Berkeley annual report 2006

Creating places for people

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Our performance

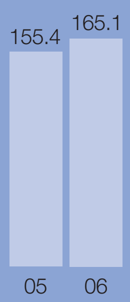
Another successful year, on target to deliver the 2006 B share payment

Return of capital to shareholders

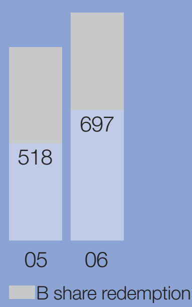
2004 B share paid on 3rd December 2004	£5
2006 B share expected record date: 29th December 2006	£2
2008 B share expected record date: 31st December 2008	£2
2010 B share expected record date: 31st December 2010	£3
Total	£12

On target to meet next B share payment (£2 per share in January 2007). Further payments scheduled for January 2009 (£2 per share) and January 2011 (£3 per share).

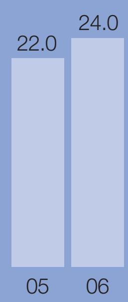
Profit before tax (£m)



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



Return on average capital employed (ROCE) (%)



£475.7 million cash generated

£246.0 million from continuing Group and £229.7 million from Crosby (discontinued operations)

£220.6 million net cash

up from £255.1 million net debt last year

£165.1 million pre-tax profit

up 6.2% from £155.4 million last year from continuing Group

697 pence net asset value per share

up 34.6% from 518 pence last year

24.0% return on average capital employed

up from 22.0% last year

23,819 plots in land bank

up from 23,123 last year

£581.9 million forward order book

down from £687.0 million last year

Our business

Creating sustainable communities

where people will choose to live, work and play

Our building blocks

ST·GEORGE PLC

London's leading regeneration company, St George pioneers mixed-use, mixed-tenure schemes on a majestic scale, with signature developments across the capital. St George was granted *The Queen's Award for Enterprise: Sustainable Development* 2002 and remain the only property developer ever to hold the award. **www.stgeorgeplc.com**

Berkeley HOMES

Building successful and sustainable communities on redundant brownfield sites has earned Berkeley Homes a dynamic reputation as the trusted and innovative regeneration force in London and the South East. **www.berkeleyhomes.co.uk**

ST JAMES HOMES

A joint venture with Thames Water, St James' high quality, design-led developments in the South East have become exemplars of brownfield regeneration, refurbished buildings and sustainable communities. **www.stjameshomes.co.uk**

berkeley first

Berkeley First is the first private developer committed to delivering well designed, well located affordable homes for those that need them most. **www.berkeleyfirst.co.uk**

Berkeley Strategic

Berkeley Strategic focuses on the identification and promotion of strategic land opportunities across the United Kingdom. **www.berkeleystrategic.co.uk**

Berkeley COMMERCIAL

Berkeley Commercial is the Group's dedicated commercial property developer and investor. **www.berkeleycommercial.co.uk**

Our mission

To remain Britain's foremost urban regenerator

Creating places and communities

Berkeley's passion and energy blend innovative vision with a relentless focus on detail, transforming neglected land into places that its customers choose as destinations for work, for pleasure and for making their home.

Motivating our people

Berkeley's demanding management philosophy and divisional structure has created a unique sense of purpose for the people in each business, building both talent and loyalty, and nurturing the entrepreneurial flair essential in land development.

Building on our expertise

What Berkeley creates inherently benefits the wider community and the issues of sustainability and environmental performance are at the heart of its philosophy. This enables Berkeley to add value to its sites, to obtain planning consents that would otherwise be withheld, and to continue matching the expectations of its customers and therefore to maintain competitive advantage.

Delivering on our promise to our shareholders

Berkeley is on target to make the £2 per share 2006 B share payment to shareholders in January 2007 and is ahead of its business plan as it works towards achieving the 2008 and 2010 B share payments due under the Scheme of Arrangement approved by shareholders in autumn 2004.

Performing for our shareholders, our customers and our people

Roger Lewis
Chairman

It gives me great pleasure to report these strong results which show the successful execution of the long-term business model we have created in recent years. This model, which we believe is unique in our sector, is ideally suited to Berkeley. It enables us both to secure future returns and to maximise shorter-term opportunities, aligning the interests of all our stakeholders, and so directly benefiting our shareholders, our people and our customers.

Strategy

From builder to community creator

Berkeley has moved on from its traditional house-building heritage and has become a premier urban renaissance business, taking neglected land and transforming it into attractive places which people choose as a destination for work, for pleasure, and for making their home.

This strategy is built on Berkeley's strengths. These begin with an unrivalled landbank and include both a pioneering, visionary approach to land development and an unrelenting attention to detail. This has defined Berkeley's natural size as one that allows senior management to add value across the board and encourage innovation.

In terms of financial performance, Berkeley concentrates on optimising value for its shareholders, producing balanced results that generate cashflow and maintain its land bank, as opposed to concentrating solely on the income statement.

The Royal Arsenal, London (Berkeley Homes) ▷

Financial Results

On 30th June 2006, Berkeley was delighted to announce a pre-tax profit of £165.1 million for its continuing business for the year ended 30th April 2006. This is £9.7 million more than the £155.4 million reported for the same period last year – an increase of 6.2%.

The £80.8 million profit from discontinued operations relates to the Crosby Group, which was sold to Lend Lease on 8th July 2005. The profit comprises two elements – Crosby's £1.1 million post-tax trading profit prior to disposal and the £79.7 million profit from the disposal itself. In the year to 30th April 2005, Crosby's post-tax trading profit was £24.9 million.

Basic earnings per share total 168.4 pence, an increase of 44.9% on the 116.2 pence reported for the same period last year. Basic earnings per share for continuing operations are 101.1 pence compared to 95.3 pence last time – an increase of 6.1%. Discontinued earnings per share have increased from 20.9 pence to 67.3 pence.

Over the year, total equity has increased by £215.8 million to £837.2 million (April 2005 : £621.4 million) with net assets per share rising by 34.6% from 518 pence to 697 pence.

Return on capital employed for the period, excluding the profit on disposal of Crosby, was 24.0% compared to 22.0% last time.

At 30th April 2006, Berkeley had net cash balances of £220.6 million (April 2005 : net debt of £255.1 million) after generating £475.7 million of cashflow in the year – £246.0 million from the continuing Group and £229.7 million from Crosby.

These results have been prepared in accordance with International Financial Reporting Standards (IFRS), the Group having published its restatement of financial information for the year ended 30th April 2005 on 26th October 2005.

The Board

During the year, Berkeley was fortunate to have had a balanced, experienced and stable Board to ensure good governance while pursuing the strategic objective of creating long-term shareholder value. The Board has remained unchanged over this period, save for the addition of Michael Tanner who was appointed on 1st September 2005 as a Non-Executive Director. Most recently a Divisional Managing Director of George Wimpey, Michael has over 34 years of experience in the building and construction industry with both Tarmac and George Wimpey, and we are delighted to welcome him.

The Board comprises a Chairman, four Executive Directors and four Non-Executive Directors.

Sustainability
Berkeley is not an ordinary developer. We don't just build homes, we create communities. We don't only have a vision for change. We make it happen. That passion for our work, that attention to detail to deliver it on the ground is, we believe, unusual. It's also how we've found a way of combining our duty to our shareholders with the nation's policies for sustainable development. For many, there may seem to be a conflict between the two – but not for us, as we believe that what Berkeley creates is inherently for the benefit of the community, and a commitment to delivering the detail of this vision is now embedded at every level within our company.

