley Group Holdings to this Code requires a review of their governance structures, board composition, pay policies, and financial transparency. Despite certain variations in their strategies, Barratt Developments PLC and Berkeley Group Holdings PLC seem to follow the UK Corporate Governance Code's standards. Barratt has an executive compensation structure that is seen as being better than that of the other company, despite both having excellent compensation rules and disclosures. The operation of the Remuneration Committee, its membership, duties, and the degree to which executive remuneration is in line with the goals and objectives of the organisation are all covered in depth in Barratt's remuneration report. Barratt's audit governance seems more developed compared to Berkeley, with a detailed discussion of the Audit Committee's function, membership, responsibilities, audit and auditors, conflict of interest areas, cyber-security, GDPR, and whistleblowing policies. Important accounting topics covered by both businesses include goodwill, inventory valuation, margin recognition, and procedures for the impairment of intangible assets (The UK Corporate Governance Code, 2018). While Barratt appears to have a collection of internal rules that, when taken together, conform to the principles of the Code, Berkeley appears to employ the Code explicitly in its governance practices.

Compared to Berkeley, Barratt's governance is better disclosed and of a higher caliber. Both businesses reveal that they have given the 2018 Code a comparable amount of thought and work. Barratt Developments PLC appears to have a more comprehensive and higher-quality approach to corporate governance, particularly in the areas of executive remuneration and audit, risk, and internal control. Barratt Developments PLC has made commendable efforts to align with the UK Corporate Governance Code's directives. The company's report reflects a profound engagement with the Code, proactively addressing any deviations. A notable instance was the adjustment of executive director pension contributions to achieve full compliance with Provision 38 by January 1, 2023. Barratt Developments PLC's governance strategy actively embodies the Code's principles. The company provides extensive disclosures that align with FRC, FCA, and BEIS regulations. The annual report goes into detail on how the Company applies the Code's principles, including risk management, internal controls, financial reporting, and board diversity, with the latter receiving particular focus in the Nomination Committee Report as part of the company's commitment to inclusive leadership. The Board has demonstrated its active involvement in governance matters by regularly attending meetings and endorsing the annual report and accounts as just and comprehensible. In its corporate governance statement, Barratt Developments PLC addresses key areas such as financial reporting, risk management, stakeholder engagement, and remuneration policies, which are consistent with the Listing Rules. The Independent Auditor's Report reinforces the reliability of the company's financial statements and the soundness of its accounting practices. Moreover, the company's governance practices extend to encompass sustainability, accountability, and transparency. Barratt Developments PLC proactively engages in self-evaluation, regulator interaction, and efforts to advance diversity and inclusion. Barratt Developments PLC exemplifies a strong commitment to corporate governance, demonstrating transparency, accountability, and regulatory compliance. The company integrates sound governance with corporate responsibility initiatives, establishing itself as a paragon in the field of governance. As per its annual report, Berkeley Group Holdings PLC adopts a holistic governance strategy that adheres to the UK Corporate Governance Code principles. For the 2018/19 fiscal year, the company has not only recognised the significance of the Code but also claimed full compliance.

The company's governance practices, from Board structure to policy implementation, reflect a firm commitment to the Code's core principles (The UK Corporate Governance Code, 2018).

The Board comprises sixteen Directors, balancing skills, experience, and independence, with a structure designed to prevent decision-making dominance by any individual or subgroup, in line with the Code's guidelines. Director biographies in the report promote transparency and enable stakeholders to judge the Board's collective competence and governance effectiveness. The Board's proactive composition review and succession planning stance highlights its governance excellence. While Berkeley Group's board includes 25% female directors, falling short of the Hampton-Alexander Review target, it does emphasise a merit-based selection process. This demonstrates the company's balance between diversity goals and meritocracy. Berkeley Group's remuneration policies are transparent, engage shareholders actively, and align with the 2018 Code revision. The Board's governance role is comprehensive, providing strategic direction and setting long-term goals for sustainable success. This is evidenced by its involvement in business strategy, risk management, and compliance with Listing Rules. The Board's commitment to ethical governance extends to health and safety, fire safety, modern slavery, and tax policy. The Audit Committee's financial scrutiny is central to the governance framework, and the competitive auditor appointment process complies with the Code's audit and accountability provisions. Berkeley Group's embrace of ESG factors reflects a modern approach to corporate responsibility, with proactive engagement with the Environment Bill 2020 and other sustainability initiatives indicating a forward-thinking business ethos. The company's adherence to Section 172 of the Companies Act 2006 underscores its broader corporate responsibilities, and policies like Whistleblowing and thorough financial audits signify a culture of accountability and transparency. In conclusion, Berkeley Group Holdings PLC's annual report clearly communicates its commitment to the UK Corporate Governance Code's principles and provisions. With a robust governance structure promoting transparency, accountability, and ethical leadership, the company demonstrates a dynamic and principled governance approach. Barratt Development PLC and Berkeley Group Holdings exemplify their commitment to corporate governance through board structures and policy implementations that align with the UK Corporate Governance Code.

Each company has non-executive independent directors, fulfilling the Code's emphasis on independence and diversity. Furthermore, dedicated remuneration committees oversee executive compensation, aligning with principles of fairness and transparency.

Both companies provide comprehensive financial disclosures and maintain active shareholder engagement, meeting the Code's transparency and reporting requirements. Barratt Development PLC and Berkeley Group Holdings have each demonstrated an unwavering dedication to corporate governance and alignment with the UK Corporate Governance Code. Berkeley uses the Code directly from its Governance policies; Barratt, on the other hand, seems to work with a set of internal regulations that when put together, conform to the Principles of the Code. But after evaluating, I believe Barratt's Governance to be more transparent and of greater quality. The organisations utilise distinct approaches concerning board engagement and quality. Barratt boasts a smaller but more active Board, albeit somewhat less independent. Notably, Barratt prioritises director independence more highly. Berkeley's Board, on the other hand, has a higher proportion of independent non-executive directors and is larger but less active. On the other hand, Berkeley's audit governance seems less advanced than Barratt's. In terms of executive compensation, both businesses uphold excellent standards and disclosures. Nevertheless, I believe that Barratt's pay plan is better.

