



# The Berkeley Group Holdings plc

**PRESS RELEASE**

**26<sup>TH</sup> JUNE 2009**

## **PRELIMINARY RESULTS ANNOUNCEMENT**

Announcing the results of The Berkeley Group Holdings plc (“Berkeley” or “the Group”) – the urban regenerator and residential property developer – for the year ended 30<sup>th</sup> April 2009, Managing Director, Tony Pidgley said:

“The results we are announcing today demonstrate the value of Berkeley’s strategy and business model in all market conditions. In spite of the harsh trading environment, in which the value of underlying sales reservations was 52% below the historic average, Berkeley is reporting a pre-tax profit of £120.4 million (2008: £194.3 million). Operating margins are 17.8% and there have been no land write downs. Berkeley ended the year with net cash of £284.8 million (April 2008: net debt of £4.5 million) as a result of strong cash generation from the business and the £49.6 million net proceeds from the share placing completed in March 2009.

Berkeley’s land bank remains over 30,000 plots and contains in excess of £2.0 billion of future gross margin. In this market, the focus has been on using our added value developer expertise to review our schemes with the objective of reducing planning costs to ensure viability, as well as re-planning where appropriate to ensure they remain market-led, as opposed to just increasing density.

The sales market in the last year has been extremely challenging as an already difficult market became harder still following the collapse of Lehman Brothers in September 2008. The lack of visibility and reduced confidence that comes with any downturn was compounded for our customers by difficulties in obtaining suitable mortgage valuations and the banks hardening their lending criteria. The last quarter has, however, seen an improvement in transaction levels and sales prices have stabilised. Since the peak of the market in 2007, sales prices have fallen approximately 20%, although this varies according to location. During the year, Berkeley achieved new sales reservations at prices on average 3% below the business plan at the start of the year with sales price movements partially offset by movements in build costs, which have also fallen. Looking forward, the trading outlook remains uncertain and while this is the case Berkeley will continue to closely match production to demand. Assuming transaction levels do not fall further, Berkeley is confident of being able to maintain operating margins at the lower end of the historic range.

Responding to the rapidly changing global economic environment Berkeley re-positioned its strategy during 2009, away from a commitment to return £3 per share to shareholders, to investing its free cash flow in new land. This was a move fully supported by shareholders who subscribed for 6.0 million new shares, raising £49.6 million. This ensures Berkeley has the right capital structure with which to embark on this next phase and secure the future profitability of the Group and I would like to thank our shareholders for sharing this vision.

This is an exciting time for Berkeley. We have in place a clear long term strategy which will enable Berkeley to take advantage of the current market conditions to acquire new land at the right time in the cycle. With its financial strength, Berkeley can now selectively acquire the sites to which, using its development expertise, it can add most value. To date, we have seen only a limited number of opportunities that meet our criteria and, as a consequence, have continued to generate cash in the first two months of our new financial year.

Over the years, Berkeley has created an environment where our people have the confidence and freedom to operate to the best of their ability. This entrepreneurial culture is embedded in Berkeley and brings with it the relentless attention to detail and passion for quality that defines the Group. With these foundations in place, I am delighted with the changes to the Board of Berkeley that have been separately announced today and which represent a natural evolution and achieve the succession that will ensure the Berkeley Difference is carried into the next generation.”

	<b>April 2009</b>	<b>April 2008</b>	<b>Change</b>	
	<b>£'million</b>	<b>£'million</b>	<b>£'million</b>	<b>%</b>
	<b>(unaudited)</b>			
Group Revenue	702.2	991.5	-289.3	-29.2%
Operating Profit	124.8	206.0	-81.2	-39.4%
Net Finance Costs	(3.5)	(9.3)	+5.8	
Joint Ventures (after tax)	(0.9)	(2.4)	+1.5	
Profit Before Tax	120.4	194.3	-73.9	-38.0%
Tax	(34.3)	(56.5)	+22.2	
Profit After Tax	86.1	137.8	-51.7	-37.5%
EPS – Basic	71.3p	114.2p	-42.9	-37.6%
EPS – Diluted	65.6p	114.1p	-48.5	-42.5%
ROCE	20.6%	29.3%	-8.7%	

### **PERFORMANCE FOR THE YEAR**

- £269.5 million of cash generated, before net financing cash inflows of £19.8 million
- 17.8% operating margin (2008: 20.8%)
- £120.4 million of profit before tax (2008: £194.3 million)
- 71.3 pence of Earnings per Share (2008: 114.2 pence)
- Total value of sales reservations 52% below historic average

