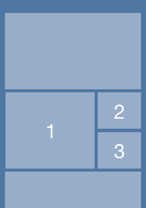
The Berkeley Group plc
Annual Report 2003

The Berkeley Group plc

The Berkeley Group has an unrivalled understanding of the home building market and the financial strength to deliver its pioneering approach to land development. This gives value to its investors and promotes community regeneration throughout the country.

The Berkeley Group delivers value to its customers and investors by creating high-quality developments in which people want to live, work and play.



1 St George Wharf, London

2 Edwalton Hall, Nottingham

3 Belwell Cottages, Birmingham

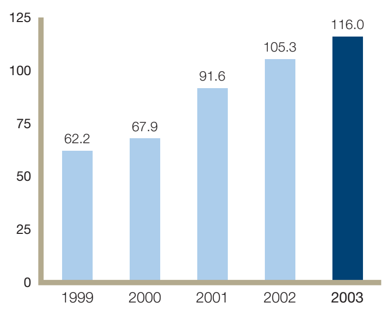
About The Berkeley Group

Financial Results

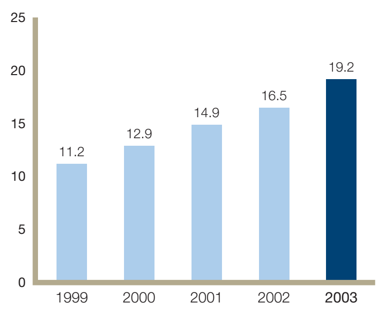
2003 Financial Highlights

▪ Pre-tax Profits	Up 12.7% to £221.2 million (2002: £196.2 million)
▪ Operating Margins	Group housebuilding operating margins, excluding land sales, up from 18.5% to 18.6%
▪ Earnings per Share	Increased by 10.2% to 116.0 pence (2002: 105.3 pence)
▪ Proposed Final Dividend	14.4 pence per share, making a total dividend of 19.2 pence per share, an increase of 16.4% (2002: total of 16.5 pence)
▪ Net Asset Value per Share	Up 15.6% to 829 pence (2002: 717 pence)
▪ Net Debt	Down £100.4 million to £143.1 million; representing gearing of 13.5% (2002: 25.1%)
▪ Return on Capital Employed	Increased to 19.3% from 18.9% last year
▪ Land Holdings	Up to 25,850 plots from 20,426 last year end
▪ Forward Order Book	Remains solid at £920.9 million (2002: £1,051.6 million)
▪ Share Buy-Back	6.8 million (5%) shares bought back in 2002/3 for £42.0 million

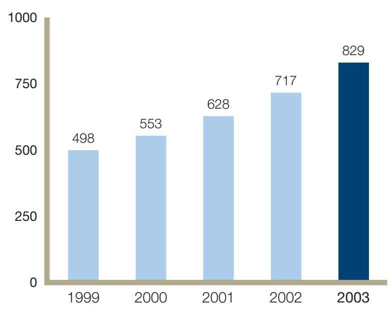
Earnings per share (pence)



Dividends per share (pence)



Net assets per share (pence)



What we do

The Berkeley Group plc

The Berkeley Group is a leader in the business of urban regeneration with over 95% of its developments taking place on brownfield land. Our talented and experienced management team consistently demonstrate the vision and flair needed to develop attractive and sustainable communities for our customers while extracting high value from the land that we develop.

The development of land involves a number of complex stages, from the initial acquisition of the land in question, through planning, designing, building and finally marketing a development.

Acquisition

The first part of the development process is to find and buy new land for development. We acquire new land within strict financial criteria and undertake detailed risk assessments prior to any land acquisition, which take into account sustainability issues. Our aim is to gain the greatest value from land, whether by developing it or selling it.

Planning and Design

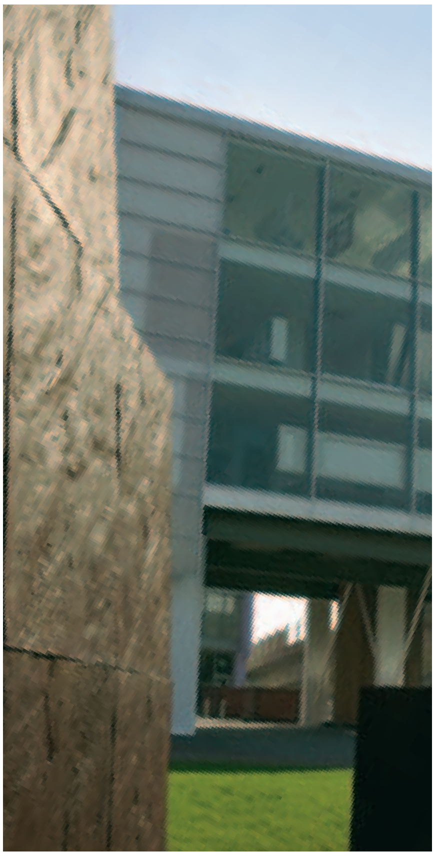
Each of our projects has a dedicated team to prepare the planning application and associated environmental and sustainability assessments. This team takes a proactive approach to ensuring that sustainability criteria are built into the entire design and planning process. We consult with a wide range of stakeholders to ensure their views and concerns are taken into account. We aim to find intelligent, original and imaginative solutions that are appropriate to the needs of the local community. We regularly review all our development sites and densities are increased wherever appropriate in line with best planning practice, in consultation with planning authorities.

Construction

We place a strong focus on delivering a highly efficient construction process. At all times, we work to ensure that our construction sites are safe, secure, tidy and cause as little disruption as possible to the local community. We work closely with our sub-contractors and suppliers to improve standards, increase efficiencies and uphold the Group's commitment to sustainability in the day-to-day operation of our sites.

Sales and Marketing

Through their marketing activities, our divisions have created strong brand identities which drive their ability to achieve sales at an early stage in the development process. Wherever reasonably possible we integrate sustainability issues into mainstream sales and marketing information, including customer handbooks and choices concerning the specification of dwellings.



Berkeley Homes

With over 25 years' experience of providing high-quality homes, Berkeley Homes is one of the most respected property developers in London and the South-East. Its portfolio includes contemporary apartments, traditional townhouses, conversions of period buildings and a range of mixed-use developments.

St George PLC

St George is London's leading mixed-use residential developer. Last year, St George became the first property developer to be granted the prestigious Queen's Award for Enterprise: Sustainable Development 2002.

THE QUEEN'S AWARDS FOR ENTERPRISE: SUSTAINABLE DEVELOPMENT 2002

Crosby Homes

For over 70 years, The Crosby Group has maintained its reputation as a market leader. The Crosby Group now takes a leading role in the renaissance of cities outside London and the South-East, creating landmark buildings which have introduced a blend of quality residential and complementary retail, commercial and leisure uses.

Berkeley Community Villages

Berkeley Community Villages has been established by The Berkeley Group to create new sustainable settlements in a way that is sensitive to existing communities and the natural environment.

St James Group Ltd

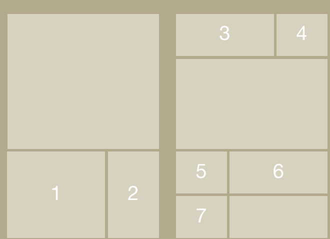
St James is a joint venture between The Berkeley Group and Thames Water. It has gained a formidable reputation for introducing a new level of innovation to housebuilding in London and the South-East of England.

Berkeley College Homes

Berkeley College Homes is the dedicated student and key worker accommodation specialist in The Berkeley Group. It aims to deliver quality and practical accommodation which institutions, ranging from universities to NHS Trusts, can be proud to offer.

Berkeley Commercial

Berkeley Commercial is the Group's dedicated commercial property developer and investor, sharing the Group's passion for innovation and quality. Its flagship development is Gunwharf Quays at Portsmouth Harbour, which has become the focal point for the economic renaissance of Portsmouth.



1 Charter Quay, Kingston
2 One SE8, Deptford
3 Royal Clarence Yard, Gosport
4 Royal Arsenal, Woolwich
5 Leybourne Lakes, Kent
6 St George Wharf, London
7 Gunwharf Quays, Portsmouth

Chairman's Statement

The last year has demonstrated once again the integrity of The Berkeley Group's strategy, which has served the business well for the last decade and continues to guide our path forward. The market in which we operate has been challenging but we have continued to grow our profits and net asset value in a consistent and secure manner. This remains a tribute to the underlying financial strength of the Company and the experience and vision of its executive management in transforming Berkeley into Britain's premier urban regenerator.

The housing market over the last six months has moderated, with sales prices holding up relatively well against a backdrop of falling demand from the boom conditions experienced last year. The return to more normal market conditions is very welcome. It will enable us to continue to show our unique strength in terms of product quality and diversity, marketing flair and design innovation.

Financial Results

For the year ended 30 April 2003, Berkeley is delighted to announce pre-tax profits of £221.2 million – an increase of 12.7% on the £196.2 million for the same period last year. Earnings per share rose by 10.2% from 105.3p to 116.0p. Shareholders' funds increased by £88.0 million, to £1,056.2 million (30 April 2002: £968.2 million) an increase of 9.1%. Net assets per share stand at 829p, an increase of 15.6%. Due to the share buy-backs carried out from December 2002 to April 2003 shareholders' funds are £42 million lower at 30 April 2003 and will be £49.5 million lower at 30 April 2004. Return on capital employed was 19.3%, up from 18.9% on last year. At 30 April 2003, bank loans and overdrafts were £143.1 million (2002: £243.5 million), representing a gearing level of 13.5% (2002: 25.1%).

Dividends

The Directors are pleased to recommend a final dividend of 14.4p net per share. This dividend, together with the interim dividend of 4.8p net per share paid in February 2003, will make a total dividend of 19.2p – an increase of 16.4% over the 16.5p paid last year. The cost of the final dividend will be £18.4 million and will be payable on 4 September 2003 to shareholders on the register at 8 August 2003.

The dividend policy of the Group is to move towards a better balance between the interim and final dividends, taking into account the more even split of pre-tax profits between the first and second halves of the year as was experienced in 2002/3, and to maintain the cover ratio.

Trading Analysis

Group turnover was £1,150.8 million (2002: £976.8 million). This comprises £1,130.1 million (2002: £927.6 million) of residential turnover and £20.8 million (2002: £49.1 million) of commercial turnover.

During the year, Berkeley sold 3,544 homes at an average selling price of £315,000. This compares to 3,182 homes at an average selling price of £273,000 in the corresponding period in 2002. In 2003, the Group realised £8.8 million from land sales (2002: £59.8 million). The Group's policy has always been to take advantage of suitable land sales opportunities – Berkeley's performance is not, however, dependent on such opportunities.

Group commercial turnover was lower at £20.8 million (2002: £49.1 million) as Phase I of Gunwharf Quays, 50% of which was sold to Land Securities, is substantially complete. In addition to Gunwharf Quays, the Group successfully developed nine commercial opportunities on our mixed-use schemes.

Joint venture turnover totalled £99.3 million (2002: £108.3 million). This comprises £91.4 million from residential projects and £7.9 million (2002: £10.1 million) from commercial schemes. The number of units sold was 637 at an average selling price of £211,000. The lower average selling price (compared to 773 units at an average selling price of £278,000 in the corresponding period last year) is due to a change of mix. Residential joint ventures have benefited from a land sale that produced a turnover of £18.8 million.

The housebuilding operating margin excluding joint ventures and land sales has increased from 18.5% to 18.6%. Joint venture operating margins are 16.7%.

Share Buy-Backs

During the period, Berkeley purchased 8,036,559 shares at an average cost per share of £6.14p, of which 6,786,559 shares were cancelled by 30 April 2003 and 1,250,000 will be cancelled in the year to 30 April 2004. The financial costs of these buy-backs is £49.5 million, of which, £42.0 million was paid by 30 April 2003. This increased the gearing levels from 9.2% to the reported 13.5%.

The last year has demonstrated once again the integrity of The Berkeley Group's strategy.

Roger Lewis Chairman

These buy-backs were not part of Berkeley's core investment strategy but the opportunity arose between December 2002 and April 2003 to improve shareholder value with such transactions due to the uncertainty evident in the stock market at the time. The shares were bought back at a discount to net assets of 33.2% and increase the net asset value per share by 11p.

The Board

Since the end of the financial year, two Directors have stepped down from the Main Board. Tim Farrow who joined the Board in 1998 resigned in May. His position as Managing Director of St James has been taken up by Brendon O'Neill who joined the Group in January. Derek Sach, a Non-executive Director of the Group since 1998, resigned in June. We would like to thank them for their contribution to the Group's progress.

Following these resignations the Board comprises myself as Chairman, five Executive Directors and three Non-executive Directors, a balance with which we are very comfortable as the skills and experience of the individual Board members are complementary and serve our business well. We are assessing the impact of the Higgs and Smith Reports on the role of non-executive directors and audit committees and await the publication of a revised Combined Code.

The Berkeley Team

Berkeley has always recognised that part of its strength has been built on the committed, hard working and imaginative people it employs. But the success of our business model also rests on the manner in which we create our teams, generating results far in excess of the simple sum of individuals.

Through our powerfully branded divisions and joint ventures, we have consistently demonstrated our ability to undertake and manage any form of development that presents itself. The confidence that the Group has in the management capability within its divisions, matched with the financial strength of the Group as a whole, has allowed us to unlock the flair and vision of our management teams.

Such a performance is not achieved without the commitment, dedication and expertise of all our staff. On behalf of the Board and shareholders, I would like to express our sincere appreciation and thanks to them all.

Sustainability

Last year, the Board published a Group Sustainability Report, evidence of our determination and commitment to this issue, and I am delighted that we have already published our Report for 2003.

Outlook

The Berkeley Group is in an excellent position to continue to perform well in the medium term, even if adverse conditions materialise. Berkeley's management is experienced and enjoys a proven track record in all markets, so making us the urban regenerator of choice. We have strengthened our landbank, while maintaining our financial strength and a strong forward order book.

We look forward to the future with confidence. Our record in the last year provides us with that confidence and whatever the market may hold our underlying strengths will ensure our continued success.

Roger Hulton Lewis

Roger Lewis
Chairman

Operational Review

Performance in Last Year

It gives me great pleasure to report another very favourable year for The Berkeley Group with turnover and profit up on last year's record figures. The Group's success, in a year which has clearly seen an uncertain property market, is a testament to the quality of our product and the uniquely skilled management team that we have brought together to deliver it to the market.

