Berkeley annual report 2005

Building on experience

Our business Our passion

Berkeley is no longer a traditional housebuilder. It is an urban regenerator committed to maximising returns to shareholders.

The creation of attractive and sustainable communities is at the heart of Britain's vision for the renaissance of its urban areas. Berkeley's experienced management team has demonstrated time and time again that it has the flair and talent to undertake such complex regeneration projects.

Berkeley continues to push the boundaries of innovation and sustainability, setting precedents and offering customers highly desirable places in which they really do want to live, work and play.

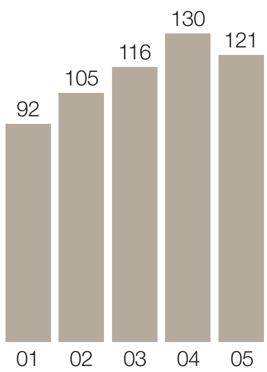
Contents

2005 Financial highlights

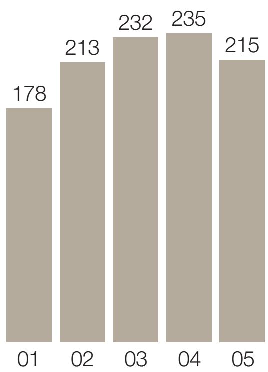
The return to shareholders

2004 B share paid on 3rd December 2004	**£5**
2006 B share expected on 29th December 2006	**£2**
2008 B share expected on 31st December 2008	**£2**
2010 B share expected on 31st December 2010	**£3**
Total	£12

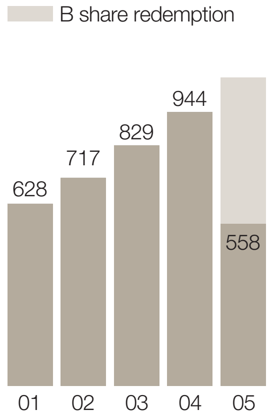
Earnings per share (p)



Operating profit including joint ventures (£m)



Net assets per share adding back B share redemptions (p)



Payment to shareholders First £604.1 million (£5 per 2004 B Share) made in December 2004

Strategic review On target to meet next tranche (£2 per share) in December 2006. Further payments scheduled for December 2008 (£2) and December 2010 (£3)

Net debt £255.1 million net debt from £145.2 million net cash at last year-end, with gearing at 38%

Cash flow £239.9 million of cash generated before financing and dividends

Operating margins Group house-building operating margins, excluding land sales, up to 18.6% from 17.5%

Pre-tax profits Down 11.7% to £202.9 million

Earnings per share Reduced by 7.2% to 121.0p

Net asset value per share Up 12.5% to 1,062p if 2004 B Share payment (500p) is included. Down 40.9% to 558p following B Share redemption

Return on capital employed Increased to 22.2% from 21.4%

Land holdings 27,278 plots – up from 26,654

Forward order book £948.0 million compared to £945.3 million last year-end

Crosby disposal (post year-end) Disposal of Crosby for £235.7 million and £15.0 million in respect of working capital provided to Crosby since 30th April 2005, completed on 8 July 2005

Chairman's statement

The £1.4bn shareholder programme is on track

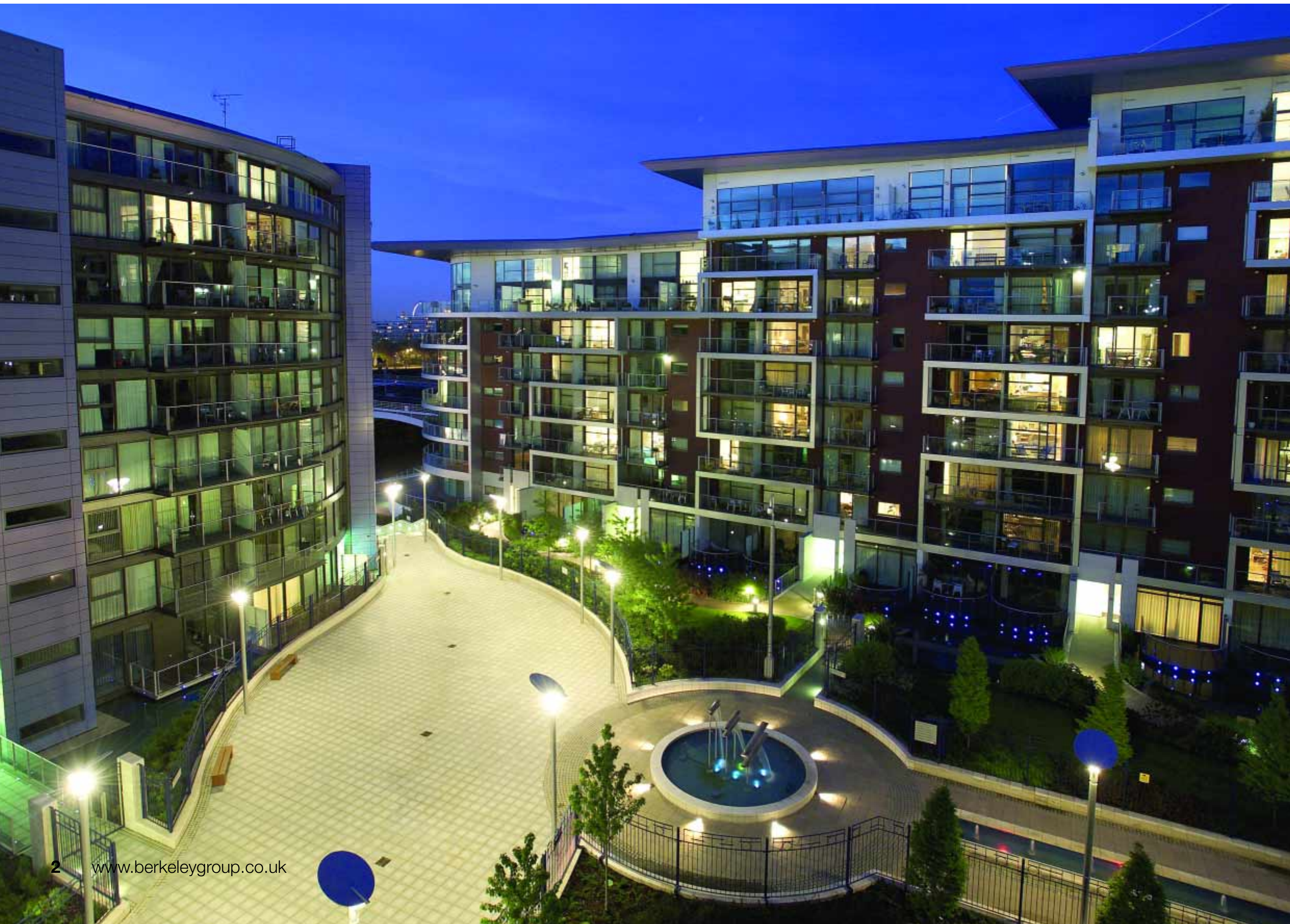
Roger Lewis
Chairman

Berkeley has adopted a totally different strategy to the majority of other housebuilders, choosing to concentrate on mixed-use, large-scale urban regeneration schemes on brownfield land. The complex nature of such schemes is in tune with our strength of management and scope of vision. It also defines a business model that is more efficient at a smaller scale, so allowing Berkeley to return surplus cashflow to shareholders.

This path for the Company was agreed by shareholders following a strategic review conducted by the Board of Berkeley in early 2004 in conjunction with the Company's advisers. This assessed the best route for delivering shareholder value in the context of the Board's views about the outlook for achieving sustainable growth in its markets.

Scheme of Arrangement

The Scheme of Arrangement and The Berkeley Group Holdings plc reduction of capital were approved by shareholders



on 17th September 2004 and by the Court at the end of October 2004. The Scheme of Arrangement created a Berkeley Unit comprising one ordinary share and four redeemable B shares. The 2004 B shares were redeemed on 3rd December 2004 for £5 a share at a cost to Berkeley of £604.1 million. The redemption of the three remaining B shares is expected in December 2006, December 2008 and December 2010 for amounts of £2, £2 and £3 per share respectively.

As part of the Scheme of Arrangement, the Group agreed new banking facilities for £825 million. These comprise a £500 million term loan for seven years, a £175 million revolving facility for three years and a £150 million 364 day revolving facility with a 2 year term-out option. At the time of the December payment, the Group drew £600 million of its new facilities to make the 2004 B share redemption and at 30th April 2005 held £344.9 million of cash balances. This can be used for working capital, new land acquisitions or the 2006 B share payment and supports the confidence the Group has in delivering its strategy. The amount of the drawn facility will be reduced following the disposal of Crosby.

Crosby Group

On the 28th August 2003, the Board announced that the management team of its Crosby division, led by its Chairman, Geoff Hutchinson, had subscribed for new shares in Crosby which, after the generation of £450 million of operating cashflow, entitled them to 50.01% of the economic voting rights of Crosby. Of this, Berkeley has received approximately £157.1 million of operating cashflow and this was in line with its business plan.

On 23rd June 2005 Berkeley was delighted to announce the disposal of Crosby to Lend Lease for £235.7 million. In addition, Berkeley will be repaid £15 million in respect of working capital provided to Crosby since 30th April 2005.

The disposal accelerates the return from Crosby and leaves Berkeley with a more focused development portfolio based around its core markets in London and the South-East of England. It also gives us increased financial flexibility to take advantage of land opportunities in our core markets as they arise.

Berkeley proposes to repay the £100 million currently drawn under its existing revolving facility and the remaining proceeds will be invested in Berkeley's principal markets.

Financial Results

On 24th June 2005 Berkeley was delighted to announce a pre-tax profit of £202.9 million for the 12 months ended 30th April 2005. This is a reduction of 11.7% on the restated figure of £229.8 million for the same period last year. This result is in line with our expectations. Earnings per share were 121.0 pence, a reduction of 7.2%. Five factors have contributed to this earnings per share result: ›››

Who we are

Our building blocks

Berkeley has an autonomous operating structure with few layers of management and very short decision making processes. This gives greater responsibility and motivation at all levels of the company.

Berkeley Homes

Berkeley Homes' urban regeneration schemes reflect the company's focus on bringing dynamic mixed-use developments to brownfield land across London and the South-East.
www.berkeleyhomes.co.uk

St George

Operating solely in London, St George is creating some of the capital's leading and most pioneering, large-scale regeneration schemes.
www.stgeorgeplc.co.uk

St James

Established as a joint venture company between Berkeley and Thames Water, St James Homes has quickly forged an impressive reputation for the innovation and quality brought to bear on its developments in the South-East.
www.stjameshomes.co.uk

Crosby Homes

Crosby specialises in the urban renaissance of towns and cities across the Midlands and the North of England, where its major developments have established the company as a market leader.
www.crosbyhomes.co.uk

Berkeley First

Berkeley First is believed to be one of the first private sector developers focused solely on affordable-led accommodation, delivering well-designed and attractive homes to key workers and students.
www.berkeleyfirst.co.uk

Left: Chelsea Bridge Wharf

reduced operating profit (-9.0%), merger expenses (-0.7%), increased interest charge (-2.3%), reduced tax charge (+1.2%) and share buy-backs and other movements (+3.6%).

Shareholders' funds have reduced by £473.1 million to £669.5 million (2004: £1,142.6 million). Net assets per share stand at 558 pence. The decrease in shareholders' funds takes into account share buy-backs of £20.7 million and the capital repayment of £604.1 million. Return on Capital Employed was 22.2% compared to 21.4% last time.

At 30th April 2005 Berkeley had net debt of £255.1 million which represents a gearing level of 38% (2004: net cash of £145.2 million) and an outflow of £400.3 million in the period. This has resulted from operating cashflow of £205.0 million, a reduction in working capital of £84.2 million and other cash inflows of £13.1 million, off-set by £20.7 million used to buy back shares, redemption of B Shares of £604.1 million and tax and dividends of £77.8 million.

Corporate Governance
The Board has remained unchanged during the year and comprises a Chairman, four Executive Directors and three Non-executive Directors. The stability of the Board has been the key to our success in delivering the substantial strategic changes in the year, including primarily the Scheme of Arrangement and, after the year-end, the disposal of the Crosby Group.

The Board has continued to consider further Non-executive Directors to achieve the Board balance set out in the Combined Code and has identified a suitable candidate. It is the current intention therefore to appoint a further Non-executive Director by the AGM on 1st September 2005.

International Financial Reporting Standards
Commencing with the interim results for the year ended 30th April 2006, Berkeley will report its results in accordance with International Financial Reporting Standards (IFRS).

Berkeley is well prepared for the adoption of IFRS and will present to the market its opening IFRS balance sheet (as at 1 May 2004) and restated profit and loss account and balance sheet for the year ended 30th April 2005 in September or October 2005.

The one significant area of change for Berkeley will be with regard to the recognition of revenue and profit (IAS 18). Berkeley's current policy reflects the two different types of scheme the Group develops. For traditional house building, revenue and profit on exchanged sales contracts is recognised on physical completion. This will not change and will be the policy adopted for our urban regeneration business where revenue and profit are currently recognised on a phased basis, reflecting the stage of completion of the relevant exchanged unit.

The impact of the change at 30th April 2005 will be to reduce shareholders funds by approximately 5%.

Other areas that will affect shareholders funds at 30th April 2005 on the adoption of IFRS are pensions and land creditors.

IAS 19 (Employee Benefits) will require the inclusion of any pension scheme surplus or deficit to be recorded in the balance sheet. At 30th April 2005, Berkeley's pension scheme deficit has been calculated at £8.4 million. The impact on shareholders' funds at 30th April 2005 will be a reduction of 1.3%.

IAS 2 (Inventories) requires land purchased on deferred payment terms to be held at discounted present value. The liability is then increased over the period to settlement, with this increase being recorded as interest. This will reduce shareholders' funds at 30th April 2005 by approximately 1%.

Our People
Since its inception, a vital component of Berkeley's strength has been the committed, hardworking and imaginative people who work for the Group, in teams created to generate results far in excess of the simple sum of individuals. At its heart is a uniquely talented and experienced management team, driven by entrepreneurial flair and an unrivalled practical understanding of the land and property market. This gives Berkeley the aptitude and foresight to identify and take advantage of new opportunities.

On behalf of the Board and shareholders, I would like to take this opportunity to acknowledge the huge and continuing contribution everyone who works for Berkeley makes to our business.

Outlook
Berkeley has developed a strategy that gives it maximum flexibility, which we believe to be best suited to the particular challenges of a cyclical business.

Our primary goal is to maximise our returns to shareholders as opposed to mainly concentrating on the profit and loss account and this alignment allows the business to continue maximising short-term opportunities within an unambiguous long-term operating model. Our business is currently cash generative, efficient in terms of scale and allows the skills of our people to converge on adding value throughout the development process. We remain on target to achieve the 2006 B share payment and the £12 return by January 2011, and to create a sustainable and meaningful ongoing business.

We have planned our business for the long-term, for which the fundamentals look very encouraging. We look forward to the future with enthusiasm and confidence.

Roger Hulton Lewis

Roger Lewis
Chairman

Wycombe Square, a St James development in Kensington, London.

Managing Director's review

Identifying opportunities Realising them

Tony Pidgley
Managing Director

Trading Analysis
I am delighted to announce results which accord with our expectations, having also completed on time and as promised the first stage of the cash return to shareholders (£5 per 2004 B share) on 3 December 2004.

Group turnover was £1,070.3 million (2004: £1,272.4 million). This comprises £1,002.8 million (2004: £1,130.1 million) of residential turnover and £67.5 million (2004: £142.3 million) of commercial turnover.

During the year Berkeley sold 3,570 units at an average selling price of £282,000. This compares with 3,805 units at an average selling price of £283,000 last time.

In the financial year, turnover from land sales was £16.1 million (2004: £11.4 million). Berkeley's policy has always been to take suitable land sale opportunities. That said, its performance does not depend on it realising such opportunities. ›››

Boosting economic growth

Gunwharf Quays (right) is part of Berkeley's flagship regeneration of Portsmouth Harbour. The pioneering, mixed-use development is a prime example of Berkeley's skill as an urban regenerator. The scheme also emphatically demonstrates how major projects of this nature can revitalise an area as a whole.

Gunwharf's 72 retail outlets, 20 waterfront bars and restaurants, 25,000 square feet of office space, its cinema and numerous other leisure facilities attracted over 11 million visitors to the area in its first two years, contributing some £2.7 million in business rates.

When the entire development is complete it is estimated that it will have generated over 3,500 jobs and increased the number of visitors to Portsmouth by 1.6 million a year, potentially attracting an additional £50 million of investment into the local economy on an annual basis.

The waterfront at Gunwharf Quays.

At £67.5 million (2004: £142.3 million) commercial turnover reflected the disposal of commercial units on 15 mixed-use sites. This included the sale of 62,900 square feet of office space at St George Wharf and 17,300 square feet of retail space at Gunwharf Quays. Berkeley has now received 98% of the forecast commercial receipts from Gunwharf Quays.

Berkeley’s share of joint ventures’ turnover totalled £145.9 million (2004: £123.7 million). This comprised £144.7 million (2004: £121.0 million) of residential sales and £1.2 million (2004: £2.7 million) from commercial schemes. The number of units sold was 809 with an average selling price of £378,000 compared to 1,034 units at an average price of £225,000 for the previous year.

The house-building operating margin, excluding joint ventures and land sales has increased to 18.6% from 17.5% last time. Over recent reporting periods the Group has achieved operating margins in the range of 17.5% to 19.5% ›››

Developing through partnership

The Royal Arsenal (left) is one of Berkeley Homes’ most impressive and famous developments. Situated in Woolwich, the site dates back to the 17th century and was a centre for the manufacture of ordnance for over three centuries.

The transformation of the site into a major, mixed-use development is well underway. The success of the scheme owes much to the close partnerships established between Berkeley and all of its stakeholders, from the local Council to the London Development Agency and, most importantly, the local community.

Ultimately, the 76 acre site will form a whole new neighbourhood in London, comprising a vibrant, thriving and sustainable community in a historic riverside setting. A mix of commercial, residential and leisure facilities will fuse the old with the new.

The Royal Arsenal Woolwich.

(depending on mix). As reported at the half year we expected to be broadly in this range for the full year if current market conditions prevailed and this has been achieved. On the basis that current market conditions continue we forecast to remain broadly in this range. Joint venture operating margins are 10.4% compared to 17.7% last year. This is in part due to the St James profit share arrangements with Thames Water and is forecast to reverse next year.

Housing Market

There has been much commentary on the housing market since the beginning of the year. From Berkeley's perspective, the market has been very acceptable and at the level for which we planned when we embarked on our Scheme of Arrangement. In summary, the housing market has continued to respond in accordance with expectations and in line with macro-economic conditions. Demand for homes has reduced following the five sequential rises in interest rates and the resultant reduced affordability that restricts new entrants into the market.

Our sales performance in 2005 has been very solid. Berkeley has secured sales with a value 6.6% lower than in 2004, a level which is in line with the business plan set following the Scheme of Arrangement. This enabled us to maintain our strong forward sales position. This is 14.8% ahead of 2003, a year which was affected by world events. Sales prices have been above our forecast by 3% to 5% and are covering the build cost increases which we continue to experience.

Operating margins are under pressure due to affordable housing requirements and Section 106 planning gain obligations. As we predicted, this has reduced forward operating margins by 0.4% in the year and we forecast that this will be repeated going forward.

There is continued debate about the planning system. While in many respects it is much slower than we would prefer, we have found over the last year an increased readiness on the part of public agencies to work enthusiastically with the private sector. This is a ›››

Riverside regeneration

Putney Wharf (right) is an imaginatively conceived mixed-use development, occupying a key position on the south bank of the River Thames and providing a powerful link between the cosmopolitan vitality of Putney High Street and one of Europe's most vivid waterfronts.