### **BALANCE SHEET**

- Net Cash of £284.8 million (April 2008: Net Debt of £4.5 million)
- No land write-downs
- 615 pence of Net Asset Value per Share (April 2008: 564 pence)
- £49.6 million cash raised through a share placing in March 2009
- £619.8 million of cash due on forward sales (April 2008: £1,210.0 million)
- 30,044 land bank plots (April 2008: 31,365)
- £2.0 billion of land bank future gross margin (April 2008: £2.7 billion)

### **Strategy**

The announcement in February of the re-positioning of Berkeley's strategy represents an evolution that is based on Berkeley's recognition that the UK residential property market is cyclical and the operating model must be flexible and always aligned to the prevailing market conditions.

With an understanding of the cyclical nature and complexity of property development, Berkeley's long term strategy is to enhance value for shareholders by using its development expertise to optimise the returns from its sites, rather than relying on sales volume. To achieve this Berkeley has created an operating environment and culture within which its greatest assets – its people, land and product – can attain their full potential. This is underpinned by an emphasis on financial strength and risk management which, when combined with a reputation for delivery and quality, provides the right foundation for the business to flourish.

Berkeley operates at a natural size through its autonomous management teams. The natural size allows the executive to operate at both a strategic and detailed operational level. With short lines of communication, decisions are made quickly and effectively. As a consequence, we do not believe it is suited to scale and this is also why Berkeley remains focused in London and the South East – the market it understands intimately.

Entrepreneurial by nature, Berkeley is highly disciplined in delivery. Innovative land acquisition and customer-led design, driven by a passion for quality and a strict attention to detail, are matched by rigorous investment appraisal, focused on maximising value. By selling forward where possible, the risk is taken out of the development cycle and production is always matched closely to demand.

While this long term strategy remains unchanged, the current emphasis has changed during 2009. The pace and scale of the banking crisis and its global reach has placed a premium on those businesses which are agile, can react quickly to changing conditions and which have a strong financial base. For Berkeley, this means acquiring land opportunities at the right prices and using its added value developer expertise to optimise these sites and so enhance value for shareholders.

This time last year Berkeley put forward proposals that were agreed by shareholders at the August 2008 AGM, to defer the final payment of £3 per share until 2014 and use the funds to acquire land. What no one could have predicted at that time was the significant worsening of the global banking crisis in September 2008 and the inevitable direct impact this had on the feel-good factor and mortgage availability; both critical to the housing market. For Berkeley and other developers this meant reduced visibility of future cash flow and profit. For businesses more generally, it resulted in a fundamental reassessment of gearing and capital structures.

In light of these factors and in consultation with shareholders, Berkeley determined that it was no longer appropriate to both acquire new land and commit to return £3 per share to shareholders by January 2014. As a consequence, in February 2009, Berkeley announced the repositioning of its strategy and a new capital structure to enable it to acquire new land and return to a more traditional dividend policy, with the commitment to return £3 per share by January 2014 no longer forming part of its strategy. Berkeley's shareholders demonstrated their support for this repositioned strategy by subscribing for 6.0 million new shares in a placing that raised net proceeds of £49.6 million to ensure Berkeley has the right capital structure with which to embark on this next phase.

The placing of 6.0 million new shares increased Berkeley's issued share capital by 5%. A further 4.0 million new shares were issued in April 2009 on the vesting of the second tranche of shares under Element 1 of the 2004(b) LTIP. Following these events, 130.9 million shares were in issue at 30<sup>th</sup> April 2009. The final two tranches of Element 1 of the 2004(b) LTIP (4.0 million shares each) are scheduled to vest in September 2009 and March 2010, respectively, at which point a total of 16.0 million shares will have vested under this scheme; the first 4.0 million of which were satisfied through market purchases by the Company's EBT in the first half of the year.

A further 5.3 million shares will vest in January 2014, as £3 options, under Part A of the 2009 LTIP, approved by shareholders at the April 2009 EGM. These options replace the 5.3 million shares that were outstanding under Element 2 of the 2004(b) LTIP. Part B of the 2009 LTIP is over 7.1 million shares that are to be issued as options with an exercise price of the higher of market value at the date of grant and £8.40 (being the price of the share placing completed in March 2009).