A consistent approach to managing the Group has established us as one of the most significant players in the regeneration of urban Britain. We encourage innovation, we reward entrepreneurial flair and we nurture the strong brands that we have created. But we have never forgotten the very particular challenges inherent in a cyclical industry. Over the past year we have continued to simplify our management structures and improve efficiencies, the savings from which are already flowing through the business. We have built on the sound capital base for which we have gained a deserved reputation, enabling us to invest in new opportunities and insulate ourselves as far as possible from potential downturns in the market.

The Group has continued to develop its sustainability strategy over the past year and this has played an important part in enhancing the quality of our product, reducing the impact of our industry on the local communities in which we work and improving our cost efficiencies. The operating companies are where we deliver upon our sustainability agenda and I am immensely proud of the progress they have made in this area.

In the consistency of our strategy, our willingness to pioneer and the ability of our management to identify and take advantage of new opportunities, lie the solid foundations for our success in the last financial year and our confidence in the future of the business.

The Housing Market

During the second half of our previous financial year (November 2001 to April 2002) we operated in an unexpectedly buoyant market. We did not consider this market to be sustainable but nevertheless to help satisfy demand we released a number of developments early and accelerated our reservations rate. In the first six months of the financial year (May 2002 to October 2002), Berkeley's reservations were in line with the same period in 2001, indicating a return to a more normal market. In the second half of the financial year (November 2002 to April 2003), reservation levels weakened and Berkeley's were 36% down

◀ Imperial Wharf, London
St George continues to demonstrate that it is at the leading edge of urban regeneration in the UK.

▶ The Point, Bristol
A stunning riverside development by Crosby Homes.

The Berkeley Group's success is a testament to the quality of our product and the uniquely skilled management team that we have brought together to deliver it to the market.

Tony Pidgley Managing Director

against the boom conditions of the comparable period in the previous year. The positive news is that reservations in June 2003 are ahead of those in June 2002, indicating a return to a more normal housing market.

Forty-five per cent of the reservations during the period were from investors, which the Group defines as ranging from households purchasing a second home through to a large institutional investor. This compares to 51% for the comparable period last year. Overseas investors account for 19% of the investor reservations, down from 22% for the comparable period last time.

This highlights the market trend of a shift away from investors to owner-occupiers who purchase later in the cycle and the Group has refocused its marketing strategy accordingly. Nevertheless, investor demand is still healthy, which, as we said in the half year statement is reassuring to the Group. It also demonstrates that our investor market was not solely dependent on the buy-to-let phenomenon and comprises both opportunistic purchasers and individuals preferring property to other investments.

Traditionally, the housing market is driven by consumer confidence which in recent years has benefited from high employment levels, low interest rates and a low level of supply which is being exaggerated in London and the South-East due to planning constraints and the deliverability of complex urban regeneration schemes.

While Berkeley has seen a slowing of reservation levels and headline prices have fallen, our sales prices have been running at between 3.0% to 8.0% above our business plan forecast – with some variations dependent on the location and the type of scheme. Build costs continue to put operating margins under pressure given the continuing skills shortage but Berkeley can maintain its operating margin due to its management expertise and constant attention to detail, providing the current market conditions prevail.

There is continuing evidence that the demand for detached houses in the Home Counties and large apartments in Central London is moderating. Berkeley has modest exposure to these areas of the market.

▲ Chelsea Bridge Wharf, London
Berkeley Homes development at Chelsea Bridge Wharf has transformed previously derelict land into an exciting place to live, work and play.

Central to our business strategy is the objective of creating interesting and attractive environments, bringing home, work and leisure closer together.

For the Group to achieve its 2003/4 reservation target, 58% of the sales required are on units under £300,000 and 86% under £500,000. This gives Berkeley a degree of comfort but the Group is under no illusions regarding the demanding nature of the market. Current market conditions will favour companies with distinctive and high quality products, robust finances and creative marketing strategies.

Forward Sales

Berkeley's strategy has always been to sell its homes at an early stage in the development cycle in order to secure an early commitment from customers and thus enhance the quality of future income. This strategy has always stood the Group in good stead whatever the market conditions. At 30 April 2003, Berkeley held forward sales of £920.9 million, a drop of £130.7 million on this time last year. Of this total, £229.0 million was included in the results for the 12 months to 30 April 2003. Shown as debtors in the balance sheet, it reflects cash to be collected on units taken to sales. The balance of £691.9 million will benefit the current year as well as future years.

Land Holdings

Berkeley over the last 12 months has concentrated on urban regeneration sites. In the first half, the Group broadly replaced the number of units used up in trading. In the second half, Berkeley has increased its land bank by 4,500 plots. Berkeley has been able to acquire new land while meeting very strict investment criteria, taking special advantage of the current market in the South-East.

The land market has yielded a number of opportunities, especially on the larger sites in the South-East though our overall assessment is that the land market is still competitive, especially for sites with an implementable planning consent.

Large sites acquired during this year include the 13-acre site at Battersea Reach for 658 units, a 30-acre site in Hendon for potentially over 2,000 units and a joint venture site in York for over 700 units. In addition, St James acquired five sites from Thames Water in the second half for over 1,000 units including a 14-acre site in Hornsey for 467 units and a 60-acre site in Worcester Park for 480 units.

Berkeley is concentrating on replanning a number of sites in its portfolio and densities have been increased whenever appropriate in line with best planning practice. This has the advantage of improving numbers and gross margin without incurring further land costs. It also allows us to ensure that our schemes are meeting market demand and are affordable.

As a result, at 30 April 2003, the Group (including our joint venture companies) controlled over 25,850 plots compared to 20,426 at 30 April 2002. Of these holdings, some 19,459 are owned and included in the balance sheet compared to 16,014 this time last year, while 3,358 (April 2002: 2,612) units are contracted and a further 3,033 (April 2002: 1,800) have terms agreed and solicitors instructed. At 30 April 2003, the estimated gross margin on these 25,850 plots is over £2 billion (30 April 2002: £1,700 million). Over 95% of our land holdings are on brownfield or recycled land and many of our sites involve mixed-use developments which provide for living, working and leisure and so meet the Government's sustainability criteria.

Within the land holdings the Group has over two million square feet of commercial space, within our mixed-use schemes.

Berkeley has achieved this increase in land holdings without the requirement of additional financial resources either through direct investment or increasing the use of deferred land payments. The land cost percentage to turnover has fallen from 17.8% to 14.5% while the estimated gross margin has remained over 28%.

Financial Strength

The Berkeley Group continues to maintain the sound capital base that has been at the core of its strategy for the past decade. Our low gearing level, of 13.5%, reflects our determination to maintain this strategy. In total, the Group

◄ Battersea Reach, Wandsworth
An award-winning new riverside development of individual tiered waterfront towers, which will feature contemporary apartments and penthouses with bars, cafes, restaurants and health and leisure facilities.

1 Brewery Square, London
2 Chelsea Bridge Wharf, London
3 Worcester Park, Surrey
4 Kew Riverside, London
5 Royal Clarence Yard, Gosport
6 One SE8, Deptford
7 Chelsea Bridge Wharf, London

maintains bank facilities in excess of £520 million. In parallel with this secure financial base, we continue Berkeley's drive to maximise efficiencies and create an ever-leaner business.

Over the past year we have continued to review our cost-base and to ensure that the business is organised to maximise returns.

As a further step in our strategy of focusing activities on quality urban regeneration schemes and the development of integrated and sustainable communities, the Group merged Thirlstone Homes into Berkeley Homes earlier this year.

Joint Ventures

In January 2002, Berkeley raised £47 million in a share placing on the anticipation of requiring further funding for our joint venture opportunities.

Berkeley currently has £56.8 million of capital employed in joint ventures, a reduction of £2.4 million from this time last year but our share of bank borrowings has increased by £19.4 million to £70.9 million.

Berkeley has not fully utilised equity within joint ventures because it has been able to develop land through its wholly owned divisions.

Berkeley is committed to all our existing joint venture partners, especially Thames Water, through our joint venture company St James but will only develop further relationships if there is a mutual benefit to developing land through a joint venture. Our joint venture partners endeavour to operate at gearing levels between 60% and 70% hence the requirement for equity is lower. But it is Berkeley's strategy to ensure the Group's financial strength is not weakened by our joint venture borrowing requirements and they are taken fully into account when determining our financial strategy.

Health and Safety and the Environment

During the year, we have sought continuing improvement of health, safety and environmental standards to ensure our sites and workplaces are safe places in which to operate. Berkeley is committed to reducing the incidents that occur and our target is to minimise them as far as possible. We are currently experiencing incidents at 48% below the national average for the construction industry. We experienced a notifiable incident rate of 10.2 per 1,000 workers and have committed to target a 10% reduction of this in the forthcoming year.

It is also pleasing to receive awards in recognition of our progress in this area with St George, St James and Crosby achieving Gold RoSPA Awards for Health & Safety. St George was accredited with a 5-star rating by The British Safety Council, the highest rating category. Crosby Homes has been accredited as a regional training and assessment centre for health and safety, training both the Company workforce and those of its contractors.

Awards

I am delighted that The Berkeley Group has again received external recognition for its achievements and those of its employees, whose contribution is so important to the Group's overall success. As mentioned above, St George has maintained its high standards, building on last year's fantastic achievement of being honoured with the Queens Award for Enterprise: Sustainable Development, by being accredited with a 5-star rating from the British Safety Council. St George was also the House-builder of the Year in the 2003 Building Awards.

Our site managers were awarded NHBC Pride in the Job Awards and the Group also received awards from the Evening Standard, What House? and London in Bloom.

I am always reluctant to single out individuals as the Group performance is down to the whole team, however, I would like to congratulate Charmaine Young, Director of Regeneration at St George who was awarded a CBE for her services to urban regeneration, an outstanding personal achievement, of which I and the Group are extremely proud.

Issues for the Future

Land Supply

Land supply remains constrained and competitive, particularly on sites with planning consents capable of immediate implementation. Nevertheless, The Berkeley Group is strongly placed in terms of our land holdings. We remain committed to our consistent strategy of purchasing land selectively and according to very strict investment criteria; and we will continue to sell land when we judge it commercially appropriate to do so.

Skill Shortage

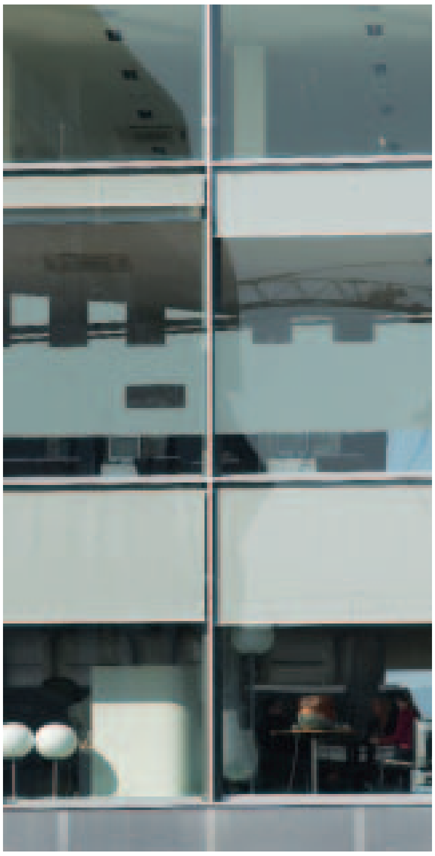
Labour and skills shortages continue to constrain the construction industry but Berkeley has been able to mitigate the impact of these constraints through an increase in off-site manufacture and pre-assembly of components and by developing close partnerships with our main contractors and sub-contractors.

Planning

The home building industry remains one of the most regulated sectors in the UK and the planning process is one of the most obvious impacts on our business. While the Group,








in partnership with our industry colleagues, continues to lobby for the removal of unnecessary complexities and delays in the system, our experience in negotiating planning agreements remains strong throughout all the divisions and makes us well placed to optimise our land holdings.

Conservation

Central to our business strategy is the objective of creating interesting and attractive environments, bringing home, work and leisure closer together. Our divisions are strongly focused on conserving both our natural environment and our built heritage. Projects such as our development at the Royal Arsenal at Woolwich demonstrate our commitment and ability in conserving and regenerating buildings of architectural heritage and in all our projects we seek to protect and enhance the natural environment.

Affordable Housing

The increase in house prices, fuelled by constraints in the market, has increased the need for affordable housing particularly in the South-East. Our developments tackle social polarisation by providing a wide variety of homes for people with differing needs including families, key workers, student housing and homes for the frail and elderly. We have a number of strategic partnerships with housing associations, which assist us in providing the affordable housing elements of our schemes.

St George is currently represented on the Housing Corporation's Home Ownership Task Force, which was established at the request of the Government to examine the provision of low-cost home ownership. The task force is due to report to the Government this autumn.

Respected Brands

The Berkeley Group has developed a portfolio of powerful and respected brands over the past decade. The autonomy that we give to our divisions encourages them to build these brands and to adopt innovative and assertive marketing strategies.

Leading Edge Products

The quality of product is crucial to the success of the business. Berkeley only offers properties that we would be happy to call our homes. The design and mix of our developments is market led, ensuring that we build homes which fit the needs of our customers. While price and presentation are important, we have consistently delivered homes that are easy to sell in terms of quality and the purpose and design for which we build. We continually review our

◄ Chelsea Bridge Wharf, London
Extensive investigation was carried out to assist the design of energy efficient buildings.

Opposite page: The London Wetland Centre, Barnes
Berkeley's development of Barnes Waterside transformed a redundant site into a major new ecologically diverse habitat.

▶ Gunwharf Quays, Portsmouth
A high quality shopping and leisure experience has been created at Gunwharf Quays.

▼ Putney Wharf, London
An imaginatively conceived mixed-use development on the River Thames at Putney Bridge.

product to ensure that it is the right product for the right market on the right site.

Service to the Customer

Our customers are naturally the main focus of our business and ensuring their satisfaction is crucial to our success. While our customer surveys show a high level of satisfaction, we are never complacent and recognise that there is always the opportunity to improve on the service we give. The expectations of customers continue to grow and we are conscious that our service must be constantly reviewed to ensure that we retain our hard-earned reputation in this area.