This year sees the publication of our fifth sustainability report, which is also available online at www.berkeleygroup.co.uk, and more information on how we assess our environmental and social impacts is contained in this report on pages 22 to 25.

People
As befits a company with our history, Berkeley is a caring but demanding employer that believes in setting stretching targets for its people. As these results show, our people have responded by producing another exceptional performance in an increasingly complex business. I would like to take this opportunity to acknowledge their immense contribution and thank each and every one of them.

Berkeley's management philosophy is to devolve operational responsibility and accountability to autonomous management teams, leaving the Group to focus on its strategic vision. This structure allows our management teams to create their own working environment while still benefiting from the experience of the wider Group. It has created a unique sense of purpose for the people in each business and empowered them to succeed, so building a highly talented and loyal workforce. It has also enabled the Group management to concentrate on driving each business forward while encouraging the climate of innovation that is vital to success in the regeneration arena.

It is always pleasing to be recognised externally for our people's performance and Berkeley has received numerous awards in the year, a number of which are set out in our fifth Sustainability Report which will be published alongside our Annual Report. There are two that warrant particular attention. Berkeley came joint first in the WWF/Insight Investment Sustainability Survey, while Gunwharf Quays in Portsmouth received one of only six Crystal Awards from BURA (the British Urban Regeneration Association) for being the best of the best of its previous winners. Both of these recognise the significant contribution of Berkeley and its people to the built environment.

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 scheduled for January 2007, January 2009 and January 2011 for amounts of £2, £2 and £3 a share respectively, subject to the necessary Board approvals and the terms set out in the Scheme of Arrangement shareholder circular.

Under the Scheme of Arrangement the intention is that all returns to shareholders will be by way of payments made on the B Shares. As a result, no dividend is recommended at the year-end.

Current Trading and Prospects
We believe Berkeley is in an excellent position to continue to perform well in the medium term. Our business structure is simpler and more focused than ever before, we have a formidable land bank which we know how to optimise, and we are creating product that is attuned both to our customers' aspirations and the housing policy imperatives of our principal markets. Our strategy is to be at the forefront of our industry, to embrace change and make it happen, and we are confident our knowledge will continue to give us a competitive advantage.

Berkeley remains on target to deliver the 2006 B Share payment of £2 per share at the beginning of January 2007 and £12 in total by January 2011. We are also well on the way to creating a strong, sustainable and meaningful ongoing business with a highly entrepreneurial and talented management team focussed on the long term.

We are looking forward to the year ahead with confidence.

Roger Hulton Lewis

Roger Lewis
Chairman

Ropetackle, West Sussex (Berkeley Homes)

Managing Director's review

Thirty years of Berkeley, and another year of excellent results

Tony Pidgley
Managing Director

The strategy of any business must evolve, and of course Berkeley has moved from being a traditional housebuilder to a pioneering urban regenerator in recent years. But the essence of our business is based on a number of key factors that do not change:

- Recruiting and retaining the best people in the industry who thrive in Berkeley's unique entrepreneurial culture where relentless attention to detail and innovation are key to success.
- Optimising value for shareholders by balancing profit with the generation of cash and focusing on the long term value of our unrivalled land holdings.
- Minimising risk – by selling forward and controlling work in progress.

Sustainability

Berkeley's sustainability strategy embraces how the company manages its environmental, social and economic responsibilities. The very essence of what Berkeley does demands that these issues remain at the very forefront of its business and its sustainability reporting practices enable Berkeley to respond to the aspirations and concerns of all of its stakeholders, while demonstrating how its business activities make a long-term contribution to the environmental, social and economic fabric of the communities in which it works.

Berkeley knows that a good business means more than profit alone. Its sustainability initiatives represent investment in the future and underpin all of the schemes that Berkeley creates. They are embedded at every level in the company. And they mirror, inform and explain what Berkeley does.

Chelsea Bridge Wharf, London (Berkeley Homes) ▷

- Recognising that we operate in a cyclical industry and that the nature and complexity of urban regeneration has resulted in a natural size of our business. At Berkeley, less means more.

The Scheme of Arrangement which was agreed in 2004 determined the implementation of our strategy for the next phase of Berkeley. It created a powerful alignment of interests for all our stakeholders, benefiting our shareholders, our people and our customers, allowing us to maximise short-term opportunities while running the business under a long-term strategy. In our view, it was ideally suited to a cyclical business and has proved a remarkable success.

I am delighted to report that we are on target to make the £2 per share 2006 B share payment to shareholders in January 2007. Indeed, over the last two years we have generated some £718 million of cash before payments to shareholders and are therefore ahead of our business plan as we work towards achieving the 2008 and 2010 B share payments due under the Scheme of Arrangement.

Trading Analysis

Revenue for the continuing Group was £917.9 million (2005 – £794.5 million). This comprises £890.5 million (2005: £738.4 million) of residential revenue, of which £1.1 million was from land sales (2005: £16.1 million), along with £27.4 million (2005: £56.1 million) of commercial revenue.

During the year, the continuing Group sold 3,001 units at an average selling price of £293,000. This compares with 2,292 units at an average selling price of £309,000 last year.

At £27.4 million (2005: £56.1 million), the continuing Group's revenue from commercial activities represents the disposal of commercial units on nine mixed-use sites.

The continuing Group's share of post-tax results from joint ventures was £11.6 million compared to £10.3 million last year. This arises from the sale of 816 residential units (2005: 799 units) at an average selling price of £372,000 (2005: £358,000) by St James, our joint venture with Thames Water. This high average selling price is mainly due to Wycombe Square in London where 9 units were taken to sales at an average sales price of £6.5 million. This scheme is now fully sold and the average selling price in joint ventures is expected to fall back to more normal levels in the coming year.

Excluding joint ventures and land sales, the house-building operating margin for the continuing Group was 17.5% compared to 19.3% for the full year ended 30th April 2005.

Space to live

Bringing places back to life, creating environments where people want to come and live. Making vibrant, engaging neighbourhoods. Respecting the variety of urban life and creating communities of which people are proud to be part. That's what Berkeley does.

This is within the 17.5% to 19.5% range (depending on mix) reported by the Group over recent reporting periods. On the basis that current market and planning conditions prevail, we are continuing to forecast broadly in this range.

Joint venture operating margins are 14.1% compared to 14.7% last year and reflect the profit share arrangements with Thames Water.

With sales price enhancements covering build cost increases, the pressure on operating margins is coming from two main areas. These are: the cost of subsidised housing and planning gain obligations; and, the costs associated with meeting high standards of environmental and sustainable development practice.

We accept these pressures in the knowledge that our duty to shareholders has to be combined with policies for sustainable development. Indeed, we see no conflict between the two. Believing that what we create inherently benefits the wider community, we place great emphasis on sustainability at every level in our company. There are, of course, associated costs and a risk that our operating margin will not continue at the levels we have seen in the past. In our view, however, any risk will be balanced by our ability to add value to our sites, to obtain planning consents that would otherwise be withheld, and to continue matching the expectations of our customers and therefore to maintain competitive advantage.