## **Results**

Berkeley is pleased to announce a pre-tax profit of £120.4 million for the year ended 30<sup>th</sup> April 2009. This is £73.9 million less than the £194.3 million reported last year, a decrease of 38.0%. Three principal factors have contributed to this £73.9 million net reduction. Firstly, operating profit has reduced by £81.2 million, reflecting the market conditions in the year, which have been as challenging as any in recent memory. Secondly, net finance costs have reduced by £5.8 million as a consequence of the strong cash generation in the year. Thirdly, there has been a reduction of £1.5 million in the Group's share of losses in joint ventures; all of which remain in the early stages of their development. Importantly, in the context of the prevailing market conditions, operating margins, at 17.8%, are at a very acceptable level with no land write-downs required in the year. Basic earnings per share are 71.3 pence, a decrease of 37.6% on the 114.2 pence reported last year.

Total equity (shareholders' funds) increased by £119.9 million to £801.3 million (April 2008: £681.4 million) and net assets per share by 51 pence to 615 pence (April 2008: 564 pence). Return on Capital Employed for the year was 20.6%, compared to 29.3% last time with Berkeley holding £284.8 million of net cash at 30<sup>th</sup> April 2009 (April 2008: Net debt of £4.5 million).

## **Housing Market**

Without doubt 2008/09 has been a year of correction for the UK housing market, due in no small part to the well documented global economic events. The previous year saw a moderation from the strong conditions experienced in 2006/07 with interest rates rising to 5% and the beginning of the global financial crisis which saw the collapse of Northern Rock in the UK and Bear Stearns in the US. This was of course only the beginning as the collapse of Lehman Brothers in September 2008 shook the global banking system to its core, leading to unprecedented Central Bank and Government intervention.

The ramifications for the housing market have been twofold. Firstly, customer confidence, essential for a buoyant housing market, has been badly hit by recession and uncertainty. Secondly, where customers have decided to take advantage of the market conditions and acquire a new home, the difficulty of obtaining a suitable mortgage valuation and the hardening of the banks lending criteria has introduced a new hurdle to completing transactions.

In this market, Berkeley has achieved underlying sales reservations with a value approximately 52% below the historic average which is based on the last five years' trading. The last quarter saw an increase in activity with sales prices stabilising and this is certainly a positive note on which to end the year.

Sales prices have fallen approximately 20% since the peak in 2007, although this varies significantly according to location. During the year, Berkeley achieved new sales reservations at prices on average 3% below the business plan at the start of the year. Build costs have also fallen in this market and this has partially offset the movement in sales prices.

What is clear is that there continues to be demand for well located homes built to a high quality. While pricing has been under pressure, this has varied significantly from location to location and, in any event, is now stabilising. The UK market has been owner occupier led. There is a shortage of quality family homes, which will only be exacerbated over the coming years as many developers have largely ceased new starts and this is an area of opportunity for Berkeley.

The investor market has been strongly overseas-led as the fall in asset prices has been magnified by a weakened sterling and investors continue to view property as a good long term investment when compared to other asset classes. As a result, investors continue to account for approximately 50% of underlying sales. There is also strong investor demand for quality income generating assets such as student accommodation.

## **Trading Analysis and Cash Flow**

Revenue for the Group was £702.2 million (2008: £991.5 million). This comprised £671.7 million (2008: £960.0 million) of residential revenue, of which £46.1 million was from land sales (2008: £13.1 million), along with £30.5 million (2008: £31.4 million) of commercial revenue.

During the year, the Group sold 1,501 units at an average selling price of £395,000. This compares with 3,167 units at an average selling price of £295,000 last year. The increase in average selling price is due to sales mix with a high proportion of sales revenue in the period coming from the delivery of the forward sales taken in previous periods on our Central London sites and a lower proportion of affordable units compared to last year.

The £46.1 million of revenue from land sales arises on the disposal of four sites, including Berkeley's site at Stanmore which was transferred to St Edward Homes, Berkeley's joint venture with Prudential.

At £30.5 million (2008: £31.4 million), the Group's revenue from commercial activities represents the disposal of commercial units on six mixed-use sites. The most significant of these were the disposals of 17,000 square feet of retail space at Imperial Wharf, 20,000 square feet of retail space at Tabard Square which includes a gym, nursery and a Tesco store, a 15,000 square foot gym at Chelsea Bridge Wharf and 21,000 square feet of office space at one of Berkeley Homes' sites in Oxford.

Berkeley's operating margin of 17.8% is consistent with the first half of the year and compares to 20.8% for the full year ended 30<sup>th</sup> April 2008. This is within the long-term historic range of 17.0% to 19.5% range (depending on mix) reported by the Group over recent reporting periods and represents a strong trading performance in the context of the prevailing market conditions. Assuming transaction levels do not fall further, Berkeley is confident of being able to remain broadly in this range; albeit towards the bottom-end until planning requirements take account of the current market conditions.