Moving Forward

The Berkeley Group is in a strong position. The decline in the buoyancy of some of our principal markets was anticipated and our business operations have been adjusted accordingly. We recognise the market will continue to be challenging, which is why the quality of our products and our marketing capabilities have been enhanced. In addition, our balance sheet is strong, our gearing is low and we had the foresight to create the right mix of land holdings and product for the market that exists today.

I am confident that the skills of our management team combined with our consistent strategy of organic growth will enable the Company to continue to perform strongly and further develop its reputation as a leading urban regenerator. At the same time, we will generate cash, so providing a further opportunity for Berkeley to simplify its structure, improve its land holdings, strengthen its financial base and take advantage of opportunities in the market.

I believe that Berkeley remains able to continue delivering enhanced performance, while minimising the risks inherent in our sector. That will continue to be our aim, and I look forward in 2004 to reporting on another year of achievement.

Tony Pidgley
Managing Director

▲ One SE8, Deptford

Sustainability

The creation of new communities through the development of land is the core of The Berkeley Group's business. Over the last decade our focus has been the regeneration of redundant land across the United Kingdom, bringing life and vitality to towns and cities and creating communities in which our customers can live, work and play. This focus has placed sustainable development at the heart of the Group's business strategy and led us to review the sustainability of all our activities. From there we developed a sustainability strategy, a process which culminated in the publication of our first Sustainability Report last year.

Berkeley remains committed to its sustainability strategy, which we believe adds value to our business while delivering benefits to all our stakeholders, not least of all the communities in which we work. Our second Sustainability Report is published alongside this Annual Report and Accounts.

The key objectives of the sustainability strategy remain:

Identifying and Minimising Risks
We seek to manage risks to the environment, to our employees and to the communities in which we work.

Operating Efficiently
We are working continually to ensure that the construction process is as efficient as possible.

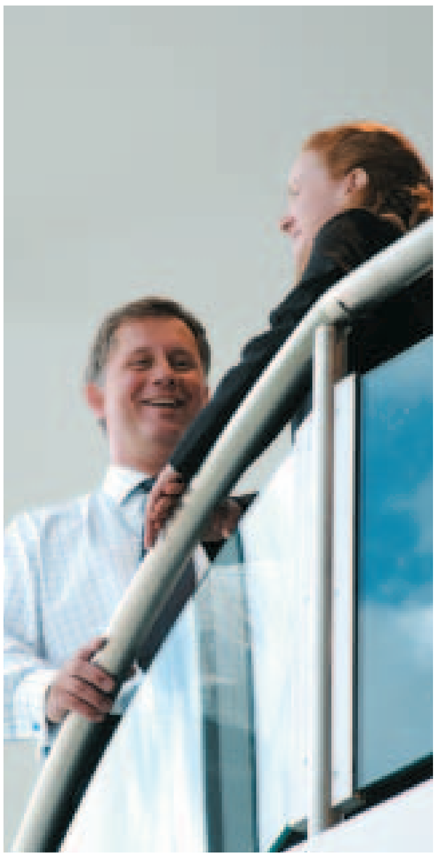
Working with our Stakeholders
We do not impose ideas, we help plans evolve by engaging with those involved in the different aspects of our work.

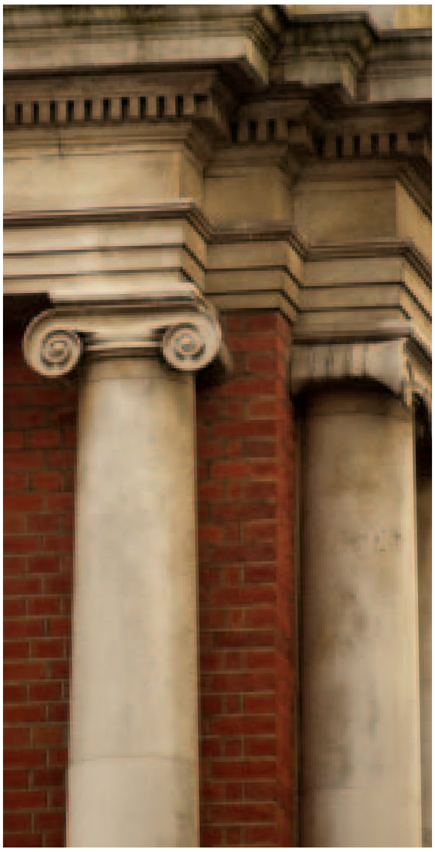
Creating New Opportunities
We believe that we are at the forefront of change – sustainable communities must be sensitive to the past and learn from it but they must also be able to cope with the challenges of the future.

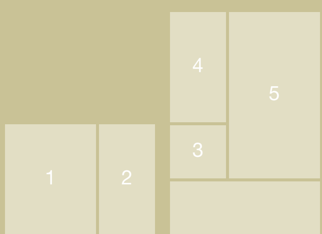
Overall, the Company has progressed well against the targets we set. Important milestones for the Group include:

- Participation in the Business in the Environment Index of Corporate Environmental Engagement.
- Listing in the FTSE4Good Index.

We will continue to work hard in the coming year to ensure that sustainability principles continue to evolve throughout our business.







1 London Wetland Centre, Barnes

2 & 3 Training and development at The Berkeley Group

4 Royal Arsenal, Woolwich

5 Gunwharf Quays, Portsmouth

Board of Directors and Advisers

Roger Lewis FCA
56

Appointed Group Chairman on 1 February 1999. He joined the Company in 1991 and was appointed a Group Main Board Director in early 1992. He is a member of the Executive Committee and Chairman of the Nomination Committee.

Tony Pidgley
55

Co-founder of the Company in 1976 with Jim Farrer. He is the Group Managing Director and Chairman of the Executive Committee. He is a member of the Nomination Committee.

Tony Carey BSc FRICS
55

Joined St George PLC in 1987 and was appointed Managing Director of that division in 1990. He joined the Group Main Board in 1993 and is a member of the Executive Committee.

Greg Fry ACA
46

Joined the Company in 1982 and has been a Director of St George PLC from its inception in 1986. He is currently Chairman of the Division's four principal operating companies. He was appointed to the Group Main Board with effect from 1 May 1996 and is a member of the Executive Committee.

Fred Wellings
61

Appointed a Non-executive Director in March 1994. He was head of research at leading City institutions, specialising in the construction industry, and remains active in the sector. He is the Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Victoria Mitchell
52

Appointed a Non-executive Director on 1 May 2002. She is a Consultant Director of FPDSavills, a Member of ING Barings Residential Property Fund Advisory Board, a Non-executive Director of The Golding Group, South Africa, and Development Securities plc and a Member of CABE's Enabling Panel. She was appointed Chairman of the Remuneration Committee on 11 June 2003 and she is a member of the Audit and Nomination Committees.

Tony Palmer FRICS FCIOB
66

Appointed a Non-executive Director on 1 January 1998, having retired as Chief Executive of Taylor Woodrow plc. He is currently Chairman of Galliford Try, High-Point Rendel Group and Pilkington's Tiles Group. He is a member of the Audit, Remuneration and Nomination Committees.

Honorary Life President
Jim Farrer MRICS
73

One of the two founders of the Company and was Group Chairman until his retirement from full-time employment in 1992. At that time he was appointed Honorary Life President.

Geoff Hutchinson
44

Joined the Company in October 1993, initially with responsibility for the Midlands Company. He has been Chairman of the Crosby Homes Division since early 1995 and was appointed to the Group Main Board with effect from 1 May 1996.

Rob Perrins BSc(Hons) ACA
38

Joined the Company in 1994 having qualified as a chartered accountant with Ernst & Young in 1991. He was appointed to the Group Main Board on 1 May 2001 on becoming Managing Director of Berkeley Homes plc, moving to his current role as Group Finance Director on 2 November 2001. He is also a member of the Executive Committee.

Company Secretary
Claire Puttergill ACIS

Registered office and principal place of business
Berkeley House
19 Portsmouth Road
Cobham, Surrey KT11 1JG

Registered number
1454064

Registrars and Transfer Office
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU

Solicitors
Ashurst Morris Crisp
Sacker & Partners
Shearman & Sterling

Stockbrokers
UBS Warburg

Auditors
PricewaterhouseCoopers LLP

Bankers
Barclays Bank
Lloyds TSB Bank
The Royal Bank of Scotland

Executive Committee
A W Pidgley (Chairman)
R St J H Lewis
A Carey
G J Fry
R C Perrins

Audit Committee
F Wellings (Chairman)
V M Mitchell
H A Palmer

Remuneration Committee
V M Mitchell (Chairman)
H A Palmer
F Wellings

Nomination Committee
R St J H Lewis (Chairman)
A W Pidgley
V M Mitchell
H A Palmer
F Wellings

Directors' Report

The Directors submit their report together with the financial statements for the year ended 30 April 2003.

Principal activities and review of the business

The Company is a UK listed holding company of a wider group engaged in residential housebuilding and commercial property investment and development.

The Chairman's Statement on pages 4 to 5 and the Managing Director's Operational Review on pages 6 to 14 provide more detailed commentaries on the business during the year, together with the outlook for the future.

Trading results and dividends

The Group's consolidated net profit after taxation for the financial year is made up of continuing trading activities of £154,684,000 (2002: £136,829,000). An increased interim dividend of 4.8p per Ordinary Share (2000: 4.0p) was paid on 14 February 2003 amounting to £6,479,000 (2002: £5,128,000) and a final dividend is proposed at an increased amount of 14.4p per Ordinary Share (2002: 12.5p). This will amount to £18,430,000 (2002: £16,875,000) and, if approved, will be paid on 4 September 2003 to members on the Register at 8 August 2003. The balance of £129,775,000 (2002: £114,826,000) has been transferred to the reserves.

The Group's joint ventures contributed profits before taxation of £13,525,000 (2002: £20,477,000).

Share capital

The Company had 128,214,472 Ordinary Shares in issue at 30 April 2003. Movements in the Company's share capital are shown in Note 17 to the accounts. During the year, within the 10% limit authorised by shareholders at the 2002 Annual General Meeting, the Company purchased 8,036,559 of its shares at an average cost of £6.14 per share, of which 6,786,559 were cancelled by 30 April 2003 and the remaining 1,250,000 subsequent to the year end.

Information on the Group's current share option schemes is set out in Note 17 to the accounts. Details of the Long Term Incentive Schemes and Long Term Incentive Plan for key executives are set out in the Remuneration Report on pages 23 to 29.

Directors

The Directors of the Company are listed on pages 18 and 19. All of these Directors, and Mr T Farrow and Mr D S Sach who resigned on 31 May 2003 and 11 June 2003 respectively, served throughout the year under review. Mr M J Freshney ceased to be a Director on 31 May 2002.

The Directors' interests in the share capital of the Company or its subsidiaries are shown in the Remuneration Report on page 29.

In accordance with the Articles of Association of the Company, Messrs. Fry, Pidgley and Wellings retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

There were no contracts of significance during, or at the end of, the financial year in which a Director of the Company is, or was, materially interested, other than those set out in Note 24 to the accounts, the contracts of employment of the Executive Directors, which are terminable within one year, and the appointment terms of the Non-executive Directors, which are renewable annually.

Substantial shareholders

The Company has been notified of the following interests, amounting to 3% or more of the issued Ordinary Share capital of the Company, as at 7 July 2003:

	%
Saad Investments Company Limited and Mr Al-Sanea	11.8
M & G Investment Management	4.8
Legal & General Group	4.0
Orbis Investment Management	3.3
Morley Fund Management	3.2

Donations

During the year, donations by the Group for charitable purposes in the United Kingdom amounted to £287,000 (2002: £246,000).

The Group made no political contributions (2002: £nil) during the year.

Employment policy

The Group's policy of operating through autonomous subsidiaries has ensured close consultation with employees on matters likely to affect their interests. The Group is firmly committed to the continuation and strengthening of communication lines with all its employees.

A new Equal Opportunities Policy was introduced in 2001. As part of this, it is the policy of the Group to support the employment of people with disabilities wherever practicable and to ensure, as far as possible, that training, career development and promotion opportunities are available to all employees. This policy includes employees who become disabled whilst employed by the Group.

Sustainable development

The Berkeley Group recognises that its commercial success is increasingly dependent upon the careful consideration of the environmental, social and economic issues that affect the quality of life in the communities in which it works. For this reason, the Group published its first Sustainability Report last year.

In our recently published second Report, we have reported on progress made since last year and set new objectives for the future.

Health and safety

The Group considers the effective management of health and safety to be an integral part of managing its business. Accordingly, the Group Main Board continues to monitor the strategic development and implementation by all divisions of their Occupational Health and Safety Management Systems and that, both at Group and divisional level, they remain compliant with recognised established standards such as the Health and Safety Executive's HS(G) 65.

We remain committed to enhancing the Group's high standards through continuous improvement. Our Health and Safety Working Group, comprising Divisional Executives and Managers, continue to review progress against targets set for our established key performance indicators and reports quarterly to the Group Main Board.

Various divisional initiatives have been undertaken during the course of this year which includes the Crosby Group's initiative 'Qualifying the Workforce' which has health and safety training and awareness at the heart of the learning required to achieve the recognised certification under the Construction Skills Certification Scheme (CSCS) for crafts people, operatives, supervisors and managers. Berkeley Homes, supported by the Health and Safety Executive, have continued health and safety training programmes for supply chain companies.

The health and safety performance of our four major divisions (St George, Crosby Group, St James and Berkeley Homes) have been recognised with awards from the Royal Society for the Prevention of Accidents (RoSPA).

Directors' Report continued

Payment of creditors

Each of the Group's operating companies is responsible for agreeing the terms and conditions, including terms of payment, relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment where the supplier has provided the goods and services in accordance with the relevant terms and conditions of contract. The average supplier payment period during the year for the Company was 24 days (2002: 22 days).

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company is to be held at the Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB at 10.00am on Friday 22 August 2003 and the Notice of Meeting, which is on a separate insert, contains a number of resolutions which will be proposed under Special Business. All of the resolutions are explained in more detail in the notes to the Notice of Meeting.