The scheme has created a flourishing community of bars and restaurants, 21st century townhouses, stylish apartments and a majestically designed 17-storey glass-fronted tower, providing an emphatic demonstration of the power and scope of mixed-use regeneration.

Restaurant at Putney Wharf.

welcome development, which has mitigated our frustrations over the length of time it sometimes takes to reach a decision on planning.

During the year, Berkeley has secured a number of important consents including approximately 2,800 units at Beaufort Park, Hendon; 800 units at Gillingham Waterside; and further consents at Chelsea Bridge Wharf; Imperial Wharf; and Bromyard Avenue, Acton. It was also good to receive planning consent for the residential tower at St George Wharf in July 2005.

The investment market continued to be very active and accounts for over 50% of our reservations. Under the Group's definition an investor can range from a large institution to a customer purchasing a second home.

Berkeley has continued to find land prices extremely competitive and in accordance with its strategy has bought only very selectively. During the year terms were agreed on only 19 sites, of which 6 were in St James with 3 of those 6 from Thames Water. This equates to 2,110 plots.

For the Group to achieve its full year targets for 2005/06, 62% of the remaining sales required are on units with a selling price under £300,000 and 88% under £500,000. This puts Berkeley in a strong position to achieve our full year forecast in the current market conditions.

Forward Sales
Berkeley's strategy continues to be to sell homes at an early stage in the development cycle, often at the off-plan stage, as this secures customers' commitment and consequently the quality of future revenue.

It is a good indicator of the underlying state of the market that Berkeley has managed to maintain and marginally increase its forward sales position from £945.3 million at the same time last year to £948.0 million at 30th April 2005. Of this, £139.8 million (2004: £156.4 million) is included in debtors in the balance sheet, with the remaining £808.2 million (2004: £788.9 million) benefiting both the current year and future years profit and loss account and cashflow. If Crosby is excluded, the forward sales position at 30th April 2005 is £687.0 million (2004: £629.6 million).

Land Holdings
During the year the Group (including its joint ventures) has again more than replaced the number of plots used in construction. Berkeley now controls 27,278 plots with an estimated gross margin of £1,855 million. This compares with 26,654 plots and an estimated gross margin of £1,926 million at 30th April 2004.

With the disposal of Crosby the restated position at 30th April 2005 would be 22,799 plots with an estimated gross margin of £1,638 million.

This maintained land position has been achieved in conjunction with generating £239.9 million from cashflow before financing and dividends. ›››

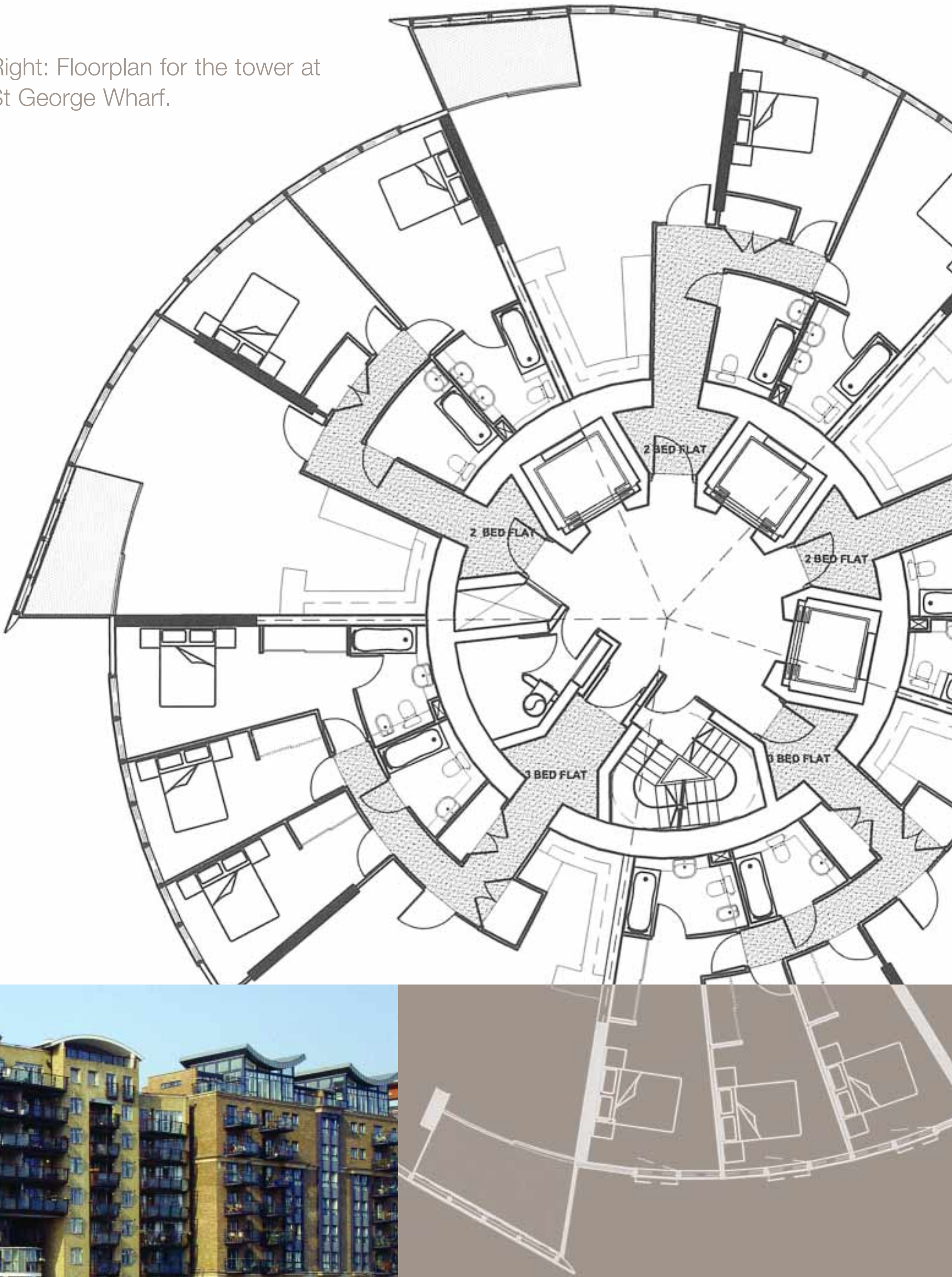
Process

The vision to see opportunities

Britain's towns and cities are rich in derelict sites. Each is similarly rich in potential. The focus of Berkeley's business is to provide the means by which these brownfield areas realise this potential. The process of regenerating brownfield land into burgeoning communities presents both unique challenges and opportunities. It is a complex and inspiring process. And, above all, it is a process that brings about the most enduring, wide-ranging and ground-breaking of results, dramatically breathing life into previously dormant places.

The brownfield site at Tempus Wharf prior to development.

Right: Floorplan for the tower at St George Wharf.



Tempus Wharf following its regeneration by Berkeley Homes.

Balancing the view from all angles

Right: Community Consultation in action at Hungate, York.

››› Managing Director's review

Berkeley's focus in 2004/05 has been to concentrate on maximising the returns from our land holdings and we continue to submit further planning applications on the majority of our regeneration sites. This is compatible with local/regional planning objectives and national policy.

At 30th April 2005, of the plots controlled by the Group, 23,288 (2004: 21,449) are owned on the balance sheet, while 3,407 (2004: 4,315) are contracted for and a further 583 plots (2004: 890) have terms agreed and solicitors instructed. Over 95% of our holdings are on brownfield or recycled land.

Excluding Crosby, the Group has 22,799 plots in its control at 30th April 2005. Of these, 19,767 are owned on the balance sheet, with 2,680 contracted and 352 with terms agreed and solicitors instructed.

Joint Ventures
Berkeley currently has £70.4 million of capital employed in joint ventures, an increase of £2.5 million from last year's figure of £67.9 million. Our share

››› Process

Putting it all together

Construction and Project Management
As the most visible aspect of the 'brownfield-to-lifestyle' process, construction sees the vision of the planning and design phase become reality. It is also Berkeley's most public interface. As such, Berkeley works hard to ensure that it is both managed and implemented safely, effectively and responsibly.

The construction process at Tabard Square.

of joint venture bank borrowings has decreased by £21.1 million to £57.6 million.

Berkeley is committed to developing our partners land holdings through joint ventures if there is a mutual benefit in doing so. No new joint ventures have been set up in the year. Berkeley's largest joint venture is St James, which is jointly owned with Thames Water. St James is currently developing 2,694 homes within the business with a similar number being worked up with Thames Water on potential future sites.

Group Structure
One of the key elements of Berkeley's strategy is to continue to simplify the structure of the Group. The objective is to create an autonomous operating structure with few layers of management and consequently very short decision making processes. This creates an environment of greater responsibility at all levels, creating greater job satisfaction and incentive to perform. We believe we have made great progress in delivering this strategy in the year.

Show time

Sales and Marketing
Berkeley's developments speak for themselves and much effort is made to bring them to as wide an audience as possible, thereby driving forward sales and allowing Berkeley to receive vital feedback as it strives to constantly match the aspirations and demands of its customers.

The marketing suite at Bromyard Avenue, Acton.

At the year-end Berkeley had 6 divisions and 21 operating companies, of which 1 division and 8 operating companies are site based. In the year ended 30th April 2005 the Group recorded sales from 101 sites, down from 130 in 2004. This again is in line with our strategy to develop a smaller number of sites, though the sites themselves are of larger-scale and warrant dedicated management attention.

In the current year excluding Crosby, Berkeley is forecast to achieve sales from approximately 50 sites.

The benefits of this model are apparent in a fall of overhead costs from £94.4 million to £89.3 million.

Looking Forward
When I founded Berkeley almost 30 years ago, it was because I had a passion for building and a desire to create good homes for people. I knew that a home was one of the core essentials of life. Over time I grew to appreciate that a thriving market for housing provides not only the economic means by which we create new communities but it can also give new life to old ones. From that flowed our early and pioneering ventures into urban regeneration, which are now the very essence of the modern Berkeley.

Because we take housing and the effects of it so seriously, we also take our responsibilities seriously, in how we find land to build on, how we plan, how we build and how we make sure the communities we create thrive. And how we help the communities that are already there. A deep understanding of these responsibilities, and the values from which they derive, have created a new passion at Berkeley – one which has made the company Britain's premier urban regenerator. It's a huge challenge, which is only met though a strategy of genuine partnership. Our shareholders have always looked for value creation over the long-term and the security of knowing that safe hands are managing their business. The Scheme of Arrangement aligns these needs directly and in a way which enables us to continue producing an enhanced performance whilst minimising risk. In parallel, the country demands more and more housing but also wants a legacy for the built environment of which this generation can be proud. I am delighted our business is now able to concentrate, in partnership with all our stakeholders, on unlocking this remarkable potential for the future.

Tony Pidgley
Managing Director

Our people

The skills and experience to make it happen

Berkeley's employees are its most valued asset and their commitment to continuous improvement drives the company.

Berkeley works hard to ensure that close consultation occurs with employees on matters likely to affect their interests. Numerous policies are in place to ensure that all employees receive the same access to employment and training, encouraging the sort of development that provides Berkeley with people whose skills match the company's aspirations.

Training and development are prized highly at Berkeley.

Sustainability

Full details of Berkeley's sustainability strategy are contained within the separate 2005 sustainability report or online at www.berkeleygroup.co.uk.

Berkeley has, for some years now, been committed to a continually evolving sustainability strategy. Its broad aim is to make significant, long-term contributions to the environmental, social and economic fabric of the communities in which Berkeley works, as well as to fulfil the ultimate responsibility of maximising shareholder value. Progress has been good and, among several accolades, the company continues to be listed in the FTSE4Good Index. 2005 sees the publication of Berkeley's fourth annual free-standing sustainability report.

This year, Berkeley's strategic decision to focus its activities in the field of urban regeneration provided an emphatic demonstration of its commitment to sustainable communities. Berkeley's unrivalled expertise in this area has enabled it to augment its strong skills base to create new possibilities and to maximise opportunities for vital regeneration in Britain's towns and cities. Such an approach embraces the current and prevailing public policy agenda.

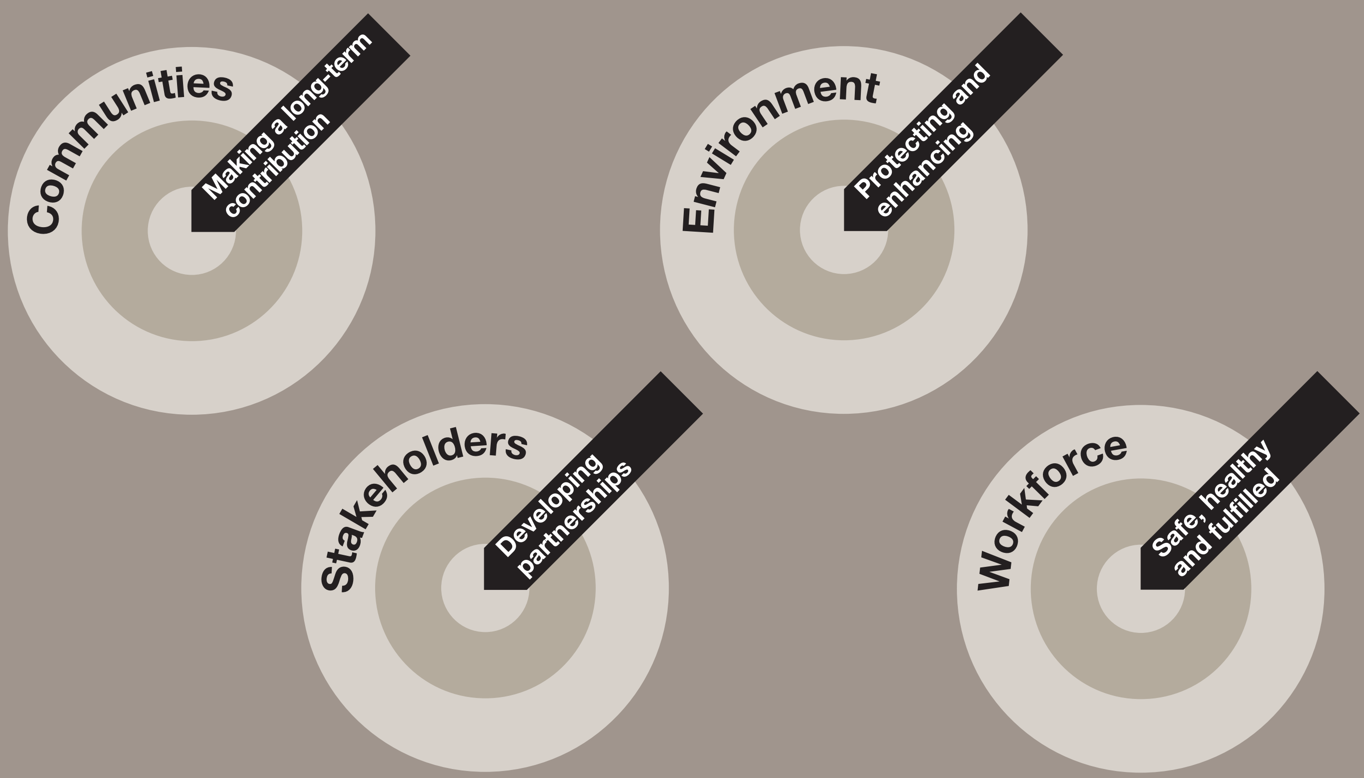
Though the focus of Berkeley's business has recently changed, its commitment to engage with its stakeholders, whether at a local, regional or national level, has continued. Berkeley firmly believes that partnership in its schemes can ensure that not only are good quality homes created, but also communities that will truly stand the test of time.

The sustainability strategy itself is subject to review each year. Together with a number of subsidiary policies covering specific issues, such as environment, health and safety and equal opportunities, it sets out the company's key sustainability objectives. From time to time Berkeley develops Group-wide policies concerning specific impact areas where a consistent approach can be taken across all of the divisions.

As part of a concerted effort to assess the strategy, since 2002, Berkeley has been measuring its sustainability performance against a number of Key Performance Indicators.

The significance of sustainability

Key sustainability impacts



This year it has carried out an extensive review of these 'KPIs' and will be introducing a number of new indicators, as well as amending, or dropping some, of those currently in use. All of the Group's divisions are required to report on their progress in relation to Berkeley's targets and KPIs, on a quarterly basis.

The company continues to disclose information in relation to sustainability on its website, in a free-standing report and in this annual report and accounts. With an increasing number of projects implementing sustainability initiatives, Berkeley is eager to ensure that it learns as much as possible about the many challenges and opportunities that arise. As such, the company has a number of formal and informal mechanisms for sharing good practice, such as the company Intranet and good practice guidance notes and briefings.

To ensure that sustainability continues to be prioritised and to develop, numerous important governance procedures are in place. Berkeley's quarterly Board reports include a summary of performance in relation to its sustainability KPIs and additional qualitative information concerning the implementation of the company's sustainability strategy. Heads of Division meetings have also placed significant emphasis on sustainability issues this year, particularly in light of Berkeley's long-term business strategy to focus on urban regeneration projects.

Sustainability Working Group (SWG) meetings are held once a quarter and are made up of Board and senior managers from across the main divisions of the Group. The SWG reviews progress towards targets, performance in relation to the sustainability KPIs and shares good practice in relation to sustainability issues. External strategic sustainability advisors attend the meetings to provide independent counsel on Berkeley's strategy and the SWG also occasionally invites outside speakers to make presentations to the Group.

These measures are in place to ensure that Berkeley's commitment to sustainability is matched by the skills with which to implement it.

Below: Leybourne Lakes, Kent.

Board of directors and advisers

Expertise at the top

Tony Pidgley, 57
Group Managing Director and Chairman of the Executive Committee, he co-founded the company in 1976 with Jim Farrer.

Roger Lewis FCA, 58
Group Chairman since February 1999 having been appointed a Group Main Board Director in 1992, a year after he joined the company. He is a member of the Executive Committee and Chairman of the Nomination Committee.

Honorary Life President
Jim Farrer MRICS, 74

Along with Tony Pidgley a co-founder of the company, he was Group Chairman until his retirement in 1992. At that time he was appointed Honorary Life President.

Rob Perrins BSc(Hons) ACA, 40
Having qualified as a chartered accountant in 1991 he joined the company three years later. Appointed to the Group Main Board on 1 May 2001, having become Managing Director of Berkeley Homes plc, he became Group Finance Director on 2 November 2001. He is also a member of the Executive Committee.

Victoria Mitchell, 54
Appointed a Non-executive Director on 1 May 2002, she is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Currently a Consultant Director of Savills Limited, she was previously an Executive Director of Savills plc. She is also a Member of ING REIM Residential Property Fund Advisory Board, a Non-executive Director of The Golding Group (South Africa), and Development Securities plc.

Company Secretary
Elizabeth Taylor FCIS

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

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

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

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

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

Registered number 5172586

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

Stockbrokers
UBS

Share price information
The Company's share capital is 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

Auditors
PricewaterhouseCoopers LLP

Bankers
Barclays Bank
Lloyds TSB Bank
The Royal Bank of Scotland

Greg Fry ACA, 48
Having joined the company in 1982 he became a director of St George PLC from the division's inception in 1996 and is currently the chairman of its three main operating companies. On 1 May 1996 he was appointed to the Group Main Board and he is a member of the Executive Committee.

Tony Carey BSc FRICS, 57
Managing Director of St George PLC since 1990, having joined the division in 1987. He was invited to join the Group Main Board on 28 June 1993 and is a member of the Executive Committee.

Tony Palmer FRICS FCIOB, 68
Appointed a Non-executive Director on 1 January 1998, he is a member of the Audit, Remuneration and Nomination Committees and is the Senior Independent Director. He is currently the Chairman of Galliford Try and Poole Investments plc having been the Chief Executive of Taylor Woodrow Plc.