Putney Wharf, London (St George)

Bright Horizons Creche, Tabard Square, London (Berkeley Homes)

Housing Market
The housing market in Berkeley's core region of London and the South-East remains satisfactory as the fundamentals of strong employment, historically low interest rates, limited supply and a continuing feel-good factor underpin demand.

The Group's strategy of focusing on maximising value as opposed to concentrating on volume and profit growth allows us to match supply and demand appropriately. Reflecting this strategy, Berkeley has secured sales reservations in the year with a value that is 12.5% lower than in 2004/05 and this new level is consistent with our business plan for achieving the Scheme of Arrangement.

As always, getting the product right in terms of design, quality, location and price is key to success in our business and our strategy is well suited to this.

Berkeley continues to maintain a healthy balance between owner-occupiers and investors with each accounting for approximately 50% of reservations. Under the Group's definition, an investor can range from a large institution to a customer purchasing a second home.

In this market, Berkeley's sales prices have typically been 5% to 8% above the price levels in its business plan at the beginning of the year and this has covered increases in build costs.

The pressure on operating margins is reflected in a 0.6% reduction in the Group's land bank gross margin from 28.2% to 27.6%. This trend will continue as Berkeley's policy is to secure further consents on our existing land holdings and whilst this increases the absolute quantum of gross margin and return on investment, it can reduce the gross margin percentage.

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. Securing customers' commitment in this way ensures the quality of future revenue.

At 30th April 2006, Berkeley held forward sales of £581.9 million – £105.1 million less than the £687.0 million reported a year previously. This forward sales position is commensurate with the ongoing business profile and in line with the Group's strategy. Of the £581.9 million, £17.0 million (2005: £37.3 million) is included in debtors in the balance sheet. The remaining £564.9 million (2005: £649.7 million) will benefit the current and future years' income statement and cashflow.

Land Holdings
Once again this year, the Group (including its joint ventures) has more than replaced the number of plots taken to sales through acquisition and optimisation on its existing sites.

Regeneration

Bringing forgotten places back to life

The process of land development is complex, more so in urban areas where the densities are greater and where the regeneration of brownfield sites serves a wider purpose in helping to maintain cities as vibrant, diverse and prosperous civic environments.

With the encouragement of national Government, and an increasing number of public institutions, including the Mayor of London, Berkeley is finding a greater understanding both of the benefits and complexity of urban regeneration. Consequently, Berkeley has welcomed new challenges – such as providing more affordable housing on schemes and minimising even further the environmental impacts of its developments – and with its embrace of partnership with public stakeholders, this is maintaining its competitive advantage and its ability to optimise the value of its land holdings.

Berkeley continues to acquire new sites, albeit selectively, and to submit planning applications on existing schemes. During the year, the company secured a number of important new consents including Potters Field by London's Tower Bridge, Alencon House in Basingstoke, Porters Way in West Drayton, Worcester Pottery in Worcester and Kingsmead in Canterbury. Additional consents at Chelsea Bridge Wharf and Imperial Wharf in London, and at Royal Clarence Yard in Gosport have also been granted.

Imperial Wharf, London (St George)

The Hamptons, Surrey (St James)

Berkeley's land bank is 23,819 plots with an estimated gross margin of £1,672 million. This compares with 23,123 plots and £1,671 million at 30th April 2005. Of these holdings, 19,860 plots (2005 : 20,091) are owned and included on the balance sheet. In addition, 3,264 plots (2005 : 2,680) are contracted and a further 695 plots (2005 : 352) have terms agreed and solicitors instructed. Over 95% of our holdings are on brownfield or recycled land. The comparative figures exclude Crosby.

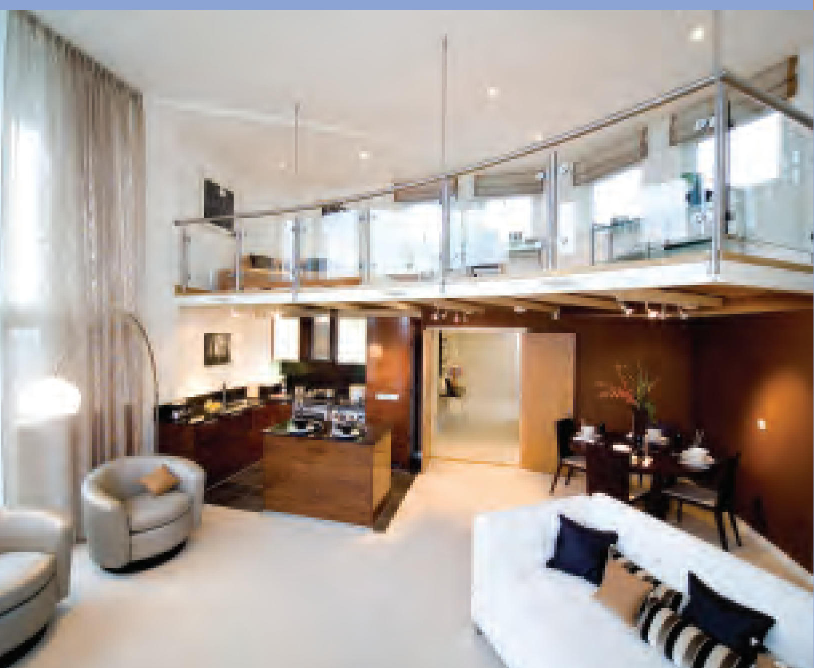
Land bank	April 2006	April 2005 excl. Crosby
- Owned	19,860	20,091
- Contracted	3,264	2,680
- Agreed	695	352
Plots	23,819	23,123
Sales value	£6,067m	£5,931m
Average selling price	£255k	£257k
Average plot cost	£31k	£32k
Land cost percentage	12.3%	12.4%
Gross margin	£1,672m	£1,671m
Gross margin percentage	27.6%	28.2%

