The Berkeley Group plc

Annual Report 2004

The Berkeley Group plc

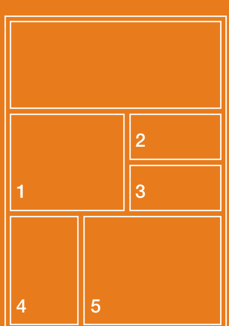
The Berkeley Group is Britain's leading urban regenerator. For over a decade Berkeley has been transforming redundant urban land into vibrant and sustainable new communities.

Its exceptional management team has consistently demonstrated that it has the skills and vision to convert complex urban sites into critically acclaimed mixed-use developments which deliver the level of quality and variety expected by its customers.

The Group's financial strength combined with its pioneering approach to land development consistently delivers value to its investors.

About The Berkeley Group

Financial Results

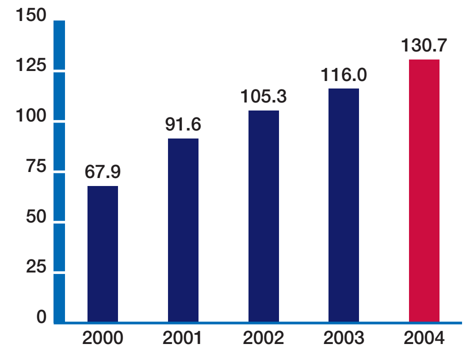


1 St George Wharf, SW8
2 Gunwharf Quays, Portsmouth
3 The Hamptons, Worcester Park, Surrey
4 Building 45, The Royal Arsenal, Woolwich, SE18
5 Chelsea Bridge Wharf, SW8

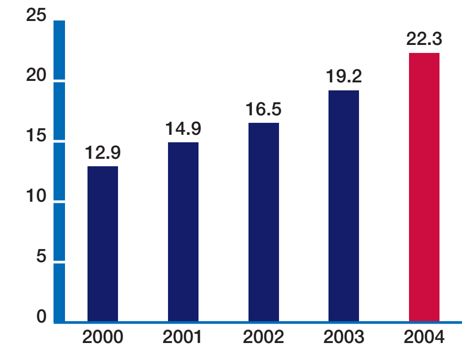
2004 Financial Highlights

- Pre-tax Profits: Up 4.1% to £230.2 million
- Operating Margins: Group housebuilding operating margins, excluding land sales, reduced to 17.6% from 18.6% as Berkeley exits non-core markets
- Earnings per Share: Increased by 12.7% to 130.7 pence
- Proposed Final Dividend: 16.5 pence per share, making a total dividend of 22.3 pence per share, an increase of 16.1% (2003: total of 19.2 pence)
- Net Asset Value per Share: Up 14.1% to 946 pence
- Net Cash: £288.2 million cash generated converting net debt of £143.0 million to net cash of £145.2 million
- ROCE: Increased to 21.4% from 19.3% last year
- Land Holdings: Up to 26,654 plots from 25,850 last year end
- Forward Order Book: Strengthened to £945.3 million (2003: £920.9 million)
- Share Buy-Back: 7.0 million (5%) shares bought back for £52 million
- Strategic Review: Berkeley has concluded a strategic review, the outcome of which is that the Group will in future focus on its urban regeneration business. In consequence, it intends to return £12 per share to shareholders in cash over the next six years

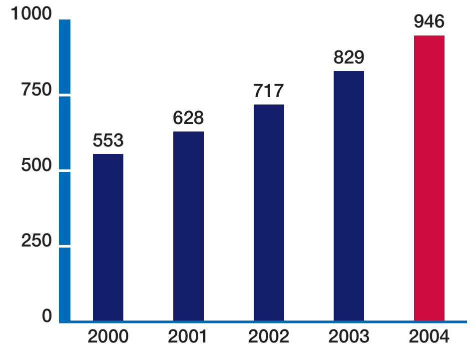
Earnings per share (pence)



Dividends per share (pence)



Net assets per share (pence)



Who we are


1


2

Berkeley is a leader in the business of urban regeneration in Britain.

Over 95% of Berkeley's developments take place on brownfield land.

Jim Farrer and Tony Pidgley, the Group's Managing Director, founded Berkeley over a quarter of a century ago.

Berkeley has been one of the outstanding successes of the land development industry.

Berkeley's unrivalled understanding of the land development and home building markets is built on a matrix of key factors:

- Pioneering Vision
- Management Expertise
- Superb Land Holdings
- Product Quality and Diversity
- Marketing Flair
- Financial Strength

Underpinning the success of Berkeley is a powerful combination of its willingness to innovate and take on projects most others shy away from. Allied to this is a confidence that flows from the experience and financial strength Berkeley has built up over the past decade and more. No other company has such a breadth and depth of management experience, gained at the cutting edge of the home building industry.

Berkeley:

- Encourages innovation
- Rewards entrepreneurial flair
- Nurtures its strong brands
- Never forgets the demands of a cyclical industry
- Has built a sound capital base
- Invests in new opportunities

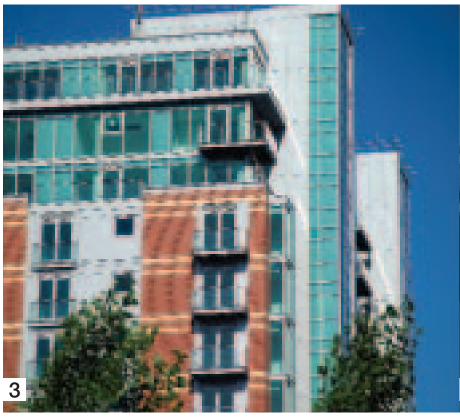
Berkeley's vision is delivered through a number of strongly branded divisions. These are managed in an autonomous manner, but each is able to draw on the financial strength and management experience at the heart of the Group.

1 The Pumphouse, New River Village, Hornsey, N8

2 Leybourne Lakes, Larkfield, Kent

3 Salamanca Square, Albert Embankment, SE1

4 Brewery Square, Clerkenwell, EC1



3

4

Berkeley HOMES

One of the most respected property developers in London and the South-East of England. With 25 years of experience, its portfolio includes contemporary apartments, traditional townhouses, conversions of period buildings and a range of mixed-use developments.

Gunwharf Quays, one of Berkeley Homes' key regeneration sites, recently beat 180 other entries to win English Partnerships' coveted Partnership in Regeneration Award alongside a BURA (British Urban Regeneration Association) Best Practice Award.

ST·GEORGE PLC

London's leading mixed-use developer.

In 2002, St George became the first property developer to be awarded the prestigious Queen's Award for Enterprise.

Crosby HOMES

Crosby takes a leading role in the renaissance of cities outside of the South-East with major developments across the Midlands and the North of England.

Berkeley Community Villages

This is a company established by the Group to create new sustainable settlements and help meet agreed housing needs in the countryside.

ST JAMES GROUP LTD

This is a joint venture company founded in 1997, between The Berkeley Group and Thames Water. It has gained a formidable reputation for introducing a new level of innovation to home building in London and the South-East.

Berkeley COMMERCIAL

This is the Group's dedicated commercial property developer and investor, with successes to its name such as the award winning redevelopment of Gunwharf Quays in Portsmouth.

berkeley first

This is the Group's dedicated developer of key worker and student accommodation. It delivers well designed and conveniently located affordable homes that key workers and students can feel proud of.

ST JOHN

St John Homes operates exclusively in the outer North London boroughs and surrounding counties. St John Homes will be focusing on large-scale regeneration projects.

Chairman's Statement

Berkeley operates a totally different business model to the majority of other housebuilders, concentrating on highly complex large-scale inner-city urban regeneration schemes on brownfield land. The success of our strategy is evident in our financial performance.

Berkeley is no longer a traditional housebuilder – it is an urban regenerator.

Berkeley concentrates on large-scale urban regeneration projects, bringing new life and vitality to neglected areas of our towns and cities. This process is complex, needing immense vision, determination and patience – all of which requires a special cocktail of professional management and entrepreneurial flair. The success of our strategy is evident in our financial performance.

Berkeley's focus accords with the public policy agenda on housing, which aims for more mixed-use development on brownfield sites.

For many years now, Berkeley has had a clear and consistent strategy of balancing earnings per share growth, cash generation and a well-bought land bank to give security of future profits. In the half-year statement, I described our increasing focus on protecting asset value and generating cash flow as opposed to concentrating primarily on the profit and loss account. This reflected our anticipation of a more normal housing market and also recognised the fundamental changes taking place within Berkeley.

Strategic Review

Berkeley operates a totally different business model to the majority of other housebuilders as we have chosen to concentrate mainly on highly complex large-scale inner-city urban regeneration schemes on brownfield land. Here, our unique mix of skills creates enhanced returns for our shareholders and delivers benefits for all our stakeholders.

During the year the Board of Berkeley has carried out a full strategic review, in conjunction with the Company's advisors, to assess the best route for delivering shareholder value. This has taken place in the context of the Board's views about the outlook for achieving sustainable growth in the markets in which it operates – where there appears to be a natural size for a residential urban regenerator – and takes into account the normalisation of the housing market following a decade of boom and a number of other external factors.

The Board developed a number of strategic options, which included continuing to grow the business – which required further investment and new management teams – disposing of the business, or selling off or demerging individual divisions. All were rejected as not being in the best interest of shareholders. After careful consideration the Board has decided to leave behind Berkeley's traditional housebuilding heritage and focus primarily on larger scale complex regeneration. This route will return substantial capital to shareholders while enabling Berkeley to continue to buy land selectively when attractive opportunities arise in the urban regeneration market. Critically, it is a path that will retain staff to ensure the sustainability and future of the business with our main challenge now being to realise the value contained within our strong land bank.

The working capital requirement of this more focused business enables Berkeley to propose to return £12.00 per share to shareholders in cash over the next six years to 2010, a total of over £1.4 billion, while maximising the value of the continuing business. We plan to return £600 million in the current year. These proposals are subject to shareholder approval and further details are expected to be published in August in time for shareholders to consider and approve these proposals at the Annual General Meeting on 27 August 2004.

The Board believes this is a unique way of enhancing shareholder value while retaining sufficient working capital to fully realise the value within our current and future land holdings.

These proposals will be discussed with shareholders over the next two months and it is expected that a resolution will be tabled in August with the first return of cash to shareholders later this year.

The Board believes it is appropriate in the light of the proposed restructuring to review the Remuneration Policy so that it aligns management's incentives with achievement of the return of capital and maximising the value of the continuing business. This will also be subject to a consultation process with shareholders.

Financial Results

During the 12 months ended 30 April 2004, Berkeley continued its strategy of organic growth and we are delighted to announce pre-tax profits of £230.2 million, an increase of 4.1% for the same period last year. Earnings per share rose by 12.7% from 116.0p to 130.7p. Three factors contributed to this growth; increased pre-tax profits (4.1%), share buy-backs (7.5%) and a reduction in the effective tax rate (1.1%).

Roger Lewis
Chairman

Shareholders' funds increased by £88.4 million to £1,144.5 million (30 April 2003: £1,056.2 million) an increase of 8.4%. Net assets per share stand at 946p, an increase of 14.1%. The increase in shareholders' funds takes account of share buy-backs of £52.4 million in the year. Shareholders' funds will be further reduced in 2004/5 by £20.5 million following share buy-backs completed after the year end. Since December 2002, Berkeley has purchased and cancelled 15,874,138 shares at a cost of £114.2 million. This equates to an average price of £7.19p a share, at a discount of 24% to the 30 April 2004 net asset per share value.

Return on Capital Employed was 21.4%, up from 19.3% last time. This has increased primarily due to Berkeley's retirement from the Gunwharf Quays limited partnership.

At 30 April 2004 Berkeley had net cash balances of £145.2 million (30 April 2003: net debt of £143.0 million) after generating £288.2 million of cash flow in the year. This has resulted from operating cash flow of £215.5 million and a reduction in working capital of £220.4 million, offset by the £52.4 million used to buy-back shares, tax and dividend payments totalling £78.1 million and other cash flows of £17.4 million.

Dividends

The Directors are pleased to recommend a final dividend of 16.5p net per share. This dividend, together with the interim dividend of 5.8p net per share paid in February 2004 will make a total dividend of 22.3p – an increase of 16.1% over the 19.2p paid last year. The cost of the final dividend will be £19.5 million and will be payable on 9 September 2004 to shareholders on the register on 13 August 2004.

The current dividend policy of the Group is to move towards a better balance of interim and final dividends, taking into account the more even split of pre-tax profits and maintaining the cover ratio. If the corporate restructuring proposals, set out in this announcement are approved, it is not envisaged that there will be any further payments to shareholders outside the scheduled capital repayments, unless surplus capital is generated.

Trading Analysis

Group turnover was £1,272.4 million (2003: £1,150.8 million). This comprises £1,130.1 million (2003: £1,130.1 million) of residential turnover and £142.3 million (2003: £20.8 million) of commercial turnover.

During the year Berkeley sold 3,805 houses at an average selling price of £283,000. This compares with 3,544 houses at an average selling price of £315,000 in the previous year. In the financial year the Group realised £11.4 million from eight land sales (2003: £8.8 million). The Group's policy has always been to take advantage of suitable land sale opportunities. That said, its performance does not depend on realising such opportunities.

At £142.3 million (2003: £20.8 million), Group commercial turnover reflected the disposal of commercial units on 14 mixed-use sites including £98.8 million from Gunwharf Quays. Now that the retail and leisure phase of Gunwharf Quays is substantially complete, Land Securities has taken full control of this element. In aggregate, Land Securities plc will pay Berkeley around £170 million, of which £163 million had been received by 30 April 2004. The remainder is paid in tranches, the timing of which will be related, initially, to the base rents secured, and one year thereafter, to the level of turnover rents. The final amount payable will depend on the turnover element of the rents received.

The Group's share of joint venture turnover totalled £123.7 million (2003: £99.3 million). This comprises £121.0 million (2003: £91.4 million) from residential projects and £2.7 million (2003: £7.9 million) from commercial schemes. The number of units sold was 1,034 with an average price of £225,000, compared to 637 units at an average selling price of £211,000 in the previous year.

The housebuilding operating margin, excluding joint ventures and land sales, has decreased from 18.6% to 17.6%. This fall is as a result of a number of factors including the Crosby transaction, the exit from traditional business both in Crosby and Berkeley Homes, and the closure of Thirlstone. As mentioned in the half-year statement, the Group has taken a reduced operating margin in over-supplied markets in order to sell forward more aggressively.

Over recent reporting periods, the Group has achieved operating margins in a range of 18.5% to 19.5%, depending on mix. We expect to achieve a similar range in the next financial year and to increase it if current market conditions prevail. Joint venture operating margins are 17.7%, compared to 16.7% last year.

The success of the Group in achieving its business objectives over the past year has been possible only through the exceptional performance of our people. On behalf of the Board and shareholders, I would like again to express our continued thanks and appreciation to them all for their commitment and dedication.

Corporate Governance

At the Annual General Meeting in August 2003, Berkeley made certain commitments regarding both its Executive remuneration policy and the structure and balance of the Board of Directors. I am pleased to report significant progress on both counts.

Following a detailed consultation process with major shareholders and institutional shareholder bodies such as the ABI, NAPF and PIRC, a new remuneration policy was presented to shareholders for approval at an Extraordinary General Meeting in February 2004. Shareholders demonstrated their support with 94% of votes cast approving the new remuneration policy.

In December 2003, Fred Wellings resigned from the Board, having served as a Non-executive Director for nine years – most recently as Chairman of the Audit Committee and as the Senior Independent Non-executive Director. Berkeley is most grateful to Mr Wellings for his contribution to the Group during this time. Following his resignation, Tony Palmer was appointed Senior Independent Non-executive Director.

In February 2004, we were delighted to welcome David Howell to the Board. Mr Howell is the Chief Financial Officer of lastminute.com plc and was previously Group Finance Director of First Choice Holidays plc and a Non-executive Director of Nestor Healthcare Group plc. In assuming the role of Chairman of the Audit Committee, his current and relevant financial experience has been utilised in its fullest capacity to the immediate benefit of the Group and balance of the Board.

The Board now comprises the Chairman, four Executive Directors and three Non-executive Directors. In accordance with statements made earlier in the year, and the provisions of the New Combined Code, the Board is continuing to seek a further Non-executive Director to achieve the board balance set out in the New Combined Code.

Our People

The success of the Group in achieving its business objectives over the past year has been possible only through the exceptional performance of our people. Berkeley continues to operate a highly entrepreneurial autonomous and customer focused business culture, coupled with sound business and corporate disciplines. This has allowed the Group to recruit, retain and develop highly talented and experienced people. On behalf of the Board and shareholders, I would like again to express our continued thanks and appreciation to them all for their commitment and dedication.

Sustainability

This year the Board publishes its third annual Sustainability Report which records our ongoing commitment to sustainable development. We were greatly encouraged that our approach to sustainability reporting was commended by a landmark report commissioned by the World Wildlife Fund (now known as WWF – the Global Environment Network) and Insight Investments. The Report assessed the UK's leading housebuilders against a wide range of sustainability criteria and Berkeley scored 70%, placing it second overall.

Outlook

Berkeley has been operating primarily in markets where sales price growth has been constrained and volumes have been in line with expectations that flow from more normal market conditions. Berkeley's operational model is to enhance shareholder value, producing homes where our customers wish to live and minimising risk as far as possible. Berkeley is well placed to continue achieving these objectives with an unrivalled land bank, strong forward sales and a focused management team dedicated to the continued success of the business.

The normal housing market that now exists in the UK plays to all of Berkeley's strengths: location, quality and choice. With our new focus as an urban regenerator, our strong forward order book and our substantial land bank to develop, Berkeley's shareholders have every reason to look to the Company's future with confidence.