David Howell FCA, 56
A Non-executive Director since 24 February 2004, at which point he was also appointed Chairman of the Audit Committee. Also a member of the Group's Remuneration Committee, he was the Chief Financial Officer and a Main Board Director of lastminute.com plc until March 2005. From 1998 to 2001 he was the Group Finance Director of First Choice Holidays plc, and served as a Non-executive Director of Nestor Healthcare Group plc from 2000 to 2003.

Directors' report

The Directors submit their report together with the financial statements for the year ended 30 April 2005.

Capital reorganisation and scheme of arrangement
Effective 26 October 2004 the Company acquired 100% of the issued share capital of The Berkeley Group plc following implementation of a Scheme of Arrangement under Section 425 of the Companies Act 1985.

References throughout the Annual Report and Financial Statements to the "Company" refer to The Berkeley Group Holdings plc from 26 October 2004 onwards and prior to that to The Berkeley Group plc.

Principal activities and review of the business
The Company is a UK listed holding company of a wider group engaged in residential and commercial property development focusing on urban regeneration and mixed-use developments.

The Chairman's Statement on pages 2 to 5 and the Group Managing Director's Operational Review on pages 6 to 16 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 £144,643,000 (2004 restated: £162,020,000). Following the payment of the final ordinary dividend in respect of the financial year ended 30 April 2004 of 16.5p per Ordinary Share in The Berkeley Group plc, amounting to £19,676,000 paid on 9 September 2004 to shareholders on the Register on 13 August 2004, the Company intends that, prior to 31 January 2011, substantially all returns to Shareholders will be by way of payments made on the B Shares. However, subject to the Companies Act, dividends may be declared on the Ordinary Shares of 5p at any time.

The Group's joint ventures contributed profits before taxation of £11,918,000 (2004: £18,403,000).

Share capital
At the Extraordinary General Meeting of The Berkeley Group plc on 17 September 2004 shareholders approved the Court Approved Scheme of Arrangement which resulted in a new listed holding company being created, The Berkeley Group Holdings plc. The Scheme became effective on 26 October 2004 and the Company became the holding company of The Berkeley Group plc.

In order to improve the efficiency of the Company's share capital, on 4 May 2004, within the 10% limit authorised by shareholders at the 2003 Annual General Meeting, the Company completed the purchase of 2,094,261 (2004: 6,993,318) of its shares, with a nominal value of £523,565 (2004: £1,748,330), for cancellation at a cost of £9.80 (2004: £7.44) per share, for a total cost, net of expenses, of £20,523,758 (2004: £51,998,948). This represented 2% (2004: 6%) of the called-up share capital of the Company at the start of the year.

Of the 10% authority given at the 2004 Annual General Meeting, no share purchases have been made. Authority will be sought from shareholders at the forthcoming Annual General Meeting to renew the 10% authority for a further year.

Under the Scheme of Arrangement all shareholders of The Berkeley Group plc, at the effective date, received Units in The Berkeley Group Holdings plc (each comprising one ordinary share, one 2004 B share, one 2006 B share, one 2008 B share and one 2010 B share), hereafter referred to as "Units".

During the year the Company redeemed 120,820,642 2004 B shares at £5 per share. The Company had 120,820,642 Units in issue at 30 April 2005.

Movements in the Company's share capital are shown in Note 18 to the accounts.

Information on the Group's share option schemes is set out in Note 18 to the accounts. Details of the Long Term Incentive Schemes and Long Term Incentive Plans for key executives are set out in the Remuneration Committee Report on pages 25 to 39.

Directors
The Directors of the Company and their profiles are detailed on pages 20 and 21. All of the Directors served throughout the year under review.

Since this is the first Annual General Meeting of The Berkeley Group Holdings plc, all Directors are seeking re-election this year.

The Directors' interests in the share capital of the Company and its subsidiaries are shown in the Remuneration Committee Report on page 38. At 30 April 2005 each of the Executive Directors was deemed to have a non-beneficial interest in 915,607 (2004: 1,077,317) Units 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 25, 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 and terminable on one month's notice.

Substantial shareholders

The Company has been notified of the following interests, amounting to 3% or more of the issued capital of the Company, as at 21 July 2005:

	Number of Units held	% of issued capital
Saad Investments Company Limited, Mr Al-Sanea, Lombard Atlantic Bank N.V. and Awal Bank B.S.C.	26,650,000	22.06
Orbis Investment Management	7,191,228	5.95
M & G Investment Management Ltd	5,810,400	4.81
Legal & General plc Companies	4,374,729	3.62
Barclays PLC	3,693,698	3.06

Donations

During the year, donations by the Group for charitable purposes in the United Kingdom amounted to £162,287 (2004: £440,957). The Group made £nil political contributions (2004: £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.

An 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.

Sustainability

Each year Berkeley has evolved its approach to reporting to ensure that it gives the clearest possible portrait of how its Sustainability Strategy and policies are put into practice throughout the Group.

This year, in its fourth annual Sustainability Report, Berkeley has concentrated upon the legacy that its projects leave behind for the community and for future generations. The intention is to provide readers of this stand-alone report with more comprehensive examples of the processes involved in bringing a site to development and the way in which Berkeley's sustainability policies and expertise are applied throughout this process. The report provides information in relation to the key stages of development for each project – land acquisition, planning and concept design, construction, detailed specification, sales and marketing. Each of these phases is illustrated by the use of detailed case studies, together with examples of other initiatives drawn from across the Group.

For further information please refer to pages 18 to 19 and Berkeley's fourth annual Sustainability Report on its website.

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 audit the 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, continues to review progress against targets set for our established key performance indicators and reports this quarterly to the Group Main Board.

In our recently published Sustainability Report 2005, we have reported in more detail on progress made and initiatives taken since last year.

Directors' report continued

Payment of creditors

Each of the Group's operating companies is responsible for agreeing the terms and conditions, including terms of payment, relating to transactions with its suppliers. It is Group policy to abide by the agreed terms of payment where the supplier has provided the goods and services in accordance with the relevant terms and conditions of contract. At 30 April 2005, the Company does not have any trade creditors (2004 supplier payment period: 10 days).

Post balance sheet event – disposals

On 23 June 2005, the Group announced that it had entered into an agreement with Lend Lease Corporation Limited for the sale of The Crosby Group plc for £235.7 million. In addition Berkeley will be repaid £15 million, in respect of working capital provided to Crosby since 30 April 2005.

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 11.00am on Thursday 1 September 2005. 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.

Auditors

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

By order of the Board

E Taylor FCIS
Company Secretary
21 July 2005

Remuneration Committee report

Introduction

On 25 June 2004 the Company announced that it had concluded a strategic review which led to the restructuring of the Company that was approved by shareholders at the EGM on 17 September 2004. It was recognised at the time of the strategic review that if the restructuring went ahead it would have a significant impact on the Company's existing performance based compensation; in particular:

- the subsisting share awards and options under the Company's various share schemes;
- the annual bonus performance conditions for FY2005 and subsequent financial years; and
- the structure of the 2004 Long-Term Incentive Plan and the proposed performance conditions for the first grant of awards under the Plan.

In light of the impact on a crucial part of the total remuneration package received by Executive Directors, the Remuneration Committee felt that it was appropriate to revisit the remuneration policy approved by shareholders at the EGM on 24 February 2004. Therefore, as part of the process leading up to the EGM on 17 September 2004, the Remuneration Committee Chairman and the Committee's retained consultants, Halliwell Consulting, consulted with the Company's principal shareholders on a revised remuneration policy.

Following the extensive consultation, 77% of shareholders voting approved a new remuneration policy for the Company's Executive Directors at the EGM held on 17 September 2004. The key features of the new remuneration policy are:

- the retention of the current salary freeze for the Executive Directors to 30 April 2006;
- a change to the performance conditions for the annual bonus plan; and
- the introduction of a new Long-Term Incentive Plan, The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan (the "2004(b) LTIP").

The Remuneration Committee believes that its revised policy and the new structure with an even stronger emphasis on performance based short and long-term compensation should encourage Executives to focus on delivering the business strategy thereby enhancing shareholder value as well as providing meaningful incentives to Executives. This Report will be put to an advisory vote of the Company's shareholders at the 2005 AGM on 1 September 2005.

Background

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.

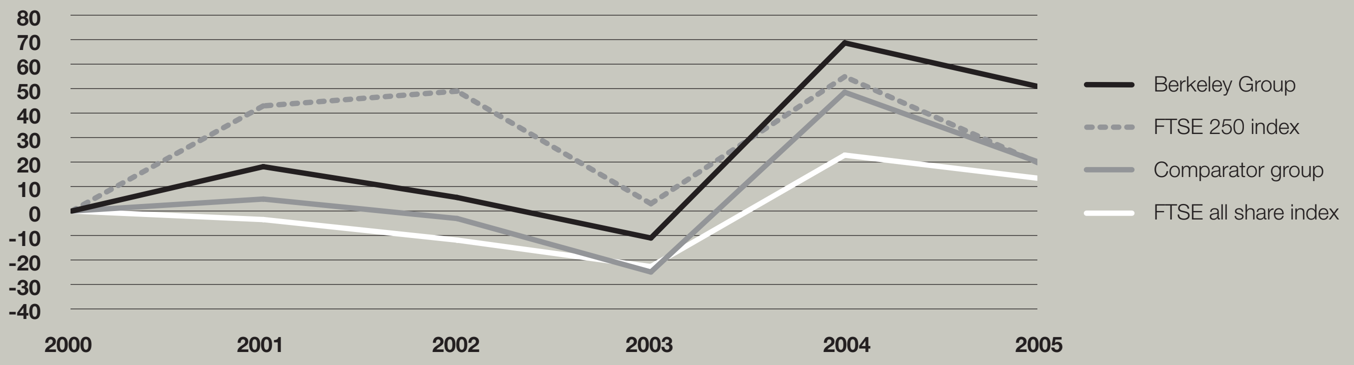
The Board has reviewed the Group's compliance with the Combined Code (the "Code") on remuneration related matters. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code throughout the year.

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 remuneration comparator group. The Company considers these the most relevant indices for total shareholder return disclosure required under the Directors' Remuneration Report Regulations 2002.

Total shareholder return from 30 April 2000 (%)



[1] Total Shareholder Return ("TSR") – is a measure showing the return on investing in one share of the Company over the measurement period (the return is the value of the capital gain and reinvested dividends). This calculation is then carried out for the the relevant Indices and constituents of the Comparator Group.

Remuneration committee

The Remuneration Committee of the Board comprises Mrs Victoria Mitchell (Chairman), Mr David Howell and Mr Tony Palmer all of whom are Non-Executive Directors and independent. 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 can be downloaded from the Company's website. During the year in question the Remuneration Committee formally met three times, with the sub-committee dealing with the design and introduction of the 2004(b) LTIP holding approximately 34 meetings with other members of the Board and the Company's major shareholders during the year.

The Remuneration Committee was advised during the year and continues to be advised by Halliwell Consulting, an independent executive compensation and share scheme consultancy. No other services were provided to the Company by Halliwell Consulting during the year.

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

The Executive Directors hold no external appointments.

Remuneration policy overview

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 new business strategy. It is the opinion of the Remuneration Committee that the policy provides meaningful incentives to Executives and ensures that the appropriate balance between fixed and performance-related compensation is maintained. The policy, which was agreed by shareholders at the EGM on 24 February 2004 and in its revised form on 17 September 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

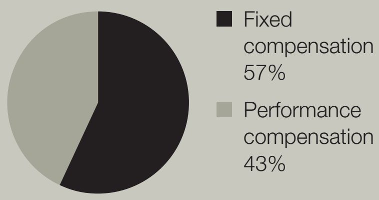
For the purposes of benchmarking remuneration the Remuneration Committee uses the following comparator group of companies:

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	

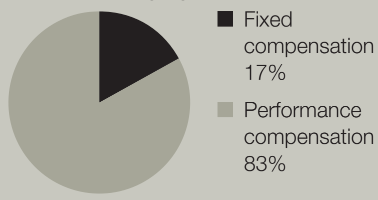
The Remuneration Committee reviews the policy on an annual basis to ensure that it is in line with the Company's objectives and shareholders' interests.

The charts below demonstrate the balance between fixed and variable performance based pay for each Executive Director for the year ended 30 April 2005:

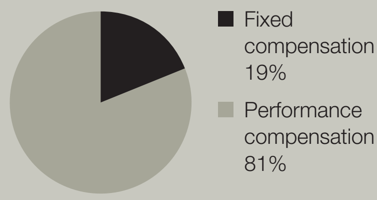
Mr R St J H Lewis
Executive Chairman



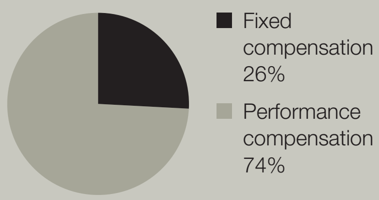
Mr A W Pidgley
Group Managing Director



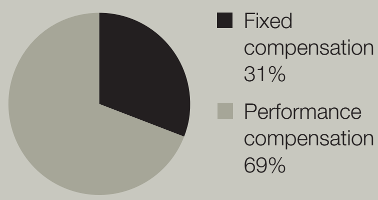
Mr R C Perrins
Group Financial Director



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 to 30 April 2006

Year Ended 30 April 2005
In accordance with the salary freeze no rises were made during the year.

Policy
It is the policy of the Remuneration Committee that the salaries of the Executive Directors should be set at the upper decile in line with the Committee's view that the Company has one of the most experienced Executive teams within the sector. The salary freeze will remain in place for the Executive team until 30 April 2006. The next salary review date will in the normal course of events be 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 retains 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 salaries of the Executive Directors the Remuneration Committee will take 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.

Over the first half of FY2005 the performance conditions for the Executive's annual bonus plan were as set out in the 2004 Remuneration Committee Report. The performance conditions for the second half of FY2005 were amended to take into account the approval of the corporate reconstruction and the associated change of strategy for the Company. These amended performance conditions were discussed and agreed with shareholders during the consultation process.

General
The theoretical maximum bonus available is 300% of salary. However, the Remuneration Committee will only in very exceptional circumstances, outside the normal operation of the bonus plan for the year in question 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. Therefore, the effective maximum annual bonus potential is 200% of salary.

Bonus targets are reviewed each year and agreed by the Remuneration Committee. The performance measures for the Executive Directors' bonus plan are reviewed 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 structure of bonus payments is as follows:

Position	Percentage cash	Percentage Units
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 Units[2]. These Units will be retained by the Executives for 18 months.

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 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.

FY2005
The targets for the year ended 30 April 2005, their level of achievement and the corresponding bonus earned for the Executive Directors are set out in the following tables:

Bonus targets for year ended 30 April 2005
The following table shows the element of the maximum bonus potential for each of the Executive Directors subject to each performance target:

	1 May 2004 – 31 October 2004		1 November 2004 – 30 April 2005	
Executive	Group ROCE	Divisional PBT targets	2004 cash redemption payment made	Divisional PBT targets
R St J H Lewis	50%	–	50%	–
A W Pidgley	50%	–	50%	–
R C Perrins	50%	–	50%	–
A Carey	12.5%	37.5%	12.5%	37.5%
G J Fry	12.5%	37.5%	12.5%	37.5%

[2] Following the restructuring of the Company in October 2004, the Company's share capital can only be held and transferred in the form of Units (each Unit comprising one ordinary share of 5p, one 2004 B share of 5p, one 2006 B share of 5p, one 2008 B share of 5p and one 2010 share of 5p), hereafter referred to as "Units".

The following table shows the actual level of performance for FY2005 against targeted performance:

Element	1 May 2004 – 31 October 2004		1 November 2004 – 30 April 2005	
	Group ROCE	Divisional PBT targets	2004 cash redemption payment made	Divisional PBT targets
Target (for maximum bonus)	20%	Applied for year and based on sliding PBT scale	Payment made	Applied for year and based on sliding PBT scale
Performance achieved	22.5%		Payment made	
Percentage of this element of bonus earned	100%		100%	

The following table shows the maximum potential bonus for each Executive, the bonus earned and the upper decile payments in the comparator group for the year ended 30 April 2005:

Name	R St J H Lewis	A W Pidgley	R C Perrins	A Carey	G J Fry
Effective maximum bonus potential (% of salary)	200%	200%	200%	200%	200%
2005 bonus paid	£165,000	£1,500,000	£650,000	£550,000	£275,000
2005 bonus paid (% of salary)	75%	200%	200%	136%	95%
Upper decile bonus payments in the comparator group as % of salary	200%	200%	200%	175%	175%

The following formula sets out the Company's methodology for calculating ROCE for the annual bonus plan:

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

(i) Average Shareholders' Funds 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 2.

(ii) Average Net Debt 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 2, and where the Group is cash positive, such cash is excluded from the calculation.

Future policy
Prior to the reconstruction, the Remuneration Committee felt that ROCE was an appropriate measure for the Group Executive Directors' Annual Performance Related Bonus Plan 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 was based on the satisfaction of Divisional profit targets as the Remuneration Committee felt that it was important that the Divisional Executive Directors had a strong focus on the performance of the Divisions which they run. However, the redemption payments under the new strategy would have a distorting effect on Group ROCE and make it difficult for shareholders to compare the Company's performance with other companies. Therefore, in line with the approach agreed with the Company's shareholders, going forward the Group ROCE element of the bonus will be replaced with targets linked to the return of capital to shareholders.

It is the current intention of the Remuneration Committee that the element of bonus targets based on the return of capital to shareholders for future bonus years will be as follows:

For years ending 30 April 2005, 2007, 2009 and 2011, this element of the annual bonus will be subject to the returns of capital of £5, £2, £2 and £3 per unit respectively.

Remuneration Committee report continued

For years ending 30 April 2006, 2008 and 2010, this element of bonus will be earned if the dividend lock up tests[3] are satisfied at the end of the relevant financial year (six months earlier than required). If these tests are satisfied it means that the Company is on target to be able to make the redemption payments on the due dates. If the dividend lock up tests are not achieved at the end of the relevant financial year but the Board is of the view that they will be satisfied in time to make the next redemption payment on the relevant date, this element of the bonus will be accrued and not declared until the redemption payment has been made. In the highly unlikely event that a bonus is paid but the due redemption payment is not made the share element of the bonus paid shall be forfeited and the cash element paid shall be offset against future bonus entitlements.

The following table sets out the maximum bonus potential for the year ending 30 April 2006 and the performance targets which will apply:

Name	Maximum bonus potential % of salary	Return of capital to shareholders' targets	Divisional PBT targets
R St J H Lewis	200%	100%	–
A W Pidgley	200%	100%	–
R C Perrins	200%	100%	–
A Carey	200%	25%	75%
G J Fry	200%	25%	75%

The maximum bonus potential for the year ended 30 April 2006 has not increased.

Share incentives
Policy: Upper quartile to upper decile

Overview
At the EGM on the 17 September 2004 shareholders approved the Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan. This Plan was designed to support the Company's new strategy and replace the Berkeley Group plc 2004 Long-Term Incentive Plan (approved by shareholders at the EGM on 24 February 2004). The shareholding requirement introduced remains in place. The shareholding requirements are:

Name	Current shareholding as a % of salary (based on 30 April 2005 share price)*	Shareholder requirement as a % of salary by the end of FY 2009
Group Executive Chairman (R St J H Lewis)	143%	200%
Group Managing Director (A W Pidgley)	2,192%	400%
Group Finance Director (R C Perrins)	170%	200%
Divisional Director (A Carey)	444%	200%
Divisional Director (G J Fry)	266%	200%

* Based on shareholding at the date of publication of the Annual Report.

The only share awards made to Executive Directors during the year ended 30 April 2005 were under the Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan.