By order of the Board

C Puttergill ACIS
Company Secretary
7 July 2003

Remuneration Report

The Remuneration Committee is responsible for determining the Company's broad policy for executive remuneration and the terms of employment and remuneration of Executive Directors. It consists exclusively of the independent Non-executive Directors as listed on pages 18 and 19. They are Mrs V M Mitchell (Chairman), Mr H A Palmer and Mr F Wellings. Mrs V M Mitchell became Chairman of the Remuneration Committee on 11 June 2003 following the resignation from the Main Board of Mr D S Sach, the previous Chairman. In fulfilling its responsibilities, the Remuneration Committee has given full consideration to Section B of the principles of good governance annexed to the Listing Rules of the Financial Services Authority and the requirements of Statutory Instrument 2002/1986 – The Director's Remuneration Report Regulations 2002 (the 'new Regulations'). This report will be put to shareholders at the Annual General Meeting of the Company in accordance with the new Regulations.

Remuneration policy

The Company's policy on Executive Directors' remuneration is to provide an appropriate package having regard to factors such as overall responsibilities, individual and Group performance as well as market rates. In setting Executive Directors' remuneration, the Remuneration Committee has had particular regard to the principle that remuneration committees should provide packages needed to attract, retain and motivate Directors of the quality required, but should avoid paying more than is necessary for this purpose. In the view of the Remuneration Committee, this is to a great extent a subjective decision and one in which common sense plays a large part. However, as recommended in the best practice provisions, the Remuneration Committee has considered the issue of comparability and relative performance within the industry sector.

During the year, Kepler Associates were appointed by the Remuneration Committee to assist in its consideration of all matters relating to Executive Directors' remuneration. The Remuneration Committee also consulted with the Group Chairman and Group Managing Director.

In constructing and reviewing remuneration packages for Executive Directors, the emphasis is on linking pay to performance through a combination of fixed (salary and benefits) and performance related elements (performance bonuses and long term incentives) with a weighting towards performance. The performance related elements are determined by reference to the operating performance of the Group or specific relevant division in respect of Group Main Board members with divisional responsibilities.

Base salary

Base salary is designed to reflect individual Executive Directors' responsibilities, experience, contribution and market value. To determine market competitive salaries both published information on, and surveys comparing public companies of a similar size and from a similar sector are considered.

Performance bonus

Bonus levels for Executive Directors are chiefly related to the achievement of pre-agreed annual profit before tax targets, determined by the Remuneration Committee at the beginning of each financial year. Bonuses for Messrs Lewis, Pidgley and Perrins are predominantly linked to Group profits. Messrs Carey, Farrow, Fry and Hutchinson receive bonuses generally linked to the performance of the divisions for which they are responsible. In setting the targets, the Remuneration Committee takes into account the Group's overall strategy and market positioning.

Profit before tax is used as the basis for setting performance targets as it reflects, in the view of the Remuneration Committee, the best measure of organic growth and operational performance, also having regard to the cost of financing those operations. It is also easily measured by reference to audited results.

Long-term incentives

(a) The Long Term Incentive Plan

The principal form of long term incentive, eligible to Executive Directors, is through the Berkeley Group Long Term Incentive Plan ('LTIP' or the 'Plan'). The Plan is intended to deliver rewards to a participant only if there has been strong underlying performance in the Group or, in the case of Executive Directors with specific divisional responsibility, the division for which those Directors are responsible.

Under the LTIP, which is administered by a special committee comprising the members of the Remuneration Committee, individuals may be granted an award annually, the vesting of which is subject to the attainment of pre-determined performance targets measured over a three-year period. Awards are intended to deliver a pre-determined cash value and a number of shares, each worth at the outset 50% of the value of the total annual award. The shares element is fixed by reference to the market value of the Company's shares at the date of grant. In general, participants will not be granted awards under the LTIP and any of the Executive Share Option Schemes in the same year, unless exceptional circumstances prevail.

Remuneration Report continued

The maximum value to be delivered under an award (based on the share price at the date of grant) is 200% of an individual's annual salary (excluding bonuses and all other benefits) as at the date of grant. In practice, it is envisaged that awards above 100% of an individual's annual salary (excluding bonuses and all other benefits) will be made only to a limited number of individuals.

The cash element is payable following the third anniversary of the date of grant of the award provided the performance targets has been met. The participant is normally only entitled to the share element following the fourth anniversary from the date of grant of the award, by which time the value of the underlying shares will have increased or decreased in line with the Company's share price performance over the period since the date of grant. Performance under the LTIP is measured according to the level of audited cumulative pre-tax profits of the division or Group company in which the participant is employed over the relevant period. Achievement is determined on an 'all or nothing' basis over a period of three years with no opportunity for re-testing. For awards under the LTIP to vest, the audited net assets of each division or Group company, after taking account of changes in share capital and dividend distributions, must also have increased by at least a cumulative rate of 10% per annum since the base year.

For the reasons stated previously, profit before tax is believed to be the most appropriate target against which to measure executive performance. By introducing a net asset criteria as an additional target for the LTIP, participants must have regard to the long-term condition of the business.

Details of awards made under the LTIP are provided in the table on page 28 of this report.

(b) The Long Term Executive Incentive Scheme

Prior to the establishment of the LTIP, the Company had established The Berkeley Group plc Long Term Executive Incentive Scheme (the 'Scheme') 1995 and 1996; the final awards to Directors being made in respect of the 1996 Scheme on 1 May 1996. These schemes entitled eligible participants to receive an award in the provisional allocation of rights to Company shares in each of the five years from commencement. To receive awards, relevant performance targets based upon earnings per share growth, increase in net asset value and share price performance for that year needed to be satisfied.

Participants remaining in employment received the provisionally allocated shares after a period of approximately six years from commencement of their participation in the Scheme. In addition, at the discretion of the Remuneration Committee, a final cash sum may be payable to each participant based on the achievement of similar performance targets over the period of five years.

During the year ended 30 April 2003, two Directors received their share allocation in respect of the 1996 Scheme, having completed their participation therein on 30 April 2001 (see page 26). At 30 April 2003, one senior manager remained entitled to shares under the 1996 Scheme.

(c) Executive Share Option Scheme

The Remuneration Committee believes that executive option schemes also have an important part to play in motivating senior executives. Two new plans were introduced in 2000 to replace the existing approved and unapproved schemes. The SAYE scheme remains in place.

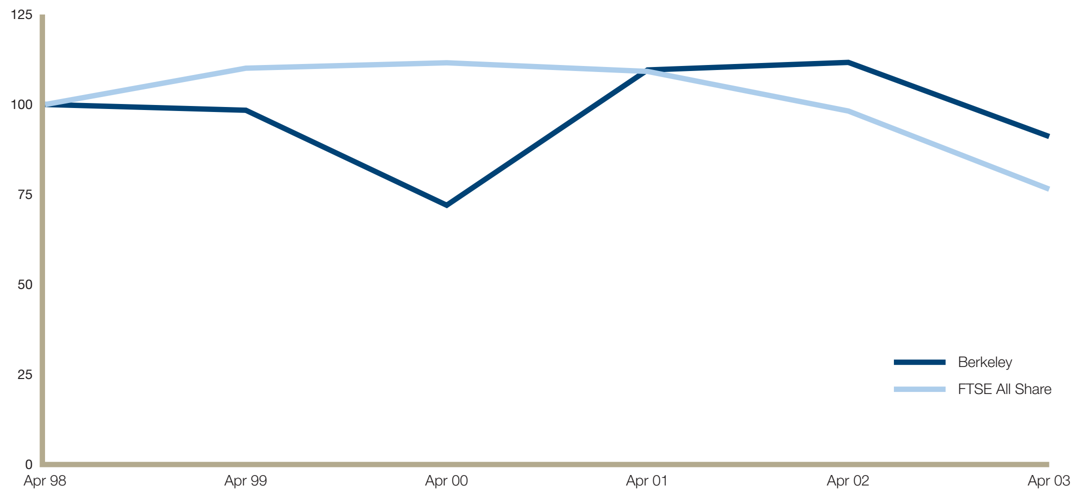
Under the option plans, individuals may be granted options annually over shares worth up to 100% of annual salary (excluding bonuses and all other benefits). The Remuneration Committee has discretion to vary this amount in exceptional circumstances, in which case the limit is 200% of annual salary (excluding bonuses and all other benefits). Exercise of any option is conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. In general, participants will not be granted awards under the LTIP and any of the Executive Share Option Schemes in the same year, unless exceptional circumstances prevail.

On 30 April 2003, following the conclusion of a review of the Group's financial strategy and Executive Incentive arrangements, a grant of options under the Executive Share Option Schemes was made to Mr A W Pidgley, details of which are shown on page 29. The options granted had a value of 200% of his annual salary and the number of shares granted under this special option was calculated using an average three-month share price. The vesting of the options will be based on share price growth rather than the EPS based conditions mentioned above. The options will vest in full only if the Company's share price rises by at least 50% within a three to five-year period (based on the three-month average share price set on the date of grant). The number of shares vesting will be calculated on a sliding scale for share price growth between 20% and 50%. At 20% growth, 10% of the options vest. Below 20%, no options vest. If the performance condition has not been met within five years the options will lapse. It is intended that Mr A W Pidgley can benefit from similar awards in the future with performance targets based on a measure of share price growth.

Performance graph

The line graph below shows the total shareholder return ('TSR') over the last five years against the FTSE All Share Index. The FTSE All Share Index has been chosen as a comparator as it represents a broad range of UK quoted companies.

Total shareholder return



Pension and other benefits

The Executive Directors are all members of one or more of the following pension schemes in operation within the Group, namely The Berkeley Group Staff Benefits Plan, The Berkeley Homes Executive Pension Plan and The St George PLC Retirement and Death Benefits Scheme. No element other than basic salary is pensionable.

As shown in the table on page 27, three (2002: three) Directors have benefits accruing to them under a defined contribution scheme and five (2002: five) have benefits accruing to them under a defined benefit scheme. Non-executive Directors are not eligible to participate in these schemes.

Other benefits in kind, such as healthcare and fully expensed company cars, are provided in accordance with Company policy for such benefits, which are aligned to market practice.

Remuneration of Non-executive Directors

Remuneration for the Company's Non-executive Directors is determined by the Group Main Board and reviewed annually with advice from external consultants as deemed necessary. It does not include any performance related element. All non-executives have service contracts renewable annually on 1 May.

Directors' service contracts

All Executive Directors are employed on service contracts under which the Company is required to give 12 months' notice of termination with the Executive Directors also required to give 12 months' notice. None of these service contracts contain provisions for any predetermined compensation on termination.

	Date of contract	Unexpired term	Notice period by Company or Director
R St J H Lewis	24 June 1994	1 Year Rolling	12 Months
A W Pidgley	24 June 1994	1 Year Rolling	12 Months
A Carey	20 September 1994	1 Year Rolling	12 Months
T Farrow	16 March 1998	1 Year Rolling	12 Months
G J Fry	27 June 1996	1 Year Rolling	12 Months
G Hutchinson	27 June 1996	1 Year Rolling	12 Months
R C Perrins	15 July 2002	1 Year Rolling	12 Months

Mr T Farrow resigned as a Director with effect from 31 May 2003. His contract was ended by mutual consent and consequently no payment was made in respect of loss of office.

The following tables and accompanying notes constitute the auditable part of the Remuneration Committee Report as defined in Part 3, Schedule 7a of the Companies Act 1985.

Directors' remuneration

The remuneration of the Directors of the Company for the year is as follows:

	Salary/fees £	Bonus £	Benefits in kind [7] £	Compensation for loss of office £	**2003 Total £**	2002 Total £
Executive Directors						
R St J H Lewis (Chairman) [1]	210,000	100,000	3,004	–	**313,004**	368,897
A W Pidgley	650,000	1,500,000	32,596	–	**2,182,596**	1,470,085
A Carey	385,000	438,704	30,165	–	**853,869**	784,608
T Farrow [2]	250,000	–	23,242	–	**273,242**	312,143
G J Fry	275,000	227,645	26,335	–	**528,980**	482,100
G Hutchinson	275,000	150,000	23,396	–	**448,396**	467,863
R C Perrins	250,000	600,000	23,646	–	**873,646**	365,111
Non-executive Directors						
V M Mitchell [3]	30,000	–	–	–	**30,000**	–
H A Palmer	30,000	–	–	–	**30,000**	27,000
D S Sach [4]	33,000	–	–	–	**33,000**	29,000
F Wellings	33,000	–	–	–	**33,000**	29,000
Former Directors						
M J Freshney [5]	16,000	–	1,943	38,723	**56,666**	203,321
D H Martin [6]	–	–	–	–	**–**	122,164
	2,437,000	3,016,349	164,327	38,723	**5,656,399**	4,661,292

(1) From 1 April 2002 Mr Lewis reduced his working hours to 3½ days per week.
(2) Resigned as a Director on 31 May 2003.
(3) Appointed as a Director on 1 May 2002.
(4) Resigned as a Director on 11 June 2003.
(5) Resigned as a Director on 31 May 2002.
(6) Resigned as a Director on 26 June 2001.
(7) Benefits in kind relate principally to the provision of a fully expensed motor vehicle and private healthcare.

In addition to the above, Messrs. Fry and Hutchinson received a final share bonus with a value at allocation of £278,795 and £293,169 respectively as part of the Long Term Executive Incentive Scheme 1996. No other Director received shares or other payments during the year from the Group's long term executive incentive schemes or plan.

In prior years, share and cash payments received in respect of awards vesting under the Long Term Executive Investment Scheme were included within Directors' remuneration. For the year ended 30 April 2002, the remuneration for Messrs. Lewis, Carey, Fry and Hutchinson included relevant amounts of £467,178, £390,652, £500,000 and £562,500. These amounts are no longer reported as Directors' remuneration and have been excluded from the table above.

Pensions

The accrued entitlements under the Defined Benefit Plan are as follows:

Defined Benefit Plan

Name	Age	Pensionable service (years)	Accumulated accrued pension 30 April 2002 [3] £	Increase in accrued pension in the year [1] £	Increase in accrued pension in the year [2] £	Transfer value of the increase [1] £	Accumulated accrued pension 30 April 2003 [3] £
R St J H Lewis	56	11	48,125	4,233	6,158	30,940	54,283
A W Pidgley	55	16	111,342	31,130	34,584	216,355	145,926
T Farrow	47	5	15,037	6,399	7,000	38,806	22,037
G Hutchinson	44	9	31,403	6,925	8,180	26,270	39,583
R C Perrins	38	8	19,132	9,825	10,590	27,184	29,722

[1] Excludes inflation.
[2] Includes inflation.
[3] The pension entitlement is that which would be paid annually on retirement, based on service to the stated date and pensionable salary at that date.