Roger Lewis
Chairman

Operational Review

Our strength is our ability to manage the Group to perform strongly, minimising risk whatever the state of the housing market or the economic conditions that prevail.

Introduction

It is now 28 years since I founded The Berkeley Group. At that time, my vision – which has remained constant over these three decades – was to create a property company which was not only highly successful but which also pioneered new ways of working in partnership with all the stakeholders involved in the process of land development. I believed then – and still do – that there was a path that could create true harmony between the requirements of our shareholders, employees, customers, government, regional bodies and local authorities. This is the journey that has taken Berkeley to its position today – as Britain's premier urban regenerator.

Reaching this point has only been possible by a strategy of genuine partnership and the alignment of interests of our stakeholders. Our shareholders have always looked for value creation over the long term and the security of knowing that their business is being managed by safe hands. I believe that our strategy has achieved these objectives and will continue to do so going forward.

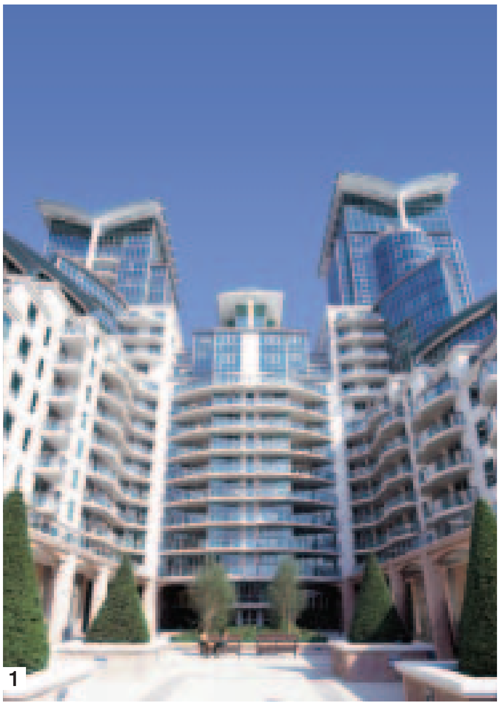
Berkeley has always had a well-founded, clear and consistent strategy and the vision and expertise to deliver it. At the heart of the company is a recognition that adding value to land through development requires a hands-on approach. Our ability to closely manage the development process has been critical to the success of Berkeley's strategy.

Berkeley's objective has always been to own and develop an unrivalled land bank and have the expertise to build and sell the homes created. In our view, to maximise shareholder value our business has to combine planning and developing excellence with marketing flair. The skills required are hugely varied hence the intensive nature of our management approach.

We have a highly trained management team in place to continue delivering our strategy for the benefit of all our stakeholders. This team has a natural size and combines extensive experience alongside a carefully selected group of younger people. Together this management team offers succession in abundance and this preparation for the future is something for which we continue to plan and nurture our talent.

At the heart of Berkeley's success is a uniquely talented and experienced management team, driven by entrepreneurial flair and an unrivalled practical understanding of the land and property market. 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. Such a performance is not achieved without the commitment, dedication and expertise of our staff. On behalf of the Board and shareholders, I would like, in addition to the Chairman, to express our sincere appreciation and thanks to them all. Our people are our life blood.

Meeting the needs of our customers has been key to the success of Berkeley and will continue to be our central focus. Every customer has their own requirements and each looks for a different experience – whether an investment opportunity, a house to live in on their own or with their family, a weekend retreat or a pied-à-terre in the centre of one of our great cities. To meet these many and varied expectations, Berkeley must produce



1

1 St George Wharf, SW8

Operational Review

homes in locations which appeal to our customers and create the communities of tomorrow.

As an issue of public policy, housing is growing in importance – whether as a result of the Barker Review into the supply of housing, the work of the Office of the Deputy Prime Minister, the Greater London Authority or other national, regional and local statutory agencies or representative bodies. Berkeley is well placed to capitalise on this public policy focus. Only through active partnership between all stakeholders – of the sort Berkeley has always pioneered – will we be able to deliver the urban regeneration projects required in order to meet housing needs in a sustainable manner. One example of this partnership approach is the Royal Arsenal at Woolwich where Berkeley is working with the London Borough of Greenwich, the London Development Agency and English Heritage on a large-scale development project which will make a major contribution to the regeneration of the area.

True partnerships have at their heart an alignment of interests and the bringing together of Thames Water and The Berkeley Group through St James to bring redundant land back into use to create sustainable communities is a great example of this. These partnerships meet the ambition of local and central government to meet housing needs in a sustainable manner while providing attractive places to live for people across all income ranges who are looking for homes to live in.

Review of the Year

The year under review has been very significant for Berkeley as we have very largely completed our transformation from a traditional housebuilder into a mixed-use urban regenerator.

This has gone hand in hand with a number of other notable achievements that have all been part of our strategy to refocus Berkeley as a more simple business but one capable of carrying out the most demanding and complex regeneration schemes.

These achievements include:

- Turnover and profits at a record level.
- The conversion of net debt of £143 million at 30 April 2003 into positive net cash balances of £145.2 million as at 30 April 2004.
- A strong sales performance with the forward sales position at 30 April 2004 being even healthier than the previous year.
- The creation of a new approach and structure for Crosby that generates significant cash for the Group and motivates management.
- The exit from the Gunwharf Commercial Partnership, and once again generating significant funds for the Group.
- The further strengthening of our strong land position.

Business is not about chance and these achievements have been the result of a well founded and consistent strategy and have been delivered through the dynamics of our people who add value at every stage of the development process, be it land optimisation or product enhancement.

Much is currently being written about the prospects of the housing market, the challenges of land supply and the planning system and the future of the economy. Our strength is our ability to manage the Group to perform strongly, 'minimising' risk whatever the state of the housing market or the economic conditions that prevail. We believe that the current strategy of Berkeley to focus primarily on being an urban regenerator will enable us to continue to deliver a strong performance for our shareholders and all our stakeholders.

Berkeley is now one of the leaders in the transformation of regeneration in urban Britain and our views and expertise are widely sought by policy makers all over the country. Berkeley has achieved this respect by its willingness to work in partnership with key stakeholders, by being prepared to pioneer and through the ability of its management to undertake the most complex and challenging urban regeneration schemes, creating mixed-use schemes and places for people to live.

The Housing Market

Since 2001, the housing market has gone through a number of mini cycles, as can be seen in terms of reservation levels. The first half of 2001/2 (May 2001 to October 2001) was a normal market, while the second half (November 2001 to April 2002) was unexpectedly buoyant, returning to more normal conditions in the first half of 2002/3. This gave way to weak market conditions in the second half of 2002/3, as a result of uncertainty caused by world events. The market then returned to more normal conditions through the financial year 2003/4. In addition, reservations to investors in 2003/4 have exceeded 50% – a reassuring demonstration of the continuing strength of the investment market.

The market, particularly in London and the South-East, continues to provide a stable environment in which to operate. Increases in sales prices depend heavily on location, type of development and stage of construction and are running at 3.0% to 8.0% above our business plan forecast, at levels similar to the first half. Build costs remain under pressure and this has intensified in the last six months with the continuing shortage of labour coupled with the improvement in world economies. Indirect costs, including landfill tax and insurances, have also increased in the year. When coupled with the planning uncertainties, an increase in the affordable housing requirement and Section 106 planning gain payments, it is clear that sales price inflation may no longer cover increased costs, thus putting pressure on land values and operating margins. Nevertheless, high employment levels, especially in London and the South-East combined with interest rates that are still historically low – despite recent increases – continue to underpin consumer confidence. At the same time, constraints in supply are likely to continue as a result of planning delays and the complexity of delivering urban regeneration schemes.

1 Wycombe Square, Kensington, W8

2 The Vulcan, Gunwharf Quays, Portsmouth – Prior to refurbishment

The normal housing market that now exists in the UK plays to Berkeley's key product strengths: **location, quality** and **choice.**

Operational Review

1 The Royal Arsenal, Woolwich, SE18

2 Lyme Wharf, Camden, NW1

Our sales results this year were excellent and I am especially pleased at the improvement – from a great start – in our forward sales position. This is the strength of a strategy that secures an early commitment from the customer – enhancing the quality of future income and security in the profit and loss account.

1

2

Berkeley has been very selective in the land market and has found prices to be extremely competitive, especially for sites below £10 million, or for ready to go sites with planning permission.

In the Group's full year targets for 2004/5, 57% of sales are of units with selling prices under £300,000 and 87% of sales are of units under £500,000. Given that this end of the market has been performing most strongly, we should achieve these forecasts as long as we produce homes in locations where people want to live.

The housing market is now what I would regard as normal – but that's the type of market we like at Berkeley. It plays to our key product strengths: location, quality and choice. And it enables our innovative marketing teams to make full use of our distinctive brands to communicate those strengths.

Forward Sales

Our sales results this year were excellent and I am especially pleased at the improvement – from a great start – in our forward sales position. This is the strength of a strategy that secures an early commitment from the customer – enhancing the quality of future income and security in the profit and loss account.

Berkeley's strategy continues to be to sell homes at an early stage in the development cycle as this secures purchasers' commitments and, consequently, the quality of future revenue. This strategy has always stood the Group in good stead but is particularly important when there is less vigour in the market. It is positive, therefore, that the Group has increased its forward sales position from £920.9 million at this time last year, to £945.3 million at 30 April 2004. Of this, £156.4 million (2003: £229.0 million) is included as debtors in the balance sheet, with the remaining £788.9 million (2003: £691.9 million) benefiting the current year and future years.

Land Holdings

Berkeley has always been known for the scale and quality of its land holdings. This year we've taken that to a new level. During the year the Group has more than replaced the number of plots used in production while at the same time generating more than £350 million from operating cash flow and working capital. Berkeley now controls 26,654 plots. This compares with 25,850 plots at 30 April 2003. The land market remains highly competitive and Berkeley maintains strict investment criteria that have led the Group to withdraw from a number of opportunities.

Notwithstanding this, the Group has acquired a number of significant urban regeneration sites during the year. The most notable of these is the development agreement entered into with the London Development Agency for 2,000 homes at The Warren, a site adjacent to the Group's existing development at Royal Arsenal, Woolwich. In addition to this, the Group has acquired a site of 800 units in Gillingham, a 550 unit site at Stanmore, a 290 unit site on a cold storage facility in Sevenoaks, and agreed a 600 unit site at Hillingdon. Furthermore, during the year, the Group has continued to review its existing holdings, maximising densities where this is compatible with local planning objectives and policy. This has been achieved at Redbank in Manchester where the development has been enhanced by a further 350 units, Clarence Dock in Leeds (a further 270 units), St George Wharf (a further 140 units) and the residential phase at Gunwharf Quays (a further 200 units).

At 30 April 2004, of the plots controlled by the Group, 21,449 (2003: 19,459) are owned and on the balance sheet, while 4,315 (2003: 3,358) are contracted and a further 890 (2003: 3,033) have terms agreed and solicitors instructed. Over 95% of our land holdings are on brownfield or recycled land. This is the backbone of our business.

Joint Ventures

Berkeley currently has £67.9 million of capital employed in joint ventures, an increase of £11.2 million from last year's figure of £56.7 million. Our share of joint venture bank borrowings has risen by £7.8 million to £78.7 million.

Berkeley's largest joint venture company is St James, which is jointly owned with Thames Water. St James is currently developing 2,416

Berkeley has always been known for the **scale** and **quality** of its land holdings. This year we've taken that to a new level.

Operational Review

Our patient approach to development brings value to redundant land and generates real return for our shareholders – as well as immense benefits to local communities.

1 New River Village, Hornsey, N8

2 Chelsea Bridge Wharf, SW8

Few other companies have such a breadth and depth of **management experience**, gained at the cutting edge of the home building industry.

homes within the business, with a similar number being worked up with Thames Water on potential future sites.

Berkeley is committed to developing our partners' land holdings through joint ventures if there is a mutual benefit so to do.

Crosby Group

On 28 August 2003, we announced the transaction whereby the Crosby management team, led by its Chairman Geoff Hutchinson, subscribed for shares in Crosby which, after the generation of £450 million of operating cash flow, will entitle them to 50.01% of the economic and voting rights in Crosby.

I am delighted that at 30 April 2004, Crosby was ahead of its business plan and generated £74 million of operating cash flow in the year. I am particularly pleased that, despite taking over 1,000 units to sales in the year, Crosby's land bank has increased to 5,124 plots at 30 April 2004, compared to 4,815 a year previously. Given the reduced level of land buying within Crosby, this largely reflects the value optimised from the land bank and is just one example of how this innovative transaction has motivated the senior management team to achieve an enhanced performance.

Gunwharf Quays

I am very proud of Berkeley's contribution to the historic city of Portsmouth. Our Gunwharf Quays development has been an engine of regeneration for the city and I hope this will spread in the future to new schemes, such as Royal Clarence Yard in Gosport.

During this year our partner in the commercial property development at Gunwharf Quays, Land Securities, took full control of this element for which we have been paid £163 million to date. This is a fantastic achievement for Berkeley and is a perfect example of how our patient approach to development brings value to redundant land and generates real return for our shareholders – as well as immense benefits to local communities.

It's also a demonstration of how Berkeley can meet challenges that some others shy away from.

Management Structure

Berkeley's confidence flows in part from the experience we've built up in our management teams over the last decade. Few other companies have such a breadth and depth of management experience, gained at the cutting edge of the home building industry. But we are constantly looking at new ways to apply that experience in more potent ways for the benefit of our shareholders and customers.

Last year we accelerated the simplification of our management structure as we continue to move away from developing small sites to large – and much more complex – urban regeneration projects. These much more complex projects require dedicated management teams focused on individual sites. It also means we can grow without adding overheads. Indeed, in the last year our overhead cost was down by over 5%.

At the year end, the Group had ten divisions, and 26 operating companies, six of which are single project-led operations. Last year, the Group recorded sales from in excess of 130 sites. This year that will reduce to around 100.

Health, Safety and the Environment

The Berkeley Group remains committed to its objective of continuous improvement of health, safety and environmental standards to ensure that our sites and workplaces are safe places in which to operate. We continually work to reduce the number of incidents that occur to the minimum possible. Last year we committed ourselves to achieving a 10% reduction in our notifiable incident rate which stood at 10.2 per 1,000 workers. I am delighted to be able to report that we have exceeded that target with a reduction in notifiable incidents to 7.26 per 1,000 workers. This is a great tribute to our health and safety team and our entire workforce.

Awards

This year, The Berkeley Group has once again won a number of notable awards for its achievements. I am delighted by this external recognition of the commitment and hard work of our staff and the excellence of our business. A highlight of the year was Berkeley Homes' great success in winning English Partnership's coveted Partnership in Regeneration Award for its exemplary partnership with Portsmouth City Council in regenerating Gunwharf Quays. The scheme was chosen out of 180 entries and also picked up a prestigious BURA (British Urban Regeneration Association) Best Practice Award as an example of outstanding regeneration. Berkeley Homes was also awarded the Commission for Architecture and the Built Environment Five Festive Fives Award in recognition of its role in championing great architecture and design.

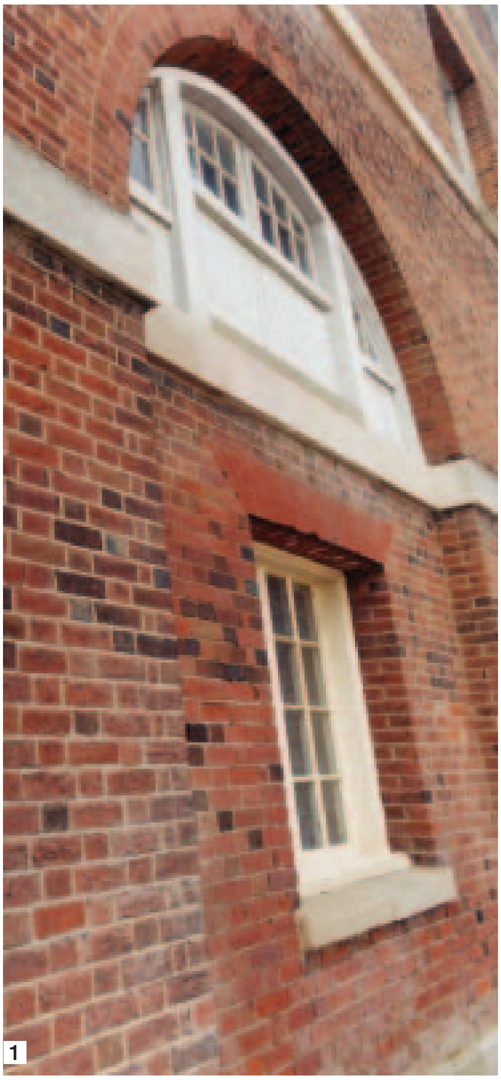
Berkeley Group divisions also gained awards from the *Evening Standard*, What House and the British Safety Council as well as Health and Safety Awards from the Royal Society for the Prevention of Accidents.

Barker Review

This year saw the publication of the Barker Review into the under supply of housing. The Berkeley Group welcomed its recognition of the significant constraints placed upon housing

Operational Review

I am delighted that Berkeley has become Britain's premier urban regenerator. As a result, Berkeley is now in a unique position with a model that is cash generative and which adds value through the development process.



1

supply by a combination of the shortage of land available for development and the planning system. We believe that there is a need for regeneration to be more actively championed among decision makers at local level to ensure that there is a clear understanding of the benefits to local communities and to balance the negative voices which are traditionally the loudest in the planning process. Over the coming year Berkeley is committed to playing its full part in the public debate over planning and to continuing to improve the means by which we consult and communicate with local people.

The Future

So, that's the last year, and the story of how our strategy has taken us here. But what about the future?