Closed share arrangements
The following table sets out the Company's share arrangements which were closed on the reconstruction of the Company, the effect of the reconstruction on subsisting share grants held by Executive Directors under these Plans and the decisions made by the Executive Directors. The details provided in this section of the Report are a summary of the details provided in the Circular to shareholders and the Listing Particulars approved by shareholders at the EGM on 24 September 2004:

[3] The dividend lock up tests are financial ratio tests set out in the Group's banking facilities that must be satisfied for the Company to make a redemption payment. These tests are more stringent than the ongoing financial covenant tests applicable to the Company's Bank facilities.

Share scheme/plan	Effect of the reconstruction on subsisting share awards/options	Decision made by the Executive Directors
The Berkeley Group plc 2004 Long-Term Incentive Plan	No awards were granted under this Plan	–
The Berkeley Group plc 2000 Long-Term Incentive Plan	The following grants had not vested at the time of the reconstruction: • 2002; and • 2003. The Court approval of the corporate reconstruction on 30 October 2004 meant that a Section 425[4] event occurred. In accordance with the rules of the Plan this resulted in the immediate vesting of the 2002 and 2003 awards subject to the proportionate satisfaction of the performance conditions. In accordance with the rules of the Plan the Remuneration Committee measured the cumulative profit and net asset growth performance of the Company for the 2002 award for the years ended 30 April 2003 and 30 April 2004 and for the 2003 Award for the year ended 30 April 2004 and found that the performance conditions relating to those awards had been satisfied in full and as such that the full value of awards would vest.	However, to demonstrate their commitment to the Company and shareholders the Executive Directors have voluntarily agreed to defer the receipt of benefits from the 2002 and 2003 awards until their original release dates. The cessation of employment provisions in the rules of the Plan will continue to apply. Share elements of awards have been converted into awards over Units. Executive Directors will be entitled to the receipt of redemption payments on the Units subject to their awards over the holding period. No further performance conditions will apply to these awards as the original conditions were satisfied at the date of the Court approval in accordance with the rules of the Plan.
The Berkeley Group plc 2000 Share Option Plan and the 2000 Approved Share Option Plan	The Court approval of the corporate reconstruction on 30 October 2004 meant that a Section 425 event occurred. In accordance with the rules of the Plans this resulted in the immediate vesting of options without reference to the satisfaction of performance conditions unless the Remuneration Committee determined otherwise. In this case the Remuneration Committee determined to offer all employees with options not granted under the Approved Plan the opportunity of either: • exchanging options for options over Units of the Company after the reconstruction; or • the release of their options in consideration for a conditional compensation payment. The compensation payment was equal to the difference between the average price of a share of the Company over the ten business days prior to the reconstruction becoming effective and the exercise price of the relevant option multiplied by the number of shares under such option. The cash payment will only be provided if the participant is an employee of the Company at the original vesting date for the relevant option. The cessation of employment provisions in the rules will continue to apply. Approved Options could not be rolled-over into options over Units as the Units did not qualify under the relevant legislation. Therefore, the Remuneration Committee, in accordance with the rules of the Plan, determined that these options vested and became exercisable on the Court approval for a period of six months from 26 October 2004.	The only Executive Director to have unvested options under these Plans was the Group Managing Director. The Group Managing Director exercised his approved options and chose the conditional compensation payment in respect of his unapproved options. No further performance conditions will apply to conditional compensation payments or options for Executive Directors.
The Berkeley Group plc 1994 SAYE Share Option Scheme	In accordance with the rules of the Scheme options held by all employees became exercisable on the Court approval of the corporate reconstruction on 26 October 2004 for a period of six months.	Executive Directors were treated in the same manner as all employees of the Company.

[4] Section 425 of the Companies Act 1985.

Remuneration Committee report continued

The tables in the audited section of this Report provide full details of the actual awards released, options vested and the conditional compensation payments and the terms applying to them.

The Berkeley Group plc 2000 Long-Term Incentive Plan
No awards were granted under this Plan during the year.

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) was 200% of an individual's annual salary (excluding bonuses and all other benefits) as at the date of grant.

The cash element was payable following the third anniversary of the date of grant of the award provided the performance targets had been met. The participant was 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 had increased or decreased in line with the Company's share price performance over the period since the date of grant. Performance under the LTIP was measured according to the level of audited cumulative pre-tax profits of the division or Group company in which the participant was employed over the relevant period. Achievement was 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 would ensure the delivery of enhanced value to the Company's shareholders.

The Berkeley Group plc 2000 Approved & Unapproved Executive Share Option Plans ("the Option Plans")
No grants of options have been made to Executive Directors under the Option Plans during the year.

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 was conditional upon meeting defined performance targets based on the increase in earnings per ordinary share over a three year period.

New long-term share incentive arrangements for the Executive Directors
The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan (the "2004(b) LTIP")

The 2004(b) LTIP is the Company's sole long-term share incentive arrangement for the Executive Directors and was approved by shareholders at the EGM on 17 September 2004 with 77% of shareholders voting supporting the Plan. Prior to the EGM, the Company conducted a full consultation with major shareholders and institutional shareholder bodies.

The Plan provides the Executive Directors, excluding the Executive Chairman, with rights to receive, at no cost, such number of shares as results in them holding 15% of the equity of the Company following the issue of those rights. The shares will only be released to the Executive Directors if the Company has returned to shareholders £12 per share by 31 January 2011. 50% of released shares are then subject to an additional one year retention period, with the balance subject to a two year period.

The following table sets out the Awards made under the 2004(b) LTIP to the Executive Directors:

Award	A W Pidgley	R C Perrins	A Carey	G J Fry
Percentage of issued ordinary share capital taking into account the dilution resulting from the Award under the Plan	8%	3%	2.5%	1.5%

The Remuneration Committee's policy is designed to incentivise the Executive Directors to maximise the total return to shareholders. In the Remuneration Committee's opinion this will be achieved by incentivising the Executive Directors to not only ensure that £12 per share is returned to shareholders but also by providing them with a direct share in the residual value of the Company. As a result the value of the awards is directly linked to the value of the residual Company following the return and as such there is a close alignment between the interests of the Executive Directors and shareholders, both of whom benefit from a maximum value for the residual part of the Company.

The Remuneration Committee will determine whether the performance condition has been satisfied by ensuring the redemption payments have been made in the allotted time frame.

Dilution
Excluding The Berkeley Group Holdings plc 2004(b) LTIP the Company has operated its executive and all employee arrangements within the ABI dilution limits. The 2004(b) LTIP will provide the long-term share incentive for Executive Directors during its life. The Board has currently determined that no new equity based arrangements which will be satisfied by the issue of shares or the transfer of treasury shares will be introduced to replace the closed share arrangements set out above.

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 contribution 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 36.

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

All employee share schemes
The Company's current all employee share schemes were closed to new awards on the Court approval of the reconstruction of the Company on 30 October 2004. Traditional all employee plans such as Share Incentive Plans and SAYE Schemes cannot be operated by the Company after the reconstruction as its Units do not qualify under the relevant legislation.

Therefore, the Company is intending to operate an all employee long-term cash based bonus plan called The Berkeley Group Holdings plc 2005 Share Appreciation Rights Plan. This Plan provides all employees of the Company (excluding Executive Directors) with the opportunity of being granted rights on an annual basis to receive Share Appreciation Rights which will normally vest three years after the date of grant and subject to continued employment. Share Appreciation Rights will consist of a number of 'phantom Units' with an exercise price set at the market price of a unit on the date of grant. On the exercise of Share Appreciation Rights an employee will be entitled to receive a cash payment equivalent to the difference between the adjusted market price of a Unit (adding back redemption payments made since the date of grant) less the exercise price multiplied by the number of phantom Units being exercised.

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. The 2005 fee levels are 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 £36,400 per annum and £45,500 for the Senior Independent Director. Further fees are payable for additional work performed in respect of the Chairmanship of the Remuneration and Audit Remuneration Committees (£5,000 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.

An additional £60,000 of fees was paid to Mrs Mitchell in shares during the year ending 30 April 2005. This payment was made because the Board of Berkeley believed that it was appropriate to pay Mrs Mitchell this additional remuneration to recognise the very significant time she spent during 2004 discharging her duties as Chairman of the Remuneration Committee. This was far in excess of that normally associated with the position and required Mrs Mitchell to forego other works and consulting opportunities during this period. The Board of Berkeley consulted with major shareholders about this payment and thought it appropriate to make the payment in shares.

Remuneration Committee report continued

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. Further, 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	23 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
G J Fry	27 June 1996	1 year rolling	12 months	12 months' salary	nil	nil
R C Perrins	15 July 2002	1 year rolling	12 months	12 months' salary	nil	nil
Non-Executive Directors						
D Howell	1 May 2005	n/a	1 month			
V M Mitchell	1 May 2005	n/a	1 month			
H A Palmer	1 May 2005	n/a	1 month			

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

Directors' remuneration

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

	Salary/fees £	Bonus £	Benefits in kind (7) £	**2005 Total £**	2004 Total £
Executive Directors					
R St J H Lewis (Chairman) (1)	220,000	165,000	1,144	**386,144**	386,054
A W Pidgley	750,000	1,500,000	34,044	**2,284,044**	2,283,883
A Carey	405,000	550,000	32,186	**987,186**	934,602
G J Fry	290,000	275,000	31,005	**596,005**	579,346
R C Perrins	325,000	650,000	22,854	**997,854**	997,765
Non-executive Directors					
D Howell	41,400	–	–	**41,400**	6,190
V M Mitchell (2)	101,913	–	–	**101,913**	44,000
H A Palmer	45,500	–	–	**45,500**	30,000
Former Directors					
T Farrow (3)	–	–	–	**–**	13,749
G Hutchinson (4)	–	–	–	**–**	105,588
D S Sach (5)	–	–	–	**–**	3,765
F Wellings (6)	–	–	–	**–**	17,000
	2,178,813	3,140,000	121,233	**5,440,046**	5,401,942

(1) Mr Lewis' working hours are 3½ days per week.
(2) £60,000 of Mrs Mitchell's remuneration was paid in shares. The Board of Berkeley believed that it was appropriate to pay Mrs Mitchell this additional remuneration to recognise the very significant time she spent during 2004 discharging her duties as Chairman of the Remuneration Committee. This was far in excess of that normally associated with the position and required Mrs Mitchell to forego other works and consulting opportunities during this period. The Board of Berkeley consulted with major shareholders over this payment and thought it appropriate to make the payment in shares.
(3) Resigned as a Director on 31 May 2003.
(4) 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.
(5) Resigned as a Director on 11 June 2003.
(6) Resigned as a Director on 5 December 2003.
(7) Benefits in kind for all Executive Directors with the exception of the Chairman relate principally to the provision of a fully expensed motor vehicle and private healthcare. The Chairman receives only private healthcare benefits.

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, being as Directors of The Berkeley Group plc from 1 May 2004 to 25 October 2004 (the parent Company for that period) and as Director of the Company from 26 October 2004 to 30 April 2005.

Remuneration Committee report continued

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 2004 (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 2005 (3) £
R St J H Lewis	58	13	19,170	2,655	3,268	41,032	22,438
A W Pidgley	57	18	193,519	20,265	26,458	309,364	219,977
R C Perrins	40	10	16,065	1,506	2,020	8,629	18,085

(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.

Other than A W Pidgley, the above Directors are non-contributory members of the plan. The transfer value of the increase for Mr Pidgley, excluding contributions paid by him, is £271,864.

Name	Age	Pensionable service (years)	Transfer value at 30 April 2005 £	Transfer value at 30 April 2004 £	Change in transfer value during the year £	Change in transfer value during the year excluding contributions paid by the Director £
R St J H Lewis	58	13	349,921	233,173	116,748	116,748
A W Pidgley	57	18	3,368,587	2,301,065	1,067,522	1,030,022
R C Perrins	40	10	102,610	86,753	15,857	15,857

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 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 2005 £**	Company contributions 2004 £
A W Pidgley	57	**37,500**	37,500
A Carey	57	**60,750**	60,750
G J Fry	48	**43,500**	43,500
		141,750	141,750

The Berkeley Group plc 2000 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 2004 Cash £	Granted in year £	Paid in year £	Lapsed in year £	**At 30 April 2005 Cash £**	Cash release date	At 1 May 2004 Shares	Granted in year	Released in year	Lapsed in year	**At 30 April 2005 Shares**	Value released £	Share release date
A W Pidgley													
21 Dec 2000 (1)	–	–	–	–	**–**	21 Dec 2003	84,211	–	(84,211)	–	**–**	1,091,000	21 Dec 2004
7 Aug 2001 (2)	600,000	–	(600,000)	–	**–**	7 Aug 2004	82,701	–	–	–	**82,701**	–	7 Aug 2005
19 Aug 2002 (3)	650,000	–	–	–	**650,000**	19 Aug 2005	97,744	–	–	–	**97,744**	–	19 Aug 2006
22 July 2003 (3)	750,000	–	–	–	**750,000**	22 July 2006	98,361	–	–	–	**98,361**	–	22 July 2007
A Carey													
21 Dec 2000 (1)	–	–	–	–	**–**	21 Dec 2003	38,596	–	(38,596)	–	**–**	499,818	21 Dec 2004
7 Aug 2001 (2)	350,000	–	(350,000)	–	**–**	7 Aug 2004	48,242	–	–	–	**48,242**	–	7 Aug 2005
19 Aug 2002 (3)	385,000	–	–	–	**385,000**	19 Aug 2005	57,894	–	–	–	**57,894**	–	19 Aug 2006
22 July 2003 (3)	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 (3)	206,250	–	–	–	**206,250**	19 Aug 2005	31,015	–	–	–	**31,015**	–	19 Aug 2006
22 July 2003 (3)	217,500	–	–	–	**217,500**	22 July 2006	28,524	–	–	–	**28,524**	–	22 July 2007
R C Perrins													
21 Dec 2000 (1)	–	–	–	–	**–**	21 Dec 2003	7,894	–	(7,894)	–	**–**	102,227	21 Dec 2004
7 Aug 2001 (2)	100,000	–	(100,000)	–	**–**	7 Aug 2004	13,783	–	–	–	**13,783**	–	7 Aug 2005
19 Aug 2002 (3)	187,500	–	–	–	**187,500**	19 Aug 2005	28,195	–	–	–	**28,195**	–	19 Aug 2006
22 July 2003 (3)	243,750	–	–	–	**243,750**	22 July 2006	31,967	–	–	–	**31,967**	–	22 July 2007

(1) The participants received the share element of the 2000 awards during the year. As described on page 31, following the Group reconstruction, share elements of the awards were converted into awards over Units in The Berkeley Group Holdings plc. On the release of the share element of these awards, the participants received Units in respect of the share awards granted as well as the £5 repayment attached to those Units, which had been held in trust until the release of these awards on 21 December 2004. The participants received the cash element of these awards during FY2004.

(2) The participants received the cash element of the 2001 awards during the year. They will receive the share element of these awards during FY2006.

(3) As explained on page 31, on approval of the Group reconstruction on 25 October 2004, the Remuneration Committee determined that the performance conditions relating to the 2002 and 2003 awards had been satisfied. The participants will receive the cash element of the 2002 award during FY2006, and the share element of the 2002 award during FY2007. They will receive the cash element of the 2003 award during FY2007, and the share element of the 2003 award during FY2008.

The relevant performance measures, and the impact of the Group reconstruction on these measures, are set out on page 32. For Messrs Pidgley and Perrins these targets are measured on the Group results and for Messrs Carey and Fry on the relevant divisional results.

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, on 22 July 2003 was 762.5p, and on 21 December 2004 was 795.0p.

The mid-market share price of The Berkeley Group plc was 980.0p as at 1 May 2004 and the mid-market share price of the Company was 770.0p as at 30 April 2005. The mid-market high and low share prices of The Berkeley Group plc were 1,275.0p and 898.0p respectively in the period before the redemption of the 2004 B share from 1 May 2004 to 29 November 2004, and the mid-market high and low share prices of the Company were 870.0p and 694.6p respectively in the period from 29 November 2004 to 30 April 2005.

The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan

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

	Award date	At 1 May 2004 Shares	Granted in year	**At 30 April 2005 Shares**	Share release date
A W Pidgley	26 Oct 2004	–	11,371,393	**11,371,393**	31 Jan 2011
A Carey	26 Oct 2004	–	3,553,560	**3,553,560**	31 Jan 2011
G J Fry	26 Oct 2004	–	2,132,136	**2,132,136**	31 Jan 2011
R C Perrins	26 Oct 2004	–	4,264,272	**4,264,272**	31 Jan 2011

The shares will only be released to the Executive Directors if the Company has returned to shareholders £12 per share by 31 January 2011. 50% of released shares are then subject to an additional one year retention period, with the balance subject to a two year period. More information on the performance conditions is set out on page 32.

Directors' interests in share options

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 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/Units*		Options to subscribe for Ordinary Shares of 25p							
Name	1 May 2004	**30 April 2005**	Scheme	1 May 2004	Granted/ (exercised) during the year	Options released during the year	Lapsed during the year	**30 April 2005**	Option exercise price	Exercise date
R St J H Lewis	272,000	**40,890**	SAYE (3)	1,576	(890)	–	(686)	**–**	599.5p	22 Nov 2004
A W Pidgley	1,996,598	**2,085,896**	SAYE (3)	2,002	(284)	–	(1,718)	**–**	791.7p	22 Nov 2004
			2000 Approved (1)	4,803	(4,803)	–	–	**–**	624.5p	26 Oct 2004
			2000 (4)	200,678	–	(200,678)	–	**–**	624.5p	–
			2000 (4)	158,646	–	(158,646)	–	**–**	945.5p	–
A W Pidgley (non-beneficial)	19,183	**19,183**	–	–	–	–	–	**–**	–	–
A Carey	183,765	**224,228**	SAYE (3)	2,650	(1,867)	–	(783)	**–**	636.6p	22 Nov 2004
G J Fry	100,099	**100,212**	SAYE (3)	466	(113)	–	(353)	**–**	791.7p	22 Nov 2004
D Howell	–	**4,000**	–	–	–	–	–	**–**	–	–
V M Mitchell	1,250	**5,474**	–	–	–	–	–	**–**	–	–
H A Palmer	5,000	**5,000**	–	–	–	–	–	**–**	–	–
R C Perrins	27,300	**50,256**	1996 (2)	3,676	(3,676)	–	–	**–**	640.2p	26 Oct 2004
			1996 (2)	10,000	(10,000)	–	–	**–**	650.0p	26 Oct 2004
			SAYE (3)	1,554	(1,386)	–	(168)	**–**	611.1p	22 Nov 2004

* The beneficial interests in Ordinary Shares/Units at 1 May 2004 relate to ordinary shares of 25p in The Berkeley Group plc, and at 30 April 2005 to Units in the Company of 20p (after the redemption of the 5p 2004 B share). This disclosure is unaudited, but included in this table for the convenience of the readers of the accounts.

The mid-market share price of The Berkeley Group plc was 980.0p as at 1 May 2004 and the mid-market share price of the Company was 770.0p as at 30 April 2005. The mid-market high and low share prices of The Berkeley Group plc were 1,275.0p and 898.0p respectively in the period before the redemption of the 2004 B share from 1 May 2004 to 29 November 2004, and the mid-market high and low share prices of the Company were 870.0p and 694.6p respectively in the period from 29 November 2004 to 30 April 2005.

At the date of this report, the interests of A W Pidgley in the ordinary share capital of the Company have increased by 49,183 Units to 2,135,079 Units, the interests of A Carey have increased by 9,508 Units to 233,736 Units and the interests of R C Perrins have increased by 21,312 Units to 71,568 Units.