Name	Age	Pensionable service (years)	Transfer value at 30 April 2003 £	Transfer value at 30 April 2002 £	Change in transfer value during the year £
R St J H Lewis	56	11	449,771	513,241	(63,470)
A W Pidgley	55	16	1,155,184	1,145,768	9,416
T Farrow	47	5	114,197	106,094	8,103
G Hutchinson	44	9	177,828	192,288	(14,460)
R C Perrins	38	8	98,477	86,657	11,820

The transfer values of the Directors' accrued benefits under the Defined Benefit Plan, as set out above, are calculated in accordance with the 'Retirement Benefits Scheme – Transfer Values (GN11)' published by the Institute of Actuaries and the Faculty of Actuaries. The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead, they represent a potential liability of the pension scheme and/or supplementary arrangements. Members of the fund have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the transfer values in the table above.

In addition to the above, the Company made the following contributions to defined contribution plans:

Defined Contribution Plan

	Age	Company contributions 2003 £	Company contributions 2002 £
A W Pidgley	55	32,500	30,000
A Carey	55	57,750	52,500
G J Fry	46	41,250	37,500
		131,500	120,000

Remuneration Report *continued*

Long Term Incentive Plan

The current participating Executive Directors and the related awards are as follows:

Name	Award year	Cash £	Cumulative share allocation Shares	£	**Total amount of award £**	Vesting date
A W Pidgley	2000 [1]	600,000	84,211	600,000	**1,200,000**	2003
	2001	600,000	82,701	600,000	**1,200,000**	2004
	2002	650,000	97,744	650,000	**1,300,000**	2005
A Carey	2000 [1]	275,000	38,596	275,000	**550,000**	2003
	2001	350,000	48,242	350,000	**700,000**	2004
	2002	385,000	57,894	385,000	**770,000**	2005
G Fry	2001	187,500	25,844	187,500	**375,000**	2004
	2002	206,250	31,015	206,250	**412,500**	2005
G. Hutchinson	2001	125,000	17,229	125,000	**250,000**	2004
	2002	206,250	31,015	206,250	**412,500**	2005
R C Perrins	2000 [1]	56,250	7,894	56,250	**112,500**	2003
	2001	100,000	13,783	100,000	**200,000**	2004
	2002	187,500	28,195	187,500	**375,000**	2005

[1] The Remuneration Committee has determined that the performance targets for the 2000 awards have been met. Accordingly, participants will receive the cash element of these awards during 2003 and the share element 12 months later, assuming they remain in the employment of the Group.
Mr A W Pidgley was initially omitted from the 2000 LTIP awards but the Remuneration Committee has determined that he shall receive award payments in respect of such performance as if he had received an award in 2000.

Directors' share interests

The beneficial interests (unless indicated otherwise) of the Directors in office at the end of the year in the Ordinary Share capital of the Company were as shown below. These include details of options under The Berkeley Group plc 1994 Executive Share Option Scheme (the '1994 Scheme'), The Berkeley Group plc Executive Share Option Scheme 1996 (the '1996 Scheme'), The Berkeley Group plc 2000 Approved Share Option Plan (the '2000 Approved Plan'), The Berkeley Group plc 2000 Share Option Plan (the '2000 Plan') and The Berkeley Group plc 1994 SAYE Share Option Scheme (the 'SAYE Scheme'):

	Ordinary Shares of 25p		Options to subscribe for Ordinary Shares of 25p					
Name	1 May 2002	**30 April 2003**	Scheme	1 May 2002	Granted/ (exercised) during the year	**30 April 2003**	Options exercise price	Exercise date or period
R St J H Lewis	272,000	**272,000**	SAYE	1,594	(1,594)	**–**	607.7p	5/03/2003
			SAYE	–	1,576	**1,576**	599.5p	01/03/2006 to 31/08/2006
A W Pidgley	2,883,810	**2,992,110**	SAYE	4,488	–	**4,488**	376.0p	01/03/2004 to 31/08/2004
			2000 Approved	–	4,803	**4,803**	624.5p	30/04/2006 to 29/04/2013
			2000	–	200,678	**200,678**	624.5p	30/04/2006 to 29/04/2013
Non-beneficial	19,183	**19,183**	–	–	–	**–**	–	–
A Carey	158,965	**183,765**	SAYE	2,650	–	**2,650**	636.6p	01/03/2006 to 31/08/2006
T Farrow	–	**3,300**	–	–	–	**–**	–	–
G J Fry	81,395	**130,099**	–	–	–	**–**	–	–
G Hutchinson	–	**13,044**	–	–	–	**–**	–	–
H A Palmer	5,000	**5,000**	–	–	–	**–**	–	–
R C Perrins	4,000	**7,300**	1994	500	–	**500**	558.8p	18/08/2001 to 17/08/2008
			1996	3,676	–	**3,676**	640.2p	06/08/2000 to 05/08/2007
			1996	4,500	–	**4,500**	557.5p	18/08/2001 to 17/08/2008
			1996	10,000	–	**10,000**	650.0p	19/01/2003 to 18/01/2010
			1996	20,000	–	**20,000**	427.5p	19/01/2002 to 18/01/2009
			SAYE	1,554	–	**1,554**	611.1p	01/03/2005 to 31/08/2005
D S Sach	7,000	**7,000**	–	–	–	**–**	–	–
F Wellings	22,500	**22,500**	–	–	–	**–**	–	–

The mid-market share price of the Company was 795.0p as at 1 May 2002 and 625.0p as at 30 April 2003. The mid-market high and low share prices of the Company during the year were 837.5p and 529.0p respectively. No options of Directors in office at 30 April 2003 lapsed unexercised during the year. There were no changes in the interests of the Directors shown above between 1 May 2003 and the date of this report.

Aggregate gains made by Directors on the exercise of share options in the year amounted to £475 (2002: £nil).

V M Mitchell
Chairman, Remuneration Committee
7 July 2003

Corporate Governance

The Company is committed to attaining high standards of corporate governance in accordance with the principles of the Combined Code published in June 1998 and the supplementary guidance 'Internal Control: Guidance for Directors' (The Turnbull Report) published in September 1999. The Board has reviewed the recommendations of the Higgs Review on Non-executive Directors and the Smith Report on Audit Committees, both published in January 2003, which will result in a revised Combined Code. In anticipation of such revision, the Board is giving full consideration to these recommendations.

The principles of the Combined Code and how the Company has complied with them are set out below.

The Board – membership and operation

The Board currently comprises a Chairman, a Managing Director, four further Executive Directors and three Non-executive Directors. Their biographies appear on pages 18 and 19. The roles of Chairman and Managing Director are split and there exists a strong non-executive element on the Board. The Board considers all the Non-executive Directors to be independent. Mr F Wellings is the Senior Independent Non-executive Director. No Director has a service contract with a notice period in excess of one year or with provisions for predetermined compensation on termination.

One-third of the Directors retire by rotation each year. All the Directors being proposed for re-election at the forthcoming Annual General Meeting have a 364-day notice period.

The Board meetings are held four times a year and scheduled with the agreement of the Directors before the start of the year. Board papers and agendas are sent out in advance of each meeting. All Directors have access to advice from the Company Secretary and independent professional advisers at the Company's expense. Training is available for new Directors and existing Directors as and when required.

The Board has adopted a formal schedule of matters reserved for the Board as a whole. However, various matters have been delegated to Committees as follows:

Executive Committee This Committee is chaired by the Group Managing Director and other members comprise the Group Chairman, Mr A Carey, Mr G J Fry and Mr R C Perrins. The Committee reviews the financial and operating performance of all Group companies and divisions. The Committee meets on a monthly basis.

Audit Committee The Audit Committee currently comprises the three Non-executive Directors with Mr F Wellings as Chairman. The Committee reviews the annual and interim financial statements prior to publication, considers the scope and nature of external and internal audits and matters arising from the audits, and reviews the Company's proposed statement on internal control. The Audit Committee meets at least three times a year and will normally request the attendance of the Group Finance Director and representatives of the auditors. The auditors have open recourse to the Non-executive Directors, should they consider it necessary. Copies of the minutes of the Audit Committee meetings are distributed to Board members.

Remuneration Committee The Remuneration Committee currently comprises the three Non-executive Directors with Mrs V M Mitchell as Chairman. The Board has had regard to the principles of good governance, Section B: Directors' Remuneration, annexed to the Listing Rules of the Financial Services Authority. These provisions state that the Remuneration Committee should consist exclusively of Non-executive Directors and should consult with the Group Chairman and/or Group Managing Director. The Remuneration Committee is responsible for determining the Company's broad policy for executive remuneration and the terms of employment and remuneration of the Executive Directors. The Remuneration Report is set out on pages 23 to 29. The Committee meets at least twice a year.

Nomination Committee The Nomination Committee currently comprises the three Non-executive Directors and two Executive Directors, Mr A W Pidgley and Mr R St J H Lewis who acts as Chairman. The Committee was established to propose new appointments to the Board, whether the appointment is of an Executive or Non-executive Director. The Committee meets as and when required.

Long Term Executive Incentive Scheme Committee The Long Term Executive Incentive Scheme Committee currently comprises the same membership as the Remuneration Committee, save that the Group Managing Director is a member. This Committee is responsible for the operation of the long term executive incentive schemes, further details of which are set out on page 24. No member of the Committee is participating in these schemes. The Committee meets at least once a year.

Long Term Incentive Plan Committee The Long Term Incentive Plan Committee comprises the same membership as the Remuneration Committee. This Committee is responsible for the operation of the long term incentive plan, further details of which are set out on pages 23 and 24. No member of the Committee is participating in this plan. The Committee meets at least once a year.

Share Option Plans Committee The Share Option Plans Committee comprises the same membership as the Remuneration Committee. This Committee is responsible for the operation of the share option plans, details of which are set out in Note 17 to the accounts. No member of the Committee is participating in these plans. The Committee meets at least twice a year.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 23 to 29.

Shareholder relations

The Company encourages active dialogue with its current and prospective shareholders through ongoing meetings between institutional investors and senior management, and ad hoc presentations to institutional investors.

Shareholders are also kept up-to-date with the Company's activities through the Annual and Interim Reports.

The Annual General Meeting is used to communicate with private investors and their participation is encouraged by holding question and answer sessions during the meeting.

Accountability and audit

The statement of Directors' responsibilities and the going concern statement are shown on page 32.

The Company has an Audit Committee to which PricewaterhouseCoopers LLP, the Company's auditors, report.

Internal control

The Directors are responsible for the Company's system of internal control which is designed to provide reasonable but not absolute assurance against misstatement or loss. The Directors have reviewed the operation and effectiveness of this system of internal control during the year.

The Group has the following established framework of internal controls:

Clear organisational structure – The Group operates through autonomous divisions and operating companies, each with its own board. Each of the divisions has a director who is a member of the Group Board. Operating company boards meet formally on a weekly basis and divisional boards monthly. Information is prepared for such meetings on a standardised basis to cover each aspect of the business. Formal reporting lines and delegated levels of authority exist within this structure and oversight of risk and performance occurs at multiple levels through the Group.

Risk assessment – the Group and each operating company within it assesses and manages its risks on an ongoing basis. As part of this process, each division produces quarterly risk and control reports that identify significant risks, the potential impact and the actions being taken to mitigate the risks. These risk reports are reviewed quarterly by the Board.

Financial reporting – A comprehensive budgeting and real-time forecasting system, covering both profit and cash, operates within the Group. This enables executive management to view key financial and operating data on a daily basis. On a weekly and monthly basis more formal reporting up to the Group Executive and Board is prepared. The results of all operating units are reported monthly and compared to budget and forecast.

Policies and procedures – Policies and procedures, including operating and financial controls, are detailed in policies and procedures manuals that are refreshed and improved as appropriate. Training to staff is given where necessary.

Investment controls – The Group has clearly-defined guidelines for capital expenditure. There is a well-established system, supported by rigorous review and authorisation, for the purchase and sale of land within the Group.

Corporate Governance continued

Internal audit – Internal auditors are in place in each division and at Group to provide assurance on the operation of the Group's control framework.

Compliance

The Company has complied with the principles of the Combined Code throughout the year.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and its subsidiary undertakings will continue in business.

The Directors are responsible for ensuring the Company keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of The Berkeley Group plc website is the responsibility of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

To the members of The Berkeley Group plc
We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of movements in shareholders' funds and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ('the auditable part').

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operational Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:
- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 April 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
7 July 2003

Consolidated Profit and Loss Account

For the year ended 30 April	Notes	**2003 £'000**	2002 £'000
Turnover including share of joint ventures	2	**1,250,165**	1,085,098
Less: share of joint ventures' turnover		**(99,325)**	(108,327)
Turnover – continuing operations		**1,150,840**	976,771
Cost of sales		**(835,770)**	(700,107)
Gross profit		**315,070**	276,664
Net operating expenses	4	**(99,406)**	(87,214)
Operating profit – continuing operations		**215,664**	189,450
Share of operating profit in joint ventures		**16,542**	23,540
Total operating profit including share of joint ventures	2	**232,206**	212,990
Net interest payable	3	**(11,025)**	(16,828)
Profit on ordinary activities before taxation	4	**221,181**	196,162
Taxation on profit on ordinary activities	6	**(66,497)**	(59,333)
Profit on ordinary activities after taxation		**154,684**	136,829
Dividends	7	**(24,909)**	(22,003)
Retained profit for the year	18	**129,775**	114,826
Dividends per Ordinary Share	7	**19.2p**	16.5p
Earnings per Ordinary Share – basic	9	**116.0p**	105.3p
– diluted	9	**115.1p**	105.1p

The Group has no recognised gains or losses other than the profits set out above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historic cost equivalents.