Berkeley is a very special company, with a business model different to other major housebuilders. We concentrate on large-scale urban regeneration, extracting value from redundant land. That process is complex and requires huge vision, determination and patience. That needs a certain kind of professional management, with a large dose of entrepreneurial skill

And we have been very successful at transforming Berkeley into a company that specialises in this most contemporary form of development. Our results speak for themselves and everyone with a stake in the Company gains as a result.

We also feel our business model is one that performs whether the market is in boom or, as it is now, normal. This is another reason why we are so keen to preserve our unique approach. And our positioning is also well aligned with the public policy debate on housing. The Government has recognised the need for a significant expansion in the construction of new homes and that this will require action to remove the blockages in the planning system.

The Barker Review was an important recognition of current constraints on the housebuilding industry but this agenda is going to develop over the coming years and the focus is on regenerating exactly the sort of brownfield sites that Berkeley has such an expertise in transforming.

I am delighted that the Board has set out a clear strategy for the future and has the expertise to execute it. The alignment of the aims of our shareholders, our people and our customers is of paramount importance and Berkeley is well placed to continue producing an enhanced performance whilst minimising risk.

I look forward to the year ahead and moving Berkeley towards being the most efficient property company performing at its natural size.

Tony Pidgley
Managing Director

1 The Granary & Bakery, Royal Clarence Yard, Gosport – Prior to refurbishment

2 No. 1 Deansgate, Manchester

3 Gunwharf Quays, Portsmouth

2

3

2

1

3

1 Berkeley Graduate Scholarship Trainee

*2 Gunwharf Quays, Portsmouth

3 Royal Clarence Yard, Gosport – Prior to refurbishment

4 The Royal Arsenal, Woolwich, SE18

*Computer generated image

Sustainability

Our approach to sustainability is an evolving one which draws on our experience of implementing a sustainability strategy over the past four years and aims to deliver continuing improvements in our performance.

The Berkeley Group's commitment to sustainability is founded upon our fundamental responsibility to maximise shareholder value. Our sustainability strategy assists us to meet this key goal in two important ways. First, it reinforces our commitment to continuous improvement through the structured monitoring and review of all our procedures thereby giving the Company competitive advantage and so creating value. Second, it helps guide our focus on the regeneration of redundant land in major cities across the country. This has placed sustainable development at the heart of our business strategy – and it's a focus we will continue to pursue.

We are pleased with the progress we have achieved over the past year while conscious that there remain challenges ahead. Key important milestones for the Group this year have included:

- Commendation for our approach to sustainability reporting in a landmark report commissioned by the World Wildlife Fund (now known as WWF – the Global Environment Network) and Insight Investments. The Report assessed the UK's leading housebuilders against a wide range of sustainability criteria and Berkeley scored 70%, placing it second overall.
- Continued participation in the Business in the Environment 8th Index of Corporate Environmental Engagement. Our score here improved for the third consecutive year.
- The roll out across the Group of an intranet, which is now the heart of our internal reporting systems for Berkeley's sustainability strategy.
- Maintaining a listing in the FTSE4Good and continued engagement with socially responsible investors.
- Initiation of a sustainability performance management tool.
- Refinement of our key performance indicator relating to waste.
- Real progress in the development of the divisional implementation strategies.

Our approach to sustainability is an evolving one which draws on our experience of implementing a sustainability strategy over the past four years and aims to deliver continuing improvements in our performance.

As we reposition the Company over the coming year to focus exclusively on urban regeneration, we will continue to develop the sustainability agenda throughout the business.


4

Board of Directors and Advisers

1 Tony Pidgley, 56
Co-founder of the Company in 1976 with Jim Farrer. He is the Group Managing Director and Chairman of the Executive Committee.

2 Roger Lewis FCA, 57
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.

3 Tony Carey BSc FRICS, 56
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.

4 Greg Fry ACA, 47
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.

5 David Howell FCA, 55
Appointed a Non-executive Director on 24 February 2004. He is currently the Chief Financial Officer and a Main Board Director of lastminute.com plc. He was previously Group Finance Director of First Choice Holidays plc from 1998 to 2001 and served as a Non-executive Director at Nestor Healthcare Group plc from 2000 to 2003. He was appointed Chairman of the Audit Committee on 24 February 2004 and is a member of the Remuneration Committee.

6 Victoria Mitchell, 53
Appointed a Non-executive Director on 1 May 2002. Formerly an Executive Director of Savills plc, she is now a Consultant Director of FPD Savills Limited, a Member of ING REIM Residential Property Fund Advisory Board, a Non-executive Director of The Golding Group (South Africa), and Development Securities plc. She was appointed Chairman of the Remuneration Committee on 11 June 2003 and she is a member of the Audit and Nomination Committees.

7 Tony Palmer FRICS FCIOB, 67
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 and Pilkington's Tiles Group. He is the Senior Independent Director and is a member of the Audit, Remuneration and Nomination Committees.

8 Rob Perrins BSc(Hons) ACA, 39

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.

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.

Company Secretary
Elizabeth Taylor FCIS

Registered office and principal place of business
Berkeley House
19 Portsmouth Road
Cobham, Surrey KT11 1JG
Registered number
1454064

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
Tel: 0870 162 3100

Share Price Information
The Company's ordinary shares are listed on the London Stock Exchange. The latest share price is available via the Company's website at www.berkeleygroup.co.uk.

Solicitors
Ashurst
Sacker & Partners
Shearman & Sterling

Stockbrokers
UBS

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
D Howell (Chairman)
V M Mitchell
H A Palmer

Remuneration Committee
V M Mitchell (Chairman)
H A Palmer
D Howell

Nomination Committee
R St J H Lewis (Chairman)
V M Mitchell
H A Palmer

Directors' Report

The Directors submit their report together with the financial statements for the year ended 30 April 2004.

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 6 and the Group Managing Director's Operational Review on pages 7 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 was £162,358,000 (2003: £154,684,000). An increased interim dividend of 5.8p per Ordinary Share (2003: 4.8p) was paid on 12 February 2004 amounting to £7,089,000 (2003: £6,479,000). The Directors recommend a final dividend at an increased amount of 16.5p per Ordinary Share (2003: 14.4p) amounting to £19,507,000 (2003: £18,430,000) which added to the interim dividend will make a total of 22.3p (2003: 19.2p) per share of £26,596,000 (2003: £24,909,000) attributable to the year. The final dividend, if approved, will be paid on 9 September 2004 to shareholders on the register on 13 August 2004. The shares will be declared ex-dividend on 11 August 2004. The balance of £135,762,000 (2003: £129,775,000) has been transferred to the reserves.

The terms of The Berkeley Group Employee Benefit Trust provide that dividends payable on shares held by the Trust are waived.

The Group's joint ventures contributed profits before taxation of £18,403,000 (2003: £13,525,000).

Share capital

The Company had 122,062,309 Ordinary Shares in issue at 30 April 2004. Movements in the Company's share capital are shown in Note 16 to the accounts.

In order to improve the efficiency of the Company's share capital, during the year, within the 10% limit authorised by shareholders at the 2003 Annual General Meeting, the Company completed the purchase of 6,993,318 (2003: 6,786,559) of its shares for cancellation, at an average cost of £7.44 (2003: £6.14) per share, for a total cost, net of expenses, of £51,998,948 (2003: £41,700,248). This represents 6% (2003: 5%) of the called-up share capital of the Company at the start of the year. Subsequent to the year end, the Company purchased a further 2,094,261 shares for cancellation, at an average cost of £9.80, for a total cost, net of expenses, of £20,523,758. Of the 10% authority given at the 2003 Annual General Meeting, 3.9% remains available to the Company at the date of this report. This authority expires at the conclusion of the forthcoming Annual General Meeting at which a resolution will be proposed to renew the 10% authority for a further year.

Information on the Group's current share option schemes is set out in Note 16 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 37.

Directors

The Directors of the Company and their profiles are detailed on pages 18 and 19. All of the Directors served throughout the year under review except Mr Howell who was appointed on 24 February 2004.

Messrs. Sach, Hutchinson and Wellings resigned as Directors on 11 June, 27 August and 5 December 2003 respectively.

In accordance with the Articles of Association of the Company, Messrs. Palmer, Perrins and Lewis retire from the Board by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Mr Howell, having been appointed since the last Annual General Meeting, retires from the Board under the terms of the Articles of Association and, being eligible, offers himself for re-election.

The Directors' interests in the share capital of the Company or its subsidiaries are shown in the Remuneration Report on page 37. There has been no change in the interests of the Directors between 30 April 2004 and the date of signing of the accounts. At 30 April 2004, each of the Executive Directors was deemed to have a non-beneficial interest in 1,077,317 (2003: 802,317) Ordinary Shares held by the Trustees of The Berkeley Group Employee Benefit Trust.

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 25 June 2004:

	Number of shares held	% of issued share capital
Saad Investments Company Limited and Mr Al-Sanea	15,103,438	12.6
M & G Investment Management Ltd	5,810,400	4.8
Orbis Investment Management	5,135,000	4.3
Legal & General plc Companies	3,903,925	3.3

Donations

During the year, donations by the Group for charitable purposes in the United Kingdom amounted to £440,957 (2003: £287,000). The Group made no political contributions (2003: £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.

In our recently published *Sustainability Report 2004*, we have reported on progress made since last year and have set new objectives and targets 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.

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 this quarterly to the Group Main Board.

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

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 10 days (2003: 24 days).

Directors' Report continued

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Articles of Association
The Company last updated its Articles of Association in 1989 and therefore given that there have been a number of changes both with regard to the law, regulation and market practice since this time, the Directors consider that it is prudent to adopt entirely new articles at the forthcoming Annual General Meeting. A summary of the principle amendments is set out in the Notice of Meeting accompanying this report.

Post Balance Sheet Event
As announced on 25 June 2004, the Company has concluded a strategic review, the outcome of which is that the Group will in future focus on selected large scale urban regeneration projects, moving on from its traditional housebuilding heritage. In consequence, the Company intends to return £12.00 per share in cash to shareholders over the next six years. These proposals are subject to shareholder approval and further details will be published in August in time for shareholders to consider and approve these proposals at an Extraordinary 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 27 August 2004. The Notice of Meeting, which is contained in a separate letter from the Group Chairman accompanying this report, includes a commentary on the business to be transacted at the Annual General Meeting.

By order of the Board

E Taylor FCIS
Company Secretary
30 June 2004

Remuneration Committee Report

At the EGM held on 24 February 2004 shareholders approved a new remuneration policy for the Company's Executive Directors, the key features of which are as follows:

- a salary freeze for three years for the Executive Directors (1 May 2003 to 30 April 2006);
- a change to the structure and method of payment of bonuses;
- the introduction of a new Long Term Incentive Plan, The Berkeley Group plc 2004 Long-Term Incentive Plan (the '2004 LTIP'); and
- the introduction of a new all employee share incentive plan, The Berkeley Group plc 2004 Share Incentive Plan (the '2004 SIP').

The percentage of shareholdings voting who supported the new policy and the introduction of the 2004 LTIP were 94% and 92% respectively.

This policy was formulated by the Remuneration Committee in response to concerns raised by shareholders at the 2003 AGM and was only finalised after extensive consultation with the Company's major shareholders and institutional shareholder bodies, such as the ABI, NAPF and PIRC. The Remuneration Committee believed that the new policy with the emphasis on performance should encourage Executives to focus on delivering the business strategy adopted at that time, thereby enhancing shareholder value as well as providing meaningful incentive to Executives. This report will be put to a second advisory vote of the Company's shareholders in 2004 at the Annual General Meeting on 27 August 2004.

As announced on 25 June 2004, the Company has concluded a strategic review resulting in a proposed restructuring. The Board believes it is appropriate in light of this proposed restructuring to review the new remuneration policy, approved by shareholders at the EGM on 24 February 2004, so that it aligns management's incentives with the achievement of the return of capital and maximising the value of the continuing business.
The Remuneration Committee will consult fully with key shareholders on the proposed changes.

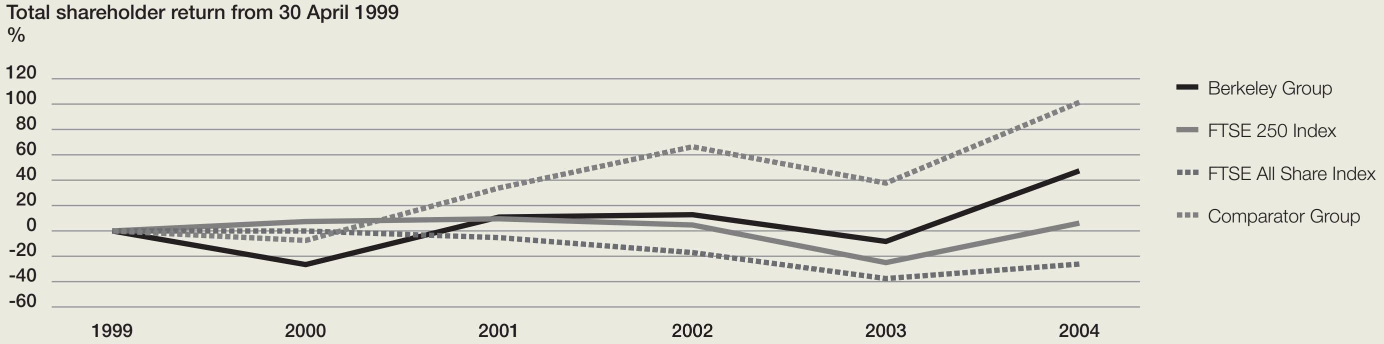
This report has been prepared in accordance with The Directors' Remuneration Report Regulations 2002 ('the regulations'). The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the regulations). The report is, therefore, divided into separate sections for audited and unaudited information.

Part 2 of the regulations – Unaudited Information

Performance Graph

The graph shows the Company's performance, measured by total shareholder return ('TSR')[1], compared with the performance of the FTSE 250, the FTSE All Share and the Company's comparator group set out below. The Company considers these the most relevant indices for total shareholder return disclosure required under the regulations. As detailed later in the report, the Company also considers its TSR performance for share awards under the 2004 LTIP in comparison to that of a comparator group.

Total shareholder return from 30 April 1999



[1] Total Shareholder Return ('TSR') – is an independently calculated measure showing the return on investing in one share of the Company over the performance period (the return is the value of the capital gain and reinvested dividends). It is normally used comparatively and the company which achieves the best return is ranked number one.

Remuneration Committee Report continued

Remuneration Committee

The Remuneration Committee of the Board comprises Mrs V M Mitchell (Chairman), Mr D Howell and Mr H A Palmer, all of whom are Non-executive Directors and independent. Mrs V M Mitchell became Chairman of the Remuneration Committee on 11 June 2003 following the resignation from the Main Board of Mr D Sach, the previous Chairman. Mr D Howell was appointed to the Remuneration Committee on 24 February 2004. Mr F Wellings, a Non-executive Director, was a member of the Remuneration Committee during the year until 5 December 2003. The Remuneration Committee members have no personal financial interest other than as shareholders in matters to be decided, no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business.

The Remuneration Committee has formal written terms of reference with the full remit of the Committee role described. A copy of the terms of reference is available to shareholders by writing to the Company Secretary whose contact details are set out elsewhere in the Report & Accounts. During the year in question the Remuneration Committee formally met four times, with the sub-committee dealing with the design and introduction of the new executive remuneration policy having approximately 30 meetings with other members of the Board and the Company's major shareholders.

The Remuneration Committee appointed and was advised during the year by Kepler Associates and Halliwell Consulting. No other services were provided to the Company by Kepler Associates and Halliwell Consulting during the year. The current Remuneration Committee advisors are Halliwell Consulting, an independent executive compensation and share scheme consultancy.

In determining Executive Directors' remuneration for the year, the Remuneration Committee consulted with the Group Chairman, Mr R St J H Lewis, the Group Finance Director, Mr R C Perrins and the Group Managing Director, Mr A W Pidgley. No Director played a part in any discussion about his own remuneration.

The Board has reviewed the Group's compliance with the Combined Code ('the Code') on remuneration related matters. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code during the year, and the New Code by the end of the year.

Remuneration Policy Overview

Following the concerns raised by shareholders at the 2003 AGM, the Remuneration Committee conducted a full review of the remuneration policy.
As part of this process, an extensive shareholder consultation process was carried out in order to ensure that the remuneration policy, as well as meeting the Company's objectives was in line with shareholders' expectations. As a result of this process, a new remuneration policy has been approved by the Company's shareholders. This report sets out details of Executive remuneration during the year and the ongoing remuneration policy.

The objective of the remuneration policy is to encourage, reward and retain the current Executives. The Remuneration Committee believes that shareholders' interests are best served by remuneration packages having a large emphasis on performance-related pay. Emphasis on performance should encourage Executives to focus on delivering the business strategy. It is the opinion of the Remuneration Committee that the new policy will provide meaningful incentives to Executives and ensure that the appropriate balance between fixed and performance-related pay is maintained. The policy agreed by shareholders at the EGM on 24 February 2004 was to set the main elements of the Executive Directors' remuneration package against the following quartiles in the Company's comparator group:

Base salary	Annual bonus potential	Pension	Benefits in kind	Share incentives
Upper decile	Upper decile	Lower quartile to median	Market practice	Upper quartile to upper decile

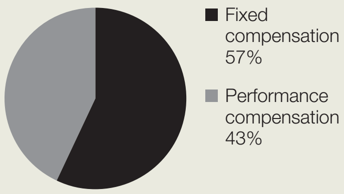
For the purposes of benchmarking remuneration the Remuneration Committee uses the following comparator group of companies:

Company name			
Amec plc	Carillion Plc	McCarthy & Stone Plc	Travis Perkins Plc
Balfour Beatty Plc	Crest Nicholson Plc	Novar Plc	Ultraframe plc
Barratt Developments Plc	George Wimpey Plc	Persimmon Plc	Westbury Plc
Bellway Plc	Marshalls Plc	Redrow Plc	Wilson Bowden Plc
Bovis Homes Group Plc	McAlpine (Alfred) Plc	Taylor Woodrow Plc	

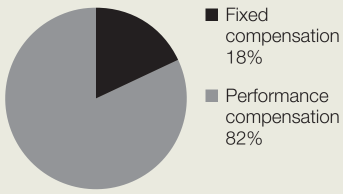
The Remuneration Committee reviews the policy on an annual basis to ensure that it is in line with the Company's objectives and shareholders' interests. In addition, the life of the new LTIP and bonus framework is five years, requiring the Company to revert to shareholders for a formal approval at the end of this period for any future arrangements.