5. Appendix

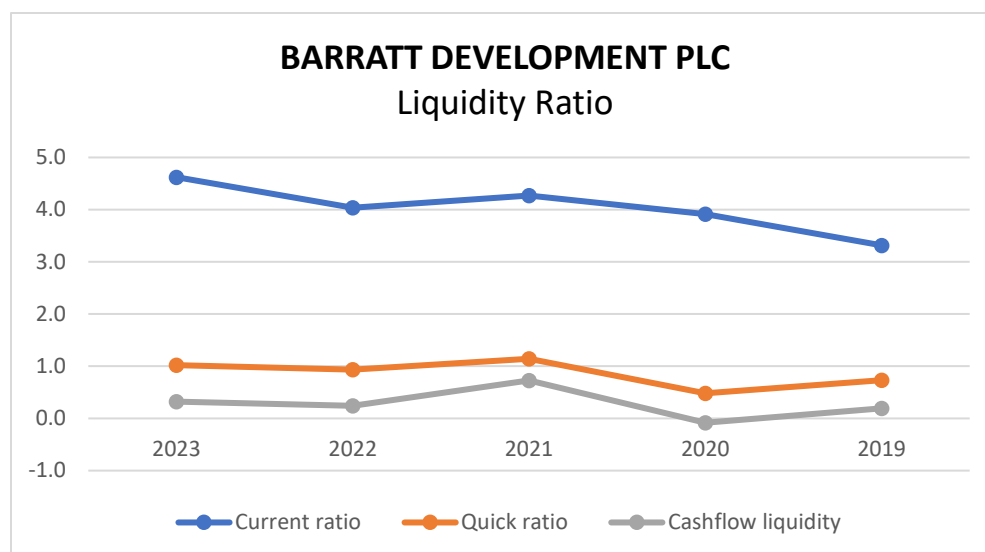


Figure 1: BARRATT DEVELOPMENT PLC Liquidity Ratio

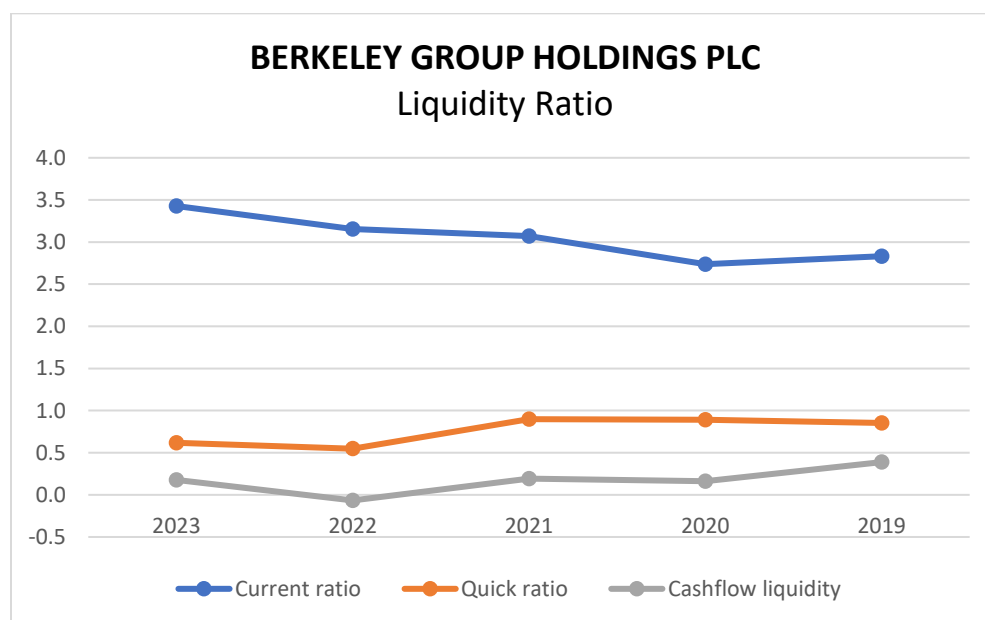


Figure 2: BERKELEY GROUP HOLDINGS PLC Liquidity Ratio

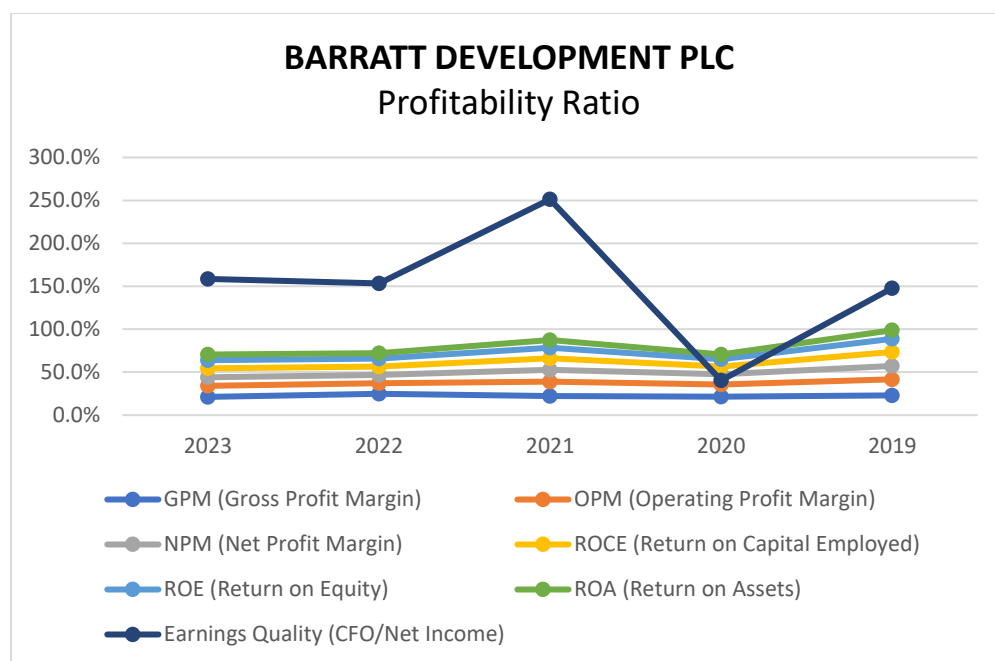


Figure 3: BARRATT DEVELOPMENT PLC Profitability Ratio

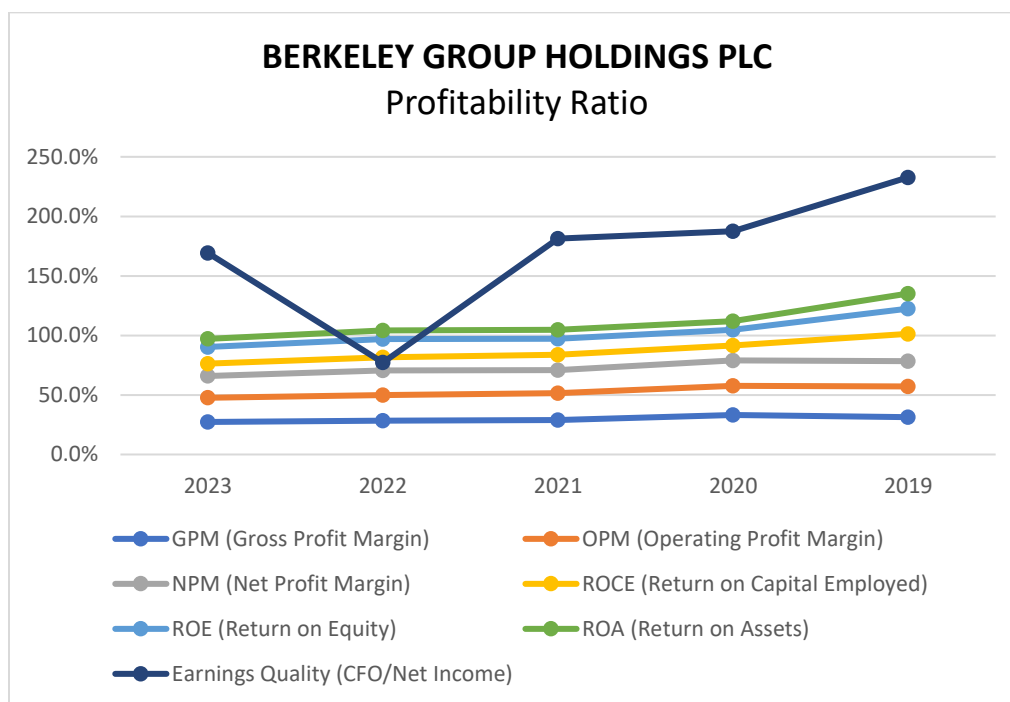


Figure 4: BERKELEY GROUP HOLDINGS PLC Profitability Ratio

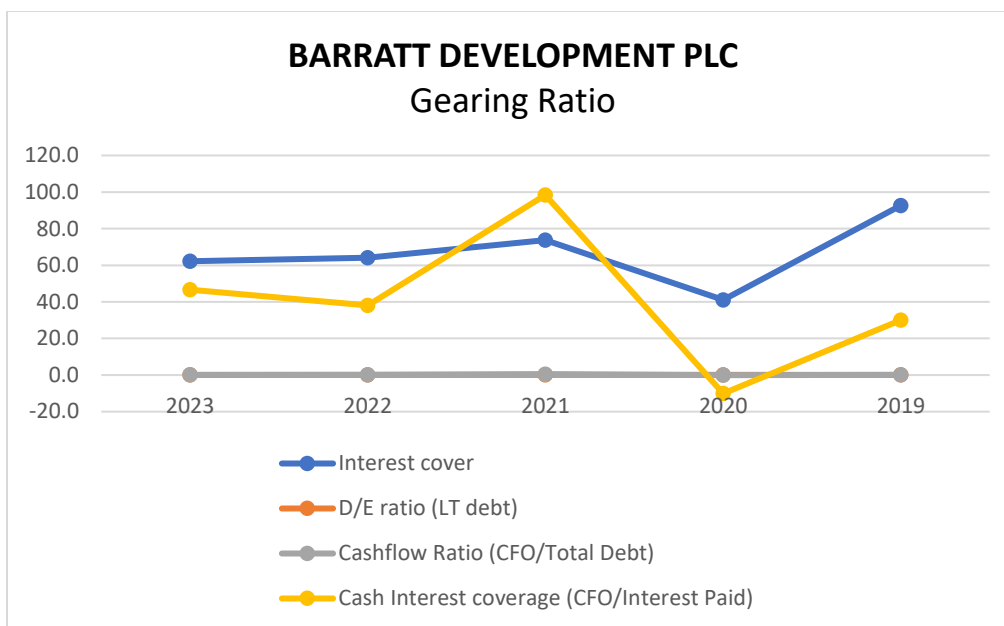


Figure 5: BARRATT DEVELOPMENT PLC Gearing Ratio

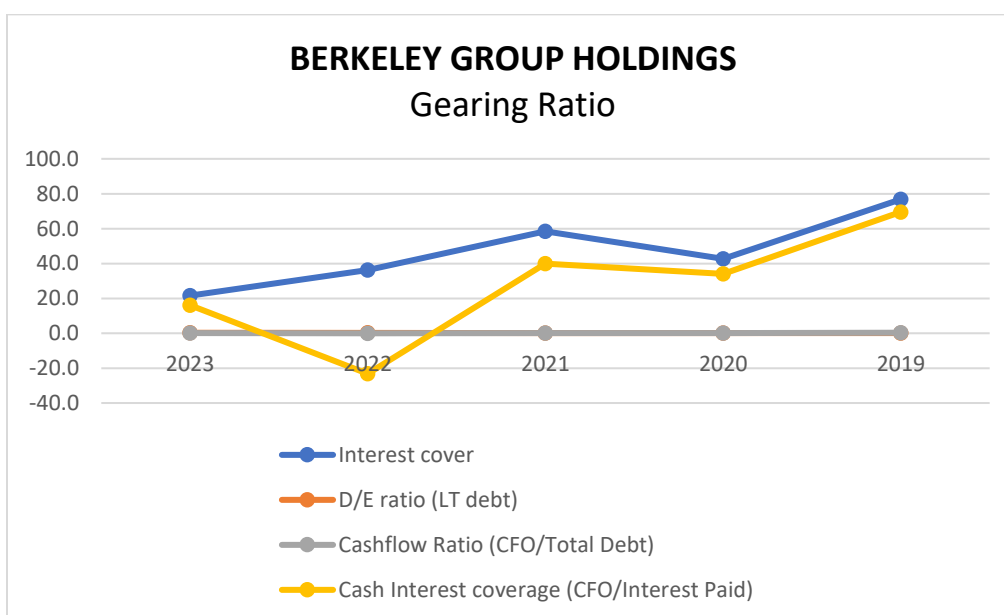


Figure 6: BERKELEY GROUP HOLDINGS PLC Gearing Ratio

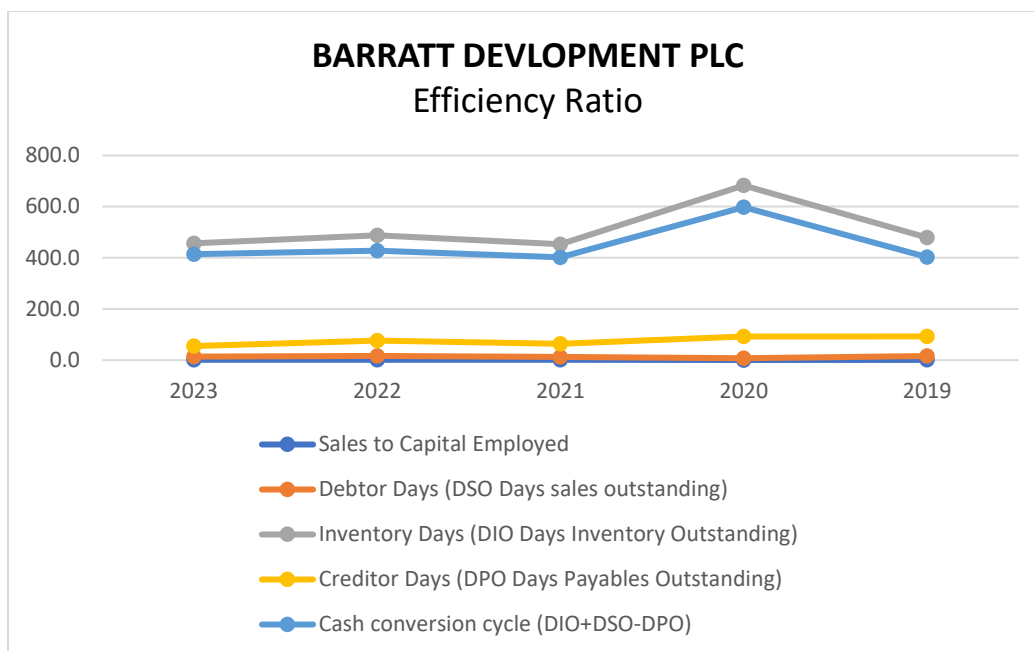


Figure 7: BARRATT DEVELOPMENT PLC Efficiency Ratio

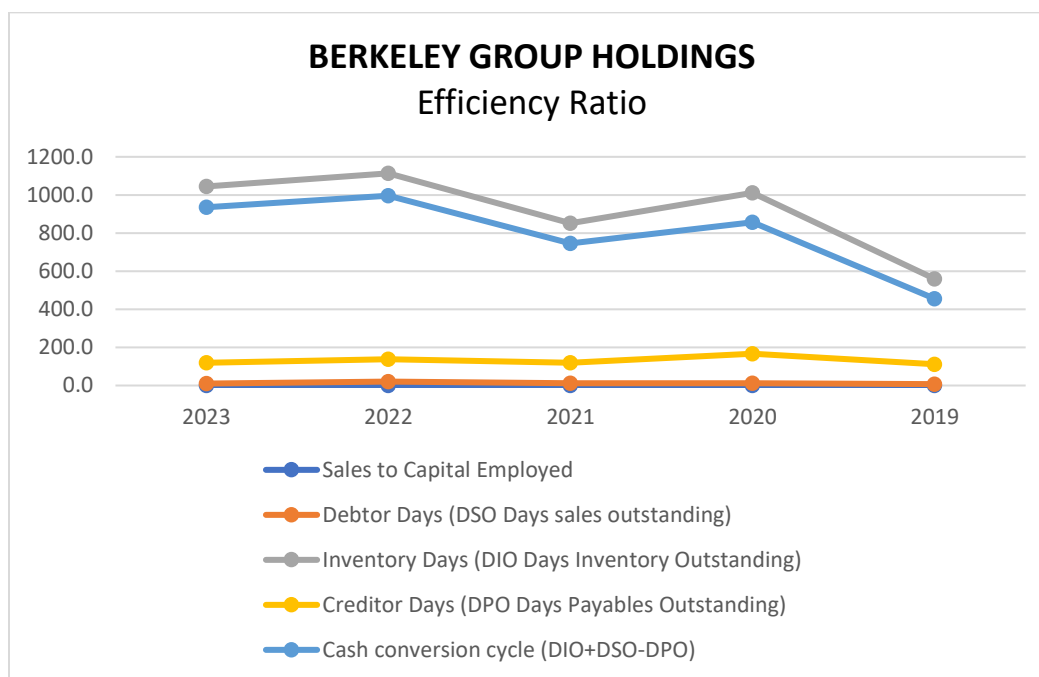