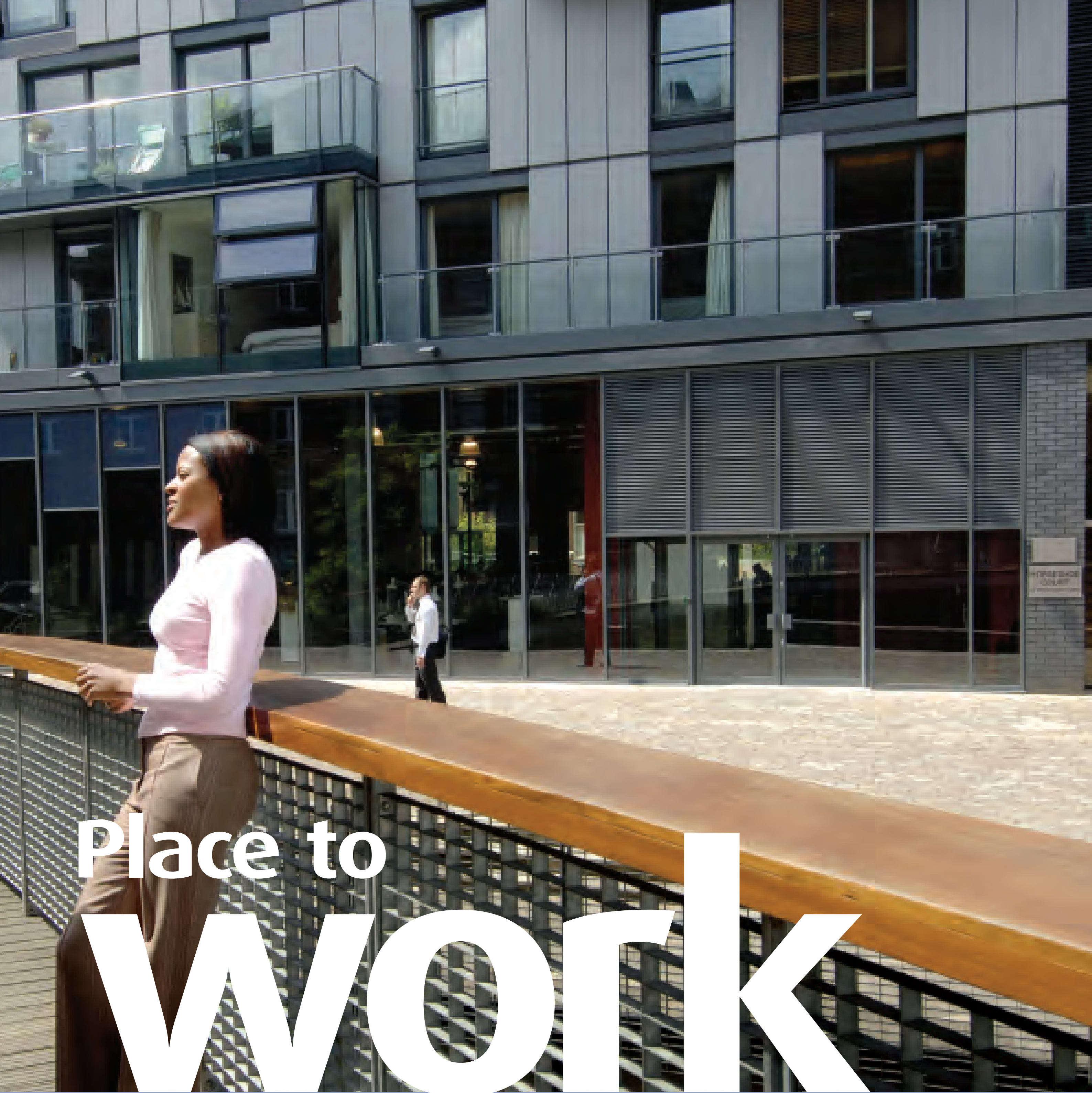
Note: this analysis includes joint venture land holdings, of which 3,855 plots (2005: 2,705) are in St James.

Since the Scheme of Arrangement Berkeley has continued to acquire land on a selective basis and continues to find land prices extremely competitive. In 2004/05 we agreed

Brewery Square, London (Berkeley Homes)

Landmark, Surrey (Berkeley Homes)





Place to work

Regeneration unites people, places and prosperity. It's not about isolated office blocks, or solitary residential developments, or simply building extensions to already vibrant areas. Cities are more complex and the places Berkeley create combine work, play and domestic life. Delivering this challenge is exciting, and people at Berkeley are proud to be helping make these changes happen. It's what makes Berkeley a great place to work.

Berkeley Group Awards 2005/2006

Berkeley is delighted that its commitment to quality and continuous improvement was again recognised by a range of industry awards. These independent validations of achievement are important yardsticks of the progress Berkeley is perpetually trying to make. A full list of the awards won in the last twelve months is included on our website at www.berkeleygroup.co.uk and include:

WWF/Insight Investment Sustainability Survey
Berkeley scored 84%, joint top among the 12 surveyed housebuilders

BURA Awards for Best Practice in Regeneration 2005
A Crystal Award Winner recognising 'best of the best' for Gunwharf Quays (Berkeley Homes)

ODPM & RIBA Housing Design Awards
Project Winner – New River Village, Hornsey (St James)

CABE – Building for Life Award 2005
Silver Standard Award – Putney Wharf (St George)

London Planning Award Winner 2005
Winner Best Built Project Contributing to London's Future: Imperial Wharf (St George)

'Working Well Together' Health & Safety Awards
Winner, Best Housebuilder Safety Initiative (Berkeley Homes)

The Liveable City Awards 2006
Winner, Built Environment Award: West 3 London Apartments (Berkeley Homes West London)

Considerate Constructors Scheme Awards 2006
Gold Award: Chelsea Bridge Wharf Phase 3 (Berkeley Homes)
Silver Award: Talwin Street (Berkeley Homes)
Silver Award: Royal Clarence Yard (Berkeley Homes)
Bronze Award: Knowle Village (Berkeley Homes)
Silver Award: Royal Quarter Phase 3 (St George)
Silver Award: Heron View (St George)
Gold Award: St George Wharf (St George)
Silver Award: The Hamptons (St James)
Bronze Award: New River Village (St James)

Civic Trust Awards 2006
Chelsea Bridge Wharf: Bridge Link (Berkeley Homes)

NHBC Pride In The Job 'Quality Award' 2005
Winner: Royal Quarter (St George)
Winner: Battersea Reach (St George)
Winner: St George Wharf (St George)
Winner: Royal Clarence Yard (Berkeley Homes)

19 sites, of which six were in St James. This year we agreed 17 sites, of which seven were in St James and four of the seven from Thames Water. As a result, the land bank now comprises 19,964 (2005 : 20,418) Berkeley plots and 3,855 plots (2005 : 2,705) within St James.

In line with our focus on maximising returns from our existing land holdings, we continue to submit further applications on most of our regeneration sites.

The Group's land holdings include over 1.5 million ft^2 of commercial space within our mixed-use schemes. The Group is not undertaking any standalone commercial schemes.

Joint Ventures

Berkeley currently has £69.0 million of capital employed in joint ventures, an increase of £4.5 million from the prior year figure of £64.5 million. The Group's share of joint venture bank borrowings has fallen by £46.4 million to £5.3 million.

Joint ventures have been a key ingredient in Berkeley's results and our recent approach has been to concentrate on a small number of strategic partners. This has resulted in St James, our 50% joint venture with Thames Water now having a record number of plots. These total 3,855, an increase of 1,150 units in the year. The business is working up more than 1,000 further units with Thames Water on potential future sites.

In addition, Saad Berkeley continues to promote option land on four sites and we are actively exploring further opportunities. We also continue to look at commercial opportunities within Saad Berkeley Investment Properties. However, in the current market conditions such opportunities have not met our investment criteria.