Following the Court approval of the Scheme of Arrangement, the Scheme triggered the rights of participants to exercise options under the Group's share option schemes which would not otherwise have been exercisable. The effect of this is described where relevant below. Where performance conditions remain for the option schemes, these are set out below:

(1) 2000 Approved Plan: Court approval of the Scheme of Arrangement, in accordance with the Plan's rules, resulted in immediate vesting of options under the Scheme without reference to satisfaction of the performance conditions unless the Remuneration Committee deemed otherwise. The Remuneration Committee determined that these options became exercisable on the Court approval of the Scheme of Arrangement for a period of six months.
(2) 1996 Scheme: under this 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. On Court approval of the Scheme of Arrangement, and in accordance with the rules of the Scheme, options under the 1996 Scheme became exercisable for a period of six months.
(3) SAYE Scheme: on Court approval of the Scheme of Arrangement, and in accordance with the rules of the Scheme, options under the Scheme became exercisable to the extent of savings and interest up to the date of exercise, for a period of six months.
(4) 2000 Plan: these options were released during the year in consideration for a conditional cash compensation payment. See below for details.

For all options exercised in the period from 1 May 2004 to Court approval of the Scheme of Arrangement on 25 October 2004, performance conditions were fully met.

The mid-market share price of the Company on 26 October 2004 was 1,180.0p and on 22 November 2004 was 1,205.0p.

Aggregate gains made by Directors on the exercise of share options in the year amounted to £125,397 (2004: £132,120).

Under the 2000 Plan, Court approval of the Scheme of Arrangement, in accordance with the Plan's rules, resulted in immediate vesting of options under the Plan without reference to satisfaction of the performance conditions unless the Remuneration Committee deemed otherwise. The Remuneration Committee determined to offer all participants with options the opportunity of either exchanging options for options over Units after the reconstruction, or of releasing their options in consideration for a conditional cash payment. The basis of calculation of this compensation payment is explained on page 31 and will only be provided if the participant is an employee of the Company at the original vesting date for the option. Mr Pidgley chose the conditional compensation payment in respect of these options. The conditional cash payments are set out in the table below:

	Original option exercise price	Original option vesting date	Options released during the year	Option release date	Conditional compensation for release of options £	**30 April 2005 £**	Conditional compensation payment date
A W Pidgley	624.5p	30 Apr 2006 to 29 Apr 2013	200,678	28 Oct 2004	1,171,357	**1,171,357**	30 Apr 2006
	945.5p	19 Apr 2007 to 18 Apr 2014	158,646	28 Oct 2004	416,763	**416,763**	19 Apr 2007

The average mid-market share price of the parent company over the 10 business days prior to the release date of 28 October 2004 (the date on which the corporate reconstruction became effective) was 1,208.2p.

V M Mitchell
Chairman, Remuneration Committee
21 July 2005

Corporate Governance

The Company is committed to attaining high standards of Corporate Governance in accordance with the principles of the Combined Code on Corporate Governance ("the Combined Code"), published in July 2003, and for which the Board is accountable to shareholders. This report, together with the Directors' Remuneration Report, where applicable, describes how the Board has applied the main and supporting principles of the Combined Code.

As set out in the Directors' Report, effective 26 October 2004 the Company acquired 100% of the issued share capital of The Berkeley Group plc following implementation of a Scheme of Arrangement under Section 425 of the Companies Act 1985. In this Corporate Governance Report, references to the "Company" refer to The Berkeley Group Holdings plc from 26 October 2004 onwards and prior to that to The Berkeley Group plc, and references to the "Board" refer to the Directors, being directors of those companies respectively.

Statement of Compliance

The Board considers that it complied throughout the year with the provisions of Section 1 of the Combined Code except that at least half the Board, excluding the Chairman, does not comprise independent non-executive Directors (Provision A3.2).

The Role of the Board

The Board has adopted a formal schedule of matters reserved for the Board as a whole. The key task of the Board is to formulate strategy and to monitor the operating and financial performance of the Group in pursuit of the Group's strategic long-term objectives. In particular these include the annual budget, share capital changes, approval of interim and annual results, treasury policy, dividend policy, shareholder distributions, Corporate Governance matters and the maintenance and review of the Group's system of internal control.

Formal Board meetings were held five times during the year under review. There were no absences from any Board meetings by any Director except that Messrs Greg Fry and David Howell were unable to attend the June 2004 Board meeting and Mrs Victoria Mitchell was unable to attend the April 2005 Board meeting. In addition the Board scheduled additional meetings in relation to certain corporate projects including the strategic review of the business and the Court Approved Scheme of Arrangement.

In addition to the formal meetings of the whole Board, the Non-executive directors meet with the Group Chairman in the months not covered by a Board meeting. The Group Managing Director and Group Finance Director are invited to attend these meetings in part, to provide an update on the business activities of the Group. The Non-executive Directors meet at least annually without the Group Chairman present, chaired by the Senior Independent Director, Mr Tony Palmer.

From January 2005, formal meetings of the whole Board have been increased to six per annum scheduled on a bi-monthly basis with bi-monthly meetings of the Non-Executive Directors in the months that the Board does not meet.

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. In addition, the Board is supplied with comprehensive management information on a regular basis, including on a monthly basis, a detailed Group management accounts pack that reports the actual and forecast financial performance in addition to other key performance indicators across the Group.

The Company has in place an appropriate policy which insures Directors against certain liabilities, including legal costs, which they may incur in carrying out their duties.

The Board and Directors

The Board has remained unchanged during the year and comprises eight directors including the Group Chairman, four further Executive Directors and three Non-executive Directors. The Board considers that all the Non-executive Directors (Messrs. Tony Palmer and David Howell and Mrs Victoria Mitchell) have skills and experience complementary to the Executive Directors and offer independent judgement when required and remain independent. Brief biographies appear on pages 20 to 21. The Group Chairman and the Executive Directors do not hold any Non-executive Director appointments or commitments required to be disclosed under the Combined Code.

The roles of Group Chairman and Group Managing Director are separately held and there are clear written guidelines to support the division of responsibility 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 it objectives.

Mr Tony Palmer was appointed to the Board on 1 January 1998, on his retirement as Chief Executive of Taylor Woodrow plc, and was appointed Senior Independent Director on 5 December 2003. Mr Tony Palmer has a wealth of experience and an in depth understanding of the housebuilding and construction sectors. The unanimous view of the Board is that he remains independent. Mrs Victoria Mitchell and Mr David Howell were appointed to the Board as Non-executive Directors on 1 May 2002 and 24 February 2004 respectively and it is the unanimous view of the Board that they also are independent.

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. In addition to the induction programme for new Directors, additional ongoing training has been identified as part of the Board Evaluation process, which is tailored to each Director. 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. Arrangements are also made for the Non-executive Directors to attend site visits and to meet with the Managing Directors of the operating companies independent of the Executive Directors.

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. New terms of appointment for the Non-executive Directors in line with the Higgs recommended practice were introduced in 2004, renewable annually with one month's written notice and are subject to the re-election provisions of the Articles of Association. The Non-executive Directors do not participate in any of the Company's share incentive or bonus plans. A minimum shareholding requirement is set for all Directors.

New Articles of Association of the Company were adopted at the 2004 AGM to take account of recent regulatory and other changes, including the requirement for Directors to submit themselves to shareholders for re-election every three years, in accordance with the Combined Code. All Directors are subject to re-election by shareholders at the first opportunity of their appointment and thereafter at intervals of no more than three years.

Since this is the first Annual General Meeting of The Berkeley Group Holdings plc, all Directors are seeking re-election at the 2005 Annual General Meeting. Each Executive Directors has a notice period not exceeding 12 months, and each Non-executive Director has a letter of appointment renewable on 1 May each year, subject to one month's notice.

At the date of this report, less than half of the Board comprised independent Non-executive Directors. The Board considers that the skill base, experience and judgement of its Non-executive Directors are more important than the actual numbers on the Board and that the stability of the Board during the year was vital to the success of the strategic review of the business that culminated in the Scheme of Arrangement. Since the approval of the Scheme of Arrangement the Board has identified a suitable candidate and intends to appoint a further Non-executive Director by the 2005 Annual General Meeting.

Directors' remuneration
The principles and details of Directors' remuneration are contained in the Remuneration Committee Report on pages 25 to 39.

Board evaluation
A review of the operation of the Board, its Committees and the skills of the Directors was undertaken during the year. The process was led by the Group Chairman and Senior Independent Director with the assistance of the Company Secretary and an external consultant. All Directors completed the wide-ranging appraisal questionnaire and the results were reviewed by the Board in April 2005. The Non-Executive Directors led by the Senior Independent Director conducted an evaluation of the Chairman. The process concluded that the stability of the Board has been the key to the Board's unified success in developing the substantial strategic changes in the year. The Board Evaluation process has also led the Directors to identify the skill base required by the appointment of an additional Non-Executive Director. Led by the Chairman, attention will be given to any further matters arising from the evaluation process during the forthcoming year.

Board Committees
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.

Executive Committee
The Executive Committee meets monthly and 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 following three Board Committees operate within clearly defined terms of reference that were refreshed in 2004 pursuant to the provisions of the Combined Code. The Terms of Reference were added to the pages of the Company's website www.berkeleygroup.co.uk in February 2005 and can be downloaded from the section dealing with Investor Relations. Copies are also available to shareholders on application to the Company Secretary.

Audit Committee

The Audit Committee is chaired by Mr David Howell, FCA, and comprises the three independent Non-executive Directors. The Committee met on three occasions during the year with no absences except that Mr Tony Palmer was unable to attend the June 2004 and March 2005 meetings.

The Chairman, Group Finance Director and representatives of the external and internal auditors attend the Committee's meetings by invitation.

Mr David Howell, who qualified as a chartered accountant in 1971 and was the Chief Financial Officer and a Main Board Director of lastminute.com plc until March 2005 is considered by the Board to have recent and relevant financial experience. Mr David Howell was also Chairman of the Audit Committee of Nestor Healthcare Group plc from 2000 to 2003.

The Committee has formal Terms of Reference which set out its role and the authority delegated to it by the Board.

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, reviewing the scope of the Group's internal audit programme and considering the findings and recommendations of the reports produced from this programme;
- 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.

In addition, the Committee reviewed and approved the Group's approach to implementing International Financial Reporting Standards.

The Committee has a policy on the use of the auditors for non-audit services in order to safeguard auditor independence, with a pre-determined limit above which approval of the Audit Committee 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 auditors have open recourse to the Non-executive Directors, should they consider it necessary and there is open dialogue between the auditors and the Chairman of the Audit Committee before each Audit Committee meeting.

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 25 to 39.

The Committee is chaired by Mrs Victoria Mitchell and comprises the Non-executive Directors, these being Messrs Tony Palmer and David Howell. The Committee meets at least twice a year. The Committee takes into consideration the recommendations of the Group Chairman, Group Managing Director and Group Finance Director regarding the remuneration of their executive colleagues. During the year, the Committee met formally on three occasions and there were no absences except that Mr Tony Palmer was unable to attend the March 2005 meeting due to a family bereavement. In addition approximately 34 meetings were held by the Chairman of the Remuneration Committee and the Committee's advisers with the other members of the Board and the Company's shareholders and stakeholders, regarding the new Scheme of Arrangement and the introduction of the new 2004(b) Long-Term Incentive Plan.

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. 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 least two times per annum and at such times as required to carry our the duties of the Committee. During the year, the Committee met formally on two occasions and there were no absences. The Board Evaluation process provided a platform for identifying the experience requirements for a new Non-executive Director. Independent recruitment specialists were also appointed to assist the Committee in the search criteria and the selection process.

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. Operating company boards meet on a weekly basis and divisional boards on a monthly basis, and comprehensive information is prepared for such meetings on a standardised basis to cover all aspects of the business. Formal reporting lines and delegated levels of authority exist within this structure and review of risk and performance occurs at multiple levels throughout both the operating companies and divisions, and 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 and updated regularly and 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.

Central functions Where appropriate strong central functions, such as Group Legal, Group Health & Safety and Company Secretarial, provide support and consistency to the rest of the group. In addition, the principal treasury-related risks, decisions and control processes are managed by the Group Finance function, under the direction of the Group Finance Director.

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.

Whistleblowing

Whistleblowing procedures are not formalised and follow the Group's formal grievance procedures. These initially are through line management and up to managing director. Staff also have direct access to the Group Legal Department.

Formalising the procedure has been debated by the Board, which concluded that the current arrangements are appropriate in the context of the structure and culture of the Group.

Relations with shareholders

The Company encourages active dialogue with its current and prospective shareholders through ongoing meetings between institutional investors. Major shareholders have the opportunity to meet all Directors after the Annual General Meeting in addition to individual meetings with shareholders. Also, in the year under review, the Company engaged in detailed consultation with the Company's shareholders and stakeholders over its proposed Scheme of Arrangement and Remuneration Policy, including approximately 34 meetings held by the Chairman of the Remuneration Committee and the Committee's advisers. The Scheme of Arrangement was approved by shareholders at an Extraordinary General Meeting of the Company in September 2004 by 93.4% of the votes cast.

Shareholders are also kept up to date with the Company's activities through the Annual and Interim Reports. In addition, the corporate website gives 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.

Corporate Governance continued

The Board is kept informed of the view of the 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.

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.

Annual General Meeting

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 Company arranges for the Annual Report and Accounts and related papers to be posted to shareholders so as to allow at least 20 working days for consideration prior to the Annual General Meeting.

The Company complies with the provisions of the Combined Code relating to the disclosure of proxy votes, which, including abstentions, 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. The Company also complies with the requirements of the Combined Code with the separation of resolutions and the attendance of the Chairmen of the Board Committees.

The terms and conditions of appointment for the Non-executive Directors, which set out their expected time commitment, in addition to the service contracts for the Executive Directors, are available for inspection at the Annual General Meeting and during normal business hours.

Following publication of Paul Myner's report on the findings and recommendations of the Shareholder Voting Working Group in February 2004, the Company proposed amendments to its Articles to provide the Company with the power to provide electronic voting facilities for shareholders who hold their shares through Crest, which having been approved at the 2004 Annual General Meeting, will enable the Company to provide Crest voting facilities for the 2005 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.

Statements of Directors' responsibilities

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

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

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

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

The maintenance and integrity of The Berkeley Group Holdings 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. Legislations in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors' report on the financial statements

Independent auditors' report to the members of The Berkeley Group Holdings 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 statement of group total recognised gains and losses 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 Managing Director's Review and the Corporate Governance Statement.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the 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 2005 and 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
21 July 2005

Consolidated profit and loss account

For the year ended 30 April	Notes	2005 £'000	2004 (Restated)* £'000
Turnover including share of joint ventures	2	1,216,193	1,396,133
Less: share of joint ventures' turnover		(145,876)	(123,690)
Group turnover		1,070,317	1,272,443
– Continuing operations	3	824,086	1,048,311
– Discontinued operations	3	246,231	224,132
Cost of sales		(781,429)	(965,238)
Gross profit		288,888	307,205
Net operating expenses		(89,319)	(94,404)
Group operating profit		199,569	212,801
– Continuing operations	3	162,271	187,293
– Discontinued operations	3	37,298	25,508
Share of operating profit in joint ventures		15,244	21,924
– Continuing operations	3	14,330	20,778
– Discontinued operations	3	914	1,146
Total operating profit including share of joint ventures	2	214,813	234,725
Merger expenses	4	(1,633)	–
Profit on ordinary activities before interest and taxation		213,180	234,725
Net interest payable	5	(10,289)	(4,958)
Profit on ordinary activities before taxation	6	202,891	229,767
Taxation on profit on ordinary activities	8	(58,248)	(67,747)
Profit on ordinary activities after taxation		144,643	162,020
Dividends	9	–	(26,596)
Retained profit for the year	19	144,643	135,424
Dividends per Ordinary Share	9	–	22.3p
Earnings per Ordinary Share – basic	11	121.0p	130.4p
– diluted	11	120.0p	129.7p

*See note 1

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 2005 £'000	Group 2004 (Restated)* £'000	Company 2005 £'000
Fixed assets				
Tangible assets	12	8,883	13,996	–
Investments	13	–	–	1,377,711
Joint ventures				
– Share of gross assets		179,108	216,431	–
– Share of gross liabilities		(108,659)	(148,524)	–
	13	70,449	67,907	–
		79,332	81,903	1,377,711
Current assets				
Stocks	14	1,053,674	1,066,275	–
Debtors	15	155,737	172,301	630
Cash at bank and in hand		344,948	245,306	76
		1,554,359	1,483,882	706
Creditors (amounts falling due within one year)				
Borrowings	16	(88)	(25,120)	–
Other creditors	17	(328,112)	(313,476)	(565,290)
		(328,200)	(338,596)	(565,290)
Net current assets		1,226,159	1,145,286	(564,584)
Total assets less current liabilities		1,305,491	1,227,189	813,127
Creditors (amounts falling due after more than one year)				
Borrowings	16	(600,000)	(75,000)	–
Other creditors	17	(36,009)	(9,579)	–
		(636,009)	(84,579)	–
Net assets	2	669,482	1,142,610	813,127
Capital and reserves				
Share capital	18	24,164	30,516	24,164
Share premium	19	264	–	264
Capital redemption reserve	19	6,091	–	6,091
Other reserve	19	(961,299)	431,055	–
Retained profit	19	1,565,097	652,725	782,608
Joint ventures' reserves	19	34,665	27,814	–
Equity shareholders' funds		668,982	1,142,110	813,127
Equity minority interest		500	500	–
Total shareholders' funds		669,482	1,142,610	813,127
Net assets per Ordinary Share	11	558p	944p	

*See note 1

The accounts on pages 46 to 71 were approved by the Board of Directors on 21 July 2005 and were signed on its behalf by:

R C Perrins
Finance Director

Consolidated cash flow statement

For the year ended 30 April	Notes	2005 £'000	2004 (Restated)* £'000
Net cash inflow from operating activities	23	**289,185**	435,959
Dividends from joint ventures		**1,564**	9,865
Returns on investments and servicing of finance	23	**3,568**	(1,704)
Taxation		**(59,754)**	(62,594)
Capital expenditure and financial investment	23	**8,403**	(25,642)
Acquisitions and disposals	23	**(1,633)**	6,781
Equity dividends paid		**(19,676)**	(25,414)
Net cash inflow before financing		**221,657**	337,251
Financing	23	**(122,015)**	(149,048)
Increase in cash in the year		**99,642**	188,203

*See note 1

For the year ended 30 April	Notes	2005 £'000	2004 £'000
Reconciliation of net cash flow to movement in net (debt)/cash			
Increase in cash in the year		**99,642**	188,203
Cash (inflow)/outflow from (increase)/decrease in debt		**(499,968)**	100,033
Movement in net (debt)/cash in the year		**(400,326)**	288,236
Opening net cash/(debt)	23	**145,186**	(143,050)
Closing net (debt)/cash	23	**(255,140)**	145,186

Statement of Group total recognised gain and losses

For the year ended 30 April	Notes	2005 £'000	2004 (Restated)* £'000
Profit for the year – Group		**136,228**	148,801
– Joint ventures		**8,415**	13,219
Total recognised gains for the year		**144,643**	162,020
Prior year adjustment	1	**(338)**	
Total gains recognised since last annual report		**144,305**	

*See note 1

Reconciliation of movements in shareholders' funds

For the year ended 30 April	Notes	2005 £'000	2004 (Restated)* £'000
Profit for the year		**144,643**	162,020
Dividends		**–**	(26,596)
Retained earnings		**144,643**	135,424
Share buy-backs		**(20,656)**	(52,363)
New shares issued prior to the capital restructure		**9,848**	7,217
New Units issued after the capital restructure		**269**	–
Issue/redemption expenses		**(2,841)**	–
Redemption of shares		**(604,153)**	–
Contribution on exercise of share options		**(4,450)**	(2,240)
Credit in respect of employee share schemes		**4,212**	1,591
Consideration paid for purchase of own shares held in Employee Share Ownership Trusts		**–**	(2,129)
Net (reductions)/additions to equity shareholders' funds		**(473,128)**	87,500
Opening equity shareholders' funds as previously stated		**1,144,532**	1,056,156
Prior year adjustment	1	**(2,422)**	(1,546)
Opening equity shareholders' funds as restated		**1,142,110**	1,054,610
Closing equity shareholders' funds		**668,982**	1,142,110

*See note 1

Notes to the accounts year ended 30 April 2005

1 **Accounting policies**

Basis of preparation

The accounts of The Berkeley Group Holdings plc have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, apart from the exception described below.