Figure 8: BERKELEY GROUP HOLDINGS PLC Efficiency Ratio

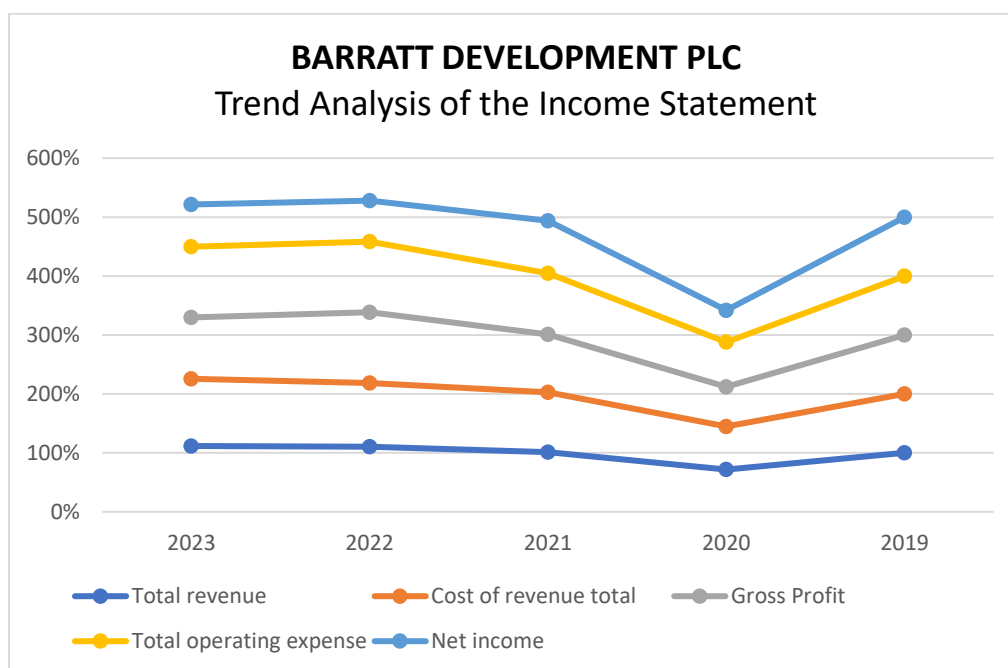


Figure 9: BARRATT DEVELOPMENT PLC Trend Analysis of the Income Statement

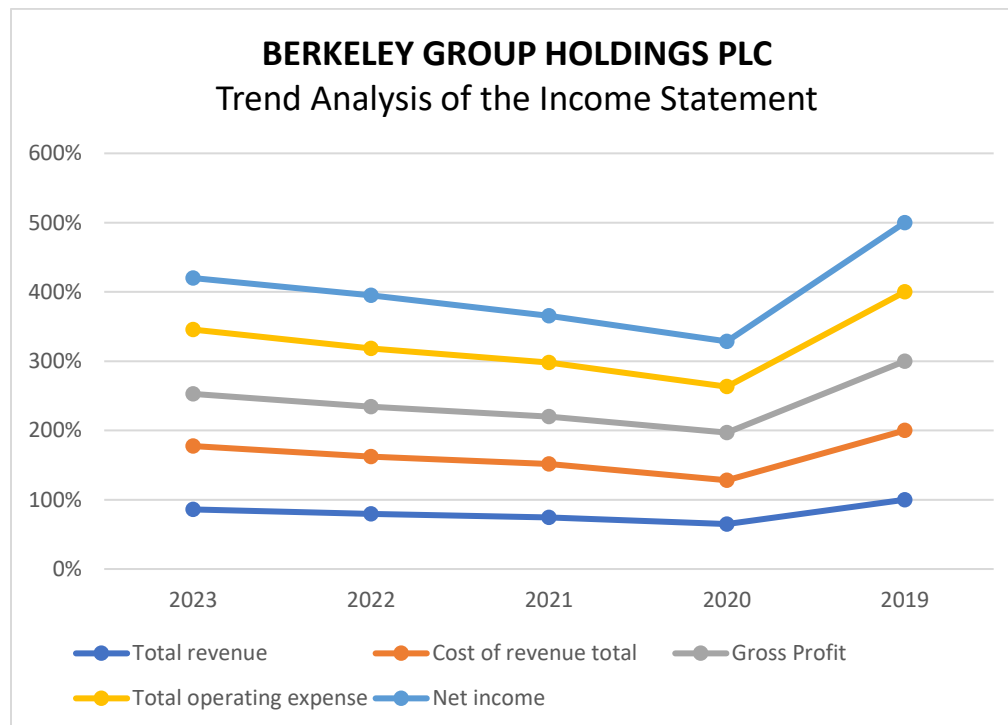


Figure 10: BERKELEY GROUP HOLDINGS PLC Trend Analysis of the Income Statement

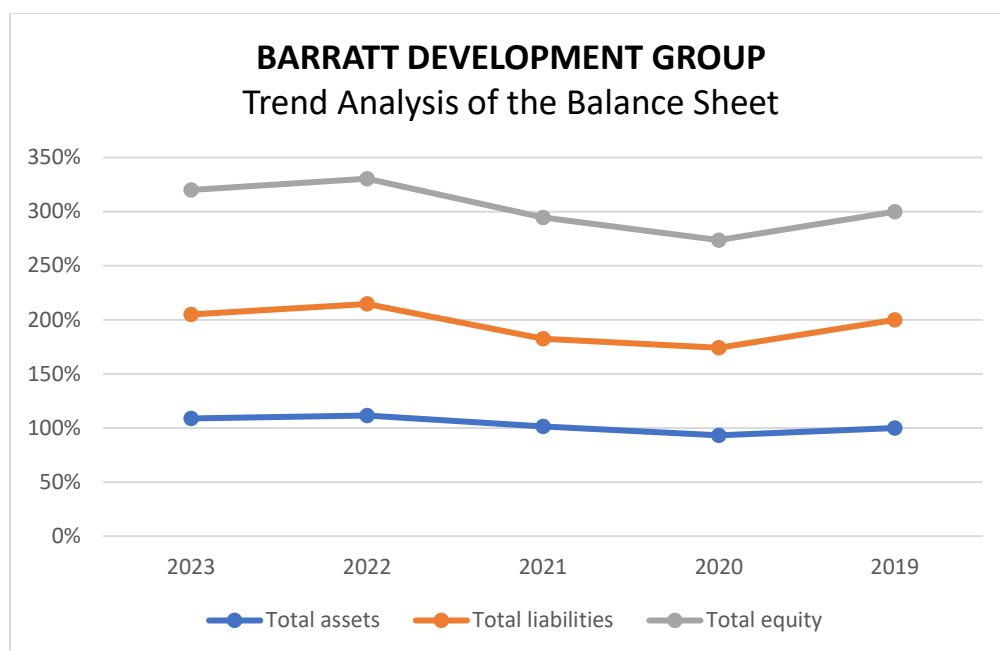


Figure 11: BARRATT DEVELOPMENT PLC Trend Analysis of the Balance Sheet

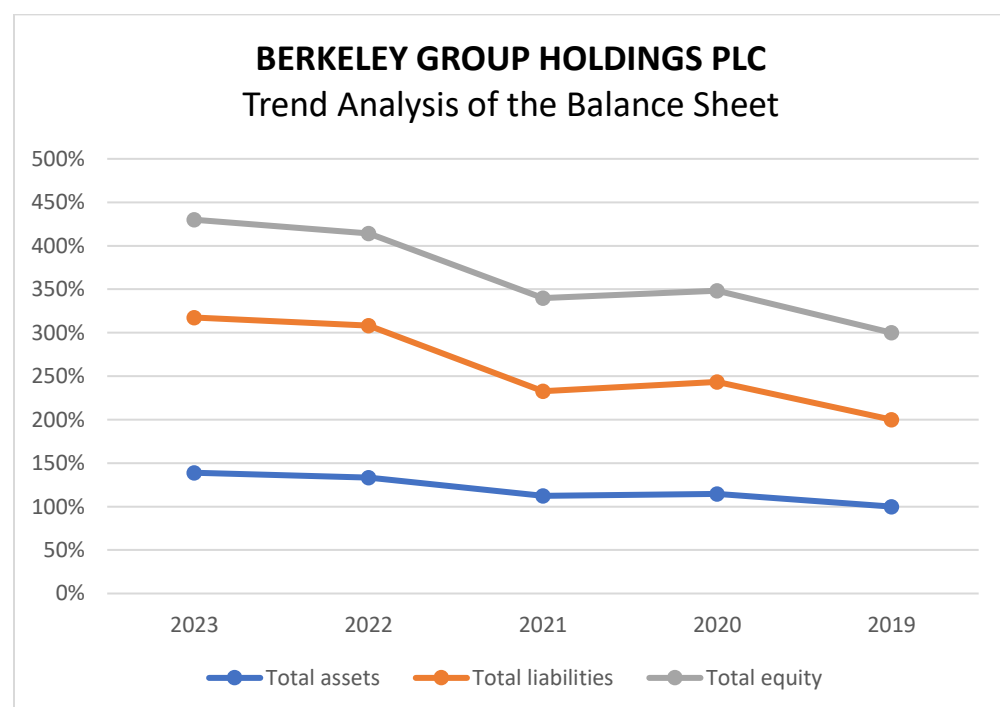


Figure 12: BERKELEY GROUP HOLDINGS PLC Trend Analysis of the Balance Sheet

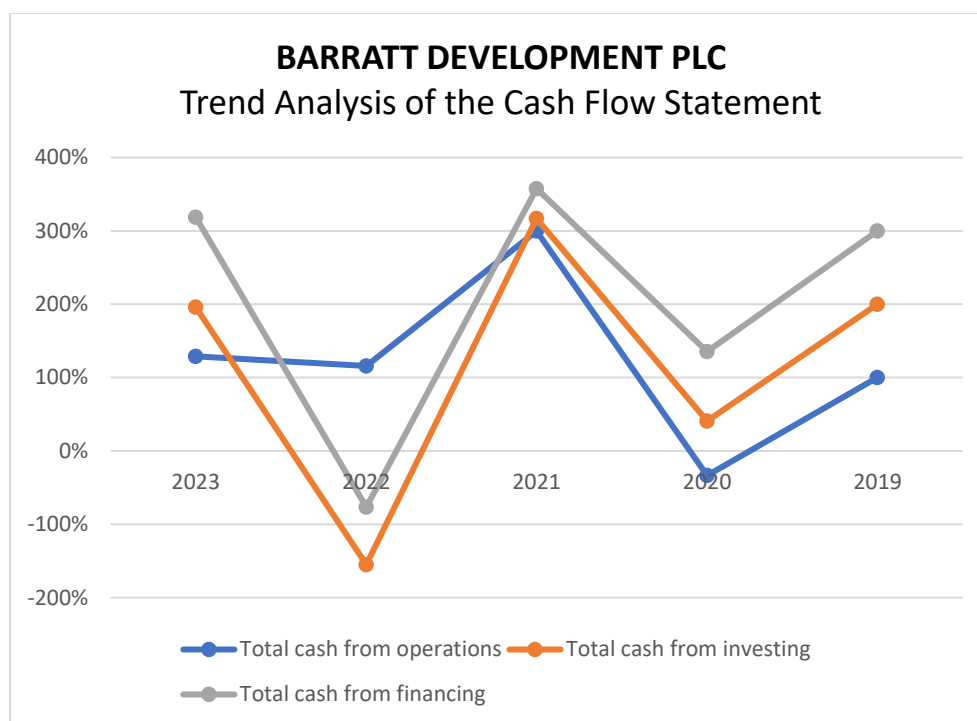


Figure 13: BARRATT DEVELOPMENT PLC Trend Analysis of the Cash Flow Statement

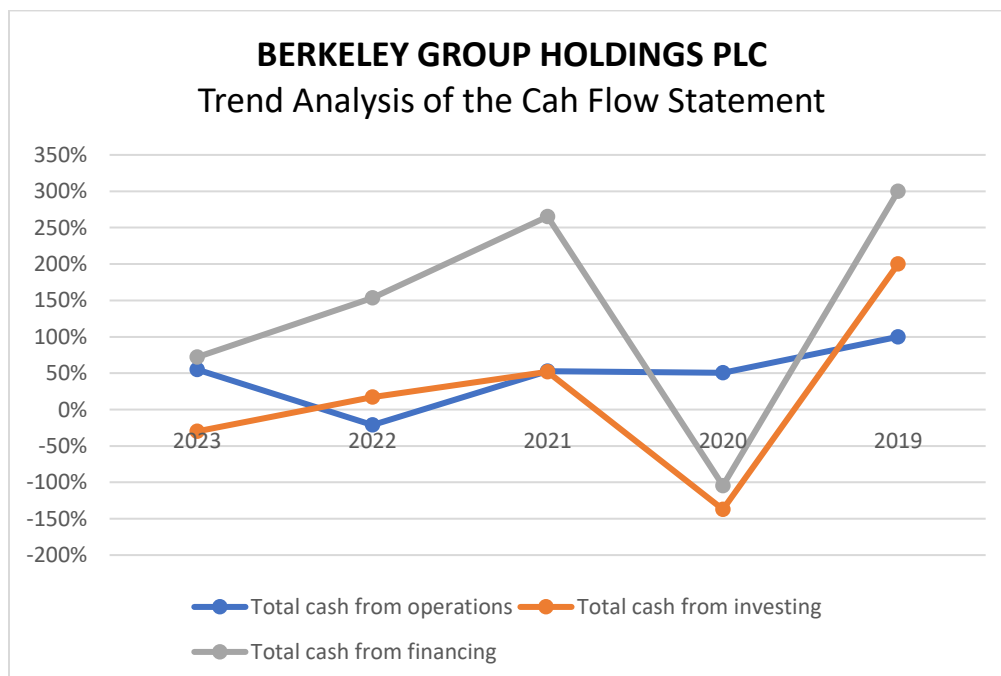


Figure 14: BERKELEY GROUP HOLDINGS PLC Trend Analysis of the Cash Flow Statement