Looking Forward

I described last year our passion for creating good homes for people and how that had moved Berkeley into its early ventures in urban regeneration, which now of course is the very essence of the new Berkeley. That passion is undiminished as we enter our fourth decade as a company, and continue to operate at the forefront of the land development business. At one level, we are in a business where delivery is complex, and which requires an immense passion and energy: passion to create the vision we need to see the potential of the sites we develop, and energy to make change happen and create places where people really do want to live, work and play. There is also, however,

View from St George Wharf, London (St George)

Winner: Arcadian Place (Berkeley Homes)
Winner: Landmark (Berkeley Homes)
Winner: Chelsea Bridge Wharf (Berkeley Homes)
Winner: Royal Arsenal, Building 50 (Berkeley Homes)
Winner: Royal Arsenal: Building 36 (Berkeley Homes)
Winner: Tempus Wharf (Berkeley Homes)
Winner: Leybourne Lakes (Berkeley Homes)
Winner: Battersea Reach (Berkeley Homes)
Winner: Grosvenor Waterside (St James)

Building Magazine 'Building Communities Awards'
Private Sector Housebuilder of the Year (St James)
'Placemaking Award' for Kew Riverside (St James)

The Daily Telegraph What House Magazine Awards 2005
Gold Award in the Best Exterior Design Category:
Macellum Gate (Berkeley Homes)
Gold Award in the Best Landscaping Category:
Kew Riverside (St James)
Gold Award for Best Brownfield Development:
One SE8 (St James)
Silver Award in the Best Sustainable Project Category:
West 3, Acton (Berkeley Homes)
Bronze Award in the Housebuilder of the Year Award:
Berkeley Homes

Evening Standard New Homes Awards 2005
Winner, Best House up to 4 beds:
Arcadian Place (Berkeley Homes)
Winner, Best Apartment: The Grand Store, Royal Arsenal (Berkeley Homes)
Highly Commended, Best House up to 4 beds:
The Vermont, Leybourne Lakes (Berkeley Homes)
Highly Commended, Best New Luxury Home:
Imperial Wharf (St George)
Special Commendation, Best New Development:
Battersea Reach (St George)
Highly Commended, London Lifestyle Award:
One SE8 (St James)

Daily Mail UK Property Awards 2005
Winner 5* Award: UK Waterfront Home:
Imperial Wharf (St George)
Winner 4* Award: UK Development: Imperial Wharf (St George)
Winner 5* Award: Best Developer Website:
Royal Arsenal (Berkeley Homes)

The Mail on Sunday National Homebuilder Design Awards 2005
Winner, Best Conversion: Putney Wharf (St George)
Winner, Best Landscaping of a development:
Chelsea Bridge Wharf (Berkeley Homes)
Winner, Best Interior Design of a New Home: Apartment 102, The Grand Store, Royal Arsenal (Berkeley Homes)

Bentley International Property Awards
Winner, Best Waterside Development: Imperial Wharf (St George)

Time to play

The joy of spending time with family and friends. Finding time to relax, have fun, and forget about work. Communities spring to life when this essence of humanity is set free. It needs architecture to inspire and space to breathe. It promotes an appreciation of culture, and respects the diversity of people's lives. Berkeley creates these opportunities.

a simplicity to Berkeley, which has stayed constant since I founded the company over thirty years ago:

- We have the best people who thrive on challenge and opportunity.
- We have the vision and courage to seize opportunities others do not.
- We create communities where people want to live, often on previously neglected land.
- We have the experience to manage risk and maximise opportunities in a cyclical business.
- And we always look after our customers, and stand by our product.

That's Berkeley. And it will go on being Berkeley.

We look forward to the next year.

Tony Pidgley
Managing Director

Gunwharf Quays, Portsmouth (Berkeley Homes)

The Hamptons, Surrey (St James)

Financial review

Financial performance and position

Profit before tax

Profit before tax for the continuing business increased by 6.2% to £165.1 million (2005: £155.4 million). Revenue for the continuing Group was up £123.4 million to £917.9 million (2005: £794.5 million) and operating profit up 4.9% to £160.9 million (2005: £153.4 million). The continuing Group's share of post-tax results from joint ventures was up 12.6% to £11.6 million (2005: £10.3 million). The Trading Analysis in the Managing Director's Review on pages 7 to 9 considers these items further.

Net finance costs reduced by £0.9 million to £7.4 million (2005: £8.3 million). These included £6.2 million (2005: £6.8 million) of net bank interest payable and £1.2 million (2005: £1.5 million) of interest imputed on the cost of land acquired on deferred payment terms and on the retirement benefit obligation.

The reduction in bank interest payable of £0.6 million reflected the changing profile of the Group's funding position over the course of the year which saw an opening net debt position of £255.1 million converted to a year-end net cash position of £220.6 million following the generation of £475.7 million of cash in the year.

Profit from discontinued operations

Profit from discontinued operations, which included the profit of £79.7 million on the sale of The Crosby Group plc and its subsidiaries ('Crosby') to Lend Lease Corporation Ltd on 8th July 2005 and the post-tax trading result of that business for the period until the date of sale of £1.1 million, contributed £80.8 million to the profit for the financial year (2005: £24.9 million).

The proceeds from the sale of Crosby were £250.7 million, which included £151.3 million relating to the settlement of intercompany balances and £99.4 million of cash. The net assets of Crosby at the date of disposal were £168.4 million. Expenses of £2.8 million were incurred by the Group in relation to the sale, and a curtailment gain of £0.2 million in The Berkeley Group plc Staff Benefits Plan was realised. Berkeley is able to claim substantial shareholder relief in respect of the profit on sale of £79.7 million, which will result in this disposal being free of tax.

Earnings per share

Basic earnings per share for the Group rose by 44.9% to 168.4 pence (2005: 116.2 pence). This reflected the effect of the profit from discontinued operations of £80.8 million (2005: £24.9 million).

Basic earnings per share for the continuing business rose by 6.1% to 101.1 pence (2005: 95.3 pence). This increase resulted from the impact of five factors: a 4.8% increase

Headline results	April 2006 £'million	April 2005 £'million	Change %
Continuing operations			
Group Revenue	917.9	794.5	+15.5%
Operating Profit	160.9	153.4	+4.9%
Net Finance Costs	(7.4)	(8.3)	+10.8%
Joint Ventures	11.6	10.3	+12.6%
Profit Before Tax	165.1	155.4	+6.2%
Tax	(43.7)	(41.4)	
Profit After Tax	121.4	114.0	+6.5%
Profit from Discontinued Operations	80.8	24.9	
Profit for the Financial Year	202.2	138.9	
EPS – Basic	168.4p	116.2p	+44.9%
EPS – Continuing	101.1p	95.3p	+6.1%

Key financial performance indicators

£475.7 million cash generated

£246.0 million from continuing Group and £229.7 million from Crosby (discontinued operations)

697pence net asset value per share

up 34.6% from 518 pence last year

£220.6 million net cash

up from £255.1 million net debt last year

24.0% return on average capital employed

up from 22.0% last year

contributed by the increase in operating profit, 0.7% from the increase in profit from joint ventures, 0.6% from the reduced net finance costs and 0.5% from the reduced tax charge, offset by a 0.5% reduction arising from share movements.

Cash flow

Following the Scheme of Arrangement in October 2004, cash generation is now as important a financial performance indicator to Berkeley as profit generation. Meeting the B share repayments is fundamental to the Group's strategy.

Berkeley generated £475.7 million of cash flow in the year (2005: cash outflow of £400.3 million), converting net debt of £255.1 million at 30th April 2005 into net cash of £220.6 million at 30th April 2006. There are four elements to Berkeley's cash flow.

Firstly, through cash flows from operating activities (excluding working capital movements), net of interest and tax paid, the Group generated £119.6 million, an increase of £9.5 million from the £110.1 million generated last year.

Secondly, through working capital movements, the Group generated £126.4 million compared to £38.8 million last year, an increase of £87.6 million. The key component of the working capital reduction was a decrease in inventories of £154.7 million in the continuing Group. This arose from three key factors: the reduction in the size of the Group following the Scheme of Arrangement, the Group matching supply more closely to demand and the Group improving working capital efficiencies.