Berkeley finished the year with net cash of £284.8 million (April 2008: net debt of £4.5 million). This is after generating £289.3 million of cash flow in the year, which has come from three sources. Firstly, £260.8 million has been generated from the underlying trading performance of the Group; a key component of which has been an increase in deposits and on account receipts from customers of £164.0 million, from £170.8 million to £334.8 million. Secondly, there has been a one-off net inflow from taxation of £8.7 million and, thirdly, there has been a net inflow from financing activities of £19.8 million. The net inflow from financing activities includes £49.6 million net proceeds from the share placing completed in March 2009, offset by the acquisition of shares and settlement of share based payments for £29.8 million in the first half of the year.

At 30<sup>th</sup> April 2009, Berkeley had undrawn bank facilities of £800 million that are available until August 2011.

### **Joint Ventures**

Berkeley currently has £22.5 million of capital employed in joint ventures, an increase of £20.1 million in the period. £20.8 million of the £22.5 million is represented by Berkeley's investment in St Edward Homes, its joint venture with Prudential, and the remaining £1.7 million by Berkeley's investment in its joint ventures with Saad Investments Company Limited. The total capital employed of the joint ventures with Saad is £18.7 million and this includes £15.3 million of bank debt.

In the year Berkeley has continued to develop St Edward Homes with Prudential and this joint venture now controls in excess of 2,300 plots across four sites with a number of notable achievements. Berkeley has acquired 50% of an existing office building in The Strand, the other 50% already being owned by Prudential, and a planning consent is being worked up for submission by the end of this year. St Edward has started construction on its 800 unit site at Stanmore, secured a planning consent for its 660 unit site at Green Park in Reading and submitted a planning application for its site at Charles House, Kensington which becomes vacant in 2010. Berkeley is also working with Prudential on a further 600 units on other potential sites.

While it is excellent that St Edward is going from strength to strength, Berkeley has been saddened that its long term joint venture partner, Saad Investments Company Limited, is subject to speculation over its financial position. Berkeley has five joint ventures with Saad, only two of which have active sites – a residential development site of 300 units in Fleet, Hampshire and a commercial site in Fulham London, for which a residential consent is being pursued. We very much hope that Saad can resolve its difficulties and continue as our partner, while at the same time we are working with our advisers to ensure the value of Berkeley's investment is secure. Berkeley does not anticipate any financial loss or adverse impact on its business from these joint ventures.

### **Forward Sales**

At 30<sup>th</sup> April 2009, Berkeley held cash due on forward sales of £619.8 million, compared to £1,210.0 million at 30<sup>th</sup> April 2008. Selling homes at an early stage in the development cycle, often off-plan, to secure customers' commitment and ensure the quality and certainty of future revenue and cash flow remains a fundamental part of Berkeley's strategy. Doing so in the current market conditions is more difficult as customers' confidence in their ability to secure sufficient mortgage finance at the point of completion is diminished. Until customer confidence in the ability to obtain mortgage finance is restored, Berkeley will have to manage its risk by closely matching production to demand.

## **Land Holdings**

Berkeley had hoped to see an appropriate softening in the land market during the period and consequential opportunities to acquire land for the future. Instead, there has been very little activity as land prices are yet to reflect the true cost of the planning requirements and Section 106 contributions, which in many instances are continuing to rise, coupled with the uncertain market conditions. The Group's policy during the period has been to acquire land cautiously at robust margins and where we can add value. As a result, we only agreed nine new sites in the year.

At 30<sup>th</sup> April 2009, the Group (including joint ventures) controlled some 30,044 plots with an estimated gross margin of £2,014 million. This compares with 31,365 plots and an estimated gross margin of £2,728 million at 30<sup>th</sup> April 2008. Of the total 30,044 plots, 23,572 plots (April 2008: 23,065) are owned and included on the balance sheet. In addition, 6,407 plots (April 2008: 8,014) are contracted and 65 plots (April 2008: 286) have terms agreed. In excess of 95% of our holdings are on brown-field or recycled land.

The movements in the land bank during the year are the result of a full review of plots, revenues and costs to reflect the prevailing market conditions and their impact on the development of our sites. We are submitting revised applications on our sites to ensure that planning costs and obligations reflect today's market conditions and that these are market led. To achieve this, we have identified a number of different development solutions and this involves a great deal of expertise and patience as many local authorities continue to look for planning gain ahead of new homes being built.