BARRATT DEVELOPMENT PLC INCOME STATEMENT					
Fiscal data as of Jun 30 2023	2023	2022	2021	2020	2019
REVENUE AND GROSS PROFIT					
Total revenue	5,321	5,268	4,812	3,419	4,763
OPERATING EXPENSES					
Cost of revenue total	4,191	3,960	3,743	2,688	3,676
Selling, general and admin. expenses, total	271	256	208	128	213
Depreciation/amortization					
Unusual expense(income)	179	413	56	114	4.3
Other operating expenses, total	-3.3	-3.1	-5.5	-3.6	-30
Total operating expense	4,638	4,626	4,000	2,926	3,864
Operating income	684	642	812	493	899
Other, net	-23	-19	-16	-21	-22
INCOME TAXES, MINORITY INTEREST AND EXTRA ITEMS					
Net income before taxes	705	642	812	492	910
Provision for income taxes	175	127	152	89	170
Net income after taxes	530	515	660	403	739
Minority interest	0	-0.1	-0.3	-3	0.6
Net income before extra. Items	530	515	660	400	740
Total extraordinary items					
Net income	530	515	660	400	740
Inc.avail. to common excl. extra. Items	530	515	660	400	740
Inc.avail. to common incl. extra. Items	530	515	660	400	740
EPS RECONCILIATION					
Basic/primary weighted average shares	1,000	1,019	1,016	1,014	1,010
Basic/primary eps excl. extra items	0.53	0.51	0.65	0.39	0.73
Basic/primary eps incl. extra items	0.53	0.51	0.65	0.39	0.73
Dilution adjustment					0
Diluted weighted average shares	1,009	1,034	1,031	1,028	1,024
Diluted eps excl. extra items	0.53	0.5	0.64	0.39	0.72
Diluted eps incl. extra items	0.53	0.5	0.64	0.39	0.72
COMMON STOCK DIVIDENDS					
DPS - common stock primary issue	0.34	0.37	0.29	0	0.29
Gross dividend - common stock	328	375	299	0	469
PRO FORMA INCOME					
Pro forma net income					
Interest expense, supplemental	11	10	11	12	9.7
SUPPLEMENTAL INCOME					
Depreciation, supplemental	18	19	20	19	4
Total special items	179	413	56	114	4.3
NORMALISED INCOME					
Normalized income before taxes	884	1,055	868	605	914
Effect of special items on income taxes	44	82	10	21	0.81
Income tax excluding impact of special items	219	209	162	110	171
Normalized income after tax	665	846	705	496	743
Normalized income avail. to common	665	846	705	493	743
Basic normalized EPS	0.67	0.83	0.69	0.49	0.74
Diluted normalized EPS	0.66	0.82	0.68	0.48	0.73