Thirdly, from the discontinued Crosby operations, Berkeley generated £229.7 million. Before transaction expenses, the disposal proceeds were £250.7 million and these were offset by £21.0 million of working capital and other movements in the period prior to disposal. Last year Crosby generated £92.5 million as its management team executed the 7-year exit plan put in place in August 2003.

Fourthly, there are Berkeley's shareholder payments. Whilst there were no payments to shareholders in this financial year, in 2005 shareholder payments included £604.2 million in respect of the redemption of the 2004 B shares, £19.7 million for payment of the final dividend proposed at 30th April 2004 and £20.7 million for share buy-backs in May 2005, offset by £2.8 million received on the issue of new shares to satisfy share options.

Financial position

Net assets increased by 34.7% to £837.2 million (2005: £621.4 million) and net assets per share by 34.6% to 697 pence (2005: 518 pence). The net cash inflow in the year of £475.7 million was offset by a £259.9 million reduction in capital employed, which combined to give the net increase of £215.8 million in net assets.

Cash flow and net assets	April 2006 £'million	April 2005 £'million	Change £'million
Continuing operations			
Operating profit (net of interest & tax paid)	119.6	110.1	9.5
Working capital movements	126.4	38.8	87.6
	246.0	148.9	97.1
Discontinued operations	229.7	92.5	137.2
Payments to shareholders	–	(641.7)	641.7
Decrease / (increase) in net debt	475.7	(400.3)	876.0
Opening net (debt) / cash	(255.1)	145.2	(400.3)
Closing net cash / (debt)	220.6	(255.1)	475.7
Capital employed	616.6	876.5	(259.9)
Net assets	837.2	621.4	215.8
Net assets per share	697 pence	518 pence	+34.6%
ROCE (excluding profit on disposal)	24.0%	22.0%	

£165.1million **pre-tax profit**
up 6.2% from £155.4 million last year

£581.9 million **forward order book**
down from £687.0 million last year

23,819 plots **in land bank**
up from 23,123 last year

Capital employed of £876.5 million at 30th April 2005 included £147.9 million employed in Crosby. For the continuing Group, the reduction in capital employed in the year was therefore £112.0 million, for which the two key factors were a reduction in inventories, partly offset by a reduction in payables.

Inventories were down £339.1 million to £763.9 million (2005: £1,103.0 million). Of this reduction, £184.5 million related to the sale of Crosby and £154.6 million to the continuing Group. The reduction reflects the working capital movements described above.

Current liabilities reduced by £91.1 million to £234.9 million (2005: £326.0 million). Of the reduction, £46.1 million relates to the sale of Crosby, and the remaining £45.0 million to the continuing Group. Non-current liabilities excluding borrowings have reduced by £19.5 million to £25.6 million (2005: £45.1 million). Of the reduction, Crosby represented £7.6 million and the continuing Group £11.9 million. The aggregate reduction for the continuing Group of £56.8 million includes a £34.3 million reduction in land payables.

ROCE

Return on average capital employed increased from 22.0% in 2005 to 24.0% in 2006, with the increase in operating profit and in the share of profits from joint ventures combining with the reduced year-on-year level of capital employed.

Bank facilities

The strong cash generation in the year from both the continuing Group's activities and the disposal of Crosby, allowed Berkeley to restructure its borrowing facilities.

	2006		2005	
	Available £'000	Termination Date	Available £'000	Termination Date
Seven year term facility	–	–	500,000	Aug-11
Revolving facility	375,000	Aug-11	175,000	Aug-07
364 day revolving facility	–	–	150,000	Aug-05
	375,000		825,000	

Beginning the year with £825 million of facilities, the Group cancelled £300 million of its term facility and converted the remaining £200 million to increase the revolving facility to £375 million. At the same time the revolving facility was extended by four years to cover the period to the end of the Scheme of Arrangement. The Group also took the opportunity presented by this restructuring to renegotiate the cost of both drawn and non-utilised funds under the facility. Arrangement fees of £2.6 million in respect of the £825 million facility were expensed in finance costs in the year as a result of this restructuring.

At 30th April 2006, the Group had no drawings (2005: £600 million) under its borrowing facilities.

Operating risk

All businesses are exposed to risk. Indeed, alongside risk comes opportunity and it is how such risks are managed that determines the success of the Group's strategy and, ultimately, its performance and results. Berkeley's strategy allows management to focus on creating sustainable long term value for its shareholders, whilst taking advantage of opportunities as they arise in the short and medium term.

Risk management is embedded in the organisation at operating company, divisional and Group levels, with different types of risk requiring different levels and types of management response.

The principal operating risks of the Group include, but are not limited to:

Issue	Risk
Land availability	Inability to source suitable land to maintain land bank at appropriate margins in a highly competitive market.
Planning	Delays or refusals in obtaining commercially viable planning permission on the Group's land holdings that meet its investment return criteria.
Sales – Price and Volume	Matching supply to demand in terms of product, location and price are key success factors for Berkeley's business. Incorrect assesments can result in missed sales targets and/or inefficient levels of completed stock.
Build – Cost and Program	In what is a competitive market place, build costs are affected by the availability of skilled labour and the price and availability of materials. These factors and the relationship with, and performance of, the contractors used by the Group impact on both build cost and program.

International Financial Reporting Standards
These results have been prepared in accordance with International Financial Reporting Standards (IFRS), the Group having published its restatement of financial information for the year ended 30th April 2005 on 26th October 2005. As a result of the IFRS changes, net assets fell by £48.1 million (40 pence per share) to £621.4 million (518 pence per share) at 30th April 2005.

The one significant change for Berkeley concerns the recognition of revenue and profit (IAS 18 – "Revenue"). Berkeley's previous policy reflected the two different types of scheme that the Group develops. For traditional house-building, revenue and profit on exchanged sales contracts were recognised on physical completion. This policy remains in place and now also applies to our urban regeneration business where revenue and profit were previously recognised on a phased basis to reflect the stage of completion of the relevant exchanged unit. The revenue recognition change accounted for £35.3 million of the £48.1 million reduction in net assets, with the remaining £12.8 million being due to employee retirement benefits and the discounting of land creditors. These changes impact the timing of profit recognition and have no impact on either cash or the underlying business.

Financial risk
The Group finances its operations by a combination of shareholders' funds and bank facilities. As the Group's operations are in sterling there is no direct currency risk, and therefore the Group's main financial risks are primarily:

- market risk and principally interest rate risk with the Group's cash balances and debt currently held at floating rates linked to LIBOR; and

- liquidity risk – this is the risk that suitable funding for the Group's activities may not be available.

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. Relationships with banks and cash management are coordinated centrally.

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. No such instruments were held by the Group at any time during the year or at the year end. It is the Group's policy that no trading in financial instruments shall be undertaken.