We have achieved a number of new planning consents in the year. The two highlighted below are particularly notable as they are examples of how Berkeley is working in close partnership with the Homes & Communities Agency and Local Authorities to ensure the provision of badly needed new family homes in London. Firstly, construction has begun on the first phase of Woodberry Down in the London Borough of Hackney. This covers 440 units and applications for subsequent phases are now being prepared. Secondly, at Kidbrooke in the London Borough of Greenwich, a resolution to grant has been received for the outline masterplan and for the first phase of 449 units.

## **Sustainability**

Sustainability is an embedded part of the development process for Berkeley. It is a fundamental element of creating a high quality environment in which today's customers want to live their lives. Indeed, our focus on brownfield development and long-term investment in complex mixed-use projects reflects our passion and commitment to creating a legacy of which we can be proud. We believe that this strategy has given Berkeley a definitive competitive advantage over our peers and accounts in part for our relatively strong position during the downturn and this commitment has not been compromised by the current market conditions, as evidenced by our externally recognised industry leading position on sustainability.

In April 2008, The Berkeley Group was awarded the UK's prestigious Queen's Award for Enterprise: Sustainable Development. This award recognises companies which have made outstanding advances in performance or have a high level of continuous achievement in sustainable development. We were praised for our strong leadership, promoting best practice in the sector and embedding sustainability throughout the entire business operations. In addition, for the second year running, Berkeley ranked first in the NextGeneration benchmark, a benchmark of the Top 20 UK home builders overseen by a high-profile Executive Committee.

## **Awards**

Our customers remain the single most important ingredient to Berkeley's success and the current market, more than ever, requires attention to detail, quality of product and the creation of sustainable places where people want to live and bring up their families. Berkeley is therefore delighted that, in addition to the recognition for its Sustainability achievements, it has received two CABE building for life awards for its developments at Royal Arsenal, Woolwich and Gunwharf Quays in Portsmouth and that Berkeley Homes has also been awarded the "What House? Best Large Housebuilder Gold Award" for 2008. Royal Arsenal, Woolwich also received one of this year's five coveted BURA Best Practice awards.

## **Our People and Board Changes**

All successful organisations must evolve and Berkeley believes that key to its own success is the nurturing and development of talent from within the organisation. Most importantly, the cultural values that have led to Berkeley's current position are embedded within the Group and its people. With the foundations well established and a new and exciting era beginning for Berkeley, now is the time to put in place the succession that has been carefully planned by the Board of Berkeley to ensure these fundamentals remain in place.

Following consultation with representatives from our major institutional shareholders, Berkeley has today announced proposed changes to the Board which will become effective at the Annual General Meeting in September. Victoria Mitchell will step down as Chairman and assume the role of deputy Chairman and as an independent Non Executive Director on the Board. After 33 years as Managing Director, Tony Pidgley will become Chairman of Berkeley and Rob Perrins, long identified as Tony's successor, will become Managing Director. Rob has been with Berkeley for 15 years; at one time Managing Director of Berkeley Homes and, since 2001, Finance Director.

Joining the Board at the AGM will be Nick Simpkin and Karl Whiteman. Nick (39) has been with Berkeley since 2002 and has held a number of senior finance positions including Finance Director of St James. Currently Head of Finance for Berkeley, Nick will be the new Finance Director. Also joining the Board will be Karl Whiteman (44). Karl joined Berkeley in 1996 and currently leads the largest Berkeley Homes division and chairs the Group's Sustainability and Health & Safety committees. He will join the Main Board as a Divisional Executive Director.

Following these changes, the Board will comprise a Chairman, five Executive Directors and four Non-Executive Directors. As a consequence Berkeley will look to appoint a fifth non-executive Director to achieve the balance envisaged by the Combined Code.

That Berkeley has performed so strongly in these market conditions is a reflection of the qualities embedded within the experienced autonomous management teams that are Berkeley's foundation. Their determination to succeed and innovative approach to all challenges and opportunities is the driving force behind Berkeley's success. It is therefore extremely pleasing that Berkeley has been able to keep its key teams together and is using the opportunity presented by these market conditions to strengthen them wherever possible in readiness for the return to more normal market conditions.

On behalf of the Board and shareholders, we would like again to express our continued thanks and appreciation to all those at Berkeley for their outstanding contributions to the success of the business in these challenging times.