BARRATT DEVELOPMENT PLC BALANCE SHEET					
Fiscal data as of Jun 30 2023	2023	2022	2021	2020	2019
ASSETS					
Cash And Short Term Investments	1,269	1,353	1,519	620	1,136
Total Receivables, Net	197	227	165	70	209
Total Inventory	5,238	5,292	4,646	5,028	4,824
Prepaid expenses	17	20	14	16	16
Other current assets, total					
Total current assets	6,720	6,891	6,344	5,734	6,185
Property, plant & equipment, net	103	77	60	66	17
Goodwill, net	853	853	806	806	806
Intangibles, net	195	205	100	101	102
Long term investments	130	178	163	152	189
Note receivable - long term	3	7	1	2	3
Other long term assets					
Total assets	8,004	8,211	7,474	6,864	7,365
LIABILITIES					
Accounts payable	632	822	653	680	929
Accrued expenses	398	454	595	474	547
Notes payable/short-term debt	0	0	0	0	0
Current portion long-term debt/capital leases	17	28	16	129	178
Other current liabilities, total	408	404	222	182	211
Total current liabilities	1,454	1,708	1,486	1,466	1,865
Total long term debt	233	227	230	236	200
Total debt	250	254	246	366	378
Deferred income tax	54	45	8.9	2.4	18
Minority interest	0.5	0.8	1.1	1.4	6.9
Other liabilities, total	667	600	297	320	414
Total liabilities	2,408	2,580	2,023	2,025	2,503
SHAREHOLDERS EQUITY					
Common stock	97	102	102	102	102
Additional paid-in capital	254	253	245	245	239
Retained earnings (accumulated deficit)	5,268	5,302	5,109	4,512	4,536
Treasury stock - common	-23	-27	-4.7	-20	-15
Unrealized gain (loss)					
Other equity, total					
Total equity	5,596	5,631	5,451	4,839	4,862
Total liabilities & shareholders' equity	8,004	8,211	7,474	6,864	7,365
Total common shares outstanding	975	1,023	1,018	1,018	1,017
Treasury shares - common primary issue	0	0	0	0	0

BARRATT DEVELOPMENT PLC CASH FLOW STATEMENT					
Fiscal data as of Jun 30 2023	2023	2022	2021	2020	2019
OPERATIONS					
Net income	707	647	811	493	901
Depreciation/depletion	18	19	20	19	4
Non-Cash items	-10	5.9	-2	-7.6	-25
Cash taxes paid, supplemental	186	130	144	187	160
Cash interest paid, supplemental	10	11	11	12	12
Changes in working capital	-261	-258	253	-627	-519
Total cash from operations	466	418	1,082	-121	361
INVESTING					
Capital expenditures	-23	-30	-7.2	-7.5	-7.2
Other investing and cash flow items, total	79	-193	21	69	89
Total cash from investing	55	-222	14	61	82
FINANCING					
Financing cash flow items	-0.3	-0.4	-0.6	-8.5	0
Total cash dividends paid	-361	-339	-77	-374	-452
Issuance (retirement) of stock, net	-215	-20	8.1	0.1	-15
Issuance (retirement) of debt, net	-14	-19	-127	-74	-16
Total cash from financing	-591	-378	-197	-456	-483
NET CHANGE IN CASH					
Foreign exchange effects					
Net change in cash	-70	-183	899	-516	-40
Net cash-begin balance/reserved for future use	1,335	1,519	620	1,136	1,176
Net cash-end balance/reserved for future use	1,266	1,335	1,519	620	1,136
SUPPLEMENTAL INCOME					
Depreciation, supplemental	18	19	20	19	4
Cash interest paid, supplemental	10	11	11	12	12
Cash taxes paid, supplemental	186	130	144	187	160

THE BERKELEY GROUP HOLDINGS PLC INCOME STATEMENT					
Fiscal data as of Apr 30 2023	2023	2022	2021	2020	2019
REVENUE AND GROSS PROFIT					
Total revenue	2,550	2,348	2,202	1,920	2,957
OPERATING EXPENSES					
Cost of revenue total	1,853	1,683	1,567	1,283	2,031
Selling, general and admin. expenses, total					
Depreciation/amortization					
Unusual expense(income)					
Other operating expenses, total	179	157	133	168	158
Total operating expense	2,032	1,840	1,700	1,451	2,189
Operating income	518	508	502	470	768
Other, net	-10	-1.1	-1	-0.8	-2.3
INCOME TAXES, MINORITY INTEREST AND EXTRA ITEMS					
Net income before taxes	604	552	518	504	775
Provision for income taxes	138	69	95	94	148
Net income after taxes	466	482	423	410	627
Minority interest					
Net income before extra. Items	466	482	423	410	627
Total extraordinary items					
Net income	466	482	423	410	627
Inc.avail. to common excl. extra. Items	466	482	423	410	627
Inc.avail. to common incl. extra. Items	466	482	423	410	627
EPS RECONCILIATION					
Basic/primary weighted average shares	109	116	115	117	120
Basic/primary eps excl. extra items	4.27	4.18	3.67	3.52	5.21
Basic/primary eps incl. extra items	4.27	4.18	3.67	3.52	5.21
Dilution adjustment					0
Diluted weighted average shares	110	117	117	121	123
Diluted eps excl. extra items	4.23	4.11	3.6	3.4	5.09
Diluted eps incl. extra items	4.23	4.11	3.6	3.4	5.09
COMMON STOCK DIVIDENDS					
DPS - common stock primary issue	0.91	0	1.26	1.29	0.44
Gross dividend - common stock	75	0	146	150	
PRO FORMA INCOME					
Pro forma net income					
Interest expense, supplemental	24	14	8.6	11	10
SUPPLEMENTAL INCOME					
Depreciation, supplemental	6	6	6	5	2
Total special items	4	0.1	0	0.2	0.2
NORMALISED INCOME					
Normalized income before taxes	608	552	518	504	775
Effect of special items on income taxes	0.85	0.01	0	0.04	0.04
Income tax excluding impact of special items	139	69	95	94	148
Normalized income after tax	469	482	423	410	628
Normalized income avail. to common	469	482	423	410	628
Basic normalized EPS	4.29	4.18	3.67	3.52	5.21
Diluted normalized EPS	4.25	4.11	3.6	3.4	5.09