Consolidated and Parent Company Balance Sheets

As at 30 April	Notes	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Fixed assets					
Intangible assets	*10*	**–**	2,359	**–**	–
Tangible assets	*11*	**18,492**	19,201	**368**	271
Investments	*12*	**2,145**	11	**75,241**	76,830
Joint ventures					
– Share of gross assets		**227,387**	228,957	**–**	–
– Share of gross liabilities		**(170,612)**	(169,814)	**–**	–
	12	**56,775**	59,143	**–**	–
		77,412	80,714	**75,609**	77,101
Current assets					
Stocks	*13*	**1,151,103**	1,118,245	**–**	–
Debtors	*14*	**247,436**	280,931	**905,505**	972,536
Investments	*12*	**62,047**	55,514	**–**	–
Cash at bank and in hand		**57,103**	3,105	**5,907**	21
		1,517,689	1,457,795	**911,412**	972,557
Creditors (amounts falling due within one year)					
Borrowings	*15*	**(153)**	(46,562)	**(153)**	(92,165)
Other creditors	*16*	**(316,573)**	(309,106)	**(47,503)**	(34,620)
		(316,726)	(355,668)	**(47,656)**	(126,785)
Net current assets		**1,200,963**	1,102,127	**863,756**	845,772
Total assets less current liabilities		**1,278,375**	1,182,841	**939,365**	922,873
Creditors (amounts falling due after more than one year)					
Borrowings	*15*	**(200,000)**	(200,000)	**(200,000)**	(200,000)
Other creditors	*16*	**(22,219)**	(14,626)	**–**	–
		(222,219)	(214,626)	**(200,000)**	(200,000)
Net assets		**1,056,156**	968,215	**739,365**	722,873
Capital and reserves					
Share capital	*17*	**32,054**	33,741	**32,054**	33,741
Share premium	*18*	**420,603**	420,358	**420,603**	420,358
Capital redemption reserve	*18*	**1,697**	–	**1,697**	–
Retained profit	*18*	**571,248**	491,718	**285,011**	268,774
Joint ventures' reserves	*18*	**30,554**	22,398	**–**	–
Equity shareholders' funds		**1,056,156**	968,215	**739,365**	722,873
Net assets per Ordinary Share	*9*	**829p**	717p		

The accounts on pages 34 to 55 were approved by the Board of Directors on 7 July 2003 and were signed on its behalf by:

R C Perrins
Finance Director

Consolidated Cash Flow Statement

For the year ended 30 April	Notes	2003 £'000	2002 £'000
Net cash inflow from continuing operating activities	22	**204,385**	49,650
Dividends from joint ventures		**1,245**	6,890
Returns on investments and servicing of finance	22	**(7,233)**	(13,642)
Taxation		**(46,579)**	(60,010)
Capital expenditure and financial investment	22	**13,744**	(16,364)
Acquisitions and disposals	22	**–**	(26)
Equity dividends paid		**(23,321)**	(19,604)
Net cash inflow/(outflow) before financing		**142,241**	(53,106)
Financing	22	**(77,376)**	56,111
Increase in cash in the year		**64,865**	3,005

For the year ended 30 April	Notes	2003 £'000	2002 £'000
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		**64,865**	3,005
Cash outflow/(inflow) from decrease/(increase) in debt		**35,542**	(7,469)
Movement in net debt in the year		**100,407**	(4,464)
Net debt at 1 May	22	**(243,457)**	(238,993)
Net debt at 30 April	22	**(143,050)**	(243,457)

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 April	Notes	**2003 £'000**	2002 £'000
Profit for the year		**154,684**	136,829
Dividends	*7*	**(24,909)**	(22,003)
Retained earnings		**129,775**	114,826
Share buy-backs	*18*	**(42,039)**	–
New shares issued		**255**	49,158
Contribution to QUEST	*18*	**(50)**	(516)
Net additions to shareholders' funds		**87,941**	163,468
Opening shareholders' funds		**968,215**	804,747
Closing shareholders' funds		**1,056,156**	968,215

Notes to the Accounts

1 Accounting policies

Basis of accounting The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom.

Basis of consolidation The consolidated accounts comprise the accounts of the parent Company and all its subsidiary undertakings. The accounting date for subsidiary undertakings is 30 April. In the case of acquisitions or disposals, the Group's result includes that proportion from or to the effective date of acquisition or disposal as appropriate.

Goodwill With effect from 1 April 1998, where the cost of acquiring new and additional interests in subsidiaries, joint ventures and businesses exceeds the fair value of the net assets acquired, the resulting premium on acquisition (goodwill) is capitalised and its subsequent measurement (via annual impairment reviews or an annual amortisation charge) will be determined based on the individual circumstances of each business acquired. Goodwill written off to reserves prior to 1998 is not recorded in the consolidated balance sheet. When a business is disposed of, goodwill, where applicable, is charged to the consolidated profit and loss account.

Joint ventures The results attributable to the Company's holding in joint ventures are shown separately in the consolidated profit and loss account. The amount included in the consolidated balance sheet is the Group's share of the net assets of the joint ventures plus net loans receivable. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures.

Turnover Turnover represents the amounts receivable from the sale of properties during the year. On traditional developments, properties are treated as sold and profits are taken when contracts are exchanged and the building work is physically complete. On complex multi-unit developments, revenue and profit are recognised on a staged basis, commencing when the building work is substantially complete, which is defined as being plastered and when contracts are exchanged.

Tangible fixed assets Depreciation is provided to write-off the cost of the assets over their estimated useful lives at the following annual rates:

Freehold property	2%	Fixtures and fittings	15%/20%
Motor vehicles	25%	Computer equipment	33⅓%

Leasehold property is amortised over the period of the lease. Computer equipment is included within fixtures and fittings.

Stocks Property in the course of development is valued at the lower of direct cost and net realisable value. Direct cost comprises the cost of land, raw materials and development costs but excludes indirect overheads and interest. Progress payments are deducted from work in progress.

Deferred taxation Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable and have not been discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.s

Financial instruments From time to time the Group makes use of interest rate swaps and caps to manage its exposure to fluctuations in interest rates. Interest rate instruments are treated as hedges and the net interest payable or receivable is reflected in the profit and loss account.

Pension costs The expected cost of providing pensions is recognised on a systematic basis over the period during which benefit is derived from the employees' services. Pension contributions under defined contribution schemes are charged to the profit and loss account as incurred.

Leasing and rental agreements Payments under rental and operating lease agreements are charged against profit in the periods in which they become due.

1 Accounting policies continued

Long term executive incentive schemes and plan Provision is made to match the cost of shares provisionally allocated in respect of any year to participants under the Group's long term executive incentive schemes and plan. Similar provision is also made each year regarding the appropriate proportion of any estimated potential cash benefit which could arise, based on the probability of the relevant performance targets being met at the end of the relevant period.

2 Segmental information

Turnover, operating profit and net assets by class of business are analysed below:

	Turnover		Operating profit		Net asset	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000	**2003 £'000**	2002 £'000
Residential housebuilding						
Group	**1,130,062**	927,635	**212,012**	181,447	**989,458**	900,237
Joint ventures	**91,450**	98,224	**14,205**	17,545	**49,240**	44,609
	1,221,512	1,025,859	**226,217**	198,992	**1,038,698**	944,846
Commercial property and other activities						
Group	**20,778**	49,136	**3,652**	8,003	**9,923**	8,835
Joint ventures	**7,875**	10,103	**2,337**	5,995	**7,535**	14,534
	28,653	59,239	**5,989**	13,998	**17,458**	23,369
	1,250,165	1,085,098	**232,206**	212,990	**1,056,156**	968,215

All turnover and profit relate to continuing activities of the Group and are derived from activities performed in the United Kingdom. Included in Group residential housebuilding turnover and operating margin is £8,800,000 and £3,552,000 in respect of land sales (2002: £59,776,000 and £20,953,000).

3 Net interest payable

	2003 £'000	2002 £'000
Interest receivable	**2,395**	952
Interest payable on bank loans and overdrafts	**(10,403)**	(14,717)
Interest payable – share of joint ventures	**(3,017)**	(3,063)
	(11,025)	(16,828)

Notes to the Accounts continued

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following amounts:

	2003 £'000	2002 £'000
Depreciation	**3,147**	4,122
Amortisation of goodwill	**2,359**	2,400
Hire of plant and machinery	**9,839**	7,614
Operating lease costs – motor vehicles	**1,781**	2,034
Operating lease costs – land and buildings	**2,075**	1,394
Auditors' remuneration – audit fees	**195**	174
Auditors' remuneration – other services	**207**	188

Audit fees for the Company in the year was £10,000 (2002: £9,500). Auditors' remuneration for other services relates mainly to taxation advice.

Operating expenses represent administration costs.

5 Directors and employees

	2003 £'000	2002 £'000
Staff costs		
Wages and salaries	**71,064**	66,126
Social security costs	**7,318**	7,505
Other pension costs	**3,891**	2,781
	82,273	76,412

The average number of persons employed by the Group during the year was 1,521 (2002: 1,456), of which 1,502 (2002: 1,435) were employed in residential housebuilding activities; the balance in commercial development activities.

Directors

Details of Directors' emoluments are set out in the Remuneration Report on pages 23 to 29.

Pensions

There are currently four principal pension schemes in operation within the Group, the assets of which are held in separate trustee administered funds. The Berkeley Group plc Staff Benefits Plan (the 'Berkeley Final Salary Plan') is a defined benefit scheme and was closed to new entrants from 1 May 2002. The Berkeley Group plc Money Purchase Scheme (the 'Berkeley Money Purchase Plan'), the St George PLC Retirement and Death Benefits Scheme (the 'St George Scheme') and the Thirlstone Homes Limited Retirement Benefits Scheme (the 'Thirlstone Scheme') are defined contribution schemes.

The Berkeley Final Salary Plan is subject to an independent actuarial valuation at least every three years. The most recent valuation was carried out as at 1 May 2001. The method adopted in the 2001 valuation was the projected unit method, which assumed a return on investment prior to and after retirement of 6.5% and 5.5% per annum respectively, pension increases for service before and after April 1997 of 3.0% and 2.5% per annum respectively and salary escalation at 3.5% per annum. The market value of the Berkeley Final Salary Plan assets at 1 May 2001 was £13,956,000 and was sufficient to cover 79% of the scheme's liabilities. Employer's contributions are currently paid at 15% and it is proposed to maintain this level of contribution thereby reducing the deficit to zero over the expected remaining service life of existing members.

Contributions amounting to £1,356,000 (2002: £1,111,000) were paid into the defined contribution schemes during the year, representing the appropriate level of defined funding.

Under the transitional arrangements of FRS 17 'Retirement Benefits', the required disclosures relating to the Berkeley Final Salary Plan are set out below. The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 May 2001, and updated by the scheme actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 April 2003. The assets of the scheme are stated at their market value at 30 April 2003.

5 Directors and employees continued

The major assumptions used by the actuary were:

Valuation at	**1 May 2003**	1 May 2002
Rate of increase in salaries	**3.50%**	3.75%
Rate of increase in pensions in payment	**2.50%**	2.75%
Discount rate	**5.50%**	6.00%
Inflation assumption	**2.50%**	2.75%

The assets in the scheme and the expected rate of return were:

Valuation at	**1 May 2003**		1 May 2002	
	Long-term rate of return	**Value (£'000)**	Long-term rate of return	Value (£'000)
Equities	**7.00%**	**11,300**	7.25%	11,490
Fixed income bonds	**5.50%**	**1,890**	6.00%	1,765
Property	**5.50%**	**771**	6.50%	748
Cash	**4.00%**	**1,005**	4.00%	957
Total market value of assets		**14,966**		14,960
Present value of scheme liabilities		**(29,548)**		(23,533)
Deficit in the scheme		**(14,582)**		(8,573)
Related deferred tax asset		**4,374**		2,572
Net pension liability		**(10,208)**		(6,001)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserves at 30 April 2003 and 30 April 2002 would be as follows:

	2003 £'000	2002 £'000
Net assets excluding SSAP 24 pension asset/(liability)	**1,056,156**	968,215
Pension liability under FRS 17	**(10,208)**	(6,001)
Net assets including FRS 17 pension liability	**1,045,948**	962,214
Profit and loss reserves; excluding SSAP 24 pension asset/(liability)	**601,802**	514,116
Pension liability under FRS 17	**(10,208)**	(6,001)
Profit and loss reserves including FRS 17 pension liability	**591,594**	508,115

The following amounts would have been recognised in the performance statements in the year to 30 April 2003.

Analysis of amount charged to operating profit

	2003 £'000
Current service cost	**2,050**
Past service cost	**–**
Total	**2,050**

Analysis of amount credited to other finance income

	2003 £'000
Expected return on pension scheme assets	**1,099**
Interest on pension scheme liabilities	**(1,479)**
Net return	**(380)**

Notes to the Accounts continued

5 Directors and employees continued

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2003 £'000
Actual less expected return on pension scheme assets	(3,152)
Experience gains and losses arising on scheme liabilities	–
Changes in assumptions underlying the present value of the scheme liabilities	(2,308)
Actuarial loss recognised in STRGL	(5,460)

Movements in deficit during the year

		2003 £'000
Deficit in scheme at start of year		(8,573)
Movement in year	Current service cost	(2,050)
	Contributions	1,881
	Past service costs	–
	Other finance income	(380)
	Actuarial loss	(5,460)
Deficit in scheme at end of year		(14,582)

	2003
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(3,152)
% of scheme assets	(21.06%)
Experience gains and losses on scheme liabilities:	
Amount (£'000)	–
% of the present value of scheme liabilities	0.00%
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(5,460)
% of the present value of the scheme liabilities	(18.48%)

As the Berkeley Final Salary Plan is closed to new entrants, the current service cost, under the projected unit method, will increase as the members of the scheme approach retirement.

6 Taxation

	2003 £'000	2002 £'000
Current tax		
UK corporation tax payable	**63,421**	53,800
Share of joint ventures' tax	**4,124**	6,101
Adjustments in respect of previous periods	**(1,400)**	–
	66,145	59,901
Deferred tax	**352**	(568)
	66,497	59,333

The current tax assessed for the year differs from the standard rate of UK corporation tax of 30% (2002: 30%). These differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	**221,181**	196,162
Tax on profit on ordinary activities at standard UK corporation tax rate	**66,354**	58,849
Effects of:		
Expenses not deductible for tax purposes	**1,078**	1,173
Depreciation in excess of capital allowances	**113**	21
Lower tax rates on overseas joint ventures	**–**	(142)
Adjustments in respect of previous periods	**(1,400)**	–
Current tax charge	**66,145**	59,901

7 Dividends

	2003 £'000	2002 £'000
On Ordinary Equity Shares		
Interim dividend of 4.8p (2002: 4.0p) per Ordinary Share	**6,479**	5,128
Final proposed dividend of 14.4p (2002: 12.5p) per Ordinary Share	**18,430**	16,875
	24,909	22,003

8 The Berkeley Group plc profit and loss account

The Berkeley Group plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The profit for the year dealt with in the accounts of the Company is £83,185,000 (2002: £63,063,000).