## **Outlook**

The market has corrected over the last 24 months and house prices are now good value by most historic measures. Unfortunately, the ability to borrow is restricted to the very few and this will be an anchor to transaction levels until mortgages are more widely available. Consequently, while sales prices have stabilised for well located, quality homes, transaction levels are patchy. In this environment, Berkeley will concentrate on matching production to demand, developing its owned land bank and selectively acquiring new land opportunities. As a result, Berkeley is positioning itself to perform in these market conditions and also to be ready to take advantage of opportunities as the market improves. The key to recovery is the feel-good factor which is currently being battered by rising unemployment and increased taxation, offset by the shortage of supply of new homes and low interest rates. Despite this, Berkeley is looking forward to the future with confidence as it has the strategy, financial strength and expertise to continue maximising value for its shareholders and creating communities in which people aspire to live and bring up their families.

### **For further information please contact:**

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# The Berkeley Group Holdings plc

## Consolidated Income Statement

		Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	Notes	£'000	£'000
<i>Continuing operations</i>			
Revenue	3(a)	702,192	991,465
Cost of sales		(502,391)	(687,071)
Gross profit		199,801	304,394
Net operating expenses		(74,959)	(98,376)
Operating profit	3(b)	124,842	206,018
Finance income	4	5,690	6,480
Finance costs	4	(9,248)	(15,774)
Share of post tax results of joint ventures using the equity method	3(c)	(902)	(2,416)
Profit before taxation		120,382	194,308
Taxation	5	(34,255)	(56,481)
Profit after taxation		86,127	137,827
Earnings per Ordinary Share			
- Basic	6	71.3p	114.2p
- Diluted	6	65.6p	114.1p

## Consolidated Statement of Recognised Income and Expense

	Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	£'000	£'000
Profit for the financial year	86,127	137,827
Actuarial loss recognised in the pension scheme	(676)	(644)
Deferred tax on actuarial loss recognised in the pension scheme	190	180
Deferred tax in respect of employee share schemes	11,766	(7,830)
Total recognised income for the financial year	97,407	129,533

# The Berkeley Group Holdings plc

## Consolidated Balance Sheet

	Notes	At 30 April 2009 Unaudited £'000	At 30 April 2008 Audited £'000
<i>Assets</i>			
<i>Non-current assets</i>			
Intangible assets		17,315	17,869
Property, plant and equipment		3,725	4,667
Investments accounted for using equity method		22,472	2,447
Deferred tax assets		37,927	39,074
		81,439	64,057
<i>Current assets</i>			
Inventories		1,114,827	1,231,852
Trade and other receivables		50,990	20,800
Cash and cash equivalents		284,842	-
		1,450,659	1,252,652
<i>Liabilities</i>			
<i>Current liabilities</i>			
Borrowings		(66)	(4,549)
Trade and other payables		(586,853)	(526,114)
Current tax liabilities		(86,325)	(56,437)
		(673,244)	(587,100)
Net current assets		777,415	665,552
Total assets less current liabilities		858,854	729,609
<i>Non-current liabilities</i>			
Other non-current liabilities		(57,558)	(48,202)
		(57,558)	(48,202)
Net assets		801,296	681,407
<i>Shareholders' equity</i>			
Share capital		6,543	12,082
Share premium		49,315	264
Capital redemption reserve		24,516	18,173
Other reserve		(961,299)	(961,299)
Revaluation reserve		4,166	11,329
Retained profit		1,678,055	1,600,858
Total equity	7	801,296	681,407

# The Berkeley Group Holdings plc

## Consolidated Cash Flow Statement

		Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	Notes	£'000	£'000
<i>Cash flows from operating activities</i>			
Cash generated from operations	8	278,015	215,246
Dividends from joint ventures		-	323
Interest received		5,649	6,376
Interest paid		(1,079)	(7,908)
Tax received / (paid)		8,736	(50,854)
Net cash flow from operating activities		291,321	163,183
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(291)	(3,598)
Sale of property, plant and equipment		281	324
Purchase of investment in joint ventures		(15,000)	(70)
Movements in loans with joint ventures		(6,809)	(3,709)
Net cash flow from investing activities		(21,819)	(7,053)
<i>Cash flows from financing activities</i>			
Redemption of shares		-	(241,641)
Purchase of own shares		(19,215)	-
Share placing		49,655	-
Cash settlement of employee share scheme		(10,617)	-
Repayment of loan stock		(19)	-
Repayment of bank loan		-	(59,283)
Net cash flow from financing activities		19,804	(300,924)
Net increase / (decrease) in cash and cash equivalents		289,306	(144,794)
Cash and cash equivalents, including bank overdraft, at the start of the financial year		(4,464)	140,330
Cash and cash equivalents, including bank overdraft, at the end of the financial year		284,842	(4,464)
Cash and cash equivalents at the end of the financial year		284,842	-
Bank overdraft at the end of the financial year		-	(4,464)

# **The Berkeley Group Holdings plc**

## **Notes to the condensed consolidated financial information**

### **1 General information**

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG.