The charts below demonstrate the balance between fixed and variable performance based pay for each Executive Director for the year ended 30 April 2004:

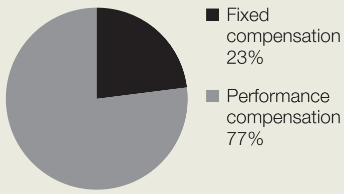
Mr R St J H Lewis – Executive Chairman



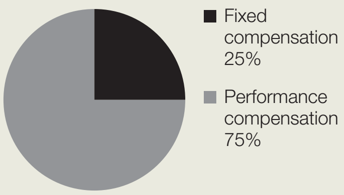
Mr A W Pidgley – Group Managing Director



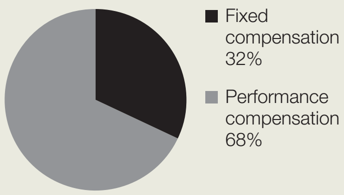
Mr R C Perrins – Group Financial Director



Mr A Carey – Divisional Director



Mr G J Fry – Divisional Director



Key

Fixed compensation is calculated as:
- Salary
- Benefits

Performance compensation is calculated as:
- Bonus paid
- Face value of LTIP on grant
- Fair value of options on grant

The main elements of these packages and the performance conditions are described below.

Elements of Executive Directors' Remuneration

Basic Salary

Policy: Upper Decile – Salary Freeze 1 May 2003-30 April 2006

Year Ended 30 April 2004

The Remuneration Committee reviewed the Executive Directors' salaries in May 2003 and provided the rises set out in the table below. The two rises of note are to the Group Managing Director and the Group Finance Director. The Remuneration Committee used a wide range of benchmarks, FTSE 100, Property Companies, Construction and Building Companies and House Builders when deciding on these rises. It was the view of the Remuneration Committee at the time that the increase in salary for the Group Managing Director was required to ensure that he retained his comparative position and to draw a line under elements of his remuneration package which had been open for some time. The Remuneration Committee provided the rise to the Group Finance Director based on their view of his performance and growth in capabilities over the period.

Name	FY2003 salaries	Salary rises %	Level of salary frozen for three-year period
Roger Lewis (Group Chairman)	£210,000	5%	£220,000
Tony Pidgley (Group Managing Director)	£650,000	15%	£750,000
Tony Carey (Divisional Director)	£385,000	5%	£405,000
Greg Fry (Divisional Director)	£275,000	5%	£290,000
Rob Perrins (Group Finance Director)	£250,000	30%	£325,000

The Executives' current salaries are set at the upper decile compared to the comparator group. It is the policy of the Remuneration Committee that they should remain at this level in line with the Committee's view that the Company has one of the most experienced Executive teams within the sector.

Remuneration Committee Report continued

Future Policy

The Remuneration Committee, with the rises in 2003, feels that it has reached its desired policy for Executive salary levels and is therefore implementing a salary freeze for the Executive team from 1 May 2003 to 30 April 2006 (three years). The next salary review date will be, in the normal course of events, 1 May 2006. It should be noted that in line with the Company's policy on salary reviews, the reviews on 1 May 2006 will not result in automatic salary increases. It is the policy of the Remuneration Committee to look to the bonus and share arrangements to reward Executives for their performance rather than to increases in base salary.

The Remuneration Committee will retain the discretion to increase salary levels if Executives are promoted or on the occurrence of any unforeseen event which materially affects the Company and/or the market in which it operates. In the event of such an unforeseen event the Remuneration Committee will consult shareholders before adjusting salary levels.

When determining the salary of the Executive Directors the Remuneration Committee takes into consideration:

- the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity, in particular those companies within the comparator group;
- the performance of the individual Executive Director;
- the individual Executive Director's experience and responsibilities; and
- the pay and conditions throughout the Company.

Annual Performance Related Bonus

Policy: Upper Decile Bonus Potential

The policy of the Remuneration Committee is to set the maximum annual bonus potential at the upper decile in relation to the comparator group.

Year Ended 30 April 2004

To date the maximum bonus potential for Executives has been uncapped. However, the Remuneration Committee has taken into account the concerns of shareholders regarding the uncapped nature of the Executive bonus arrangements and has decided to alter the structure of the bonus to reflect these concerns (further details of the new structure are set out below). In anticipation of the future change in policy, the Executives agreed to the introduction of a retrospective cap on bonuses for the current bonus year (1 May 2003 – 30 April 2004) of 300% of salary. However, for the year ended 30 April 2004, where the Remuneration Committee did in fact determine a bonus greater than 200% of salary for the Group Managing Director and the Group Finance Director, they decided of their own volition to cap the bonus payment at 200% of salary.

Bonus targets are reviewed and agreed by the Remuneration Committee at the beginning of each financial year. The performance measures for the Executive Directors' bonus scheme are reviewed annually by the Remuneration Committee to ensure that they are appropriate to the current market conditions and position of the Company, so that they continue to remain challenging.

The targets for the year ended 30 April 2004, their level of achievement and the corresponding bonus earned for the Executive Directors is set out in the following tables:

Name	R Lewis	T Pidgley	T Carey	G Fry	R Perrins
Maximum bonus potential (% of salary)	300%	300%	300%	300%	300%
2003/4 bonus paid	£165,000	£1,500,000	£498,509	£259,735	£650,000
2003/4 bonus paid (% of salary)	75%	200%	123%	90%	200%
Upper decile bonus payments in the comparator group as a % of salary	200%	200%	175%	175%	200%

The above table shows that the Remuneration Committee set challenging performance conditions for the payment of bonuses for the year ended 30 April 2004, so that while the performance of the Company was strong, this did not result in maximum bonus payments.

The performance targets for the bonus year ended 30 April 2004 were based on Group profit targets for the Group Executive Directors and Divisional profit targets for the Divisional Executive Directors. Once the targets were achieved a percentage of the over performance was allocated to the Executives by the Remuneration Committee using pre-determined formulae. The level of the profit targets is commercially sensitive and therefore is not disclosed by the Company.

The Remuneration Committee felt that profit targets were the appropriate performance measure for bonuses as they were in line of sight of the Executives and their delivery is key to long-term shareholder value. However, the Remuneration Committee recognises that in the current climate it would be helpful to be able to disclose the detail of the performance targets for bonuses payable to the Executives, which would always be difficult due to the commercially sensitive nature of this information.

Therefore, the Remuneration Committee has decided, in the future, to use ROCE (Return on Capital Employed – see later for a complete definition) as the performance measure for the Group Executive Directors as this measure ensures that Executives are focused on maintaining earnings whilst having the additional benefit of measuring the efficiency with which capital is being used to generate those earnings. For Divisional Executive Directors, 75% of the bonus potential will still be based on the satisfaction of Divisional profit targets as the Remuneration Committee feel that it is important that the Divisional Executive Directors have a strong focus on the performance of the Divisions which they are running, with the remaining 25% based upon Group ROCE.

Future Policy

Further to meetings with major shareholders during the year, the Remuneration Committee has taken into account their concerns regarding the uncapped nature of the Executive bonus arrangements. Therefore, the Remuneration Committee is imposing a cap of 300% of salary for the bonus year starting on 1 May 2004 – 30 April 2005 and subsequent bonus years. In practice, the bonus plan will be designed with the effective cap on a maximum payout of 200% of salary.

The Remuneration Committee would only in very exceptional circumstances, outside the normal operation of the bonus plan, consider a bonus payment greater than 200% of salary. On the occurrence of very exceptional circumstances and prior to any commitment to make a bonus payment, the Remuneration Committee would consult shareholders to obtain their agreement that the circumstances gave rise to the level of bonus payment proposed.

The structure of bonus payments will be changed as follows:

Position	% cash	% shares
Executive	Bonus will be paid in cash up to a maximum of 100% of salary	Any bonus payment above 100% of salary will be invested, net of tax, in shares

Any shares provided under the bonus arrangements must be retained by the Executives for 18 months. The new bonus arrangements will take effect from 1 May 2004 (the start of the new bonus year).

The performance targets for the annual bonus plan for the 2004 Financial Year (1 May 2004 to 30 April 2005) are principally ROCE (Return on Capital Employed) at Group level and principally ROCE and PBT (Profit Before Tax) at the Divisional level. The following table shows the weighting for participants between Group and Divisional performance:

Position	Group performance	Divisional performance
Chairman Group Managing Director Finance Director	100% of participants' bonus potential is based on the ROCE performance of the Group	
Divisional Executive Directors	25% of participants' bonus potential is based on the ROCE performance of the Group	75% of participants' bonus potential is based on achieving Divisional PBT targets
All Executives	A 'balanced score card' will be operated considering other elements of the Company's and individual Executive's business objectives when making final bonus determinations. Bonuses will always require the respective ROCE and PBT targets to be met in order to trigger payment.	

The ROCE target for the 2004 bonus plan year is set out in the following schedule. Currently the annual ROCE target for the bonus is the same as the three-year average target for the 2004 LTIP. This will not necessarily be the case in future years because the target for the annual bonus is for a 12-month period whereas the target for the 2004 LTIP is the performance averaged over a 36-month period. However, the Remuneration Committee will not materially change the nature of the performance conditions or their method of calculation without prior shareholder consultation.

Remuneration Committee Report continued

ROCE for bonus year	% of ROCE-based bonus payable
<15%	0%*
16%	20%*
17%	40%*
18%	60%*
19%	80%*
20%	100%*

*There is straight line pay-out between points.

Participants in the annual bonus plan will only be eligible to receive a bonus if they meet the performance targets. However, the Remuneration Committee will retain the discretion to adjust bonus payments (either up or down) if in their opinion the results would otherwise be inappropriate. It should be noted that this discretion will be exercised sparingly to ensure certainty for participants and transparency for shareholders. If the Remuneration Committee does exercise its discretion to adjust bonus payments it will only do so where there is an objective justification which can be explained to shareholders in the Remuneration Committee report. In addition, the Remuneration Committee will ensure that any changes to the basis of payment or financial performance targets are independently verified.

On an ongoing basis, the Remuneration Committee will continue to set robust and challenging performance targets at the beginning of each financial year taking into account the business plan for that year and general market conditions.

Bonus payments are not pensionable.

The following formula sets out how the Company calculates ROCE for both the 2004 annual bonus plan and the new 2004 LTIP:

$$\text{ROCE \%} = \left\{ \frac{\text{Earnings before Interest, Tax and Goodwill}}{\text{Average Shareholders' Funds + Average Net Debt}} \right\} \times 100$$

(i) Average Shareholders' Funds is calculated by taking the Opening Balance Sheet Net Assets from the Group's Accounts for the relevant Financial Year and the Closing Balance Sheet Net Assets from the Group's Accounts for the relevant Financial Year and dividing by two.

(ii) Average Net Debt is calculated by taking the Opening Net Debt from the Group's Accounts for the relevant Financial Year and the Closing Net Debt from the Group's Accounts for the relevant Financial Year and dividing by two, and where the Group is cash positive, such cash is excluded from the calculation.

Share Incentives

Policy: Upper Quartile to Upper Decile

The Remuneration Committee's policy is to provide annual share grants to Executives between the upper quartile and upper decile level compared to the comparator group.

The Remuneration Committee determines whether the performance conditions for share awards or options are satisfied. Where the performance requirements are based on earnings per share, ROCE or PBT the Committee will use the principles behind the audited figures disclosed in the Company's financial statements, and may take advice from independent advisors as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance conditions. Where the performance measure is TSR, Halliwell Consulting, the Remuneration Committee's advisors, shall calculate the TSR in accordance with the principles behind the regulations and sign-off these figures prior to the release of any award.

Overview

Until the EGM on 24 February 2004, the share incentive arrangements in place for executives comprised Long Term Incentive Plans and Executive Share Option Schemes (details are as set out below). It was the Remuneration Committee's policy to grant awards to participants under either the Long Term Incentive Plans or the Executive Share Option Schemes and only in exceptional circumstances would grants be made in the same year under both arrangements.

Following shareholder approval at the EGM, the new 2004 LTIP has been adopted by the Company. The Remuneration Committee's policy is that Executives who participate in the new 2004 LTIP will receive no further award under either the existing Long Term Incentive Plans or the Executive Share Option Schemes. It should be noted that participants in the 2004 LTIP will not be entitled to the grant of awards under any other discretionary share plan operated by the Company (participants will be entitled to participate in any all-employee arrangements operated by the Company). In addition, the Remuneration Committee intends to introduce a shareholding requirement for Executives in conjunction with the new 2004 LTIP, details of which are set out on pages 30-32 of this report.

Existing Share Incentive Arrangements

a) The Berkeley Group Long Term Incentive Plan

Until the EGM, the principal form of long term incentive eligible to Executive Directors was through the Berkeley Group Long Term Incentive Plan (the 'Existing LTIP'). Under the Existing LTIP, individuals were granted awards annually, the vesting of which were subject to the attainment of pre-determined performance targets measured over a three-year period. Awards were structured 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 was fixed by reference to the market value of the Company's shares at the date of grant. The maximum value that could 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.

The cash element is payable following the third anniversary of the date of grant of the award provided the performance targets have 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 outstanding 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 Existing LTIP was 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.

These performance conditions were selected because it was the Board's view that profit and asset growth will ensure the delivery of enhanced value to the Company's shareholders.

Details of LTIP awards granted during the year are set out at page 36.

The following table sets out the expected value of the LTIP awards on the date of grant made under the Existing LTIP to the Executive Directors during the year ended 30 April 2004:

Name	T Pidgley	T Carey	G Fry	R Perrins
LTIP award (% of salary)	200%	200%	150%	150%
Expected value of LTIP award	£1,500,000	£810,000	£435,000	£487,500
Expected value of LTIP awards as a % of salary	200%	200%	150%	150%
Upper quartile share grants in the comparator group	240%	215%	215%	165%

Based on historical analysis of the achievement of the performance requirements the expected value of the LTIP is 100% of its face value.

b) The Berkeley Group plc 2000 Approved & Unapproved Executive Share Option Plans ('the Option Plans')

Two executive option plans were introduced in 2000. Under the option plans individuals were eligible to be granted options annually over shares worth up to 100% of annual salary (excluding bonuses and all other benefits). The Remuneration Committee had the discretion to vary this amount in exceptional circumstances, in which case the limit was 200% of annual salary (excluding bonuses and all other benefits). Exercise of options granted is conditional upon meeting defined performance targets based on the increase in earnings per ordinary share over a three-year period.

Remuneration Committee Report continued

On 19 April 2004, a grant of options was made to Mr A W Pidgley under the Option Plans, details of which are shown on page 37. The performance target attaching to this option provides that over a three-year period EPS growth must exceed RPI+4%p.a. for 50% of the option to vest, with full vesting requiring EPS growth of RPI+8%p.a. The rules of the Plan under which this option was granted allows for limited re-testing. However, the Remuneration Committee has taken into account the wishes of shareholders and this option to the Group Managing Director will not allow re-testing of the performance target. The expected value of this option on the date of grant is £631,349, 84% of salary (using the Black-Scholes Calculation).

It should be noted that during the shareholder consultation exercise carried out by the Company this option and its proposed terms were specifically drawn to shareholders' attention. The majority of shareholders (by percentage holding) confirmed that they would accept the grant of this option.

No other grants of options have been made to Executive Directors under the Option Plans during the year.

Earnings per share was selected as the performance measure as, in combination with options, it ensures that both the Company's share price and its underlying financial value increases before any benefit is provided to Executives.

New Share Incentive Arrangements

The Berkeley Group plc 2004 Long-Term Incentive Plan (the '2004 LTIP')

The 2004 LTIP was approved by shareholders at the EGM on 24 February 2004. Prior to the EGM, the Company conducted a full consultation with major shareholders and shareholder bodies which ensured that the terms of the Plan were acceptable to the majority of shareholders by percentage holding and complied with corporate governance best practice.

Executive Directors and certain senior executives are eligible to participate in the Company's 2004 LTIP. The Plan provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby better aligning the interests of shareholders and Executives. The maximum annual award that can be made to an individual is 300% of salary; although it should be noted that the only Executive Director currently eligible to receive the maximum level of award is the Group Managing Director.

Eligible executives are awarded rights to receive a maximum number of shares at the beginning of a three-year period, a proportion of which they will be entitled to receive at the end of that period depending on the extent to which (if at all) the challenging performance conditions, set by the Remuneration Committee at the time the allocation is made, are satisfied.

The release of the first grant of awards under the 2004 LTIP will be dependent upon the satisfaction of two performance measures. The release of 50% of each award will be dependant on the comparative Total Shareholder Return performance of the Company against the comparator group set out earlier in the report over a three-year period and the release of the other 50% of the awards will be dependent on the average ROCE performance of the Company over a three-year period from the date of grant. The Remuneration Committee has selected a comparative TSR and a ROCE measure to ensure that the Company is not only consistently delivering high levels of returns but that on a comparative basis it is also delivering at least median share price performance against its competitors. In addition, the use of the ROCE measure ensures an efficient use of shareholders' funds to generate profitability at a consistent level over the long term. When combined with the TSR measure it ensures that this absolute performance successfully flows through to the comparative performance of the Company against its competitors.