THE BERKELEY GROUP HOLDINGS PLC BALANCE SHEET					
Fiscal data as of Apr 30 2023	2023	2022	2021	2020	2019
ASSETS					
Cash And Short Term Investments	1,070	929	1,428	1,639	1,275
Total Receivables, Net	70	132	76	59	59
Total Inventory	5,302	5,134	3,653	3,555	3,115
Prepaid expenses	22	18	7.4	15	8.8
Other current assets, total					
Total current assets	6,465	6,213	5,164	5,267	4,458
Property, plant & equipment, net	40	46	49	51	43
Goodwill, net	17	17	17	17	17
Intangibles, net					
Long term investments	223	190	282	262	375
Note receivable - long term					
Other long term assets					
Total assets	6,860	6,588	5,552	5,651	4,938
LIABILITIES					
Accounts payable	603	636	509	586	621
Accrued expenses	189	190	315	299	248
Notes payable/short-term debt	0	0	0	0	0
Current portion long-term debt/capital leases	2	2.1	2	201	
Other current liabilities, total	1,092	1,142	856	838	706
Total current liabilities	1,886	1,970	1,682	1,924	1,575
Total long term debt	663	664	302	301	300
Total debt	665	666	303	503	300
Deferred income tax					
Minority interest					
Other liabilities, total	979	818	393	324	100
Total liabilities	3,527	3,452	2,377	2,549	1,975
SHAREHOLDERS EQUITY					
Common stock	6.3	6.5	6.6	6.8	7
Additional paid-in capital	50	50	50	50	50
Retained earnings (accumulated deficit)	3,276	3,080	3,119	3,045	2,907
Treasury stock - common					
Unrealized gain (loss)					
Other equity, total					
Total equity	3,332	3,136	3,175	3,102	2,963
Total liabilities & shareholders' equity	6,860	6,588	5,552	5,651	4,938
Total common shares outstanding	108	111	112	116	110
Treasury shares - common primary issue	8.96	9.23	9.8	10	9.54

THE BERKELEY GROUP HOLDINGS PLC CASH FLOW STATEMENT					
Fiscal data as of Apr 30 2023	2023	2022	2021	2020	2019
OPERATIONS					
Net income	466	482	423	410	627
Depreciation/depletion	5	6	6	5	2
Non-Cash items	52	17	68	56	137
Cash taxes paid, supplemental	134	143	90	90	179
Cash interest paid, supplemental	21	5.6	8.1	9.1	8.8
Changes in working capital	-187	-635	-172	-162	-155
Total cash from operations	336	-130	324	309	612
INVESTING					
Capital expenditures	-2	-1.3	-2.4	-9.7	-20
Other investing and cash flow items, total	64	-26	3	147	-54
Total cash from investing	62	-28	1	137	-73
FINANCING					
Financing cash flow items		-452			
Total cash dividends paid	-99	0	-146	-150	-53
Issuance (retirement) of stock, net	-155	-64	-189	-130	-198
Issuance (retirement) of debt, net	-2.3	173	-202	198	
Total cash from financing	-256	-342	-536	-82	-251
NET CHANGE IN CASH					
Foreign exchange effects					
Net change in cash	142	-499	-211	364	288
Net cash-begin balance/reserved for future use	929	1,428	1,639	1,275	987
Net cash-end balance/reserved for future use	1,070	929	1,428	1,639	1,275
SUPPLEMENTAL INCOME					
Depreciation, supplemental	5	6	6	5	2
Cash interest paid, supplemental	21	5.6	8.1	9.1	8.8
Cash taxes paid, supplemental	134	143	90	90	179

5.1 Ratio Formula

+ Liquidity Ratios

- Current Ratio = $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$
- Quick Ratio = $\frac{\text{Total Current Assets} - \text{Total Inventory}}{\text{Total Current Liabilities}}$
- Cashflow Liquidity = $\frac{\text{Total Cash from Operations}}{\text{Total Current Liabilities}}$

+ Profitability Ratios

- GPM (Gross Profit Margin) = $\frac{\text{Total Revenue} - \text{Cost of Revenue Total}}{\text{Total Revenue}}$
- OPM (Operating Profit Margin) = $\frac{\text{Operating Income}}{\text{Total Revenue}}$
- NPM (Net Profit Margin) = $\frac{\text{Operating Income}}{\text{Total Liabilities \& Shareholders' Equity} - \text{Total Current Liabilities}}$
- ROE (Return on Equity) = $\frac{\text{Net Income}}{\text{Total Equity}}$
- ROA (Return on Assets) = $\frac{\text{Net Income}}{\text{Total Assets}}$
- Earning Quality (CFO/Net Income) = $\frac{\text{Total Cash From Operations}}{\text{Net Income}}$

+ Gearing Ratios

- Interest Cover = $\frac{\text{Operating Income}}{\text{Interest Expense, Supplemental}}$
- D/E Ratio = $\frac{\text{Total Debt}}{\text{Total Equity}}$
- Cashflow Ratio (CFO/Total Debt) = $\frac{\text{Total Cash From Operations}}{\text{Total Liabilities}}$
- Cash Interest Coverage (CFO/Interest Paid) = $\frac{\text{Total Cash From Operations}}{\text{Cash Interest Paid, Supplemental}}$

+ Efficiency Ratios

- Sales to Capital Employed = $\frac{\text{Total Revenue}}{\text{Total Liabilities \& Shareholders' Equity} - \text{Total Current Liabilities}}$
- Debtor Days (DSO Days Sales Outstanding) = $\frac{\text{Total Receivables, Net}}{\text{Total Revenue}} \times 365$
- Inventory Days (DIO Days Inventory Outstanding) = $\frac{\text{Total Inventory}}{\text{Cost of Revenue Total}} \times 365$
- Creditor Days (DPO Days Payables Outstanding) = $\frac{\text{Accounts Payable}}{\text{Cost of Revenue Total}} \times 365$
- Cash Conversion Cycle = Inventory Days + Debtor Days – Creditor Days

5.2 Additional Ratio

BARRATT DEVELOPMENT PLC					
ALTMAN Z - SCORE					
	2023	2022	2021	2020	2019
Altman Z-score	3.66	3.65			
WC / TA	0.66	0.63	0.65	0.62	0.59
RE / TA	0.66	0.65	0.68	0.66	0.62
EBIT /TA	0.09	0.08	0.11	0.07	0.12
MVE/TL	1.67	1.81	0.00	0.00	0.00
Sales / TA	0.66	0.64	0.64	0.50	0.65

BERKELEY GROUP HOLDINGS					
ALTMAN Z - SCORE					
	2023	2022	2021	2020	2019
Altman Z-score	2.90	2.83			
WC / TA	0.67	0.64	0.63	0.59	0.58
RE / TA	0.48	0.47	0.56	0.54	0.59
EBIT /TA	0.08	0.08	0.09	0.08	0.16
MVE/TL	1.36	1.32	0.00	0.00	0.00
Sales / TA	0.37	0.36	0.40	0.34	0.60

$$\text{ALTMAN Z - SCORE} = 1.2 \times \left(\frac{WC}{TA}\right) + 1.4 \times \left(\frac{RE}{TA}\right) + 3.3 \times \left(\frac{EBIT}{TA}\right) + 0.6 \times \left(\frac{MVE}{TL}\right) + 0.999 \times \left(\frac{Sales}{TA}\right)$$

Altman Z - score above 3.0 indicates that the company is in a safe zone and unlikely to go bankrupt in the next two years. Barratt Development PLC is in good financial condition and has a low risk of bankruptcy. However, Berkeley Group Holding PLC is in a relatively weaker financial condition compared to Barratt Development PLC and may be at a higher risk of financial distress.

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