Scheme of Arrangement and capital restructure

In June 2004, The Berkeley Group plc announced proposals for the return of £12 per existing ordinary share to shareholders by way of a capital reorganisation, incorporating a Scheme of Arrangement.

Following approval by shareholders in September 2004 and ratification by the Court on 25 October 2004, shareholders, on 26 October 2004, exchanged each existing ordinary share in The Berkeley Group plc for a newly issued Unit (each Unit comprising one new ordinary share of a nominal value of £0.05, one 2004 B share of a nominal value of £5.00, one 2006 B share of a nominal value of £2.00, one 2008 B share of a nominal value of £1.60 and one 2010 B share of a nominal value of £3.21) in The Berkeley Group Holdings plc ("the Company"), thereby introducing the Company as the new parent holding company of The Berkeley Group plc and its subsidiaries. The Company issued the shares comprised in 120,798,270 Units credited as fully paid at the aggregate nominal value of £11.86, which was the closing price of an ordinary share in The Berkeley Group plc on 25 October 2004.

The Directors intend to return the £12 per unit to shareholders by January 2011 with cash payments in respect of the B shares, subject to having sufficient funding and distributable reserves, as follows.

Class of B share	Expected record date	Proceeds per share
2004 B Share	Paid on 3 December 2004	£5
2006 B Share	Friday 29 December 2006	£2
2008 B Share	Wednesday 31 December 2008	£2
2010 B Share	Friday 31 December 2010	£3
Total		£12

The return to shareholders has been facilitated by the Court approved reduction of capital that became effective on 28 October 2004. Through this reduction of capital, the nominal amount of each Unit was reduced to £0.25 (each Unit comprising one new ordinary share of a nominal value of £0.05, one 2004 B share of a nominal value of £0.05, one 2006 B share of a nominal value of £0.05, one 2008 B share of a nominal value of £0.05 and one 2010 B share of a nominal value of £0.05). This reduction created distributable reserves of £1,402 million to facilitate the return of £12 per Unit.

With implementation of the Scheme of Arrangement under section 425 of the Companies Act, the Company acquired 100% of the issued share capital of The Berkeley Group plc. In the opinion of the Directors, the Scheme of Arrangement is a group reconstruction rather than an acquisition, since the shareholders in the Company are the same as the former shareholders in The Berkeley Group plc and the rights of each shareholder, relative to the others, are unchanged and no minority interest in the net assets of the Group is altered.

Accordingly, the Directors have adopted merger rather than acquisition accounting principles in drawing up these accounts, having regard to the overriding requirement of section 227(6) of the Companies Act 1985 for the accounts to give a true and fair view of the Group's results and financial position. The Directors consider that it is not practicable to quantify the effect of this departure from the Companies Act 1985 requirements.

The accounts are presented as if the Scheme of Arrangement had been effective on 1 May 2004, except for the effect of the capital restructure and subsequent reduction of capital which was sanctioned by the Court on 25 October 2004. The consolidated profit and loss account combines the results of The Berkeley Group plc for the year ended 30 April 2005 with those of the Company for the period since its incorporation to 30 April 2005. The comparative figures relate to The Berkeley Group plc as restated for the effect of the Scheme of Arrangement. Further detail on the Scheme of Arrangement is set out in Note 18.

Adoption of UITF Abstracts 17 (revised 2003) and 38

From 1 May 2004, the Group has adopted UITF Abstracts 17 (revised 2003) and 38 in respect of employee share schemes and Employee Share Ownership Trusts. The comparative figures have been restated to reflect the impact of the adoption of these abstracts.

Under UITF 17 (revised 2003) the cost of awards made under the share schemes is now calculated with reference to the fair value of the award at the date of grant rather than the cost of shares purchased by the Group to satisfy the award. The adoption of UITF 17 (revised 2003) has resulted in an increase in staff costs of £151,000 (2004: £479,000) and a decrease in profit after tax of £132,000 (2004: £338,000).

The cost of shares purchased by the Group's Employee Share Ownership Trusts, previously shown as an asset in investments in the balance sheet, is now deducted from shareholders' funds as required by UITF 38. This has led to a decrease in shareholders' funds at 30 April 2005 of £5,940,000 (30 April 2004: £6,441,000). The shares had a cost of £6,441,000 and a carrying value of £2,656,000 (as previously reported) at 30 April 2004.

The decrease in profit after tax in 2004 of £338,000 is disclosed on the face of the Statement of Group total recognised gains and losses. The re-presentation of the ESOP shares in accordance with UITF 38 is not a recognised gain or loss.

1 **Accounting policies** continued

The Consolidated cash flow statement has also been restated to show the relevant cash flows in financing activities rather than capital expenditure and financial investment.

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.

Investments The parent company's investments in subsidiary undertakings are included in the balance sheet at cost less provision for any permanent diminution in value.

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. This policy applies to both residential housebuilding and commercial property activities.

Tangible fixed assets Tangible fixed assets are carried at cost. Depreciation is provided to write-off the cost of the assets on a straight line basis 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. Provision is made, where appropriate, to reduce the value of stocks and work in progress to their net realisable value.

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 for defined benefits pension schemes. A valuation is performed every three years.

Leasing and rental agreements Payments under rental and operating lease agreements are charged against profit on a straight line basis over the life of the lease.

Share incentive schemes The intrinsic value of awards under the Group's Long-Term Incentive Plans are charged against profit on a straight line basis over the vesting period of the awards, based on the Group's estimate of awards that will eventually vest. Shares held in trust to satisfy these awards are treated as a deduction from shareholders' funds.

2 Segmental information

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

	Turnover		Operating profit		Net assets	
	2005 **£'000**	2004 £'000	**2005** **£'000**	2004 (Restated)* £'000	**2005** **£'000**	2004 (Restated)* £'000
Residential housebuilding						
Group	**1,002,769**	1,130,162	**190,487**	198,586	**581,892**	1,065,617
Joint ventures	**144,669**	120,977	**14,877**	19,836	**70,128**	66,483
	1,147,438	1,251,139	**205,364**	218,422	**652,020**	1,132,100
Commercial property and other activities						
Group	**67,548**	142,281	**9,082**	14,215	**17,141**	9,085
Joint ventures	**1,207**	2,713	**367**	2,088	**321**	1,425
	68,755	144,994	**9,449**	16,303	**17,462**	10,510
	1,216,193	1,396,133	**214,813**	234,725	**669,482**	1,142,610

*See note 1

All turnover and profit are derived from activities performed in the United Kingdom. Included in Group residential housebuilding turnover and operating margin are £16,139,000 and £6,600,000 in respect of land sales (2004: £11,426,000 and £2,382,000).

3 Discontinued operations

Since the year end, the Group has announced the sale of The Crosby Group plc and its Subsidiaries ("Crosby") to Lend Lease Corporation Limited for consideration of £235,700,000 and the repayment of working capital provided to Crosby since 30 April 2005 of £15,000,000. Financial Reporting Standard No. 3 (FRS 3) requires that the Crosby Division be treated as discontinued operations for the year ended 30 April 2005, since the sale completed before the earlier of three months after the year end and the date of approval of the financial statements. See Note 26 for further information. The additional information required in respect of discontinued operations in the financial statements for the year ended 30 April 2005 is as follows:

	Continuing operations 2005 £'000	**Discontinued operations 2005 £'000**	**Total 2005 £'000**	Continuing operations 2004 £'000	Discontinued operations 2004 £'000	Total 2004 £'000
Turnover including share of joint ventures	**964,464**	**251,729**	**1,216,193**	1,166,383	229,750	1,396,133
Less: share of joint ventures' turnover	**(140,378)**	**(5,498)**	**(145,876)**	(118,072)	(5,618)	(123,690)
Group turnover	**824,086**	**246,231**	**1,070,317**	1,048,311	224,132	1,272,443
Cost of sales	**(586,254)**	**(195,175)**	**(781,429)**	(785,254)	(179,984)	(965,238)
Gross margin	**237,832**	**51,056**	**288,888**	263,057	44,148	307,205
Net operating expenses	**(75,561)**	**(13,758)**	**(89,319)**	(75,764)	(18,640)	(94,404)
Operating profit	**162,271**	**37,298**	**199,569**	187,293	25,508	212,801
Share of operating profit of joint ventures	**14,330**	**914**	**15,244**	20,778	1,146	21,924
Total operating profit including share of joint ventures	**176,601**	**38,212**	**214,813**	208,071	26,654	234,725

Group turnover and operating profit for discontinued operations includes £11,434,000 and £629,000 respectively (2004: £11,847,000 and £282,000) in respect of commercial property and other activities. Joint venture turnover and operating profit for discontinued operations includes £582,000 and £52,000 respectively (2004: £2,526,000 and £563,000) in respect of commercial property and other activities.

4 Merger expenses

Merger expenses of £1,633,000 (before tax of £114,000) comprise adviser costs incurred as part of the Scheme of Arrangement and capital restructure. See note 1.

5 Net interest payable

	2005 **£'000**	2004 £'000
Interest receivable		4,770
Interest payable on bank loans and overdrafts		(6,207)
Interest payable – share of joint ventures		(3,521)
		(4,958)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

	2005 £'000	2004 £'000
Depreciation	**2,581**	3,085
Hire of plant and machinery	**3,828**	3,122
Profit on sale of tangible fixed assets	**(1,379)**	(618)
Profit on sale of fixed asset investments	**–**	(144)
Operating lease costs – motor vehicles	**941**	1,436
Operating lease costs – land and buildings	**2,587**	1,989
Auditors' remuneration:		
– statutory audit	**205**	205
– further assurance services	**55**	45
– taxation services	**781**	430
– other services	**158**	77

Auditors' remuneration for further assurance services comprises £25,000 in respect of the interim review (2004: £25,000) and £30,000 (2004: £20,000) in respect of advice relating to International Financial Reporting Standards.

Included in the remuneration for taxation services above is an amount of £511,000 and for other services an amount of £158,000 which relate to taxation advice and reporting accountant work respectively for the corporate restructure and Scheme of Arrangement during the year. Of this total of £669,000, an amount of £637,000 is included within merger costs in the profit and loss account, and £32,000, in respect of taxation advice relating to the raising of finance, is included in interest payable in accordance with FRS 4 'Capital Instruments'. In addition to the above, a further £143,000 of remuneration in respect of taxation advice relating to the raising of finance is included as a prepayment at 30 April 2005, and £139,000 is included within share issue/redemption costs in reserves.

The remaining £270,000 of remuneration for taxation services was incurred primarily in connection with other corporate activity in the year.

Audit fees for the Company in the year were £10,000 (2004: £nil).

In addition to the above services, the Group's auditor acted as auditor to The Berkeley Group plc Staff Benefit Plan and The Berkeley Group Money Purchase Pension Plan. The appointment of auditors to the Group's pension schemes and the fees paid in respect of those audits are agreed by the trustees of each scheme, who act independently of the management of the Group. The aggregate fees paid to the Group's auditor for audit services to the pension schemes during the year were £11,000 (2004: £11,000).

Operating expenses represent administration expenses.

7 Directors and employees

	2005 £'000	2004 £'000
Staff costs		
Wages and salaries	**68,893**	66,748
Social security costs	**8,120**	7,536
Other pension costs	**3,784**	3,467
	80,797	77,751

The average number of persons employed by the Group during the year was 1,055 (2004: 1,261), of which 1,046 (2004: 1,250) 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 35 to 39.

Pensions

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

The Berkeley Final Salary Plan is subject to an independent actuarial valuation at least every three years. The most recent valuation was carried out as at 1 May 2004. The method adopted in the 2004 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 3.7% per annum respectively

7 **Directors and employees** continued

Pensions continued

and salary escalation at 4.0% per annum. The market value of the Berkeley Final Salary Plan assets at 1 May 2004 was £18,100,000 and was sufficient to cover 72% of the scheme's liabilities. Employer's contributions are currently paid at 21.1% 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 2005 of £2,098,000 (2004: £1,525,000) resulting from the difference in amounts charged to the profit and loss account and the amounts paid to the scheme. £2,625,000 (2004: £2,137,000) was charged to the profit and loss account in the year, of which £148,000 (2004: £176,000) was recharged to joint ventures. There were no prepayments or outstanding contributions at year end.

Contributions amounting to £1,615,000 (2004: £1,792,000) of which £308,000 (2004: £286,000) was paid on behalf of joint ventures, were paid into the defined contribution schemes during the year.

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 2004, 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 2005. The assets of the scheme are stated at their market value at 30 April 2005.

The major assumptions used by the actuary were:

Valuation at	**30 April 2005**	30 April 2004	30 April 2003
Rate of increase in pensionable salaries	**3.80%**	4.00%	3.50%
Rate of increase to pensions in payment (post-97) and deferred pensions	**3.60%**	3.70%	2.50%
(Pre-97 pensions receive 3.00% increases)			
Discount rate for scheme liabilities	**5.30%**	5.70%	5.50%
Inflation assumption	**2.80%**	3.00%	2.50%

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

Valuation at	**30 April 2005**		30 April 2004		30 April 2003	
	Long-term rate of return	**Value (£'000)**	Long-term rate of return	Value (£'000)	Long-term rate of return	Value (£'000)
Equities	**7.50%**	**16,080**	8.00%	14,534	7.00%	11,300
Government bonds	**4.50%**	**2,165**	5.00%	1,740	5.50%	1,890
Corporate bonds	**4.90%**	**2,150**	5.40%	1,741	–	–
Property	**–**	**–**	–	–	5.50%	771
Other	**4.70%**	**1,041**	4.40%	336	4.00%	1,005
Total market value of assets		**21,436**		18,351		14,966
Present value of scheme liabilities		**(33,470)**		(27,173)		(29,548)
Deficit in the scheme		**(12,034)**		(8,822)		(14,582)
Related deferred tax asset		**3,610**		2,647		4,374
Net pension liability		**(8,424)**		(6,175)		(10,208)

The present value of scheme liabilities as at 30 April 2004 has been restated following the 1 May 2004 valuation of the Plan. This has resulted in a reduction in the present value of scheme liabilities at that date of £12,274,000 to £27,173,000. This amount has been treated as a change in actuarial assumptions in the analysis of the amount recognised in the statement of total recognised gains and losses below, which now shows an actuarial gain of £6,505,000.

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserves at 30 April 2005 and 30 April 2004 would be as follows:

	2005 £'000	2004 (Restated) £'000
Net assets excluding SSAP 24 pension liability	**671,580**	1,144,135
Net pension liability under FRS 17	**(8,424)**	(6,175)
Net assets including FRS 17 pension liability	**663,156**	1,137,960
Profit and loss reserves excluding SSAP 24 pension liability	**1,601,860**	682,064
Net pension liability under FRS 17	**(8,424)**	(6,175)
Profit and loss reserves including FRS 17 pension liability	**1,593,436**	675,889

7 Directors and employees continued

The following amounts would have been recognised in the performance statements in the year to 30 April 2005 and 30 April 2004 respectively:

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2005 £'000	2004 (Restated) £'000
Current service cost	**1,892**	2,381
Past service cost	**–**	–
Total	**1,892**	2,381

Analysis of amount credited to other finance income

	2005 £'000	2004 £'000
Expected return on pension scheme assets	**1,395**	1,038
Interest on pension scheme liabilities	**(1,605)**	(1,627)
Net return	**(210)**	(589)

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

	2005 £'000	2004 £'000
Actual less expected return on pension scheme assets	**(91)**	465
Experience gains and losses arising on scheme liabilities	**(1,103)**	148
Changes in assumptions underlying the present value of the scheme liabilities	**(2,072)**	6,505
Actuarial (loss)/gain recognised in STRGL	**(3,266)**	7,118

Movements in deficit during the year

		2005 £'000	2004 £'000
Deficit in scheme at start of year		**(8,822)**	(14,582)
Movement in year	Current service cost	**(1,892)**	(2,381)
	Contributions	**2,156**	1,612
	Past service costs	**–**	–
	Other finance income	**(210)**	(589)
	Actuarial (loss)/gain	**(3,266)**	7,118
Deficit in scheme at end of year		**(12,034)**	(8,822)

History of experience gains and losses

	2005	2004 (Restated)	2003
Difference between the actual and expected return on scheme assets:			
Amount (£'000)	**(91)**	465	(3,152)
% of scheme assets	**(0.4%)**	2.5%	(21.1%)
Experience gains and losses on scheme liabilities:			
Amount (£'000)	**(1,103)**	148	–
% of the present value of scheme liabilities	**(3.3%)**	0.5%	–
Total amount recognised in statement of Group total recognised gains and losses:			
Amount (£'000)	**(3,266)**	7,118	(5,460)
% of the present value of scheme liabilities	**(9.8%)**	26.2%	(18.5%)

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.

8 Taxation

	2005 £'000	2004 (Restated)* £'000
Current tax		
UK corporation tax payable at 30% (2004: 30%)	57,278	65,040
Share of joint ventures' tax	3,502	5,184
Adjustments in respect of previous periods	(427)	(481)
	60,353	69,743
Deferred tax (United Kingdom)	(2,105)	(1,996)
	58,248	67,747

*See note 1

The current tax assessed for the year differs from the standard rate of UK corporation tax of 30% (2004: 30%). These differences are explained below:

	2005 £'000	2004 (Restated)* £'000
Profit on ordinary activities before tax	202,891	229,767
Tax on profit on ordinary activities at standard UK corporation tax rate	60,867	68,930
Effects of:		
Expenses not deductible for tax purposes	1,020	1,237
Depreciation in excess of capital allowances	98	394
Lower tax rates on joint ventures	(73)	(337)
Utilisation of losses	(1,132)	–
Adjustments in respect of previous periods	(427)	(481)
Current tax charge	60,353	69,743

*See note 1

There are no known specific factors that will impact the tax charge in future years.

9 Dividends

	2005 £'000	2004 £'000
On Ordinary Equity Shares		
Interim dividend of £nil (2004: 5.8p) per Ordinary Share	–	7,089
Final proposed dividend of £nil (2004: 16.5p) per Ordinary Share	–	19,507
	–	26,596

10 The Berkeley Group Holdings plc profit and loss account

The Berkeley Group Holdings plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The loss for the period dealt with in the accounts of the Company is £14,966,000.

11 Earnings per Ordinary Share

Earnings per Ordinary Share is based on the profit after taxation of £144,643,000 (2004 restated: £162,020,000) and the weighted average number of Ordinary Shares in issue during the year of 119,558,439 (2004: 124,261,151) 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 990,459 shares (2004: 613,585), giving a diluted weighted average number of shares of 120,548,898 (2004: 124,874,736).

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 119,905,035 (2004: 120,984,992). 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, tax and goodwill amortisation divided by the average shareholders' funds plus average net debt.

12 Tangible assets

Group	Freehold property £'000	Short leasehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2004	10,080	320	12,996	4,414	27,810
Additions	–	–	1,001	852	1,853
Disposals	(4,214)	–	(2,218)	(1,943)	(8,375)
At 30 April 2005	**5,866**	**320**	**11,779**	**3,323**	**21,288**
Depreciation					
At 1 May 2004	655	320	10,339	2,500	13,814
Charge for the year	100	–	1,619	862	2,581
Disposals	(391)	–	(2,053)	(1,546)	(3,990)
At 30 April 2005	**364**	**320**	**9,905**	**1,816**	**12,405**
Net book value					
At 30 April 2004	9,425	–	2,657	1,914	13,996
At 30 April 2005	**5,502**	**–**	**1,874**	**1,507**	**8,883**

13 Investments

	Group		Company
	2005 £'000	2004 (Restated)* £'000	**2005 £'000**
Fixed assets			
Subsidiary undertakings	**–**	–	**1,377,711**
Joint ventures	**70,449**	67,907	**–**
	70,449	67,907	**1,377,711**

*See note 1

Details of the principal subsidiaries and joint ventures are provided in Note 27 to the accounts.