It should be noted that the Remuneration Committee will satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the Company. Due to the combined nature of awards made under the proposed share incentive policy, some of the corporate performance measures that the Remuneration Committee will be considering in determining whether the recorded TSR is a genuine reflection of the underlying financial performance of the Company are its ROCE, EPS and PBT performance over the measurement period.

No grants were made under the new LTIP during the year.

The following tables set out the proposed levels of award for the 2004/2005 LTIP grant, the performance conditions and level of release for a given level of performance:

Name	LTIP award as % of salary
Mr A W Pidgley (Group Managing Director)	300%
Mr A Carey (Divisional Executive Director)	200%
Mr G J Fry (Divisional Executive Director)	150%
Mr R C Perrins (Group Finance Director)	150%
Below Board maximum	100%

The following table sets out the first proposed release for the 50% of the LTIP award subject to comparative total shareholder return:

TSR position against comparator group	Long-Term Incentive Plan % of shares released
Below median	0%
At the median	30%* of half the award
At the upper quartile	90%* of half the award
At the upper decile	100%* of half the award

*There is straight line vesting between points.

The following table sets out the first proposed vesting for the 50% of the LTIP award subject to ROCE:

ROCE average % over the three-year holding period	Long-Term Incentive Plan % of shares released
<15%	0%
16%	20%* of half the award
17%	40%* of half the award
18%	60%* of half the award
19%	80%* of half the award
20%	100%* of half the award

*There is straight line vesting between points.

Dilution
In accordance with the ABI guidelines the Company can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share schemes. In addition, of this 10% the Company can only issue 5% to satisfy awards under discretionary or executive schemes.
The Company adheres strictly to these limits.

Shareholding Requirement
The following table shows the minimum shareholding requirement as a percentage of salary which Executives will be required to build up over a five-year period:

Position	Current shareholding as % of salary	% of salary at end of five-year period
Group Executive Chairman (Mr R St J H Lewis)	1,212%	200%
Group Managing Director (Mr A W Pidgley)	2,609%	400%
Divisional Director (Mr A Carey)	445%	200%
Divisional Director (Mr G J Fry)	338%	200%
Group Finance Director (Mr R C Perrins)	82%	200%

Executives will be required to retain a proportion of the share awards released each year to build up the shareholding requirement over a five-year period. For example, awards granted in 2004, 2005 and 2006 will be released in 2007, 2008 and 2009. A proportion of each released award shall be retained as shares so that by the end of 2008 Executives should have met the minimum shareholding requirement.

Remuneration Committee Report continued

When considering whether the Executive has met the minimum shareholding requirement the Remuneration Committee will take into account all shares held by the Executive. Participants will only be required to meet the minimum shareholding requirement from shares provided through the Company share arrangements; if these do not provide shares the Executive will not be expected to purchase shares in the market. If the Company share arrangements provide the Executive with shares and the appropriate percentage is not retained by the Executive, the Remuneration Committee will reduce the future levels of share incentives granted. The Remuneration Committee will consider the circumstances surrounding an Executive's disposal of shares as part of its determination. For example, if an Executive was required by a Court order to transfer shares this would be a mitigating factor.

Pension

Policy: Lower Quartile to Median

The Executive Directors are all members of one or more of the following pensions 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 of remuneration other than basic salary is pensionable.

Three Directors have benefits accruing to them under a defined contributions scheme and three have benefits accruing to them under a defined benefits scheme. Non-executive Directors are not eligible to participate in these schemes.

Details of pension costs for Executive Directors are set out in the audited section of the report on page 35.

Benefits in Kind

Policy: Market Practice

In line with market practice, the Company's policy is to provide Executive Directors with the following additional benefits:

- a fully expensed company car; and
- medical insurance.

Other Remuneration Matters

Existing All Employee Share Schemes

SAYE Scheme

The Company operates an Inland Revenue approved savings related share option scheme for the benefit of Group employees. Eligible employees, including Executive Directors and senior executives, may be granted options over the Company's shares at a discount of up to 20% to the prevailing market price at the time of grant of the option, which (subject to certain conditions) can be exercised after either three or five years.

Approximately 23% of eligible Group employees currently participate in the scheme.

New All-Employee Share Schemes

The Berkeley Group plc 2004 Share Incentive Plan ('2004 SIP')

Shareholders approved the 2004 SIP at the EGM on 24 February 2004. Under the Inland Revenue approved rules of the SIP the Company can offer employees the opportunity of purchasing £1,500 of shares a year out of pre-tax salary. The Company can then match each share purchased with an award of 'Matching Shares'. The maximum ratio of Matching Shares to employee purchased shares is two to one. However, the Company is still determining the date of launch and how the SIP will operate.

Non-executive Directors' Fees

Policy: Upper Decile Fees

All Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the articles of association and based on independent surveys of fees paid to non-executive directors of similar companies. The 2004 fee levels will be based on a specific survey of the fees paid to non-executive directors in the comparator group by Halliwell Consulting. The basic fee paid to each Non-executive Director in the year was £30,000 per annum. Further fees are payable for additional work performed in respect of the Chairmanship of the Remuneration and Audit Committees (£4,000 p.a.). Non-executive Directors cannot participate in any of the Company's share incentive schemes or performance based plans and are not eligible to join the Company's pension scheme.

Executive Directors' Contracts

The policy on termination is that the Company does not make payments beyond its contractual obligations. The only event on the occurrence of which the Company is potentially liable to make a payment to any of the Executive Directors is on cessation of employment; with the maximum payment being 12 months' salary. No payment is due on either a Company takeover or in the event of liquidation. In addition, Executive Directors will be expected to mitigate their loss. The Remuneration Committee is considering introducing phasing the payments of notice on cessation in line with the combined ABI and NAPF guidelines, subject to existing contractual constraints. In addition, the Remuneration Committee ensures that there have been no unjustified payments for failure. None of the Executive Directors' contracts provides for liquidated damages. There are no special provisions contained in any of the Executive Directors' contracts which provide for longer periods of notice on a change of control of the Company. Further, there are no special provisions providing for additional compensation on an Executive Director's cessation of employment with the Company.

Non-executive Directors

All non-executive appointments are subject to a notice period of one month and subject to successful re-election upon retirement by rotation as required by the Company's articles of association. All letters of appointment for Non-executive Directors are renewable annually on 1 May.

Further details of all Directors' contracts are summarised below:

	Date of contract	Unexpired term	Notice period by Company or Director	Potential termination payment	Potential payment upon Company takeover	Potential payment in event of liquidation
Executive Directors						
R St J H Lewis	24 June 1994	1 year rolling	12 months	12 months' salary	nil	nil
A W Pidgley	24 June 1994	1 year rolling	12 months	12 months' salary	nil	nil
A Carey	20 September 1994	1 year rolling	12 months	12 months' salary	nil	nil
T Farrow[1]	16 March 1998	1 year rolling	12 months	n/a	n/a	n/a
G J Fry	27 June 1996	1 year rolling	12 months	12 months' salary	nil	nil
G Hutchinson[2]	27 June 1996	1 year rolling	12 months	n/a	n/a	nil
R C Perrins	15 July 2002	1 year rolling	12 months	12 months' salary	nil	n/a
Non-executive Directors						
D Howell	24 February 2004	n/a	1 month			
V M Mitchell	1 May 2002	n/a	1 month			
H A Palmer	3 June 1997	n/a	1 month			
D S Sach[3]	29 June 1999	n/a	1 month			
F Wellings[4]	22 March 1994	n/a	1 month			

(1) Mr 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.
(2) Mr Hutchinson, who is Managing Director of The Crosby Group plc, resigned as a Main Board Director on 27 August 2003, but remains employed by the Group.
(3) Mr Sach resigned as a Director on 11 June 2003.
(4) Mr Wellings resigned as a Director on 5 December 2003.

Remuneration Committee Report continued

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[9] £	**2004 Total £**	2003 Total £
Executive Directors					
R St J H Lewis (Chairman)[1]	220,000	165,000	1,054	386,054	313,004
A W Pidgley	750,000	1,500,000	33,883	2,283,883	2,182,596
A Carey	405,000	498,509	31,093	934,602	853,869
G J Fry	290,000	259,735	29,611	579,346	528,980
R C Perrins	325,000	650,000	22,765	997,765	873,646
Non-executive Directors					
D Howell[2]	6,190	–	–	6,190	–
V M Mitchell[3]	44,000	–	–	44,000	30,000
H A Palmer	30,000	–	–	30,000	30,000
Former Directors					
T Farrow[4]	–	–	13,749	13,749	273,242
G Hutchinson[5]	98,077	–	7,511	105,588	448,396
D S Sach[6]	3,765	–	–	3,765	33,000
F Wellings[7]	17,000	–	–	17,000	33,000
M J Freshney[8]	–	–	–	–	56,666
	2,189,032	3,073,244	139,666	5,401,942	5,656,399

(1) Mr Lewis' working hours are 3½ days per week.
(2) Appointed as a Director on 24 February 2004.
(3) £10,000 of the fees paid to Mrs Mitchell relate to the additional time commitment involved in implementing the new remuneration policy adopted at the EGM held on 24 February 2004.
(4) Resigned as a Director on 31 May 2003. Mr Farrow received no salary in the year but retained the use of his company car until 30 November 2003.
(5) Resigned as a Director on 27 August 2003. Mr Hutchinson is the Managing Director of The Crosby Group plc. He resigned from the Board following the subscription for new shares in The Crosby Group plc by him and the other members of the Crosby management team, as announced to the London Stock Exchange on 28 August 2003.
(6) Resigned as a Director on 11 June 2003.
(7) Resigned as a Director on 5 December 2003.
(8) Resigned as a Director on 31 May 2002.
(9) Benefits in kind relate principally to the provision of a fully expensed motor vehicle and private healthcare.

Where Directors were appointed or resigned during the year, the figures in the table relate only to the time when the relevant Director was a Main Board Director.

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 2003 (Restated)[3] [4] £**	**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 2004[3] £**
R St J H Lewis	57	12	17,643	1,086	1,527	13,864	19,170
A W Pidgley	56	17	145,926	43,944	47,593	509,691	193,519
T Farrow	48	5	8,953	–	–	–	8,953
G Hutchinson	45	10	15,010	1,625	2,000	11,978	17,010
R C Perrins	39	9	14,088	1,624	1,977	8,890	16,065

[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.

[4] All the Directors, other than Mr Pidgley, joined the Group after the Inland Revenue introduced an Earnings Cap for calculating pension benefits in 1989, and this is reflected in the calculation of accumulated accrued pension entitlements above. In prior years the disclosure provided assumed that all Directors' benefits would be enhanced. This change has been made to properly reflect the scheme rules. The figures at 30 April 2003 in respect of these Directors have been restated accordingly, as have the associated transfer values in the table below.

Name	Age	Pensionable service (years)	**Transfer value at 30 April 2004 £**	**Transfer value at 30 April 2003 (Restated) £**	**Change in transfer value during the year £**
R St J H Lewis	57	12	233,173	206,070	27,103
A W Pidgley	56	17	2,301,065	1,155,184	1,145,881
T Farrow	48	5	77,085	72,130	4,955
G Hutchinson	45	10	123,101	101,942	21,159
R C Perrins	39	9	86,753	70,586	16,167

Other than Mr Pidgley, the above Directors are non-contributory members of the plan. The change in transfer value during the year for Mr Pidgley, excluding contributions paid by him, is £1,108,381.

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 represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the liability in respect of qualifying services. As such they represent a potential liability of the pension scheme.These transfer values do not represent a sum paid or payable to the individual Director and therefore cannot be added meaningfully to annual remuneration. Members of the fund have the option to pay additional voluntary contributions; neither these 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 2004 £**	Company contributions 2003 £
A W Pidgley	56	37,500	32,500
A Carey	56	60,750	57,750
G J Fry	47	43,500	41,250
		141,750	131,500

Remuneration Committee Report continued

Long Term Incentive Plan

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

	Cash element of award						Share element of award						
Name and award date	At 1 May 2003 Cash £	Granted in year £	Paid in year £	Lapsed in year £	**At 30 April 2004 Cash £**	Cash release date	At 1 May 2003 Shares	Granted in year	Vested in year	Lapsed in year	**At 30 April 2004 Shares**	Value vested £	Share vesting date
A W Pidgley													
21 Dec 2000(1)	600,000	–	(600,000)	–	–	21 Dec 2003	84,211	–	–	–	84,211	–	21 Dec 2004
7 Aug 2001(2)	600,000	–	–	–	600,000	7 Aug 2004	82,701	–	–	–	82,701	–	7 Aug 2005
19 Aug 2002	650,000	–	–	–	650,000	19 Aug 2005	97,744	–	–	–	97,744	–	19 Aug 2006
22 July 2003	–	750,000	–	–	750,000	22 July 2006	–	98,361	–	–	98,361	–	22 July 2007
A Carey													
21 Dec 2000(1)	275,000	–	(275,000)	–	–	21 Dec 2003	38,596	–	–	–	38,596	–	21 Dec 2004
7 Aug 2001(2)	350,000	–	–	–	350,000	7 Aug 2004	48,242	–	–	–	48,242	–	7 Aug 2005
19 Aug 2002	385,000	–	–	–	385,000	19 Aug 2005	57,894	–	–	–	57,894	–	19 Aug 2006
22 July 2003	–	405,000	–	–	405,000	22 July 2006	–	53,115	–	–	53,115	–	22 July 2007
G J Fry													
7 Aug 2001(2)	187,500	–	–	–	187,500	7 Aug 2004	25,844	–	–	–	25,844	–	7 Aug 2005
19 Aug 2002	206,250	–	–	–	206,250	19 Aug 2005	31,015	–	–	–	31,015	–	19 Aug 2006
22 July 2003	–	217,500	–	–	217,500	22 July 2006	–	28,525	–	–	28,525	–	22 July 2007
G Hutchinson													
7 Aug 2001(3)	125,000	–	–	(125,000)	–	–	17,229	–	–	(17,229)	–	–	–
19 Aug 2002(3)	206,250	–	–	(206,250)	–	–	31,015	–	–	(31,015)	–	–	–
R C Perrins													
21 Dec 2000(1)	56,250	–	(56,250)	–	–	21 Dec 2003	7,894	–	–	–	7,894	–	21 Dec 2004
7 Aug 2001(2)	100,000	–	–	–	100,000	7 Aug 2004	13,783	–	–	–	13,783	–	7 Aug 2005
19 Aug 2002	187,500	–	–	–	187,500	19 Aug 2005	28,195	–	–	–	28,195	–	19 Aug 2006
22 July 2003	–	243,750	–	–	243,750	22 July 2006	–	31,967	–	–	31,967	–	22 July 2007

(1) The participants received the cash element of the 2000 awards during the year. They will receive the share element of these awards during 2004.

(2) The Remuneration Committee has determined that the performance targets for the 2001 awards have been met. Accordingly, participants will receive the cash element of these awards on 7 August 2004 and the share element 12 months later, assuming they remain in the employment of the Group.
The relevant performance measures are set out on page 29. These are the achievement of pre-determined cumulative pre-tax profits over a three year period and cumulative net asset growth of at least 10% over the period, taking account of changes in share capital and dividend distributions. For Messrs Pidgley and Perrins these targets are measured on the Group results and for Messrs Carey and Fry on the relevant divisional results.

(3) Mr Hutchinson resigned as a Main Board Director on 27 August 2004, at which time he ceased to benefit from the Long Term Incentive Plan.

The mid-market share price of the Company on 21 December 2000 was 712.5p, on 7 August 2001 was 725.5p, on 19 August 2002 was 665.0p and on 22 July 2003 was 762.5p.

The mid-market share price was 625.0p as at 1 May 2003 and 980.0p as at 30 April 2004. The mid-market high and low share prices of the Company during the year were 1060.0p and 620.0p respectively.

No Director received shares or other payments during the year from the Group's long term executive incentive schemes. For the year ended 30 April 2003, 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.

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 2003	**30 April 2004 or date of resignation**	Scheme	1 May 2003	Granted/ (exercised) during the year	**30 April 2004 or date of resignation**	Option exercise price	Exercise date or period
R St J H Lewis	272,000	272,000	SAYE	1,576	–	1,576	599.5p	01/03/2006 to 31/08/2006
A W Pidgley	2,992,110	1,996,598	SAYE	4,488	(4,488)	–	376.0p	04/03/2004
			SAYE	–	2,002	2,002	791.7p	01/03/2009 to 31/08/2009
			2000 Approved[(2)]	4,803	–	4,803	624.5p	30/04/2006 to 29/04/2013
			2000[(2)]	200,678	–	200,678	624.5p	30/04/2006 to 29/04/2013
			2000[(1)]	–	158,646	158,646	945.5p	19/04/2007 to 18/04/2014
Non-beneficial	19,183	19,183	–	–	–	–	–	
A Carey	183,765	183,765	SAYE	2,650	–	2,650	636.6p	01/03/2006 to 31/08/2006
G J Fry	130,099	100,099	SAYE	–	466	466	791.7p	01/03/2009 to 31/08/2009
D Howell	–	–	–	–	–	–	–	–
V M Mitchell	–	1,250	–	–	–	–	–	–
H A Palmer	5,000	5,000	–	–	–	–	–	–
R C Perrins	7,300	27,300	1994	500	(500)	–	558.8p	02/09/2003
			1996[(3)]	3,676	–	3,676	640.2p	06/08/2000 to 05/08/2007
			1996[(3)]	4,500	(4,500)	–	557.5p	02/09/2003
			1996[(3)]	10,000	–	10,000	650.0p	19/01/2003 to 18/01/2010
			1996[(3)]	20,000	(20,000)	–	427.5p	02/09/2003
			SAYE	1,554	–	1,554	611.1p	01/03/2005 to 31/08/2005
Former Directors								
T Farrow	3,300	3,300	–	–	–	–	–	–
G Hutchinson	13,044	13,044	–	–	–	–	–	–
D S Sach	7,000	7,000	–	–	–	–	–	–
F Wellings	22,500	22,500	–	–	–	–	–	–

The mid-market share price of the Company was 625.0p as at 1 May 2003 and 980.0p as at 30 April 2004. The mid-market high and low share prices of the Company during the year were 1,060.0p and 620.0p respectively. No options of Directors in office at 30 April 2004 lapsed unexercised during the year. There were no changes in the interests of the Directors shown above between 1 May 2004 and the date of this report.