Issue	Risk
Product Quality	Poor product quality could expose the Group to additional cost of remediation, as well as reputational damage.
Health & Safety	Site accidents or site related catastrophes, including fire and flood can result in serious injury or loss of life. The inability to attract the best staff, business interruption and reputational damage are all additional potential consequences.
Environmental and Social	Urban regeneration has a significant impact on the built environment and the communities in which it occurs. Berkeley has sustainability at the heart of its operating philosophy to ensure its impact is positive and not detrimental.
People	The Group's success is highly dependent upon its ability to attract and retain the best people working in the industry. Failure to consider the succession of key management could result in lost experience and knowledge from the business.
Government policy	Changes to government policy on housing (at both national and local level), including planning, affordable housing requirements and planning gain obligations all impact on the Group's business.
Macro-Economic climate	Interest rates, employment levels and the overall 'feel good factor' within the UK economy have a direct impact on the demand for housing.

The Internal Control section within the Corporate Governance report on pages 44 to 45 sets out the Group's overall framework for internal control, setting the context for the identification, control and monitoring of these and other risks faced by the Group.

Environmental and social report

As a pioneer of urban regeneration, Berkeley is committed to making significant, long term contributions to the environmental, social and economic fabric of the communities in which the Group works.

At Berkeley, the term 'Sustainability' describes how it manages its corporate environmental, social and economic responsibilities. As such, Berkeley considers sustainability to encompass its wide-ranging corporate responsibilities, sometimes referred to by its peers as CSR. With this embedded in its business practices, Berkeley is able to respond to its stakeholders' aspirations and concerns, allowing it to demonstrate how its business activities achieve these objectives.

Berkeley's sustainability performance has been measured since 2002 against a number of key performance indicators, which are reviewed regularly to ensure their continuing relevance and impact.

Further information on Berkeley's Sustainability strategy, activities, objectives and performance can be found in its 2006 Sustainability Report on its website www.berkeleygroup.co.uk.

Governance

The board-level Sustainability Governance Committee (SGC) has the responsibility of overseeing the Group's strategy and objectives. Meeting twice-yearly, and attended by external consultants, the SGC's establishment reflects the importance that Berkeley attaches to the direct link between its business and sustainability.

At the next level, Sustainability Working Group (SWG) meetings are held once a quarter and are attended by Board directors, senior managers from across the company, and external consultants. It is responsible for disseminating sustainability strategy across the Divisions, as well as reviewing progress against targets. Berkeley Homes, St George and St James, meanwhile, each have their own internal Sustainability Working Groups. All reporting to the Group's SWG, these groups further embed the daily practice of sustainability within the business. They are supported at project level by meetings convened to implement sustainability priorities and procedures on individual sites.

Sustainable development

Berkeley's strategy of focusing on complex, mixed-use urban regeneration schemes places sustainable development at the core of its business activities.

Berkeley's focus on bringing redundant land in the UK back to life means that it has consistently exceeded the Government's target of 60% development of new housing on brownfield land. Indeed, at least 95% of Berkeley's developments have been on brownfield land over the last five years.

As the construction process is the most disruptive part of its development activities, Berkeley views its management of construction as a point of key focus along the journey to creating sustainable communities.

Specifically, Berkeley continues to place emphasis on the importance of construction waste management and the environmental impact of the materials it uses on its developments.

Coupled with these issues, the need to understand the wider environmental impacts of Berkeley's developments, including those relating to climate change, and Berkeley continues to focus on technology improvements, including renewable energy and the reductions in car use on its developments to help significantly reduce carbon emissions.

Berkeley understands that people want to live in homes that are both affordable and accessible, but also of good quality, and that it is important to communicate to customers and purchasers the sustainability of the developments we build. In addition, Berkeley recognises that the satisfaction of the customer is fundamental to the on-going success of the business. In addition to a 4 star rating in the recent Home Builders Federation Survey, Berkeley continues to receive strong customer satisfaction and recommendation feedback from its customers.

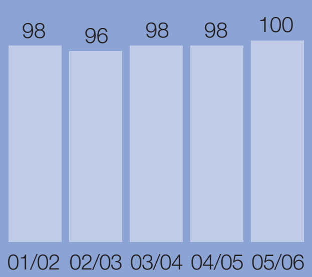
Obtaining recognition for its work in this field is important and Berkeley is delighted to continue to receive awards and external recognition for sustainability, including the WWF/Insight Investment Sustainability Survey, BURA 2005 Regeneration Award for Gunwharf Quays, and continued inclusion in the FTSE4Good Index for socially responsible investment.

Stakeholder engagement
Berkeley is committed to engaging with its stakeholders. At a Group level this includes corporate stakeholders and at a Divisional level it addresses the concerns and aspirations of development specific stakeholders. ▷▷

Key sustainability performance indicators

Key Performance Indicators

Brownfield utilisation %



Berkeley's focus on regenerating redundant land in the UK means that it has consistently exceeded the Government target of 60% development of new housing on brownfield land. 100% of the land it has developed in the past year is on brownfield land. However, the Group does not intend to maintain this performance, but aims instead to ensure that at least 95% of its development is on brownfield land.

In 2005/06 87% of sites commencing construction were implementing Site Waste Management Plans in line with the DTI's Code of Practice

Rising landfill taxes, changes in the waste acceptance criteria and the environmental impacts associated with waste means it is a critical issue for the Group to address. Berkeley understands these business imperatives and, following the waste review undertaken last year, Berkeley set a target to implement Site Waste Management Plans on its sites. The Group has set the requirement that these SWMPs must comply with the nine steps set out in the DTIs Code of Practice, which enables it to manage and reduce the waste it produces.

The Group has set a target that, as a minimum, 90% of sites commencing construction must implement SWMPs in line with the DTIs Code of Practice. This will enable the Group to adequately prepare for any future legislation which may require SWMPs to be implemented on all sites.

◁ Holborough, Kent (Berkeley Homes)

In Berkeley's view, a stakeholder is anyone that either affects or is affected by our activities. We have identified a range of stakeholders at Group, Divisional and project level.
These include:

- Customers
- Investors
- Joint Venture partners
- Local Communities
- Employees
- Contractors and Suppliers
- Housing Associations
- Industry bodies
- Government
- Non-Government and Research organisations

A key driver in many of Berkeley's stakeholder relationships is its concern to form partnerships at many stages of the development process, with individuals, communities and public agencies. In Berkeley's experience, this is essential to the success of the type of regeneration it has evolved.

Employee involvement and communication
Berkeley's management philosophy is demanding and centres on the devolution of operational responsibility and accountability to autonomous management teams. This has created a unique sense of purpose for the people in each business and empowered them to succeed, so building a highly talented and loyal workforce.

Berkeley is firmly committed to the continuation and strengthening of communication lines with all employees. In the past year, Berkeley has relaunched its intranet and is placing an increasing emphasis on this as a tool to enhance communication within the Group. The intranet contains a specific sustainability area, which allows employees access to a wide range of information including guidance notes, case studies and performance data.

From time to time, Berkeley brings together directors from all its divisions to share experiences and best practice and discuss the vision for the future. In December 2005, a directors' conference was held, bringing together the 100 senior people from around the Group for an intensive two days of workshops and presentations from both internal and external presenters. It was a great success, both nurturing the entrepreneurial culture which is at Berkeley's heart, and generating new and innovative strategies for facing some of the continuing challenges on the operational side of the business. Environmental and social issues were at the forefront of the conference's agenda.

Berkeley continues to attract talented young individuals into the company through the Berkeley Graduate Training Programme. This programme aims to provide its graduates with the foundations for a successful career with the Group. In 2005, Berkeley recruited nine graduates, five women and four men, from a variety of academic disciplines. Each of its graduates has taken up placements within the Group's divisions where they are given experience in all the major disciplines of the business.