Investment in own shares

Following the implementation of Urgent Issues Task Force Abstract 38 during the year, the cost of shares held by the Group's Employee Share Ownership Trusts, previously shown as an asset in investments in the balance sheet, is now deducted from shareholders' funds. See note 1 for further details.

Investment in subsidiary undertakings

	Company £'000
At incorporation	–
Additions	1,432,937
Provision for impairment	(55,226)
Shares at cost at 30 April 2005	**1,377,711**

Investment in joint ventures

	Group		Company
	2005 £'000	2004 £'000	**2005 £'000**
Unlisted shares at cost	**181**	181	**–**
Loans	**35,603**	39,912	**–**
Share of post-acquisition reserves	**34,665**	27,814	**–**
	70,449	67,907	**–**

13 Investments continued

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

	Group £'000
At 1 May 2004	67,907
Retained profit for the year	6,851
Net increase in loans	(4,309)
At 30 April 2005	**70,449**

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

	2005 £'000	2004 £'000
Fixed assets	**420**	650
Current assets	**178,688**	215,781
Liabilities falling due within one year	**(87,258)**	(147,343)
Liabilities falling due after more than one year	**(21,401)**	(1,181)
	70,449	67,907

14 Stocks

	Group	
	2005 £'000	2004 £'000
Work in progress	**1,160,834**	1,132,063
Less progress payments	**(107,160)**	(65,788)
	1,053,674	1,066,275

15 Debtors

	Group		Company
	2005 £'000	2004 (Restated)* £'000	**2005 £'000**
Amounts falling due within one year			
Trade debtors	**139,845**	156,433	**–**
Other debtors	**10,158**	13,065	**630**
Prepayments and accrued income	**5,734**	2,803	**–**
	155,737	172,301	**630**

Other debtors include deferred tax assets in the Group of £5,077,000 (2004 restated: £2,972,000) arising from £952,000 (2004: £911,000) of depreciation in excess of capital allowances and £4,125,000 (2004 restated: £2,061,000) of short-term timing differences, and £630,000 in the Company arising from short-term timing differences.

The movements on the deferred tax assets are as follows:

	Group £'000	Company £'000
At 30 April 2004 (restated)*	2,972	–
Credit to profit and loss account	2,105	630
At 30 April 2005	**5,077**	**630**

*See note 1

16 Borrowings

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000
Amounts falling due within one year			
Bank loans and overdrafts	–	25,000	–
Unsecured loan stock	88	120	–
	88	25,120	–
Amounts falling due after more than one year			
Bank loans	600,000	75,000	–
	600,088	100,120	–

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, with interest rates linked to LIBOR.

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000
Borrowings are repayable as follows:			
Within one year or on demand	88	25,120	–
Between one and two years	–	25,000	–
Between two and five years	100,000	50,000	–
After five years	500,000	–	–
	600,088	100,120	–

17 Other creditors

	Group 2005 £'000	Group 2004 (Restated)* £'000	Company 2005 £'000
Amounts falling due within one year			
Trade creditors	243,131	223,462	–
Amounts owed to subsidiary undertakings	–	–	565,290
Loans from joint ventures	1,322	1,139	–
Corporation tax	32,924	35,827	–
Other taxes and social security	4,734	3,061	–
Accruals and deferred income	46,001	30,342	–
Proposed dividend	–	19,645	–
	328,112	313,476	565,290
Amounts falling due after more than one year			
Trade creditors	36,009	9,579	–
	36,009	9,579	–

*See note 1

All amounts included above are unsecured.

18 Share capital

The following tables show the share capital of the Company at 30 April 2005 and of the predecessor company, The Berkeley Group plc, at 30 April 2004. The Scheme of Arrangement, whereby The Berkeley Group Holdings plc became the holding company of The Berkeley Group plc is explained in note 1.

Group and Company	**2005 No. '000**	2004 No. '000	**2005 £'000**	2004 £'000
Authorised				
Ordinary Shares of 25p each	**–**	185,000	**–**	46,250
	–	185,000	**–**	46,250
Redeemable preference shares of £1 each	**50**	–	**50**	–
	50	–	**50**	–
Ordinary Shares of 5p each	**185,000**	–	**9,250**	–
2004 B Shares of 5p each	**185,000**	–	**9,250**	–
2006 B Shares of 5p each	**185,000**	–	**9,250**	–
2008 B Shares of 5p each	**185,000**	–	**9,250**	–
2010 B Shares of 5p each	**185,000**	–	**9,250**	–
Together comprised in Units	**185,000**	–	**46,250**	–

Group and Company	**2005 No. '000**	2004 No. '000	**2005 £'000**	2004 £'000
Allotted, called-up and fully paid				
Ordinary Shares of 25p each	**–**	122,062	**–**	30,516
	–	122,062	**–**	30,516
Ordinary Shares of 5p each	**120,821**	–	**6,041**	–
2004 B Shares of 5p each	**–**	–	**–**	–
2006 B Shares of 5p each	**120,821**	–	**6,041**	–
2008 B Shares of 5p each	**120,821**	–	**6,041**	–
2010 B Shares of 5p each	**120,821**	–	**6,041**	–
Together comprised in Units	**120,821**	–	**24,164**	–

The share capital of the Company can only be held and transferred in the form of Units (each Unit comprising one ordinary share of 5p, one 2004 B share of 5p, one 2006 B share of 5p, one 2008 B share of 5p and one 2010 share of 5p), hereafter referred to as "Units", which have the following rights and are subject to the following restrictions.

Ordinary Shares of 5p: each share is a voting share in the capital of the Company, is entitled to participate in the profits of the Company and, subject to the rights of each class of B share on a winding-up, is entitled to participate in the assets of the Company.

2004 B Shares: each share is a non-voting redeemable share in the capital of the Company, having a nominal value of 5p per share and was entitled to a return of £5 per share on redemption on 3 December 2004.

2006 B Shares: each share is a non-voting redeemable share in the capital of the Company, having a nominal value of 5p per share, and is entitled to a return of £2 per share five days following the 2006 Record Date, if the Company's distributable profits are sufficient to enable such a distribution and if the Directors, in their absolute discretion, resolve that the making of such payment is in the best interests of the Company. By resolution of the Directors, payment will be made by means of redemption of the shares, or by payment of a Special Dividend. The 2006 Record Date shall be such business day as the Directors may determine within one calendar month of such a resolution being passed, provided that the 2006 Record Date must fall at least six business days before 31 January 2011.

2008 B Shares: each share is a non-voting redeemable share in the capital of the Company, having a nominal value of 5p per share, and is entitled to a return of £2 per share five days following the 2008 Record Date, if the Company's distributable profits are sufficient to enable such a distribution and if the Directors, in their absolute discretion, resolve that the making of such payment is in the best interests of the Company. By resolution of the Directors, payment will be made by means of redemption of the shares, or by payment of a Special Dividend. The 2008 Record Date shall be such business day as the Directors may determine within one calendar month of such a resolution being passed, provided that the 2008 Record Date must fall at least six business days before 31 January 2011.

18 Share capital continued

2010 B Shares: each share is a non-voting redeemable share in the capital of the Company, having a nominal value of 5p per share, and is entitled to a return of £3 per share five days following the 2010 Record Date, if the Company's distributable profits are sufficient to enable such a distribution and if the Directors, in their absolute discretion, resolve that the making of such payment is in the best interests of the Company. By resolution of the Directors, payment will be made by means of redemption of the Shares, or by payment of a Special Dividend. The 2010 Record Date shall be such business day as the Directors may determine within one calendar month of such a resolution being passed, provided that the 2010 Record Date must fall at least six business days before 31 January 2011.

Any B Shares outstanding after 31 January 2011 shall be redeemed by the Company, whether or not any special dividend has been paid on them, at any time for £1 in aggregate. On a winding-up, each B share is entitled to the sum of 5p and, save as provided above, hold no further rights of participation in the profit or assets of the Company.

The movements on share capital for the Group and for the Company were as follows:

Group	Ordinary Shares No. '000	Units No. '000	Redeemable Preference Shares No. '000	Total No. '000
At 1 May 2004	122,062	–	–	122,062
Share buy-backs prior to the Scheme of Arrangement	(2,094)	–	–	(2,094)
New shares issued prior to the Scheme of Arrangement	830	–	50	880
Scheme of Arrangement	(120,798)	120,798	–	–
Units issued after the Scheme of Arrangement	–	22	–	22
Redemption of shares	–	–	(50)	(50)
At 30 April 2005	–	120,820	–	120,820
Company				
Shares issued on incorporation	–	–	–	–
New shares issued prior to the Scheme of Arrangement	–	–	50	50
Shares issued on acquisition of The Berkeley Group plc	–	120,798	–	120,798
Units issued after the Scheme of Arrangement	–	22	–	22
Redemption of shares	–	–	(50)	(50)
At 30 April 2005	–	120,820	–	120,820

Group	Ordinary Shares £'000	2004 B Shares £'000	2006 B Shares £'000	2008 B Shares £'000	2010 B Shares £'000	Redeemable Preference Shares £'000	Total £'000
At 1 May 2004	30,516	–	–	–	–	–	30,516
Share buy-backs prior to the Scheme of Arrangement	(524)	–	–	–	–	–	(524)
New shares issued prior to the Scheme of Arrangement	208	–	–	–	–	50	258
Scheme of Arrangement	(24,160)	603,991	241,597	193,277	387,763	–	1,402,468
Reduction of capital	–	(597,951)	(235,557)	(187,237)	(381,723)	–	(1,402,468)
Units issued after the Scheme of Arrangement	1	1	1	1	1	–	5
Redemption of shares	–	(6,041)	–	–	–	(50)	(6,091)
At 30 April 2005	6,041	–	6,041	6,041	6,041	–	24,164
Company	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Shares issued on incorporation	–	–	–	–	–	–	–
New shares issued prior to the Scheme of Arrangement	–	–	–	–	–	50	50
Shares issued on acquisition of The Berkeley Group plc	6,040	603,991	241,597	193,277	387,763	–	1,432,668
Reduction of capital	–	(597,951)	(235,557)	(187,237)	(381,723)	–	(1,402,468)
Units issued after the Scheme of Arrangement	1	1	1	1	1	–	5
Redemption of shares	–	(6,041)	–	–	–	(50)	(6,091)
At 30 April 2005	6,041	–	6,041	6,041	6,041	–	24,164

18 **Share capital** continued

The Berkeley Group plc

On 4 May 2004, within the 10% limit authorised by shareholders at the 2003 Annual General Meeting, the Group completed the purchase of 2,094,261 (2004: 6,993,318) of its shares for cancellation, at an average cost of £9.80 (2003: £7.44) per share, for a total cost, net of expenses, of £20,523,758 (2004: £51,998,948). This represented 2% (2004: 6%) of the called-up share capital of the Group at the start of the year. The total nominal value of the shares purchased of £523,565 (2004: £1,748,330) has been credited to the other reserve (see note 19). There were no further purchases after the 2004 Annual General Meeting.

During the period from 1 May 2004 to 26 October 2004, 830,224 shares having a nominal value of £207,556, were issued under the terms of the Group's share schemes, as described below.

On 26 October 2004, The Berkeley Group plc had 120,798,270 shares in issue, with an aggregate nominal value of £30,199,568, which were transferred to The Berkeley Group Holdings plc as part of the Scheme of Arrangement.

The Berkeley Group Holdings plc

The Company was incorporated on 7 July 2004 as Sandnumber Limited, with an authorised share capital of 1,000 Ordinary Shares of £1 each and an issued share capital of £1. By ordinary resolution on 18 August 2004 the authorised share capital was increased to £51,000 by the creation of 50,000 Redeemable Preference Shares of £1 each, which were issued at par on that date.

The Redeemable Preference Shares are non-voting (except in respect of resolutions to wind up the Company or vary the rights of the Redeemable Preference Shares), carry no right to dividends and are entitled to priority repayments in full from the assets of the Company on a winding-up. These shares are redeemable by the Company or the shareholder at their paid up amount.

On 19 August 2004, the Company re-registered as a public limited company and changed its name to The Berkeley Group Holdings plc. A second Ordinary Share was also issued on that date. By an ordinary resolution passed on 23 August 2004, each issued and unissued Ordinary Share of £1 each in the capital of the Company was sub-divided into 20 Ordinary Shares of 5p each.

On 25 October 2004, the Court sanctioned a Scheme of Arrangement of The Berkeley Group plc, pursuant to which the Company became the holding company of The Berkeley Group plc. On 25 October 2004, an Extraordinary General Meeting of the Company was held at which the holders of the Ordinary Shares in the Company passed resolutions increasing the share capital of the Company so as to create an additional 184,980,000 Ordinary Shares of 5p each, 185,000,000 2004 B Shares of £5 each, 185,000,000 2006 B Shares of £2 each, 185,000,000 2008 B Shares of £1.60 each and 185,000,000 2010 B Shares of £3.21 each; together this authorised share capital comprises 185,000,000 Units with an aggregate nominal value of £11.86. £11.86 was the closing price of an Ordinary Share of The Berkeley Group plc on 25 October 2004.

On 26 October 2004, pursuant to the Scheme of Arrangement, the Company issued 120,798,270 Units credited as fully paid at the aggregate nominal value of £11.86 on the basis of one New Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share for every Ordinary Share in The Berkeley Group plc held at the Scheme Record Time. This includes 426,659 shares issued as a result of share option exercises in The Berkeley Group plc triggered by the Scheme of Arrangement.

The 40 Ordinary Shares of 5p each in issue prior to the issue of shares by the Company pursuant to the Scheme of Arrangement were held on trust for the shareholders of The Berkeley Group plc from time to time. On 26 October 2004, the Company and its nominee became the sole members of The Berkeley Group plc. Accordingly, the 40 Ordinary Shares of 5p each were transferred to the Company for no consideration and cancelled and the amount of the Company's share capital was diminished by £2 in accordance with sections 146(1)(b) and 146(2)(a) of the Companies Act 1985.

Accordingly the authorised, issued and fully-paid share capital of the Company on 26 October 2004 was:

	Authorised		Issued and fully paid	
Class	Number	Nominal value	Number	Nominal value
New Ordinary Shares	185,000,000	£0.05	120,798,270	£0.05
2004 B Shares	185,000,000	£5.00	120,798,270	£5.00
2006 B Shares	185,000,000	£2.00	120,798,270	£2.00
2008 B Shares	185,000,000	£1.60	120,798,270	£1.60
2010 B Shares	185,000,000	£3.21	120,798,270	£3.21
Together comprised in Units	185,000,000	£11.86	120,798,270	£11.86
Redeemable Preference Shares	50,000	£1.00	50,000	£1.00

18 Share capital continued

Following the scheme of arrangement, a Court approved reduction of capital became effective on 28 October 2004. This decreased the nominal amount of each issued and unissued B Share to 5p. Accordingly the authorised, issued and fully-paid share capital of the Company immediately following the reduction of capital becoming effective was:

	Authorised		Issued and fully paid	
Class	Number	Nominal value	Number	Nominal value
New Ordinary Shares	185,000,000	£0.05	120,798,270	£0.05
2004 B Shares	185,000,000	£0.05	120,798,270	£0.05
2006 B Shares	185,000,000	£0.05	120,798,270	£0.05
2008 B Shares	185,000,000	£0.05	120,798,270	£0.05
2010 B Shares	185,000,000	£0.05	120,798,270	£0.05
Together comprised in Units	185,000,000	£0.25	120,798,270	£0.25
Redeemable Preference Shares	50,000	£1.00	50,000	£1.00

On 19 November 2004 the Redeemable Preference Shares were redeemed at par.

During the period from 26 October 2004 to 3 December 2004, 22,372 Units having an aggregate nominal value of £5,593, were issued under the terms of the Group's share schemes, as described below.

On 3 December 2004, all of the 2004 B Shares, having an aggregate nominal value of £6,041,000, were redeemed for an aggregate consideration of £604,103,000, which equates to £5 per share.

Employee share schemes

The Group granted options to subscribe for Ordinary Shares under The Berkeley Group Executive Share Option Scheme (the '1984 Scheme') from 17 August 1984, The Berkeley Group plc 1994 SAYE Share Option Scheme (the 'SAYE Scheme') from 24 January 1995, The Berkeley Group plc 1994 Executive Share Option Scheme (the '1994 Scheme') from 6 August 1997, The Berkeley Group plc Executive Share Option Scheme 1996 (the '1996 Scheme') from 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') from 5 October 2000. As shown in the table below, there were no options remaining exercisable at the end of the year.

Date of grant	Scheme	Options remaining exercisable at 1 May 2004	**Option price**	**Options remaining exercisable at 30 April 2005**
20/01/00	SAYE Scheme	11,212	**607.7p**	–
24/01/01	SAYE Scheme	19,625	**636.6p**	–
25/01/02	SAYE Scheme	71,619	**611.1p**	–
23/01/03	SAYE Scheme	68,367	**599.5p**	–
16/01/04	SAYE Scheme	71,292	**791.7p**	–
06/08/97	1996 Scheme	9,978	**640.2p**	–
19/01/00	1996 Scheme	23,450	**650.0p**	–
08/08/00	1996 Scheme	6,151	**551.0p**	–
06/08/97	1994 Scheme	4,201	**643.4p**	–
18/08/98	1994 Scheme	5,250	**558.8p**	–
19/01/00	1994 Scheme	16,450	**655.8p**	–
08/08/00	1994 Scheme	15,286	**554.0p**	–
21/12/00	2000 Approved Plan	5,924	**712.5p**	–
19/07/01	2000 Approved Plan	166,951	**698.0p**	–
25/07/02	2000 Approved Plan	202,035	**560.5p**	–
30/04/03	2000 Approved Plan	4,803	**624.5p**	–
21/07/03	2000 Approved Plan	137,939	**762.5p**	–
05/10/00	2000 Plan	5,000	**576.5p**	–
21/12/00	2000 Plan	36,100	**712.5p**	–
19/07/01	2000 Plan	169,999	**698.0p**	–
25/07/02	2000 Plan	245,965	**560.5p**	–
30/04/03	2000 Plan	200,678	**624.5p**	–
21/07/03	2000 Plan	323,561	**762.5p**	–
19/04/04	2000 Plan	158,646	**945.5p**	–
Total		1,980,482		–

18 Share capital continued

On 26 October 2004, the Court sanctioned a Scheme of Arrangement as explained in Note 1. Approval of the Scheme of Arrangement triggered the rights of employees to exercise options under the Group's share option schemes which would not otherwise have been exercisable. The effect of this is described where relevant below.

Options under the SAYE Scheme were normally exercisable within a six-month period on the expiry of three or five years from the commencement of the sharesave contract. Under the Scheme of Arrangement, all such options became exercisable to the extent of savings and interest up to the date of exercise. These exercises were permitted for up to six months from the date of Court approval of the Scheme of Arrangement. During the year, no options were granted, 125,892 options lapsed and 116,223 options were exercised at prices between 599.5p and 791.7p. No further options will be granted under this scheme.

Options under the 1994 Scheme were normally exercisable between three and ten years from the date of grant. Under the Scheme of Arrangement, any options which remained unexercised would have lapsed within six months of the Scheme of Arrangement becoming effective. During the year no options were granted, 1,380 options lapsed and there were exercises of 39,807 options at prices between 554.0p and 655.8p. No further options will be granted under this scheme.