Where performance conditions exist for the option schemes, these are set out below:

(1) Under the 2000 Approved Plan and the 2000 Plan, 50% of the shares under option (up to a maximum of 4,000 shares) are released if compound Earnings Per Share (EPS) growth exceeds the Retail Prices Index (RPI) + 4% per annum. The balance of shares under option are released subject to graduated, increasingly demanding performance targets, up to a compound growth of RPI + 8%.

(2) On 30 April 2003, Mr Pidgley was granted 205,481 options. The vesting of these 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 increases 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. These options will lapse if the performance conditions have not been met within five years of grant.

(3) Under the 1996 Scheme, the shares under option are released subject to the Company's average yearly EPS growth being at least as much as the increase in RPI + 3% in each year over three consecutive years.

For all options exercised in the year, performance conditions were fully met.

The mid-market share price of the Company on 2 September 2003 was 879.5p and on 4 March 2004 was 947.0p.

Aggregate gains made by Directors on the exercise of share options in the year amounted to £132,120 (2003: £475).

V M Mitchell
Chairman, Remuneration Committee
30 June 2004

Corporate Governance

Introduction

The Company is committed to attaining high standards of corporate governance in accordance with the principles of the Combined Code published in June 1998 (the 'Combined Code'). The Combined Code was amended and a revised Code introduced for the financial years beginning on or after 1 November 2003 (the 'New Code'). This report together with the information set out in the Remuneration Committee Report on pages 23 to 37 is published pursuant to the Combined Code. The Board has carried out a rigorous review of its procedures in light of the New Code and has implemented a number of changes, including changes to the composition of the Board Committees, a review of the Committees' Terms of Reference, the establishment of an induction programme for new Directors as well as improved communication with shareholders as evidenced by a new corporate website which was launched early in 2004.

This report sets out how the Company has applied the principles and complied with the code provisions set out in the Combined Code during the year, with additional references to the New Code where relevant.

Statement of Compliance

The Company complied throughout the year with the Code provisions set out in Section 1 of the Combined Code except where indicated in this statement. In summary these areas relate to:

- for a part of the year, the composition of Non-executive Directors on the Board fell below the required one-third;
- for a part of the year, the Chairman of the Audit Committee was an Executive Director.

An explanation of the circumstances that resulted in this is given in this report.

As at the year end, the Company was in full compliance with the Combined Code.

The Board believes that there is already substantial compliance with the New Code and is committed to an ongoing programme of review and improvement of its corporate governance framework which will be reported further in next year's report.

The Board and Directors

The Board currently comprises eight directors including the Group Chairman, the Group Managing Director, three further Executive Directors and three Non-executive Directors. All of the Non-executive Directors are considered to be independent. Brief biographies appear on pages 18 to 19. The roles of Group Chairman and Group Managing Director are separately held and there is a clear division of responsibilities between them. The Group Chairman is responsible for the effective conduct of Board and shareholder meetings and for ensuring that each Director contributes to effective decision-making. The Group Managing Director has day-to-day executive responsibility for the running of the Group's businesses. His role is to develop and deliver the strategy to enable the Group to meet its objectives.

Mr Tony Palmer was appointed Senior Independent Director on 5 December 2003 following the resignation of Mr Fred Wellings, who had held office as a Non-executive Director for nine years. Mr Tony Palmer has a wealth of experience and a good understanding of the housebuilding and construction sectors. With the resignation of Mr Fred Wellings, the proportion of Non-executive Directors fell below the one-third required by the Combined Code. The Board considered this to be a temporary lapse, as the search for two additional Non-executive Directors had already commenced and was rectified on the appointment of Mr David Howell, FCA, who joined the Board on 24 February 2004. Major shareholders will have the opportunity to meet Mr David Howell after the forthcoming Annual General Meeting.

In accordance with the Board's previous announcements, the Board has been seeking an additional Non-executive Director to redress the balance of the Board.

An induction programme is provided for new Directors, which includes the provision of a comprehensive set of background information on the Group, one to one meetings with all Directors and key staff as well as visits to major sites.

No Executive Director has a service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination. In accordance with the Articles of Association of the Company, one-third of the Directors retire by rotation each year and all Directors are subject to re-election by shareholders at the first opportunity after their appointment.

The Company's existing Articles of Association need to be brought up to date to take account of recent regulatory and other changes, including the requirement for Directors to submit themselves for re-election every three years, in accordance with the New Code. The Directors consider that it is prudent to adopt entirely new articles at the forthcoming Annual General Meeting.

Executive Directors being proposed for re-election at the forthcoming Annual General Meeting have notice periods not exceeding 12 months. Mr David Howell has a contract renewable on 1 May each year.

The Board has adopted a formal schedule of matters reserved for the Board as a whole. These include the commercial strategy, the annual budget, share capital changes, approval of interim and annual results, dividend policy and corporate governance matters.

Formal Board meetings were held five times during the year under review. During the year, there were no absences from any Board meetings by any Director except Mr Greg Fry who was unavoidably unable to attend the June 2003 and April 2004 Board meetings. In addition, the Non-executive Directors meet with the Group Chairman during the months not covered by a Board meeting. The Group Managing Director and Group Finance Director were invited to attend to provide an update on the business activities of the Group. In future, the Non-executive Directors will meet at least annually without the Group Chairman present.

Board papers and agendas are sent out a week prior to each meeting, thus allowing sufficient time for detailed review and consideration of the documents beforehand. On a monthly basis, all Executive and Non-executive Directors receive a detailed Group management accounts pack that reports the actual and forecast financial performance in addition to other key performance indicators across the Group.

All Directors have access to advice from the Company Secretary and independent professional advisers, at the Company's expense, where specific expertise is required in the course of their duties.

In addition to the induction programme for new Directors, an ongoing training programme is being prepared, in consultation with and tailored to each Director.

The evaluation of individual Director's performance is carried out on a continuous basis. More formalised processes for evaluating the performance of the Board and its Committees, as well as individual Director's performance, are being evolved in light of the requirements of the New Code. This process is being led by the Senior Independent Director and Chairman, who are currently determining the scope and criteria for an evaluation which will be carried out in the current year.

The Board has delegated certain matters to individual executives and to specific Committees of the Board. The responsibilities of the key Board Committees are described below.

Board Committees

Executive Committee The Executive Committee reviews the financial and operating performance of all Group divisions and companies. The Group Managing Director chairs this Committee and other members comprise the Group Chairman, Mr Roger Lewis and Messrs. Tony Carey, Greg Fry and Rob Perrins. The Committee meets on a monthly basis.

The following three Board Committees operate within clearly defined terms of reference that have recently been refreshed pursuant to the New Code. The Terms of Reference can be found on the Investor Relations pages of the Company's website www.berkeleygroup.co.uk. Copies are also available to shareholders on application to the Company Secretary.

Audit Committee The Audit Committee plays an important role in corporate governance by undertaking the following key responsibilities:

- monitoring the integrity of the financial reporting of the Company, including its annual and interim reports and other formal announcements relating to financial performance;
- reviewing the adequacy and effectiveness of the Group's internal control and risk management systems and disclosure of statements concerning these in the Annual Report;
- monitoring the effectiveness of the Group's internal audit function;
- overseeing the relationship with the external auditor, including appointment, removal and fees, and ensuring the auditor's independence and the effectiveness of the audit process;
- reviewing whistle blowing arrangements.

During the year, the Committee adopted new Terms of Reference in line with best practice. The Committee also adopted a new policy on the use of the auditors for non-audit services in order to safeguard auditor independence. The policy introduced a pre-determined limit above which Audit Committee approval is required and identifies certain areas of work from which the auditors are precluded. Tax and due diligence services are provided by a small number of different firms, including the Group's auditors. The auditors may be used for such services where their knowledge of the business is such that they are deemed the most appropriate supplier. Notwithstanding these safeguards, all non-audit work carried out by the auditors is notified to the Audit Committee Chairman on an ongoing basis and formally reported to the Audit Committee at each meeting.

The Committee currently comprises the three independent Non-executive Directors, with Mr David Howell, FCA, as Chairman. On the resignation of Mr Fred Wellings from the Board and from the position of Audit Committee Chairman in December 2003, Mr Roger Lewis, FCA, the Executive Chairman was appointed interim chairman of the Audit Committee pending appointment of a new Non-executive Director with appropriate skills. No meetings were held after the resignation of Mr Wellings and prior to the appointment of Mr Lewis's successor.

Mr David Howell was appointed a Non-executive Director and as chairman of the Audit Committee in February 2004. Mr David Howell has relevant and recent experience in finance having qualified as a chartered accountant in 1971 and is currently the Chief Financial Officer and a Main Board Director of lastminute.com plc. Previously Mr David Howell was Chairman of the Audit Committee of Nestor Healthcare Group plc from 2000 to 2003.

The Committee met three times in the year and there were no absences. The Committee normally requests 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.

International Financial Reporting Standards (IFRS)
The Audit Committee also has a role in reviewing the Group's progress with its International Financial Reporting Standards Implementation Project. The Council of the European Union announced in June 2002 that listed companies will have to report in accordance with International Reporting Standards with effect from accounting periods beginning on or after 1 January 2005. For The Berkeley Group, the first year of adoption will be for the financial year beginning 1 May 2005.

Since 2002, both UK and International Standards have undergone a period of change to assist harmonisation for 2005. During 2003, the Group commenced its project to assess the differences between UK GAAP and IFRS, performing an initial impact assessment and reviewing its financial reporting systems. A detailed assessment of the effect of the change on the Group's capital and reserves and reported net profit is now underway.

Remuneration Committee The Remuneration Committee is responsible for determining the Company's policy for executive remuneration and the precise terms of employment and remuneration of the Executive Directors. The Remuneration Report is set out on pages 23 to 37.

The Committee is chaired by Mrs Victoria Mitchell and comprises the Non-executive Directors, these being at the date of this report Messrs. Tony Palmer and David Howell. The Committee meets at least twice a year. The Group Managing Director and the Group Finance Director attend the Committee by invitation and the Committee takes into consideration their recommendations regarding the remuneration of their executive colleagues. During the year, the Committee met formally on four occasions and there were no absences. No Director is involved in deciding his or her remuneration. The Executive Directors decide the remuneration of the Non-executive Directors.

Nomination Committee The Nomination Committee was primarily established to propose new appointments to the Board. It is also responsible for succession planning. In light of the New Code, the Board reviewed the composition, structure and Terms of Reference for the Nomination Committee and the Group Managing Director resigned from his position on the Nominations Committee. The Committee is chaired by the Group Chairman, Mr Roger Lewis (save in the event of discussions relating to his own succession) with Mr Tony Palmer and Mrs Victoria Mitchell as Independent Non-executive members. The Committee meets at such times as required to carry out the duties of the Committee. During the year, the Committee met formally on three occasions and there were no absences. Independent recruitment specialists were appointed to assist the Committee in the search criteria and the selection process for the new Non-executive Director, Mr David Howell and the ongoing selection of a fourth Non-executive Director.

Directors' remuneration
The principles and details of Directors' remuneration are contained in the Remuneration Committee Report on pages 23 to 37.

Key risks and internal control
The Board has overall responsibility 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 as part of its year end procedures.

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 – Risk reporting is embedded within the ongoing management reporting throughout the Group. At operating company and divisional level, board meeting agendas and packs are structured around the key risks facing the Group. These include sales/demand risk, production risk (build cost and programme), land and planning risk as well as a review of specific site risks. In addition, there is a formalised process whereby 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 and contracting controls – The Group has clearly defined guidelines for the purchase and sale of land within the Group, which include detailed environmental, planning and financial appraisal and are subject to executive authorisation. Rigorous procedures are also followed for the selection of consultants and contractors. The review and monitoring of all build programmes and budgets are a fundamental element of the Company's financial reporting cycle.

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.

Relations with shareholders
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. Also, in the year under review, the Company engaged in detailed consultation with shareholders and institutional shareholder bodies over its Remuneration Policy. The policy was approved at an Extraordinary General Meeting of the Company in February 2004 by 94% of the votes cast.

Shareholders are also kept up to date with the Company's activities through the Annual and Interim Reports. In addition, a new corporate website was developed in the year, which gives enhanced information on the Group and latest news, including regulatory announcements. The presentations made after the announcement of the preliminary and interim results are also available on the website.

The Board is kept informed of the views of shareholders through periodic reports from the Company's broker UBS. Additionally, the Non-executive Directors have the opportunity to attend the bi-annual analyst presentations.

All shareholders are invited to participate in the Annual General Meeting where the Group Chairman, the Group Managing Director and the chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions and also available for discussions with shareholders both prior to and after the meeting. The results of the proxy votes are declared at the Annual General Meeting after each resolution has been dealt with on a show of hands and are announced to the Stock Exchange shortly after the close of the meeting.

Corporate Governance continued

The Senior Independent Director is available to shareholders if they have concerns where contact through the normal channels has failed or when such contact is inappropriate.

Following publication of Paul Myner's report on the findings and recommendations of the Shareholder Voting Working Group in February 2004, the Company is committed to providing electronic voting facilities as early as possible for shareholders who hold their shares through Crest. However, the Company's existing Articles of Association require amendment in order for this service to be offered. This will be addressed by the proposal to adopt new articles at the forthcoming Annual General Meeting.

Going concern

After making proper enquiries, the Directors have a reasonable expectation that the Company and the 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 judgments 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 consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated 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 Remuneration Committee 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 Remuneration Committee Report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee 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 issued in June 1998 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 Remuneration Committee 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 Remuneration Committee 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 2004 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 Remuneration Committee 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
30 June 2004

Consolidated Profit and Loss Account

For the year ended 30 April	Notes	**2004 £'000**	2003 £'000
Turnover including share of joint ventures	2	1,396,133	1,250,165
Less: share of joint ventures' turnover		(123,690)	(99,325)
Turnover – continuing operations		1,272,443	1,150,840
Cost of sales		(965,238)	(835,770)
Gross profit		307,205	315,070
Net operating expenses	4	(93,925)	(99,406)
Operating profit – continuing operations		213,280	215,664
Share of operating profit in joint ventures		21,924	16,542
Total operating profit including share of joint ventures	2	235,204	232,206
Net interest payable	3	(4,958)	(11,025)
Profit on ordinary activities before taxation	4	230,246	221,181
Taxation on profit on ordinary activities	6	(67,888)	(66,497)
Profit on ordinary activities after taxation		162,358	154,684
Dividends	7	(26,596)	(24,909)
Retained profit for the year	17	135,762	129,775
Dividends per Ordinary Share	7	22.3p	19.2p
Earnings per Ordinary Share – basic	9	130.7p	116.0p
– diluted	9	130.0p	115.1p

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 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets					
Tangible assets	10	13,996	18,492	906	368
Investments	11	2,656	2,145	95,456	75,241
Joint ventures					
– Share of gross assets		216,431	227,387	–	–
– Share of gross liabilities		(148,524)	(170,612)	–	–
	11	67,907	56,775	–	–
		84,559	77,412	96,362	75,609
Current assets					
Stocks	12	1,066,275	1,151,103	–	–
Debtors	13	172,160	247,436	629,522	905,505
Investments	11	–	62,047	–	–
Cash at bank and in hand		245,306	57,103	156,042	5,907
		1,483,741	1,517,689	785,564	911,412
Creditors (amounts falling due within one year)					
Borrowings	14	(25,120)	(153)	(25,120)	(153)
Other creditors	15	(313,569)	(316,573)	(33,577)	(47,503)
		(338,689)	(316,726)	(58,697)	(47,656)
Net current assets		1,145,052	1,200,963	726,867	863,756
Total assets less current liabilities		1,229,611	1,278,375	823,229	939,365
Creditors (amounts falling due after more than one year)					
Borrowings	14	(75,000)	(200,000)	(75,000)	(200,000)
Other creditors	15	(9,579)	(22,219)	–	–
		(84,579)	(222,219)	(75,000)	(200,000)
Net assets	2	1,145,032	1,056,156	748,229	739,365
Capital and reserves					
Share capital	16	30,516	32,054	30,516	32,054
Share premium	17	427,610	420,603	427,610	420,603
Capital redemption reserve	17	3,445	1,697	3,445	1,697
Retained profit	17	655,147	571,248	286,658	285,011
Joint ventures' reserves	17	27,814	30,554	–	–
Equity shareholders' funds		1,144,532	1,056,156	748,229	739,365
Equity minority interest	24b	500	–	–	–
		1,145,032	1,056,156	748,229	739,365
Net assets per Ordinary Share	9	946p	829p		

The accounts on pages 44 to 65 were approved by the Board of Directors on 30 June 2004 and were signed on its behalf by:

R C Perrins
Finance Director

Consolidated Cash Flow Statement

For the year ended 30 April	Notes	**2004 £'000**	2003 £'000
Net cash inflow from continuing operating activities	21	435,959	204,385
Dividends from joint ventures		9,865	1,245
Returns on investments and servicing of finance	21	(1,704)	(7,233)
Taxation		(62,594)	(46,579)
Capital expenditure and financial investment	21	(27,771)	13,744
Acquisitions and disposals	21	6,781	–
Equity dividends paid		(25,414)	(23,321)
Net cash inflow before financing		335,122	142,241
Financing	21	(146,919)	(77,376)
Increase in cash in the year		188,203	64,865

For the year ended 30 April	Notes	**2004 £'000**	2003 £'000
Reconciliation of net cash flow to movement in net cash/(debt)			
Increase in cash in the year		188,203	64,865
Cash outflow from decrease in debt		100,033	35,542
Movement in net cash/(debt) in the year		288,236	100,407
Opening net debt	21	(143,050)	(243,457)
Closing net cash/(debt)	21	145,186	(143,050)

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 April	*Notes*	**2004 £'000**	2003 £'000
Profit for the year		162,358	154,684
Dividends	*7*	(26,596)	(24,909)
Retained earnings		135,762	129,775
Share buy-backs	*17*	(52,363)	(42,039)
New shares issued		7,217	255
Contribution on exercise of share options	*17*	(2,240)	(50)
Net additions to equity shareholders' funds		88,376	87,941
Opening equity shareholders' funds		1,056,156	968,215
Closing equity shareholders' funds		1,144,532	1,056,156

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 dates.