9 Earnings per Ordinary Share

Earnings per Ordinary Share is based on the profit after taxation of £154,684,000 (2002: £136,829,000) and the weighted average number of Ordinary Shares in issue during the year of 133,404,586 (2002: 129,910,482) adjusted to exclude shares held by the Company to satisfy awards under its long term incentive plan. For diluted earnings per Ordinary Share, the weighted average number of shares in issue is adjusted to assume the conversion of all dilutive potential shares. The dilutive potential Ordinary Shares relate to shares granted under employee share schemes where the exercise price is less than the average market price of the Ordinary Shares during the year. The effect of the dilutive potential shares is 998,783 shares (2002: 315,467), giving a diluted weighted average number of shares of 134,403,369 (2002: 130,225,949).

Net assets per Ordinary Share is calculated based on net assets at the end of the year divided by the number of Ordinary Shares in issue at the end of the year of 127,425,071 (2002: 134,963,049). This excludes shares held by the Company to satisfy awards under its long term incentive plan.

Return on Capital Employed (ROCE) is calculated based on profit before interest and tax divided by the average shareholders' funds plus net debt.

Notes to the Accounts continued

10 Intangible assets – Goodwill

	Group £'000
Cost	
At 1 May 2002 and at 30 April 2003	**11,359**
Amortisation	
At 1 May 2002	9,000
Charge for the year	2,359
At 30 April 2003	**11,359**
Net book value	
At 30 April 2002	2,359
At 30 April 2003	**–**

The goodwill arose on the acquisition of Thirlstone PLC (formerly The Thirlstone Group Limited) in August 1998 and has been amortised on a straight line basis over five years. From 1 February 2003, Thirlstone PLC was integrated into Berkeley Homes plc, at which point all remaining goodwill was written off.

11 Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2002	14,538	227	11,339	6,718	32,822
Additions	2,861	316	1,392	1,324	5,893
Disposals	(3,548)	(14)	(771)	(2,402)	(6,735)
At 30 April 2003	**13,851**	**529**	**11,960**	**5,640**	**31,980**
Depreciation					
At 1 May 2002	1,212	154	8,700	3,555	13,621
Charge for the year	217	82	1,406	1,442	3,147
Disposals	(684)	(10)	(674)	(1,912)	(3,280)
At 30 April 2003	**745**	**226**	**9,432**	**3,085**	**13,488**
Net book value					
At 30 April 2002	13,326	73	2,639	3,163	19,201
At 30 April 2003	**13,106**	**303**	**2,528**	**2,555**	**18,492**

11 Tangible assets continued

Company	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 May 2002	3,660	354	4,014
Additions	74	247	321
Disposals	(6)	(272)	(278)
Intra Group transfers	–	69	69
At 30 April 2003	**3,728**	**398**	**4,126**
Depreciation			
At 1 May 2002	3,528	215	3,743
Charge for the year	106	80	186
Disposals	(5)	(192)	(197)
Intra Group transfers	–	26	26
At 30 April 2003	**3,629**	**129**	**3,758**
Net book value			
At 30 April 2002	132	139	271
At 30 April 2003	**99**	**269**	**368**

12 Investments

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Fixed assets				
Subsidiary undertakings	**–**	–	**49,394**	49,394
Joint ventures	**56,775**	59,143	**23,707**	27,436
Listed investments	**5**	11	**–**	–
Investment in own shares	**2,140**	–	**2,140**	–
	58,920	59,154	**75,241**	76,830
Current assets				
Other investments	**62,047**	55,514	**–**	–
	62,047	55,514	**–**	–

Details of the principal subsidiaries, joint ventures and the limited partnership are provided in Note 25 to the accounts.

Listed investments

The market value of the listed investments at 30 April 2003 was £5,117 (Company: £nil).

Investment in own shares

During the year, the Company acquired 724,229 of its own shares to satisfy awards granted under The Berkeley Group plc 2000 Long Term Incentive Plan at a cost of £4,312,395. The cost of these shares is charged to the profit and loss account over the performance period to which the awards relate and the carrying value of the shares reduced accordingly. During the year, £1,530,945 was charged to the profit and loss account. A further £641,450 was transferred from accruals in respect of prior year charges on awards for which the shares were not purchased until the year under review.

At 30 April 2003 the Company had fully provided for shares to the value of £534,000 (2002: £2,267,000) which are held in trust for certain Directors and senior management with regard to the long term incentive schemes.

Notes to the Accounts continued

12 Investments continued

Current asset investment

The current asset investment is an investment in a limited partnership, which is not held for the long term and is stated net of the deferred income that will be realised when the Group's interest in the limited partnership is disposed of.

Investment in subsidiary undertakings

	Company £'000
Shares at cost at 1 May 2002 and at 30 April 2003	**49,394**

Investment in joint ventures

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Unlisted shares at cost	**726**	727	**700**	701
Loans	**25,495**	36,018	**23,007**	26,735
Share of post-acquisition reserves	**30,554**	22,398	**–**	–
	56,775	59,143	**23,707**	27,436

The movement on the investment in joint ventures during the year is as follows:

	Group £'000	Company £'000
At 1 May 2002	59,143	27,436
Retained profit for the year	8,156	–
Disposal of shares	(1)	(1)
Net decrease in loans	(10,523)	(3,728)
At 30 April 2003	**56,775**	**23,707**

The Group's share of joint ventures' net assets is made up as follows:

	2003 £'000	2002 £'000
Fixed assets	**8,995**	16,295
Current assets	**218,392**	212,662
Liabilities falling due within one year	**(165,316)**	(158,181)
Liabilities falling due after more than one year	**(5,296)**	(11,633)
	56,775	59,143

13 Stocks

	Group		Company	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Work in progress	**1,226,011**	1,189,221	**–**	–
Less progress payments	**(74,908)**	(70,976)	**–**	–
	1,151,103	1,118,245	**–**	–

14 Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amounts falling due within one year				
Trade debtors	**228,994**	266,877	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**898,440**	953,186
Other debtors	**15,664**	11,542	**5,060**	2,780
Prepayments and accrued income	**2,778**	2,512	**2,005**	1,570
	247,436	280,931	**905,505**	957,536
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	**–**	–	**–**	15,000
	247,436	280,931	**905,505**	972,536

Other debtors include deferred tax assets of £976,000 (2001: £1,328,000) arising from depreciation in excess of capital allowances.

15 Borrowings

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amounts falling due within one year				
Bank loans and overdrafts	**–**	46,367	**–**	91,970
Unsecured loan stock	**153**	195	**153**	195
	153	46,562	**153**	92,165
Amounts falling due after more than one year				
Bank loans	**200,000**	200,000	**200,000**	200,000
	200,153	246,562	**200,153**	292,165

Bank loans and overdrafts are unsecured with interest rates linked to LIBOR.
Unsecured loan stock is repayable on three months' notice being given to the Company.

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Borrowings are repayable as follows:				
Within one year or on demand	**153**	46,562	**153**	92,165
Between one and two years	**–**	–	**–**	–
Between two and five years	**200,000**	200,000	**200,000**	200,000
After five years	**–**	–	**–**	–
	200,153	246,562	**200,153**	292,165

Notes to the Accounts continued

16 Other creditors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Amounts falling due within one year				
Trade creditors	**221,176**	244,520	**53**	830
Loans from joint ventures	**14,401**	6,068	**14,396**	6,068
Proposed dividend	**18,463**	16,875	**18,463**	16,875
Corporation tax	**33,862**	19,237	**1,923**	3,310
Other taxes and social security	**2,750**	4,361	**1,741**	2,230
Accruals and deferred income	**25,921**	18,045	**10,927**	5,307
	316,573	309,106	**47,503**	34,620
Amounts falling due after more than one year				
Trade creditors	**22,219**	14,626	**–**	–
	22,219	14,626	**–**	–

17 Share capital

Group and Company	**2003 No. '000**	2002 No. '000	**2003 £'000**	2002 £'000
Authorised Ordinary Shares of 25p each				
At 1 May and 30 April	**175,000**	175,000	**43,750**	43,750
Issued and fully paid Ordinary Shares of 25p each				
At 1 May	**134,963**	128,091	**33,741**	32,023
Share buy-backs	**(6,787)**	–	**(1,697)**	–
Share options exercised	**38**	472	**10**	118
Share placing	**–**	6,400	**–**	1,600
At 30 April	**128,214**	134,963	**32,054**	33,741

During the year, within the 10% limit authorised by shareholders at the 2002 annual general meeting, the Company bought back 5% of its allocated share capital in order to improve the efficiency of its capital structure. This amounted to 6,786,559 ordinary shares at an average price of £6.14 for a total cost, including expenses, of £41,700,248. The total nominal value of the shares purchased (£1,696,640) has been credited to the capital redemption reserve (see note 18).

On 22 January 2002, the Company issued 6,400,000 Ordinary Shares of 25p each for cash at a price of 735p, raising proceeds of £47,040,000 before expenses of £842,000.

The Company has granted options to subscribe for Ordinary Shares under The Berkeley Group Executive Share Option Scheme (the '1984 Scheme') since 17 August 1984, The Berkeley Group plc 1994 SAYE Share Option Scheme (the 'SAYE Scheme') since 24 January 1995, The Berkeley Group plc 1994 Executive Share Option Scheme (the '1994 Scheme') since 6 August 1997, The Berkeley Group plc Executive Share Option Scheme 1996 (the '1996 Scheme') since 11 October 1996, The Berkeley Group plc 2000 Approved Share Option Plan (the '2000 Approved Plan') and The Berkeley Group plc 2000 Share Option Plan (the '2000 Plan') since 5 October 2000. As at the year end the aggregate of options remaining exercisable are as shown in the table below.

Options under the 1984 Scheme are normally exercisable between three and ten years from the date of grant. During the year under review there were no exercises. No options have been granted and no shares lapsed. No further options will be granted under this scheme.

Options under the SAYE Scheme are normally exercisable within a six-month period on the expiry of three, five or seven years from the commencement of the sharesave contract. Options in respect of 110,794 shares were granted during the year, 56,829 options lapsed and 28,634 options were exercised at prices between 376.0p and 607.7p.

Options under the 1994 Scheme are normally exercisable between three and ten years from the date of grant. During the year no options were granted, 64,640 options lapsed and there were exercises of 5,550 options at a price of 558.8p.

17 Share capital continued

Options under the 1996 Scheme are normally exercisable between three and ten years from the date of grant. Exercise of these options is conditional upon meeting a defined earnings per Ordinary Share criterion over a three-year period. During the year, no options were granted, 33,087 options lapsed and 4,200 options were exercised at a price of 557.5p.

Options under the 2000 Approved Plan are normally exercisable between three and ten years from the date of grant. Exercise of these options is conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. During the year, options in respect of 400,288 shares were granted, 113,912 options lapsed and no options were exercised.

Options under the 2000 Plan are normally exercisable between three and ten years from the date of grant. Exercise of these options is conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. During the year, options in respect of 581,693 shares were granted, 86,588 options lapsed and no options were exercised.

Date of grant	Scheme	Options remaining exercisable at 1 May 2002	**Option price**	**Options remaining exercisable at 30 April 2003**
11/07/94	1984 Scheme	8,628	**365.2p**	**8,628**
31/01/96	SAYE Scheme	1,547	**403.2p**	**1,547**
17/01/97	SAYE Scheme	2,500	**496.3p**	**–**
19/01/98	SAYE Scheme	10,632	**528.7p**	**130**
25/01/99	SAYE Scheme	64,708	**376.0p**	**46,398**
20/01/00	SAYE Scheme	61,221	**607.7p**	**31,691**
24/01/01	SAYE Scheme	72,383	**636.6p**	**62,084**
25/01/02	SAYE Scheme	135,432	**611.1p**	**119,245**
23/01/03	SAYE Scheme	–	**599.5p**	**109,775**
11/10/96	1996 Scheme	39,894	**574.5p**	**37,268**
06/08/97	1996 Scheme	77,724	**640.2p**	**77,724**
18/08/98	1996 Scheme	60,750	**557.5p**	**53,050**
19/01/99	1996 Scheme	41,000	**427.5p**	**41,000**
05/07/99	1996 Scheme	14,500	**764.0p**	**14,500**
19/01/00	1996 Scheme	200,650	**650.0p**	**183,680**
08/08/00	1996 Scheme	77,861	**551.0p**	**67,870**
06/08/97	1994 Scheme	55,135	**643.4p**	**49,884**
18/08/98	1994 Scheme	82,250	**558.8p**	**69,850**
05/07/99	1994 Scheme	10,500	**764.0p**	**9,500**
19/01/00	1994 Scheme	199,600	**655.8p**	**167,070**
08/08/00	1994 Scheme	179,639	**554.0p**	**158,630**
05/10/00	2000 Approved Plan	28,718	**576.5p**	**23,718**
21/12/00	2000 Approved Plan	25,608	**712.5p**	**17,790**
19/07/01	2000 Approved Plan	369,204	**698.0p**	**315,228**
25/07/02	2000 Approved Plan	–	**560.5p**	**348,367**
30/04/03	2000 Approved Plan	–	**624.5p**	**4,803**
05/10/00	2000 Plan	85,282	**576.5p**	**81,282**
21/12/00	2000 Plan	136,392	**712.5p**	**120,210**
19/07/01	2000 Plan	289,796	**698.0p**	**250,272**
25/07/02	2000 Plan	–	**560.5p**	**354,133**
30/04/03	2000 Plan	–	**624.5p**	**200,678**
Total		2,331,554		**3,026,005**

Notes to the Accounts continued

18 Reserves

Group	Share premium £'000	Capital redemption reserve £'000	Retained profit £'000	Joint ventures' reserves £'000	Total £'000
At 1 May 2002	420,358	–	491,718	22,398	934,474
Retained profit	–	–	120,374	9,401	129,775
Dividends received from joint ventures	–	–	1,245	(1,245)	–
Share buy-backs	–	1,697	(42,039)	–	(40,342)
Premium on shares issued during the year	245	–	–	–	245
Contribution to QUEST	–	–	(50)	–	(50)
At 30 April 2003	**420,603**	**1,697**	**571,248**	**30,554**	**1,024,102**

Joint ventures' reserves comprise the Group's share of the retained profits of its joint ventures.