Options under the 1996 Scheme were normally exercisable between three and ten years from the date of grant. Exercise of these options was conditional upon meeting a defined earnings per Ordinary Share criterion over a three-year period. Any options which remained unexercised would have lapsed within six months of the Scheme of Arrangement becoming effective. During the year, no options were granted, 1,120 options lapsed and 38,459 options were exercised at prices of between 551.0p and 650.0p. No further options will be granted under this scheme.

Options under the 2000 Approved Plan were normally exercisable between three and ten years from the date of grant. Exercise of these options was conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. Any options which were not exercisable before the Scheme of Arrangement, became exercisable when the Court sanctioned the Scheme of Arrangement. Any options which remained unexercised would have lapsed within six months of the Scheme of Arrangement becoming effective. During the year, no options were granted, 53,195 options lapsed and 464,457 options were exercised at prices of between 560.5p and 762.5p. No further options will be granted under this scheme.

Options under the 2000 Plan were normally exercisable between three and ten years from the date of grant. Exercise of these options was conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. Options granted in 2000 and 2001 had already vested at the date of the Scheme of Arrangement, and remained exercisable for six months from the date that the Court sanctioned the Scheme. During the year, no options were granted, 17,451 options lapsed and 193,648 options were exercised at prices between 576.5p and 712.5p.

Options granted under the 2000 Plan in 2002, 2003 and 2004 were not exercisable at the date of the Scheme of Arrangement. The Remuneration Committee resolved that these options would not become exercisable by virtue of the Scheme of Arrangement. Instead holders of these options were offered two alternatives. The optionholders could exchange their options on the basis of one Unit in The Berkeley Group Holdings plc for one share in The Berkeley Group plc. These options would only have become exercisable on the original vesting date. Alternatively optionholders were offered the opportunity to release their options in consideration for a conditional cash compensation payment. The compensation was equal to the difference between the weighted average price of an Ordinary Share in The Berkeley Group plc in the ten days prior to the Scheme of Arrangement becoming effective (£12.08) and the exercise price multiplied by the number of options over shares in The Berkeley Group plc. The relevant amount will only be paid after the released option would have become exercisable and if the relevant individual is an employee of the Group on the relevant date (except where an optionholder ceases to be employed in the Group before that date for a reason which would have permitted the released option to be exercised under the rules of the 2000 Plan, in which case the compensation will be paid on the date of cessation). 96,854 options lapsed in the period prior to the Scheme of Arrangement and 831,996 options were released at the date of the Scheme of Arrangement in consideration for a future cash compensation payment which is payable on the original vesting date. No further options will be quoted under this Scheme.

The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan (the "2004(b) LTIP")

During the year, under the terms of the 2004(b) LTIP, the Company granted four Executive Directors the right to receive, at no cost, 21,321,361 ordinary shares (in aggregate) on 31 January 2011, if the Company has returned to shareholders £12 per share by that date. Further details on the 2004(b) LTIP are set out in the Remuneration Committee Report on page 32.

19 Reserves

Group	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Retained profit £'000	Joint ventures' reserves £'000	Total £'000
At 1 May 2004 as previously stated	427,610	3,445	–	655,147	27,814	1,114,016
Prior year adjustment (see note 1)	–	–	–	(2,422)	–	(2,422)
Restatement on a pro forma basis	(427,610)	(3,445)	431,055	–	–	–
At 1 May 2004 as restated	–	–	431,055	652,725	27,814	1,111,594
Share buy-backs prior to the capital restructure	–	–	524	(20,656)	–	(20,132)
New shares issued prior to the capital restructure	–	–	9,590	(4,321)	–	5,269
Scheme of Arrangement	–	–	(1,402,468)	–	–	(1,402,468)
Issue/redemption expenses	–	–	–	(2,841)	–	(2,841)
	–	–	(961,299)	624,907	27,814	(308,578)
Reduction of capital	–	–	–	1,402,468	–	1,402,468
New Units issued after the Scheme of Arrangement	264	–	–	(129)	–	135
Redemption of shares	–	6,091	–	(604,153)	–	(598,062)
Retained profit	–	–	–	136,228	8,415	144,643
Dividends received from joint ventures	–	–	–	1,564	(1,564)	–
Credit in respect of employee share schemes	–	–	–	4,212	–	4,212
At 30 April 2005	**264**	**6,091**	**(961,299)**	**1,565,097**	**34,665**	**644,818**

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 (2004: £4,363,000).

Analysis of prior year adjustment (see note 1)	UITF 17 £'000	UITF 38 £'000	Total £'000
Adjustment to shareholders' funds at 1 May 2003	2,766	(4,312)	(1,546)
Adjustment to profit and loss account for year	(338)	–	(338)
Adjustment to reconciliation of movements in shareholders' funds	1,591	–	1,591
Re-presentation of balance sheet	–	(2,129)	(2,129)
Adjustment to shareholders' funds at 30 April 2004	**4,019**	**(6,441)**	**(2,422)**

The Group issued Ordinary Shares in The Berkeley Group plc to satisfy options granted under the Group's share option schemes. In the period prior to the capital restructure from 1 May 2004 to 26 October 2004, 830,221 (2004: 841,155) new Ordinary Shares in The Berkeley Group plc were issued to scheme participants for a total consideration of £9,796,094 (2004: £7,217,223) based on the market price on the date of issue. £5,473,899 (2004: £4,977,005) was received from scheme participants with the balance contributed by the employing subsidiary companies, shown as a reduction in retained profit. In the period after the restructuring, on 22 November 2004, 22,372 new Units in the Company were issued to scheme participants for a total consideration of £269,595 based on the market price on the date of issue. £140,875 was received from scheme participants with the balance contributed by the employing subsidiary companies, shown as a reduction in retained profit. The shares and the Units were all transferred to participants in the schemes in satisfaction of their options and no shares or Units in respect of these awards were held by the Company at 30 April 2005.

At 30 April 2005 the Group had fully provided for Units to the value of £4,535 (2004: £115,905) which are held in trust for certain Directors and senior management with regard to the Long-Term Incentive Schemes.

During the year, the Group did not acquire any of its own shares or Units (2004: 275,000) to satisfy awards granted under The Berkeley Group plc 2000 Long-Term Incentive Plan (2004: cost of £2,128,000). At 30 April 2005 there were 915,018 Units (2004: 1,064,401) held in Trust at a cost of £5,939,000 (2004: £6,441,000), treated as a deduction from shareholders' funds. Cash of £5 per Unit, arising from the return of cash on 3 December 2004, is also held in Trust for transfer to participants in the Plan at the date of vesting of their awards.

19 Reserves continued

Company	Share premium £'000	Capital redemption reserve £'000	Retained profit £'000	Total £'000
At incorporation	–	–	–	–
Reduction of capital	–	–	1,402,468	1,402,468
Issue/redemption expenses	–	–	(2,841)	(2,841)
Redemption of shares	–	6,091	(604,153)	(598,062)
New Units issued after the Scheme of Arrangement	264	–	–	264
Retained loss	–	–	(14,966)	(14,966)
Credit in respect of employee share schemes	–	–	2,100	2,100
At 30 April 2005				

20 Contingent liabilities

The Group has guaranteed bank facilities of £2,500,000 (2004: £5,000,000) in joint ventures.

The Group has guaranteed road and performance agreements in the ordinary course of business of £46,023,000 (2004: £46,304,000).

21 Capital commitments

The Group has no capital commitments at 30 April 2005 (2004: £nil).

22 Operating leases

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

	Land and buildings		Motor vehicles	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Operating leases which expire:				
Within one year	**182**	121	**119**	145
Between two and five years	**783**	2,010	**418**	748
After five years	**1,379**	705	**–**	–
	2,344	2,836	**537**	893

23 Notes to the cash flow statement

	2005 £'000	2004 (Restated)* £'000
Reconciliation of operating profit to operating cash flows		
Operating profit	**199,569**	212,801
Depreciation	**2,581**	3,085
Profit on sale of tangible fixed assets	**(1,379)**	(618)
Profit on sale of fixed asset investments	**–**	(144)
Stocks – decrease	**12,601**	84,828
Debtors – decrease	**21,630**	77,131
Investments – decrease	**–**	62,047
Creditors – increase/(decrease)	**49,971**	(4,762)
Non-cash charge in respect of share awards	**4,212**	1,591
Net cash inflow from continuing operating activities	**289,185**	435,959
Returns on investments and servicing of finance		
Interest received	**11,413**	4,307
Interest paid	**(7,845)**	(6,011)
Net cash inflow/(outflow) from returns on investments and servicing of finance	**3,568**	(1,704)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,853)**	(2,842)
Sale of tangible fixed assets	**5,764**	4,871
Movements on loans with joint ventures	**4,492**	(27,679)
Sale of fixed asset investments	**–**	8
Net cash inflow/(outflow) from capital expenditure and financial investment	**8,403**	(25,642)
Acquisitions and disposals		
Acquisition of group companies	**–**	(9,164)
Net cash acquired with subsidiary undertakings	**–**	15,258
Merger expenses	**(1,633)**	–
Disposal of joint ventures	**–**	687
Net cash (outflow)/inflow from acquisitions and disposals	**(1,633)**	6,781
Financing		
Cost of share buy-backs	**(20,656)**	(52,363)
Issue/redemption expenses	**(2,841)**	–
Redemption of shares	**(604,153)**	–
Share options exercised	**5,667**	4,977
Purchase of own shares held in Employee Share Ownership Trusts	**–**	(2,129)
Issue of shares by Group companies to minority shareholders	**–**	500
Repayment of loan stock	**(32)**	(33)
Increase/(decrease) in bank loans	**500,000**	(100,000)
Net cash outflow from financing	**(122,015)**	(149,048)

*See note 1

23 Notes to the cash flow statement continued

	At 1 May 2004 £'000	Cash flow £'000	**At 30 April 2005 £'000**
Analysis of net cash/(debt)			
Cash at bank and deposits repayable on demand	245,306	99,642	**344,948**
Bank overdrafts	–	–	**–**
Cash	245,306	99,642	**344,948**
Loan stock	(120)	32	**(88)**
Bank loans due within one year	(25,000)	25,000	**–**
Bank loans due after one year	(75,000)	(525,000)	**(600,000)**
	145,186	(400,326)	**(255,140)**

24 Treasury policy and financial instruments

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

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

From time to time the Group uses derivative instruments when commercially appropriate to manage cash flow risk by altering the interest rates on investments and funding so that the resulting exposure gives greater certainty of future costs. The main types of instruments used from time to time are interest swaps and caps. During the year and at the year end the Group held no such instruments (2004: 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:

	2005 £'000	2004 £'000
Unsecured loan stock	**88**	120
Bank loans due within one year	**–**	25,000
Bank loans due after one year	**600,000**	75,000
Other creditors due after one year	**36,009**	9,579
	636,097	109,699

During the year, the Group renegotiated its banking arrangements as part of the capital restructure (see Note 1). The Group negotiated syndicated term and revolving facilities of £825 million in total. This includes a £500 million seven-year term facility, a £175 million three-year revolving facility and a £150 million 364 day revolving facility with a term out option. The new facility agreement replaced the Group's previous facility agreement. At 30 April 2005, the Group had drawn down on all of the £500 million seven-year term facility and £100 million of the £175 million three-year revolving facility.

24 Treasury policy and financial instruments continued

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

	2005 £'000	2004 £'000
Fixed rate	–	–
Floating rate	600,088	100,120
Non-interest bearing	36,009	9,579
	636,097	109,699

The Group held no fixed rate financial liabilities at 30 April 2005 (2004: 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 25 months (2004: 22 months).

The maturity profile of the financial liabilities is as follows:

	2005 £'000	2004 £'000
Within one year or on demand	88	25,120
Between one and two years	18,629	32,082
Between two and five years	117,380	52,497
Over five years	500,000	–
	636,097	109,699

Financial assets

The Group's financial assets are as follows:

	2005 £'000	2004 £'000
Fixed asset listed investments	–	–
Current asset investment	–	–
Cash at bank and in hand	344,948	245,306
	344,948	245,306

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 £202,384,000 (2004: £405,686,000) which are floating rate. £75 million relates to a three-year revolving facility which expires within three years and the remainder expires 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 £31,888,192 (2004: £8,941,771) compared to a book value of £36,009,000 (2004: £9,579,088).

25 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 £2,189,000 (2004: £2,737,000) was paid to joint ventures for goods and services supplied.

b) Transactions with Directors

During the financial year, Mr A W Pidgley paid £644,000 to Berkeley Homes plc for works carried out at his home, and Mr R C Perrins paid £35,000 to Berkeley Homes plc for works carried out at his home, under the Group's own build scheme. This is a scheme whereby eligible employees may enter into an arrangement with the Group for the construction or renovation of their own home. There were no balances outstanding at the year end.

26 Post balance sheet events

Disposal of The Crosby Group plc and its subsidiaries ("Crosby")

On 23 June 2005, the Company announced that it had entered into an unconditional agreement with Lend Lease Corporation Limited ("Lend Lease") for the sale of Crosby. The sale completed on 8 July 2005.

Terms of the disposal

The consideration comprises in aggregate £235.7 million in respect of the Crosby A Shares held by the Group including the repayment of the inter-company indebtedness owned to Berkeley by Crosby at 30 April 2005. In addition, the Group will be repaid £15 million in respect of working capital provided to Crosby since 30 April 2005.

Under the agreement the Group has entered into normal warranties and indemnities. In addition, it has entered into various covenants including an undertaking restricting the number of developments it can undertake in Birmingham, Leeds and Manchester.

Background to the transaction

Following the strategic review reported on 26 June 2003 the board of Berkeley decided to concentrate on increasingly complex mixed-use urban regeneration projects in London and Southern England. The management of Crosby proposed maximising the value of the assets within Crosby and incentivising them by acquiring a shareholding in Crosby. At this time Crosby was a wholly owned subsidiary of Berkeley.

On 27 August 2003, Berkeley entered into an agreement whereby the Crosby Managers, led by Geoff Hutchinson, subscribed for newly issued shares in Crosby ("Crosby B Shares") for a consideration of £500,000, funded by a loan from Berkeley (together "the Crosby transaction").

Following this subscription the share capital of Crosby comprised Crosby A Shares, held by Berkeley, and Crosby B Shares, held by the Crosby Managers. Berkeley retained control of Crosby through its holding of Crosby A Shares and continued to consolidate Crosby as a subsidiary. Under the terms of the Crosby Transaction, Crosby had to make agreed milestone payments to Berkeley every six months and generate in aggregate £450 million of operating cashflow within seven years of the date of the subscription.

It was agreed that if these two criteria were met, the Crosby B Shares are broadly entitled to 50.01% of the economic and voting rights of Crosby. In addition, Berkeley would retain voting control of Crosby until the gross assets and net assets of Crosby fall below £75 million and £50 million, respectively, at which point voting control of Crosby passes to the Crosby Managers and Crosby ceases to be consolidated by the Group.

The sale of Crosby B Shares to Lend Lease is outside the control of the Group and has been the subject of separate negotiation between the Crosby Managers and Lend Lease. Upon receipt of the consideration of the sale of their Crosby B Shares to Lend Lease for £10 million, the Crosby Managers will repay to the Group the £500,000 loan mentioned above. As part of the Disposal, Berkeley and the Crosby Managers will enter into a Termination Deed, pursuant to which the arrangements put in place at the time of the Crosby Transaction will be terminated.

The operating results of Crosby for the years ended 30 April 2004 and 2005 are set out in note 3 of these financial statements.

27 Subsidiaries, joint ventures and limited partnership

At 30 April 2005 the Group had the following principal subsidiary undertakings which have all been consolidated, are registered and operate in England and Wales, and all 100% owned and for which 100% of voting rights are held:

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) (7)
Crosby Homes (Special Projects) Limited (3) (7)
Crosby Homes (North West) Limited (2) (7)
Crosby Homes Special Projects (NW) Limited (2) (7)
Crosby Homes (Yorkshire) Limited (2) (7)
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 Berkeley Group plc (6)
The Beaufort Homes Development Group Limited (7)
The Crosby Group plc (7)
Thirlstone Homes Limited (1)
Thirlstone Homes (Western) Limited (1)
West Kent Cold Storage Company Limited

(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 (6) The Berkeley Group plc is the only subsidiary of the parent company. (7) Companies sold on 8 July 2005 as part of the disposal of The Crosby Group plc.

Commercial property and other activities

Berkeley Commercial Developments Limited (†) Berkeley Portsmouth Harbour Limited (†)

(†) Direct subsidiaries of The Berkeley Group plc

At 30 April 2005 the Group had interests in the following joint ventures which have been equity accounted to 30 April and are registered and operate in England and Wales (except where stated in italics) and which are all 50% owned, except where stated:

	Accounting date	Principal activity
Joint ventures		
Berkeley Breamore (Oceana) Limited	30 April	Commercial property
Berkeley Gemini Limited	30 April	Mixed-use
Berkeley Mansford Limited	31 March	Commercial property
Berkeley Sutton Limited	30 April	Residential housebuilding
Crosby: ASK Limited (1)	31 March	Commercial property
Crosby Peel Limited (1)	31 March	Residential housebuilding
Crosby Seddon Developments Limited (1)	30 April	Residential housebuilding
Hungate (York) Regeneration Limited (33.3%) (1)	30 April	Mixed-use
Ician Developments Limited (1)	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.

(1) Joint ventures sold on 8 July 2005 as part of the disposal of The Crosby Group plc.

Five year summary

Years ended 30 April	**2005 £'000**	2004* £'000	2003* £'000	2002 £'000	2001 £'000
Profit and loss account					
Turnover (excluding joint ventures)	**1,070,317**	1,272,443	1,150,840	976,771	833,883
Operating profit – Group					
– residential housebuilding	**190,487**	198,586	212,012	181,447	145,233
– commercial and other	**9,082**	14,215	3,652	8,003	12,038
	199,569	212,801	215,664	189,450	157,271
Operating profit – joint ventures	**15,244**	21,924	16,542	23,540	21,077
Exceptional items	**(1,633)**	–	–	–	7,958
Profit before interest and taxation	**213,180**	234,725	232,206	212,990	186,306
Net interest payable	**(10,289)**	(4,958)	(11,025)	(16,828)	(16,534)
Profit on ordinary activities before taxation	**202,891**	229,767	221,181	196,162	169,772
Taxation	**(58,248)**	(67,747)	(66,497)	(59,333)	(53,122)
Profit on ordinary activities after taxation	**144,643**	162,020	154,684	136,829	116,650
Dividends	**–**	(26,596)	(24,909)	(22,003)	(19,069)
Retained profit	**144,643**	135,424	129,775	114,826	97,581
Earnings per share	**121.0p**	130.4p	116.0p	105.3p	91.6p
Dividends per share	**–**	22.3p	19.2p	16.5p	14.9p
Balance sheet					
Capital employed	**924,622**	997,424	1,197,660	1,211,672	1,043,740
Net cash/(debt)	**(255,140)**	145,186	(143,050)	(243,457)	(238,993)
Shareholders' funds	**669,482**	1,142,610	1,054,610	968,215	804,747
Net assets per share	**558p**	944p	829p	717p	628p
Ratios and statistics					
Return on capital employed (note i)	**22.2%**	21.4%	19.3%	18.9%	20.1%
Return on shareholders' funds (note ii)	**16.0%**	14.7%	15.3%	15.4%	15.5%
Dividend cover	**–**	6.1	6.2	6.2	6.1
Units sold	**3,570**	3,805	3,544	3,182	2,440

* Restated by changes in accounting policy – see note 1 to the accounts.

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	1 September 2005
Half year end	31 October 2005
Interim Report for the six months to 31 October 2005	9 December 2005
Preliminary announcement of results for year to 30 April 2006	June 2006
Publication of 2005/06 Annual Report	July 2006

Return of capital

Class of B share	Payment/Expected record date	Proceeds per share
2004 B share	Paid on 3 December 2004	£5
2006 B share	29 December 2006	£2
2008 B share	31 December 2008	£2
2010 B share	31 December 2010	£3
Total		**£12**

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