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 on defined benefit schemes 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 assets	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000	**2004 £'000**	2003 £'000
Residential housebuilding						
Group	1,130,162	1,130,062	199,065	212,012	1,068,039	989,458
Joint ventures	120,977	91,450	19,836	14,205	66,483	49,240
	1,251,139	1,221,512	218,901	226,217	1,134,522	1,038,698
Commercial property and other activities						
Group	142,281	20,778	14,215	3,652	9,085	9,923
Joint ventures	2,713	7,875	2,088	2,337	1,425	7,535
	144,994	28,653	16,303	5,989	10,510	17,458
	1,396,133	1,250,165	235,204	232,206	1,145,032	1,056,156

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 £11,426,000 and £2,382,000 in respect of land sales (2003: £8,800,000 and £3,552,000).

3 Net interest payable

	2004 £'000	2003 £'000
Interest receivable	4,770	2,395
Interest payable on bank loans and overdrafts	(6,207)	(10,403)
Interest payable – share of joint ventures	(3,521)	(3,017)
	(4,958)	(11,025)

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:

	2004 £'000	2003 £'000
Depreciation	3,085	3,147
Amortisation of goodwill	–	2,359
Hire of plant and machinery	3,122	9,839
Profit on sale of tangible fixed assets	618	1,634
Profit on sale of fixed asset investments	144	–
Operating lease costs – motor vehicles	1,436	1,781
Operating lease costs – land and buildings	1,989	2,075
Auditors' remuneration – audit fees	205	195
– audit-related services	45	–
– taxation services	430	135
– other services	77	72

Auditors' remuneration for audit-related services includes £25,000 in respect of the interim review (2003: £nil) and £20,000 (2003: £nil) in respect of advice relating to International Financial Reporting Standards.

Remuneration paid to the auditors in respect of taxation services was incurred primarily in connection with corporate activity in the year, such as the Group's retirement from the Gunwharf Quays limited partnership, re-financing and corporate structuring.

Remuneration paid to the auditors in respect of other services relates largely to financial due diligence.

Audit fees for the Company in the year were £10,000 (2003: £10,000).

Operating expenses represent administration costs.

5 Directors and employees

	2004 £'000	2003 £'000
Staff costs		
Wages and salaries	66,748	71,064
Social security costs	7,536	7,318
Other pension costs	3,467	3,891
	77,751	82,273

The average number of persons employed by the Group during the year was 1,261 (2003: 1,521), of which 1,250 (2003: 1,502) were employed in residential housebuilding activities and the balance in commercial development activities.

Directors

Details of Directors' emoluments are set out in the Remuneration Committee Report on pages 23 to 37.

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.

5 Directors and employees continued

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. Based on that valuation, 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. In addition there is an accrual at 30 April 2004 of £1,525,000 (2003: £1,000,000) resulting from the difference in the amounts charged to the profit and loss account and the amounts paid to the scheme. A new valuation is currently being carried out as at 1 May 2004.

Contributions amounting to £1,538,000 (2003: £1,356,000) 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 2004. The assets of the scheme are stated at their market value at 30 April 2004.

The major assumptions used by the actuary were:

Valuation at	**30 April 2004**	30 April 2003	30 April 2002
Rate of increase in salaries	4.00%	3.50%	3.75%
Rate of increase in pensions in payment	3.70%	2.50%	2.75%
Discount rate	5.70%	5.50%	6.00%
Inflation assumption	3.00%	2.50%	2.75%

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

Valuation at	**30 April 2004**		30 April 2003		30 April 2002	
	Long-term rate of return	**Value (£'000)**	Long-term rate of return	Value (£'000)	Long-term rate of return	Value (£'000)
Equities	8.00%	14,534	7.00%	11,300	7.25%	11,490
Fixed income bonds	5.20%	3,481	5.50%	1,890	6.00%	1,765
Property	–	–	5.50%	771	6.50%	748
Cash	4.40%	336	4.00%	1,005	4.00%	957
Total market value of assets		18,351		14,966		14,960
Present value of scheme liabilities		(39,447)		(29,548)		(23,533)
Deficit in the scheme		(21,096)		(14,582)		(8,573)
Related deferred tax asset		6,329		4,374		2,572
Net pension liability		(14,767)		(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 2004 and 30 April 2003 would be as follows:

	2004 £'000	2003 £'000
Net assets excluding SSAP 24 pension liability	1,146,557	1,057,156
Pension liability under FRS 17	(14,767)	(10,208)
Net assets including FRS 17 pension liability	1,131,790	1,046,948
Profit and loss reserves excluding SSAP 24 pension liability	684,486	602,802
Pension liability under FRS 17	(14,767)	(10,208)
Profit and loss reserves including FRS 17 pension liability	669,719	592,594

Notes to the Accounts continued

5 Directors and employees continued

The following amounts would have been recognised in the performance statements in the year to 30 April 2004 and 30 April 2003 respectively:

Analysis of amount charged to operating profit

	2004 £'000	2003 £'000
Current service cost	2,233	2,050
Past service cost	–	–
Total	2,233	2,050

Analysis of amount credited to other finance income

	2004 £'000	2003 £'000
Expected return on pension scheme assets	1,038	1,099
Interest on pension scheme liabilities	(1,627)	(1,479)
Net return	(589)	(380)

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

	2004 £'000	2003 £'000
Actual less expected return on pension scheme assets	465	(3,152)
Experience gains and losses arising on scheme liabilities	–	–
Changes in assumptions underlying the present value of the scheme liabilities	(5,769)	(2,308)
Actuarial loss recognised in STRGL	(5,304)	(5,460)

Movements in deficit during the year

		2004 £'000	2003 £'000
Deficit in scheme at start of year		(14,582)	(8,573)
Movement in year	Current service cost	(2,233)	(2,050)
	Contributions	1,612	1,881
	Past service costs	–	–
	Other finance income	(589)	(380)
	Actuarial loss	(5,304)	(5,460)
Deficit in scheme at end of year		(21,096)	(14,582)

	2004	2003
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	465	(3,152)
% of scheme assets	2.53%	(21.06%)
Experience gains and losses on scheme liabilities:		
Amount (£'000)	–	–
% of the present value of scheme liabilities	0.00%	0.00%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(5,304)	(5,460)
% of the present value of the scheme liabilities	(13.45%)	(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

	2004 £'000	2003 £'000
Current tax		
UK corporation tax payable	65,040	63,421
Share of joint ventures' tax	5,184	4,124
Adjustments in respect of previous periods	(481)	(1,400)
	69,743	66,145
Deferred tax (see note 13)	(1,855)	352
	67,888	66,497

The current tax assessed for the year differs from the standard rate of UK corporation tax of 30% (2003: 30%). These differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	230,246	221,181
Tax on profit on ordinary activities at standard UK corporation tax rate	69,074	66,354
Effects of:		
Expenses not deductible for tax purposes	1,093	1,078
Depreciation in excess of capital allowances	394	113
Lower tax rates on overseas joint ventures	(337)	–
Adjustments in respect of previous periods	(481)	(1,400)
Current tax charge	69,743	66,145

7 Dividends

	2004 £'000	2003 £'000
On Ordinary Equity Shares		
Interim dividend of 5.8p (2003: 4.8p) per Ordinary Share	7,089	6,479
Final proposed dividend of 16.5p (2003: 14.4p) per Ordinary Share	19,507	18,430
	26,596	24,909

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 £125,593,000 (2003: £83,185,000).

9 Earnings per Ordinary Share

Earnings per Ordinary Share is based on the profit after taxation of £162,358,000 (2003: £154,684,000) and the weighted average number of Ordinary Shares in issue during the year of 124,261,151 (2003: 133,404,586) 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 613,585 shares (2003: 998,783), giving a diluted weighted average number of shares of 124,874,736 (2003: 134,403,369).

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 120,984,992 (2003: 127,425,071). 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 Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2003	13,851	529	11,960	5,640	31,980
Additions	50	7	1,666	1,119	2,842
Disposals	(3,821)	(216)	(630)	(2,345)	(7,012)
At 30 April 2004	10,080	320	12,996	4,414	27,810
Depreciation					
At 1 May 2003	745	226	9,432	3,085	13,488
Charge for the year	174	310	1,442	1,159	3,085
Disposals	(264)	(216)	(535)	(1,744)	(2,759)
At 30 April 2004	655	320	10,339	2,500	13,814
Net book value					
At 30 April 2003	13,106	303	2,528	2,555	18,492
At 30 April 2004	9,425	–	2,657	1,914	13,996

Company	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 May 2003	3,728	398	4,126
Additions	920	173	1,093
Disposals	(16)	(207)	(223)
Intra Group transfers	448	–	448
At 30 April 2004	5,080	364	5,444
Depreciation			
At 1 May 2003	3,629	129	3,758
Charge for the year	364	91	455
Disposals	(14)	(104)	(118)
Intra Group transfers	444	(1)	443
At 30 April 2004	4,423	115	4,538
Net book value			
At 30 April 2003	99	269	368
At 30 April 2004	657	249	906

11 Investments

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets				
Subsidiary undertakings	–	–	58,613	49,394
Joint ventures	67,907	56,775	34,187	23,707
Listed investments	–	5	–	–
Investment in own shares	2,656	2,140	2,656	2,140
	70,563	58,920	95,456	75,241
Current assets				
Other investments	–	62,047	–	–
	–	62,047	–	–

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

Listed investments

The market value of the listed investments for the Group at 30 April 2004 was £nil (2003: £5,117) and for the Company was £nil (2003: £nil).

Investment in own shares

During the year, the Company acquired 275,000 of its own shares to satisfy awards granted under The Berkeley Group plc 2000 Long Term Incentive Plan at a cost of £2,128,613. 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, £1,112,000 was charged to the profit and loss account. A further £501,194 was transferred from accruals in respect of prior year charges on awards for which the shares were not purchased until the year under review. £177,757 of dividends in relation to 2004 on shares held by the Company were waived. The market value of own shares held at 30 April 2004 was £10,557,707.

At 30 April 2004 the Company had fully provided for shares to the value of £115,905 (2003: £534,000) which are held in trust for certain Directors and senior management with regard to the long term incentive schemes.

Current asset investment

The current asset investment related to the Group's interest in the Gunwharf Quays limited partnership, from which it retired on 29 November 2003.

With the substantial completion of the retail and leisure development phase, Land Securities plc took full control of this element with Berkeley focusing on regenerating and developing the next phases of Gunwharf Quays in partnership with Portsmouth Council.

As a result of its retirement from the limited partnership, the Group has substantially realised the value of this commercial phase of the Gunwharf Quays development, generating turnover and cash of £98,795,000 in total for the year.

Notes to the Accounts continued

11 Investments continued

Investment in subsidiary undertakings

	Company £'000
Shares at cost at 1 May 2003	49,394
Additions	9,219
Shares at cost at 30 April 2004	58,613

During the year, the Group acquired the remaining 50% share of the share capital in Berkeley Eastoak Investments Limited for a consideration of £9,164,000. The net assets acquired were represented wholly by cash and therefore the fair value of assets acquired was equal to the book value, with no goodwill arising.

Investment in joint ventures

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Unlisted shares at cost	181	726	155	700
Loans	39,912	25,495	34,032	23,007
Share of post-acquisition reserves	27,814	30,554	–	–
	67,907	56,775	34,187	23,707

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

	Group £'000	Company £'000
At 1 May 2003	56,775	23,707
Retained profit for the year	3,354	–
Transfer of a Joint Venture to a Subsidiary	(6,094)	–
Disposal of shares	(545)	(545)
Net increase in loans	14,417	11,025
At 30 April 2004	67,907	34,187

During the year, the Group disposed of its shares in Berkeley Chelsfield Limited and Fitness First Berkeley Limited.

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

	2004 £'000	2003 £'000
Fixed assets	650	8,995
Current assets	215,781	218,392
Liabilities falling due within one year	(147,343)	(165,316)
Liabilities falling due after more than one year	(1,181)	(5,296)
	67,907	56,775

12 Stocks

	Group		Company	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Work in progress	1,132,063	1,226,011	–	–
Less progress payments	(65,788)	(74,908)	–	–
	1,066,275	1,151,103	–	–

13 Debtors

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Amounts falling due within one year				
Trade debtors	156,433	228,994	–	–
Amounts owed by subsidiary undertakings	–	–	625,041	898,440
Other debtors	12,924	15,664	2,674	5,060
Prepayments and accrued income	2,803	2,778	1,807	2,005
	172,160	247,436	629,522	905,505

Other debtors include deferred tax assets of £2,831,000 (2003: £976,000) arising from depreciation in excess of capital allowances and short term timing differences.

14 Borrowings

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Amounts falling due within one year				
Bank loans and overdrafts	25,000	–	25,000	–
Unsecured loan stock	120	153	120	153
	25,120	153	25,120	153
Amounts falling due after more than one year				
Bank loans	75,000	200,000	75,000	200,000
	100,120	200,153	100,120	200,153

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 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Borrowings are repayable as follows:				
Within one year or on demand	25,120	153	25,120	153
Between one and two years	25,000	–	25,000	–
Between two and five years	50,000	200,000	50,000	200,000
	100,120	200,153	100,120	200,153

Notes to the Accounts continued

15 Other creditors

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Amounts falling due within one year				
Trade creditors	223,462	221,176	141	53
Loans from joint ventures	1,139	14,401	302	14,396
Proposed dividend	19,645	18,463	19,645	18,463
Corporation tax	35,827	33,862	1,651	1,923
Other taxes and social security	3,061	2,750	1,697	1,741
Accruals and deferred income	30,435	25,921	10,141	10,927
	313,569	316,573	33,577	47,503
Amounts falling due after more than one year				
Trade creditors	9,579	22,219	–	–
	9,579	22,219	–	–

16 Share capital

Group and Company	2004 No. 000	2003 No. 000	2004 £'000	2003 £'000
Authorised Ordinary Shares of 25p each				
At 1 May and 30 April	185,000	185,000	46,250	46,250
Issued and fully paid Ordinary Shares of 25p each				
At 1 May	128,214	134,963	32,054	33,741
Share buy-backs	(6,993)	(6,787)	(1,748)	(1,697)
Share options exercised	841	38	210	10
At 30 April	122,062	128,214	30,516	32,054

During the year, within the 10% limit authorised by shareholders at the 2003 Annual General Meeting, the Company completed the purchase of 6,993,318 (2003: 6,786,559) of its shares for cancellation, at an average cost of £7.44 (2003: £6.14) per share, for a total cost, net of expenses, of £51,998,948 (2003: £41,700,248). This represents 6% (2003: 5%) of the called-up share capital of the Company at the start of the year. The total nominal value of the shares purchased of £1,748,330 (2003: £1,696,640) has been credited to the capital redemption reserve (see note 17). Subsequent to the year end, the Company purchased a further 2,094,261 shares for cancellation, at an average cost of £9.80, for a total cost, net of expenses, of £20,523,758. Taking account of these purchases, but not the purchases of 1,250,000 shares completed this year in the period prior to the 2003 AGM, 3.9% of the 10% authority given at the 2003 Annual General Meeting remains available to the Company at the date of this report.

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 8,628 options were exercised at prices between 365.2p and 367.7p. No options have been granted and no options 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 or five years from the commencement of the sharesave contract. Options in respect of 73,598 shares were granted during the year, 101,430 options lapsed and 69,600 options were exercised at prices between 376.0p and 636.6p.

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, 64,273 options lapsed and there were exercises of 315,981 options at prices between 554.0p and 764.0p.

16 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, 61,767 options lapsed and 318,970 options were exercised at prices of between 427.5p and 764.0p.

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 153,934 shares were granted, 273,392 options lapsed and 24,191 options were exercised at prices of between 576.5p and 712.5p.

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 500,712 shares were granted, 181,658 options lapsed and 103,785 options were exercised at prices between 576.5p and 712.5p.

