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| Close-up image showing the leaf-sides of two oversized books side-by-side on a bookshelf, with additional books in soft focus background |
| ANALYSIS OF FINANCIAL STATEMENTS  **ACF7004** |
| |  |  |  | | --- | --- | --- | | **DANIEL TOLUWANI ADELEKE** | **7000 WORDS** | **10892938** | |

# **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.**

# **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.

# **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.

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| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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.

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| 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 |

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| 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).

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| 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 |

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| 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.

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| 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 |

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| --- | --- | --- | --- | --- | --- |
| 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.

# **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.

* **Horizontal Analysis (%)** = x 100
* **Vertical Analysis for the Income Statement** = x 100
* **Vertical Analysis for the Balance Sheet** = x 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.

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| 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 |  |  |  |  |

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| 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% |

|  |  |  |  |  |
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| 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% |

# **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.

# **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 =
* Quick Ratio =
* Cashflow Liquidity =
* Profitability Ratios
* GPM (Gross Profit Margin) =
* OPM (Operating Profit Margin) =
* NPM (Net Profit Margin) =
* ROE (Return on Equity) =
* ROA (Return on Assets) =
* Earning Quality (CFO/Net Income) =
* Gearing Ratios
* Interest Cover =
* D/E Ratio =
* Cashflow Ratio (CFO/Total Debt) =
* Cash Interest Coverage (CFO/Interest Paid) =
* Efficiency Ratios
* Sales to Capital Employed =
* Debtor Days (DSO Days Sales Outstanding) =
* Inventory Days (DIO Days Inventory Outstanding) =
* Creditor Days (DPO Days Payables Outstanding) =
* 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 |

**ALTMAN Z - SCORE** =

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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