The unaudited financial information for the year ended 30 April 2009 and the comparative audited information for the year ended 30 April 2008 does not constitute statutory accounts within the meaning of 434(3) and 435(3) of the Companies Act 2006. This information was approved by the Board on 26 June 2009, and has been extracted from the Group's statutory accounts which have not yet been signed, nor have the auditors yet reported on them.

The statutory accounts for the year ended 30 April 2008 have been delivered to the Registrar of Companies. The report of the auditors on these financial statements was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

### **2 Basis of preparation**

This information, including the comparative information for the year ended 30 April 2008, has been prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRSs"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in accordance with the listing rules of the Financial Services Authority and consistently in accordance with the accounting policies set out in the 2008 Annual Report.

The following new interpretation is mandatory for the first time for the financial year ending 30 April 2009:

- IFRIC12 "Service Concession Arrangements".

The adoption of this interpretation has no impact on the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 30 April 2009 and have not been early adopted:

- IFRS 8 "Operating Segments";
- IAS 1 (Revised) "Presentation of financial statements";
- IAS 23 (Amendment) "Borrowing Costs";
- IFRS 2 "Share-based payment amendment: Vesting conditions and cancellations";
- IFRIC13 "Customer Loyalty Programmes";
- IFRIC15 "Agreements for the Construction of Real Estate";
- IFRIC16 "Hedges of a Net Investment in a Foreign Operation";
- IFRIC17 "Distributions of Non-cash Assets to Owners"; and
- IFRIC18 "Transfers of Assets from Customers".

These standards are not expected to have a significant impact on the consolidated financial statements.

# The Berkeley Group Holdings plc

## Notes to the condensed consolidated financial information

### 3 Analysis by Activity

	Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	£'000	£'000
<b>(a) Revenue</b>		
Residential housebuilding	671,717	960,036
Commercial property and other activities	30,475	31,429
	702,192	991,465
<b>(b) Operating profit</b>		
Residential housebuilding	118,785	197,553
Commercial property and other activities	6,057	8,465
	124,842	206,018
<b>(c) Share of post tax results of joint ventures</b>		
Residential housebuilding	(902)	(2,416)
Commercial property and other activities	-	-
	(902)	(2,416)

All revenue and profit disclosed in the table above relate to continuing activities of the Group and are derived from activities performed in the United Kingdom. Included in Group residential housebuilding revenue and operating profit are £46,088,000 and £3,644,000 in respect of land sales (2008: £13,106,000 and £806,000).

### 4 Net finance costs

	Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	£'000	£'000
<b>Finance income</b>	5,690	6,480
<b>Finance costs</b>		
Interest payable on use of bank facility	(1,012)	(6,035)
Facility refinancing fees	-	(1,792)
Other finance costs	(8,236)	(7,947)
	(9,248)	(15,774)
Net finance costs	(3,558)	(9,294)

### 5 Taxation

	Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	£'000	£'000
<b>Current tax</b>		
UK corporation tax payable	(35,306)	(72,565)
Adjustments in respect of previous periods	(148)	3,954
	(35,454)	(68,611)
Deferred tax	1,199	13,317
Adjustment in respect of change of tax rate from 30% to 28%	-	(1,187)
	(34,255)	(56,481)

# The Berkeley Group Holdings plc

## Notes to the condensed consolidated financial information

### 6 Earnings per Ordinary Share

Earnings per Ordinary Share is calculated as the profit for the financial year of £86,127,000 (2007: £137,827,000) divided by the weighted average number of Ordinary Shares in issue during the year of 120,751,895 (2007: 120,669,135). For diluted earnings per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted to assume the conversion of all dilutive potential Ordinary Shares. The dilutive potential Ordinary Shares relate to the number of shares subject to released awards under employee share schemes and share options where the exercise price is less than the average market price of the shares during the financial year. The effect of the dilutive potential Ordinary Shares is 10,637,407 shares (2007: 71,072), which gives a diluted weighted average number of Ordinary Shares of 131,389,302 (2007: 120,740,207).