The cumulative amount of goodwill written off directly against the Group's reserves amounts to £4,363,000 (2002: £4,363,000).

The Group operates a QUEST to acquire Ordinary Shares in the Company to satisfy existing and future options granted under the Company's SAYE scheme. During the year, the QUEST subscribed for 37,855 (2002: 144,476) new Ordinary Shares for a total consideration £258,000 (2002: £1,149,000) based on the market price on the date of issue. £208,000 (2002: £633,000) was received from scheme participants with the balance contributed by the employing subsidiary companies, shown as a reduction in retained profit. The shares were all transferred by the QUEST to participants in the scheme in satisfaction of their options and no shares were held in the QUEST at 30 April 2003.

Company	Share premium £'000	Capital redemption reserve £'000	Retained profit £'000	Total £'000
At 1 May 2002	420,358	–	268,774	689,132
Retained profit	–	–	58,276	58,276
Share buy-backs	–	1,697	(42,039)	(40,342)
Premium on shares issued during the year	245	–	–	245
At 30 April 2003	**420,603**	**1,697**	**285,011**	**707,311**

19 Contingent liabilities

The parent Company has guaranteed bank facilities of £23,000,000 (2002: £23,000,000) in joint ventures.

The Group has guaranteed road and performance agreements in the ordinary course of business of £37,859,000 (2002: £34,274,000).

20 Capital commitments

The Group has no capital commitments at 30 April 2003 (2002: £nil).

21 Operating leases

The Group has annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Motor vehicles	
	2003 £'000	2002 £'000	**2003 £'000**	2002 £'000
Operating leases which expire:				
Within one year	**12**	10	**201**	169
Between one and five years	**1,151**	1,120	**1,047**	1,024
After five years	**619**	619	**–**	–
	1,782	1,749	**1,248**	1,193

22 Notes to the cash flow statement

	2003 £'000	2002 £'000
Reconciliation of operating profit to operating cash flows		
Operating profit	215,664	189,450
Goodwill amortised	2,359	2,400
Depreciation	3,147	4,122
Profit on sale of tangible fixed assets	(1,634)	(953)
Stocks – increase	(32,858)	(137,927)
Debtors – decrease/(increase)	32,898	(44,812)
Investments – increase	(6,533)	(18,734)
Creditors – (decrease)/increase	(8,658)	56,104
Net cash inflow from continuing operating activities	204,385	49,650
Returns on investments and servicing of finance		
Interest received	2,640	891
Interest paid	(9,873)	(14,533)
Net cash outflow from returns on investments and servicing of finance	(7,233)	(13,642)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,893)	(3,608)
Sale of tangible fixed assets	5,089	2,966
Loans to joint ventures	(4,612)	(17,990)
Repayment of loans to joint ventures	23,468	2,278
Purchase of fixed asset investments	(4,308)	(10)
Net cash inflow/(outflow) from capital expenditure and financial investment	13,744	(16,364)
Acquisitions and disposals		
Investment in joint ventures	–	(26)
Net cash (outflow) from acquisitions and disposals	–	(26)
Financing		
Cost of share buy-backs	(42,039)	–
Net proceeds from share placing	–	46,198
Share options exercised	205	2,444
Repayment of loan stock	(42)	(31)
(Decrease)/increase in bank loans	(35,500)	7,500
Net cash (outflow)/inflow from financing	(77,376)	56,111

Notes to the Accounts *continued*

22 Notes to the cash flow statement continued

	At 1 May 2002 £'000	Cash flow £'000	**At 30 April 2003 £'000**
Analysis of net debt			
Cash at bank and deposits repayable on demand	3,105	53,998	**57,103**
Bank overdrafts	(10,867)	10,867	**–**
Cash	(7,762)	64,865	**57,103**
Loan stock	(195)	42	**(153)**
Bank loans due within one year	(35,500)	35,500	**–**
Bank loans due after one year	(200,000)	–	**(200,000)**
	(243,457)	100,407	**(143,050)**

23 Treasury policy and financial instruments

The Board approves treasury policy and senior management control day-to-day operations. The objectives are to manage financial risk, to ensure sufficient liquidity is maintained to meet foreseeable needs, and to invest cash assets safely and profitably. It is the Group's policy that no trading in financial instruments shall be undertaken.

The Group finances its operations by a combination of retained profits and net borrowings. The Group's financial instruments comprise cash at bank and in hand, bank loans and overdrafts, loan stock, fixed asset investments, debtors and creditors.

From time to time the Group uses derivative instruments when commercially appropriate to manage cash flow risk by altering the interest rates on investments and funding so that the resulting exposure gives greater certainty of future costs. The main types of instruments used from time to time are interest swaps and caps. During the year and at the year end the Group held no such instruments (2002: nil). All of the operations carried out by the Group are in sterling and hence the Group has no exposure to currency risk.

Short-term debtors and creditors have been excluded from all of the following disclosures.

Financial liabilities

The Group's financial liabilities are as follows:

	2003 £'000	2002 £'000
Bank overdrafts	**–**	10,867
Unsecured loan stock	**153**	195
Bank loans due within one year	**–**	35,500
Bank loans due after one year	**200,000**	200,000
Other creditors due after one year	**22,219**	14,626
	222,372	261,188

23 Treasury policy and financial instruments continued

The exposure of the Group's financial liabilities to interest rates is as follows:

	2003 £'000	2002 £'000
Fixed rate	–	51,000
Floating rate	200,153	195,562
Non-interest bearing	22,219	14,626
	222,372	261,188

The Group held no fixed rate financial liabilities at 30 April 2003. At 30 April 2002, the fixed rate financial liabilities had a weighted average interest rate of 4.43% and were fixed for an average of five days. The floating rate financial liabilities are linked to interest rates related to LIBOR. For financial liabilities which have no interest payable, the weighted average period to maturity is 15 months (2002: 15 months).

The maturity profile of the financial liabilities is as follows:

	2003 £'000	2002 £'000
Within one year or on demand	153	46,562
Between one and two years	22,219	14,626
Between two and five years	200,000	200,000
	222,372	261,188

Financial assets

The Group's financial assets are as follows:

	2003 £'000	2002 £'000
Fixed asset listed investments	5	11
Current asset investment	62,047	55,514
Cash at bank and in hand	57,103	3,105
	119,115	58,630

Cash at bank and in hand is at floating rates linked to interest rates related to LIBOR.

Undrawn committed borrowing facilities

The Group has undrawn committed borrowing facilities of £311,905,000 (2002: £296,922,000) which are floating rate and expire within one year.

Fair value of financial instruments

Fair values have been calculated by discounting expected future cash flows at prevailing interest rates and yields, as appropriate, at the year end. There are no material differences between the book value and the fair value of the Group's financial assets and liabilities except for other creditors due after one year with a fair value of £21,032,415 (2002: £13,318,000) compared to a book value of £22,218,900 (2002: £14,626,000).

Notes to the Accounts continued

24 Related party transactions

The Group has entered into the following related party transactions:

a) Proceeds from transfer of land to joint ventures £nil (2002: £3,000,000).

b) Charges made for goods and services supplied to joint ventures £3,619,000 (2002: £2,078,000).

c) Proceeds from sale of development to limited partnership £11,302,000 (2002: £36,389,000).

d) The Board has given its approval for three Directors of the Company to use the Group's own build scheme. This is a scheme whereby eligible employees may enter into a contract with the Company to build or substantially renovate their own house. The details of the three transactions are as follows:

Mr A W Pidgley, a Director of the Company, had entered into an arrangement with Thirlstone Homes (Western) Limited, to carry out renovations at his home. During the year approximately £63,000 (2002: £166,000) was paid to Thirlstone Homes (Western) Limited in relation to this transaction. There was no balance outstanding at the year end.

Mr G Hutchinson, a Director of the Company, had entered into an arrangement with Crosby Homes Limited, to carry out refurbishment and landscaping works at his home. The total cost of the work was approximately £114,000 and has been paid for in full. During the year approximately £22,000 (£2002: £92,000) was paid to Crosby Homes Limited in relation to this transaction. There was no balance outstanding at the year end.

Mr T Farrow, who was a Director of the Company until his resignation on 31 May 2003, entered into an arrangement with St James Group Limited to carry out refurbishment works at his home. The cost of the work was £25,500 and was paid for in full during the year.

25 Subsidiaries, joint ventures and limited partnership

The Group has the following principal subsidiary undertakings which are registered and operate in England and Wales and which are all 100% owned:

Residential housebuilding

Berkeley College Homes Limited*
Berkeley Community Villages Limited
Berkeley Homes plc
Berkeley Homes (Chelsea Bridge Wharf) Limited*
Berkeley Homes (East Thames) Limited*
Berkeley Homes (Eastern) Limited*
Berkeley Homes (Hampshire) Limited*
Berkeley Homes (Home Counties) plc*
Berkeley Homes (London) plc*
Berkeley Homes (North East London) Limited*
Berkeley Homes (Oxford & Chiltern) Limited*
Berkeley Homes (South East London) Limited*
Berkeley Homes (Southern) Limited*
Berkeley Homes (West London) Limited*
Berkeley Partnership Homes Limited*
Berkeley Strategic Land Limited
Crosby Homes (Lancashire) Limited**
Crosby Homes Limited**
Crosby Homes (Special Projects) Limited***
Crosby Homes (North West) Limited**
Crosby Homes Special Projects (NW) Limited**
Crosby Homes (Yorkshire) Limited**
Crosby Midlands (Special Projects) Limited**
St David Limited***
St George PLC
St George Central London Limited****
St George North London Limited****
St George South London Limited****
St George West London Limited****
The Berkeley Clarence Dock Co. Limited**
The Beaufort Homes Development Group plc
The Crosby Group plc
Thirlstone PLC
Thirlstone Homes Limited*****
Thirlstone Homes (Western) Limited*****

*Agency companies of Berkeley Homes plc **Agency companies of The Crosby Group plc ***Agency companies of The Beaufort Homes Development Group plc ****Agency companies of St George PLC *****Agency companies of Thirlstone PLC

Commercial property and other activities

Berkeley Commercial Developments Limited† Berkeley Festival Developments Limited† Berkeley Portsmouth Harbour Limited† The Berkeley Festival Waterfront Company Limited†

†Direct subsidiaries of the parent Company

The Group has interests in the following joint ventures and limited partnership which are registered and operate in England and Wales (except where stated in italics) and which are all 50% owned, except where stated:

	Accounting date	Principal activity
Joint ventures		
Berkeley Breamore Oceana Limited	30 April	Commercial property
Berkeley Chelsfield Limited (sold 19 June 2003)	30 April	Residential housebuilding
Berkeley Eastoak Investments Limited (*Jersey*)	30 April	Commercial property
Berkeley Gemini Limited	30 April	Mixed-use
Berkeley Mansford Limited	31 March	Commercial property
Berkeley Sutton Limited	30 April	Residential housebuilding
Crosby ASK Limited	31 March	Commercial property
Crosby Peel Limited	31 March	Residential housebuilding
Crosby Seddon Limited	30 April	Residential housebuilding
Fitness First Berkeley Limited	31 October	Commercial property
Hungate (York) Regeneration Limited (33.3%)	30 April	Mixed-use
Ician Developments Limited	30 April	Residential housebuilding
Saad Berkeley Investment Properties Limited (*Jersey*)	30 April	Commercial property
Saad Berkeley Limited	30 April	Residential housebuilding
St James Group Limited	30 April	Residential housebuilding
Thirlstone Centros Miller Limited	31 December	Residential housebuilding
UB Developments Limited	30 April	Residential housebuilding
Limited partnership		
The Gunwharf Quays Limited Partnership	31 March	Commercial property

The interests in the joint ventures are in equity share capital.

Five Year Summary

Years ended 30 April	2003 £'000	2002 £'000	2001* £'000	2000* £'000	1999* £'000
Profit and loss account					
Turnover (excluding joint ventures)	**1,150,840**	976,771	833,883	766,948	719,944
Operating profit – Group					
– residential housebuilding	**212,012**	181,447	145,233	97,309	105,404
– commercial and other	**3,652**	8,003	12,038	14,906	4,469
	215,664	189,450	157,271	112,215	109,873
Operating profit – joint ventures	**16,542**	23,540	21,077	13,588	4,072
Exceptional items	**–**	–	7,958	1,601	1,799
Profit before interest and taxation	**232,206**	212,990	186,306	127,404	115,744
Net interest payable	**(11,025)**	(16,828)	(16,534)	(2,507)	(1,481)
Profit on ordinary activities before taxation	**221,181**	196,162	169,772	124,897	114,263
Taxation	**(66,497)**	(59,333)	(53,122)	(38,862)	(36,162)
Profit on ordinary activities after taxation	**154,684**	136,829	116,650	86,035	78,101
Dividends	**(24,909)**	(22,003)	(19,069)	(16,377)	(14,166)
Retained profit	**129,775**	114,826	97,581	69,658	63,935
Earnings per share	**116.0p**	105.3p	91.6p	67.9p	62.2p
Dividends per share	**19.2p**	16.5p	14.9p	12.9p	11.2p
Balance sheet					
Capital employed	**1,199,206**	1,211,672	1,043,740	809,296	617,512
Net (debt)/cash	**(143,050)**	(243,457)	(238,993)	(107,937)	12,789
Shareholders' funds	**1,056,156**	968,215	804,747	701,359	630,301
Net assets per share	**829p**	717p	628p	553p	498p
Ratios and statistics					
Return on capital employed (note i)	**19.3%**	18.9%	20.1%	17.9%	20.7%
Return on shareholders' funds (note ii)	**15.3%**	15.4%	15.5%	12.9%	13.2%
Dividend cover	**6.2**	6.2	6.1	5.3	5.5
Units sold	**3,544**	3,182	2,440	2,826	2,998

*Restated by changes in accounting policy.

Note i: Calculated as profit before interest and taxation as a percentage of the average of opening and closing capital employed.

Note ii: Calculated as profit on ordinary activities after taxation as a percentage of the average of opening and closing shareholders' funds.

Financial Diary

Annual General Meeting	22 August 2003
Half year end	31 October 2003
Interim report for six months to 31 October 2003	5 December 2003
Preliminary announcement of results for year to 30 April 2004	June 2004
Publication of 2003/2004 annual report	July 2004

Dividends on Ordinary Shares payable:

Final 2002/2003	4 September 2003
Interim 2003/2004	February 2004
Final 2003/2004	September 2004

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