Date of grant	Scheme	Options remaining exercisable at 1 May 2003	**Option price**	**Options remaining exercisable at 30 April 2004**
02/07/93	1984 Scheme	2,157	**367.7p**	–
11/07/94	1984 Scheme	6,471	**365.2p**	–
31/01/96	SAYE Scheme	967	**403.2p**	–
19/01/98	SAYE Scheme	130	**528.7p**	–
25/01/99	SAYE Scheme	38,500	**376.0p**	–
20/01/00	SAYE Scheme	30,277	**607.7p**	11,434
24/01/01	SAYE Scheme	57,037	**636.6p**	20,738
25/01/02	SAYE Scheme	117,226	**611.1p**	76,898
23/01/03	SAYE Scheme	109,775	**599.5p**	76,118
16/01/04	SAYE Scheme	–	**791.7p**	71,292
11/10/96	1996 Scheme	34,138	**574.5p**	–
06/08/97	1996 Scheme	45,688	**640.2p**	9,978
18/08/98	1996 Scheme	51,050	**557.5p**	–
19/01/99	1996 Scheme	41,000	**427.5p**	–
05/07/99	1996 Scheme	14,500	**764.0p**	6,250
19/01/00	1996 Scheme	181,120	**650.0p**	30,250
08/08/00	1996 Scheme	65,870	**551.0p**	6,151
06/08/97	1994 Scheme	37,281	**643.4p**	4,201
18/08/98	1994 Scheme	69,350	**558.8p**	6,250
05/07/99	1994 Scheme	9,500	**764.0p**	3,750
19/01/00	1994 Scheme	162,630	**655.8p**	21,650
08/08/00	1994 Scheme	157,130	**554.0p**	19,786
05/10/00	2000 Approved Plan	23,718	**576.5p**	–
21/12/00	2000 Approved Plan	17,790	**712.5p**	8,317
19/07/01	2000 Approved Plan	305,285	**698.0p**	182,065
25/07/02	2000 Approved Plan	345,314	**560.5p**	217,137
30/04/03	2000 Approved Plan	4,803	**624.5p**	4,803
21/07/03	2000 Approved Plan	–	**762.5p**	140,939
05/10/00	2000 Plan	81,282	**576.5p**	5,000
21/12/00	2000 Plan	114,210	**712.5p**	51,707
19/07/01	2000 Plan	246,968	**698.0p**	186,638
25/07/02	2000 Plan	340,686	**560.5p**	267,863
30/04/03	2000 Plan	200,678	**624.5p**	200,678
21/07/03	2000 Plan	–	**762.5p**	328,561
19/04/04	2000 Plan	–	**945.5p**	158,646
Total		2,912,531		2,117,100

Notes to the Accounts continued

17 Reserves

Group	Share premium £'000	Capital redemption reserve £'000	Retained profit £'000	Joint ventures' reserves £'000	Total £'000
At 1 May 2003	420,603	1,697	571,248	30,554	1,024,102
Retained profit	–	–	122,543	13,219	135,762
Dividends received from joint ventures	–	–	9,865	(9,865)	–
Transfer of a joint venture to a subsidiary	–	–	6,094	(6,094)	–
Share buy-backs	–	1,748	(52,363)	–	(50,615)
Shares issued on exercise of share options	7,007	–	(2,240)	–	4,767
At 30 April 2004	427,610	3,445	655,147	27,814	1,114,016

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 (2003: £4,363,000).

The Group acquires Ordinary Shares in the Company to satisfy existing and future options granted under the Company's share option schemes. During the year, 841,155 (2003: 37,855) new Ordinary Shares were issued to scheme participants for a total consideration of £7,217,223 (2003: £258,000) based on the market price on the date of issue. £4,977,005 (2003: £208,000) 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 to participants in the schemes in satisfaction of their options and no shares were held by the Company at 30 April 2004.

Company	Share premium £'000	Capital redemption reserve £'000	Retained profit £'000	Total £'000
At 1 May 2003	420,603	1,697	285,011	707,311
Retained profit	–	–	54,010	54,010
Share buy-backs	–	1,748	(52,363)	(50,615)
Premium on shares issued during the year	7,007	–	–	7,007
At 30 April 2004	427,610	3,445	286,658	717,713

18 Contingent liabilities

The parent Company has guaranteed bank facilities of £5,000,000 (2003: £23,000,000) in joint ventures.

The Group has guaranteed road and performance agreements in the ordinary course of business of £46,304,000 (2003: £37,859,000).

19 Capital commitments

The Group has no capital commitments at 30 April 2004 (2003: £nil).

20 Operating leases

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

	Land and buildings		Motor vehicles	
	2004 £'000	2003 £'000	**2004 £'000**	2003 £'000
Operating leases which expire:				
Within one year	121	12	145	201
Between one and five years	2,010	1,151	748	1,047
After five years	705	619	–	–
	2,836	1,782	893	1,248

21 Notes to the cash flow statement

	2004 £'000	2003 £'000
Reconciliation of operating profit to operating cash flows		
Operating profit	213,280	215,664
Goodwill amortised	–	2,359
Depreciation	3,085	3,147
Profit on sale of tangible fixed assets	(618)	(1,634)
Profit on sale of fixed asset investments	(144)	–
Stocks – decrease/(increase)	84,828	(32,858)
Debtors – decrease	77,131	32,898
Investments – decrease/(increase)	62,047	(6,533)
Creditors – decrease	(3,650)	(8,658)
Net cash inflow from continuing operating activities	435,959	204,385
Returns on investments and servicing of finance		
Interest received	4,307	2,640
Interest paid	(6,011)	(9,873)
Net cash outflow from returns on investments and servicing of finance	(1,704)	(7,233)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,842)	(5,893)
Sale of tangible fixed assets	4,871	5,089
Movements on loans with joint ventures	(27,679)	18,856
Purchase of fixed asset investments	(2,129)	(4,308)
Sale of fixed asset investments	8	–
Net cash (outflow)/inflow from capital expenditure and financial investment	(27,771)	13,744
Acquisitions and disposals		
Acquisition of group companies	(9,164)	–
Net cash acquired with subsidiary undertakings	15,258	–
Disposal of joint ventures	687	–
Net cash inflow from acquisitions and disposals	6,781	–
Financing		
Cost of share buy-backs	(52,363)	(42,039)
Share options exercised	4,977	205
Issue of shares by Group companies to minority shareholders	500	–
Repayment of loan stock	(33)	(42)
Decrease in bank loans	(100,000)	(35,500)
Net cash outflow from financing	(146,919)	(77,376)

Notes to the Accounts continued

21 Notes to the cash flow statement continued

	At 1 May 2003 £'000	Cash flow £'000	**At 30 April 2004 £'000**
Analysis of net (debt)/cash			
Cash at bank and deposits repayable on demand	57,103	188,203	**245,306**
Bank overdrafts	–	–	**–**
Cash	57,103	188,203	**245,306**
Loan stock	(153)	33	**(120)**
Bank loans due within one year	–	(25,000)	**(25,000)**
Bank loans due after one year	(200,000)	125,000	**(75,000)**
	(143,050)	288,236	**145,186**

22 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 instrument used from time to time are interest swaps and caps. During the year and at the year end the Group held no such instruments (2003: 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:

	2004 £'000	2003 £'000
Bank overdrafts	**–**	–
Unsecured loan stock	**120**	153
Bank loans due within one year	**25,000**	–
Bank loans due after one year	**75,000**	200,000
Other creditors due after one year	**9,579**	22,219
	109,699	222,372

During the year, £100 million of bank loans due after one year were converted to a three-year revolving facility which was undrawn at the year end.

22 Treasury policy and financial instruments continued

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

	2004 £'000	2003 £'000
Fixed rate	–	–
Floating rate	100,120	200,153
Non-interest bearing	9,579	22,219
	109,699	222,372

The Group held no fixed rate financial liabilities at 30 April 2004 (2003: nil). 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 22 months (2003: 15 months).

The maturity profile of the financial liabilities is as follows:

	2004 £'000	2003 £'000
Within one year or on demand	25,120	153
Between one and two years	32,082	22,219
Between two and five years	52,497	200,000
	109,699	222,372

Financial assets

The Group's financial assets are as follows:

	2004 £'000	2003 £'000
Fixed asset listed investments	–	5
Current asset investment	–	62,047
Cash at bank and in hand	245,306	57,103
	245,306	119,155

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 £405,686,000 (2003: £311,905,000) 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 £8,941,771 (2003: £21,032,415) compared to a book value of £9,579,088 (2003: £22,218,900).

23 Post balance sheet event

Refer to the Directors' Report on page 22 for details of the post balance sheet event.

Notes to the Accounts continued

24 Related party transactions

The Group has entered into the following related party transactions:

a) Charges made for goods and services supplied to joint ventures

During the year £2,737,000 (2003: £3,619,000) was paid to joint ventures for goods and services supplied.

b) Transaction with Crosby Executive Team

On 28 August 2003, the Company announced that it had entered into an agreement whereby the Crosby Executive Team led by Geoff Hutchinson subscribed for new shares in The Crosby Group plc (Crosby). Broadly, these shares are entitled to 50.01% of the economic and voting rights of Crosby after the generation of £450 million of operating cashflow. Until this time, Berkeley will remain in control of Crosby and therefore will continue to consolidate Crosby as a subsidiary. Thereafter, Berkeley will retain 49.99% of the shareholding.

Geoff Hutchinson was a Main Board Director of Berkeley until his resignation on 27 August 2003, the day prior to the announcement of the transaction. The full Crosby Executive team comprises Geoff Hutchinson, Richard Starkey, Andrew Brady, Andrew Jinks and Keith Pepperdine, all of whom are directors of companies within the Crosby Group.

The transaction was approved unanimously by the Main Board (other than Geoff Hutchinson who did not participate in the Board's discussion in view of his interest in the acquisition).

To effect this transaction, the Executive Team subscribed for B shares in Crosby, representing fair value, for a consideration of £500,000, funded by a loan, on commercial terms, from Berkeley. This is reflected as a minority interest in these financial statements. These shares carry dividend and voting rights if Crosby makes agreed milestone payments to Berkeley every six months and generates overall £450 million of operating cashflow within seven years. Unless both of these requirements are met the B shares will receive no dividends or voting rights and, consequently, Berkeley will not cede control.

This £450 million will be realised from the capital employed in Crosby which at 30 April 2003 was £253.7 million and comprised an inter-company loan of £215.9 million and shareholders' funds of £37.8 million. Until this time, Berkeley will remain in control of Crosby and, therefore, it will continue to be consolidated.

Upon completion of the principal terms and conditions of the transaction, control will pass to the Executive Team and Crosby will then cease to be consolidated and Berkeley will instead equity account for its shareholding.

It has also been agreed between the parties that, in addition to the conditions above, economic or voting control will not pass unless the gross assets of Crosby at the time control passes are less than £75 million and the net assets are less than £50 million.

On his resignation from the Board of The Berkeley Group plc, Geoff Hutchinson entered into a new service agreement with Crosby and remains its Chairman. He has ceased to benefit from Berkeley's Long Term Incentive Plan. Under this service agreement, Geoff Hutchinson and the Executive Team will receive £2.3 million if Crosby is acquired by a third party within 364 days from 28 August 2003. This payment is contingent on Geoff Hutchinson not joining the acquiring company and therefore leaving Berkeley and Crosby. If Crosby is not acquired within the 364-day period these sums do not become payable.

c) Transactions with Directors

In the previous financial year ending 30 April 2003, three Directors of the Company used the Group's own build scheme, having previously received the Board's approval. This is a scheme whereby eligible employees may enter into a contract with the Company to build or substantially renovate their own house. There was no activity under these approvals during the current financial year. The information set out below provides details of the activity carried out in the prior year.

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 £nil (2003: £63,000) 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 £114,000 and has been paid for in full. During the year £nil (2003: £22,000) 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 total cost of the work, carried out in 2003, of £25,500 was paid in full during 2003 to St James Group Limited in relation to this arrangement.

25 Subsidiaries and joint ventures

The Group has the following principal subsidiary undertakings which are registered and operate in England and Wales (except where stated in italics) and which are all 100% owned:

Residential housebuilding

Berkeley Community Villages Limited
Berkeley First Limited(1)
Berkeley Homes plc
Berkeley Homes (Capital) plc(1)
Berkeley Homes (Central and West London) plc(1)
Berkeley Homes (Central London) Limited(1)
Berkeley Homes (East Thames) Limited(1)
Berkeley Homes (Eastern) Limited(1)
Berkeley Homes (Festival Development) Limited(1)
Berkeley Homes (Festival Waterfront Company) Limited(1)
Berkeley Homes (Hampshire) Limited(1)
Berkeley Homes (Home Counties) plc(1)
Berkeley Homes (North East London) Limited(1)
Berkeley Homes (Oxford & Chiltern) Limited(1)
Berkeley Homes (South East London) Limited(1)
Berkeley Homes (Southern) Limited(1)
Berkeley Homes (West London) Limited(1)
Berkeley Partnership Homes Limited(1)
Berkeley Strategic Land Limited
Crosby Homes Limited(2)
Crosby Homes (Special Projects) Limited(3)
Crosby Homes (North West) Limited(2)
Crosby Homes Special Projects (NW) Limited(2)
Crosby Homes (Yorkshire) Limited(2)
Crosby Homes (East Midlands) Limited(2)
Exchange Place No.2 Limited(5)
St David Limited(3)
St George PLC
St George Central London Limited(4)
St George North London Limited(4)
St George South London Limited(4)
St George West London Limited(4)
St George Battersea Reach Limited(5)
St John Homes Limited
The Berkeley Clarence Dock Company Limited(2)
The Beaufort Homes Development Group Limited
The Crosby Group plc
Thirlstone Homes Limited(1)
Thirlstone Homes (Western) Limited(1)
West Kent Cold Storage Company Limited(5)

(1)Agency companies of Berkeley Homes plc (2)Agency companies of The Crosby Group plc (3)Agency companies of The Beaufort Homes Development Group Limited (4)Agency companies of St George PLC (5)The substance of the acquisition of these companies was the purchase of land for development and not of a business, and as such, fair value accounting and the calculation of goodwill is not required.

Commercial property and other activities

Berkeley Commercial Developments Limited† Berkeley Festival Development Limited† Berkeley Portsmouth Harbour Limited†
The Berkeley Festival Waterfront Company Limited† Berkeley Eastoak Investments Limited (*Jersey*)†

†Direct subsidiaries of the parent Company

The Group has interests in the following joint ventures 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		
Argent St George Limited	31 December	Mixed-use
Berkeley Breamore (Oceana) Limited	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 Developments Limited	30 April	Residential housebuilding
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	31 December	Residential housebuilding
Thirlstone Centros Miller Limited	31 December	Residential housebuilding
UB Developments Limited	30 April	Residential housebuilding

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

Five Year Summary

Years ended 30 April	**2004 £'000**	2003 £'000	2002 £'000	2001* £'000	2000* £'000
Profit and loss account					
Turnover (excluding joint ventures)	1,272,443	1,150,840	976,771	833,883	766,948
Operating profit – Group					
– residential housebuilding	199,065	212,012	181,447	145,233	97,309
– commercial and other	14,215	3,652	8,003	12,038	14,906
	213,280	215,664	189,450	157,271	112,215
Operating profit – joint ventures	21,924	16,542	23,540	21,077	13,588
Exceptional items	–	–	–	7,958	1,601
Profit before interest and taxation	235,204	232,206	212,990	186,306	127,404
Net interest payable	(4,958)	(11,025)	(16,828)	(16,534)	(2,507)
Profit on ordinary activities before taxation	230,246	221,181	196,162	169,772	124,897
Taxation	(67,888)	(66,497)	(59,333)	(53,122)	(38,862)
Profit on ordinary activities after taxation	162,358	154,684	136,829	116,650	86,035
Dividends	(26,596)	(24,909)	(22,003)	(19,069)	(16,377)
Retained profit	135,762	129,775	114,826	97,581	69,658
Earnings per share	130.7p	116.0p	105.3p	91.6p	67.9p
Dividends per share	22.3p	19.2p	16.5p	14.9p	12.9p
Balance sheet					
Capital employed	999,846	1,199,206	1,211,672	1,043,740	809,296
Net cash/(debt)	145,186	(143,050)	(243,457)	(238,993)	(107,937)
Shareholders' funds	1,145,032	1,056,156	968,215	804,747	701,359
Net assets per share	946p	829p	717p	628p	553p
Ratios and statistics					
Return on capital employed (note i)	21.4%	19.3%	18.9%	20.1%	17.9%
Return on shareholders' funds (note ii)	14.8%	15.3%	15.4%	15.5%	12.9%
Dividend cover	6.1	6.2	6.2	6.1	5.3
Units sold	3,805	3,544	3,182	2,440	2,826

*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	27 August 2004
Half Year End	31 October 2004
Interim Report for six months to 31 October 2004	9 December 2004
Preliminary Announcement of results for year to 30 April 2005	June 2005
Publication of 2004/5 Annual Report	July 2005

Dividends on Ordinary Shares	
Final Dividend 2003/4:	
Ex-Div Date	11 August 2004
Record Date	13 August 2004
Dividend Payable	9 September 2004
Interim Dividend 2004/5	February 2005
Final Dividend 2004/5	September 2005

Notes

The Berkeley Group plc
Berkeley House
19 Portsmouth Road, Cobham
Surrey KT11 1JG

Telephone 01932 868555
Facsimile 01932 868667
www.berkeleygroup.co.uk

Certain images in this Annual Report are computer generated and may be subject to change.

Designed and Produced by Pauffley Ltd
Printed in England by Ingersoll Printers Limited

This document is on Revive Silk, which contains 75% de-inked post-consumer fibre, and 25% mill broke and virgin fibre. The pulps used are bleached without the use of elemental chlorine (ECF), and the paper is made in the UK at mills that have achieved both ISO 14001 and EMAS accreditation, which are rigorous in their measurement of the mills' methods of operation. The inks used to print this document are soya based. This entire report is fully recyclable and biodegradable.