### 7 Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Revaluation reserve £'000	Retained profit £'000	Total £'000
<b>Unaudited</b>							
At 1 May 2008	12,082	264	18,173	(961,299)	11,329	1,600,858	681,407
Profit for the financial year	–	–	–	–	–	86,127	86,127
Purchase of own shares	–	–	–	–	–	(19,215)	(19,215)
Cash settlement of employee share scheme	–	–	–	–	–	(10,617)	(10,617)
Equity settlement of employee share scheme	200	–	–	–	–	(200)	–
Share placing	604	49,051	–	–	–	–	49,655
Redemption of shares	(6,343)	–	6,343	–	–	–	–
Reserves transfer from revaluation reserve	–	–	–	–	(7,163)	7,163	–
Actuarial loss recognised in the pension scheme	–	–	–	–	–	(676)	(676)
Deferred tax on actuarial loss recognised in the pension scheme	–	–	–	–	–	190	190
Credit in respect of employee share schemes	–	–	–	–	–	2,659	2,659
Deferred tax in respect of employee share schemes	–	–	–	–	–	11,766	11,766
At 30 April 2009	6,543	49,315	24,516	(961,299)	4,166	1,678,055	801,296
<b>Audited</b>							
At 1 May 2007	18,123	264	12,132	(961,299)	17,725	1,694,630	781,575
Profit for the financial year	–	–	–	–	–	137,827	137,827
Reserves transfer from revaluation reserve	–	–	–	–	(6,396)	6,396	–
Redemption of shares	(6,041)	–	6,041	–	–	(241,641)	(241,641)
Actuarial loss recognised in the pension scheme	–	–	–	–	–	(644)	(644)
Deferred tax on actuarial loss recognised in the pension scheme	–	–	–	–	–	180	180
Credit in respect of employee share schemes	–	–	–	–	–	11,940	11,940
Deferred tax in respect of employee share schemes	–	–	–	–	–	(7,830)	(7,830)
At 30 April 2008	12,082	264	18,173	(961,299)	11,329	1,600,858	681,407

During the financial year the Company reviewed its strategy culminating in the announcement on 26 February 2009 that it was re-positioning the strategy and a revised capital structure which would enable the Company to take advantage of current market conditions by investing in land and

# The Berkeley Group Holdings plc

## Notes to the condensed consolidated financial information

returning to a more traditional dividend policy, rather than committing to return £3 per share by 2014 under the 2010 B share.

### 7 Statement of Changes in Shareholders' Equity continued

The impact of this on the Company's share capital was twofold. Firstly, the Company placed on offer 6,041,030 shares on 26 February 2009 which were fully subscribed at a price of £8.40 for a total consideration of £50,744,652. Share issue expenses of £1,090,000 incurred have been deducted from the share premium account. Secondly, the 2010 B shares were redeemed for £1 in aggregate as provided in the Articles of Association.

### 8 Notes to the Consolidated Cash Flow Statement

	Year ended 30 April 2009 Unaudited	Year ended 30 April 2008 Audited
	£'000	£'000
<b>Net cash flows from operating activities</b>		
<i>Continuing operations</i>		
Profit for the financial year	86,127	137,827
Adjustments for:		
- Taxation	34,255	56,481
- Depreciation	964	1,016
- Amortisation of intangible assets	554	1,817
- Profit on sale of property, plant and equipment	(12)	(41)
- Finance income	(5,690)	(6,480)
- Finance costs	9,248	15,774
- Share of results of joint ventures after tax	902	2,416
- Non-cash charge in respect of share awards	2,659	11,940
Changes in working capital:		
- Decrease / (increase) in inventories	117,025	(102,478)
- (Increase) / decrease in receivables	(29,308)	6,801
- Increase in payables	61,926	90,713
- Decrease in employee benefit obligations	(635)	(540)
Cash generated from continuing operations	278,015	215,246
<b>Reconciliation of net cash flow to net cash / (debt)</b>		
Net increase / (decrease) in cash and cash equivalents, including bank overdraft	289,306	(144,794)
Cash outflow from decrease in borrowings	19	59,283
Movement in net cash / (debt) in the financial year	289,325	(85,511)
Opening net (debt) / cash	(4,549)	80,962
Closing net cash / (debt)	284,776	(4,549)
<b>Net cash / (debt)</b>		
Cash and cash equivalents	284,842	-
Borrowings	(66)	(4,549)
Net cash / (debt)	284,776	(4,549)