Health and Safety

As a responsible business, Berkeley not only demonstrates compliance with the law, but also sets universal standards of individual and collective behaviour in all of its activities. Nowhere is this more important than in the area of occupational health and safety, where Berkeley's commitment to all of its employees is absolute. Implemented on every site, health and safety management systems ensure that these policies remain a foundation of Berkeley's business. Their success is reflected by, among other indicators, the number of site managers who completed the five-day CITB Site Managers training course – 91% in the past year. It is also reflected by the numerous industry awards that Berkeley has received over the past year, such as Building Magazine's 'Best Housebuilder's Safety Initiative' for 2005.

Achieving such high standards provides even further incentive for a constant attention to improvement. Performance is consistently audited and reported back to the Group Main Board, further cementing Occupational Health and Safety's strategic importance to Berkeley's business.

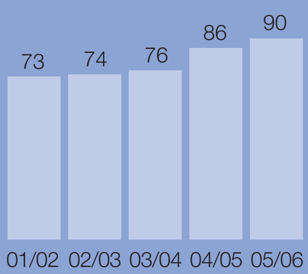
Key sustainability performance indicators

Key Performance

Indicators

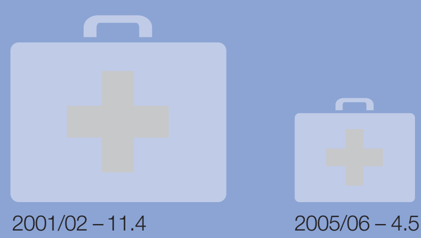
Average customer satisfaction %

Would you recommend Berkeley to your best friend?



Berkeley recognises that without customers it would not have a business. Their response to the product it builds and the service it provides is vital to Berkeley's on-going success. Berkeley has continued to perform strongly in relation to customer service, and was pleased to be given a four star rating in the most recent annual Home Builders Federation Survey.

Average RIDDOR incident rates per 1,000 employees on all sites



Health and safety is an integral part of good site management. Berkeley continues to demonstrate strong performance in this area. This data includes sites where the company is the principle contractor and those where it does not have primary management responsibility for health and safety. Over the past five years, Berkeley has decreased the incident rate by 60%.

Knowle Village, Hampshire (Berkeley Homes)

Governance and Management strength in depth

Tony Pidgley, 58
Group Managing Director and Chairman of the Executive Committee, he co-founded the company in 1976 with Jim Farrer.

Roger Lewis FCA, 59
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, 75

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, 41
Group Finance Director since November 2001, and a member of the Executive Committee. Appointed to the Group Main Board on 1 May 2001, having been Managing Director of Berkeley Homes plc. Joined Berkeley in 1994.

Victoria Mitchell, 55
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
A R Foster ACA

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
M B Tanner

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

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
Beckenham, Kent BR3 4TU
Tel: 0870 162 3100

Stockbrokers
UBS Ltd

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 LLP
Skadden, Arps, Slate, Meagher & Flom (UK) LLP

Auditors
PricewaterhouseCoopers LLP

Bankers
Barclays PLC
Lloyds TSB Bank plc
The Royal Bank of Scotland PLC

Tony Carey BSc FRICS, 58
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.

Greg Fry ACA, 49
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.

David Howell FCA, 57
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. Since December 2005, he has been Chairman of Western and Oriental plc, having previously been 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. From 2000 to 2003 he served as a Non-executive Director of Nestor Healthcare Group plc, chairing the Audit Committee.

Tony Palmer FRICS FCIOB, 69
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 Poole Investments plc having been Chief Executive of Taylor Woodrow Plc and Chairman of Meyer International plc and Galliford Try plc.

Michael Tanner, 61
Appointed a Non-executive Director on 1 September 2005, having retired from George Wimpey UK at the end of December 2004 where he was Divisional Managing Director, South, a post he had held for ten years. He has a wealth of experience and expertise stretching over thirty-four years in the building and construction industry with Tarmac and with George Wimpey.

Directors' report

The Directors submit their report together with the financial statements for the year ended 30 April 2006.

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 Company is incorporated and domiciled in England and is quoted on the London Stock Exchange.

On 8 July 2005, the Group completed the sale of The Crosby Group plc to Lend Lease Corporation Limited, for consideration of £250,736,000 which included the settlement of £151,306,000 of intercompany balances. Further details on the disposal of The Crosby Group plc can be found in Note 7.

The information that fulfils the requirements of the business review can be found in The Chairman's Statement on pages 2 to 5, the Managing Director's Review on pages 6 to 17, which provides more detailed commentaries on the business during the year together with the outlook for the future, the Financial Review on pages 18 to 21 and the Environmental and social report on pages 22 to 25. In addition, information in respect of the financial risks of the business is set out in the Financial Review on page 21.

Trading results and dividends

The Group's consolidated profit for the financial year was £202,147,000 (2005: £138,958,000).

Following the payment of the final ordinary dividend in respect of the financial year ended 30 April 2004 of 16.5 pence 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 5 pence at any time.

The Group's joint ventures contributed profits after taxation of £11,562,000 (2005: £10,358,000).

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.

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 financial year ended 30 April 2005 the Company redeemed 120,820,642 2004 B shares at £5 per share. There were no redemptions of shares during the financial year ended 30 April 2006. The Company had 120,820,642 Units in issue at 30 April 2006 and 30 April 2005.

Movements in the Company's share capital are shown in Note 19 to the accounts.

Of the 10% authority given at the 2005 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.

Information on the Group's share option schemes is set out in Note 5 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 34, 35 and 40.

Directors

The Directors of the Company and their profiles are detailed on pages 26 and 27. All of the Directors served throughout the year under review with the exception of Mr Tanner, who was appointed on 1 September 2005.

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

The Directors' interests in the share capital of the Company and its subsidiaries are shown in the Remuneration Committee Report on page 41. At 30 April 2006 each of the Executive Directors was deemed to have a non-beneficial interest in 693,301 (2005: 915,607) 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 27, 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 17 July 2006:

	Number of Units held	% of issued capital
Saad Investments Company Limited, Mr Al-Sanea, Lombard Atlantic Bank N.V., Awal Bank B.S.C and Saad Investments Finance Co (No.3) Ltd	35,175,000	29.11
M & G Investment Management Ltd	5,193,596	4.29
Legal & General plc Companies	3,946,615	3.26
Lloyds TSB Group plc	3,761,214	3.11

Donations

During the year, donations by the Group for charitable purposes in the United Kingdom amounted to £190,977 (2005: £162,287). The Group made no political contributions (2005: £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 fifth 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 22 to 25 and to Berkeley's fifth 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. For further information, please refer to the Environmental and social report on page 25.

In our recently published Sustainability Report 2006, 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 2006, the Company did not have any trade creditors (2005: nil).

Auditors
So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware.

The Directors have taken all the relevant steps that they ought to have taken in their duty as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Annual General Meeting
The Annual General Meeting of the Company is to be held at the Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB at 11.00am on Friday 1 September 2006. The Notice of Meeting, which is contained in a separate letter from the Group Chairman accompanying this report, includes a commentary on the business to be transacted at the Annual General Meeting.

By order of the Board

A R Foster ACA
Company Secretary
17 July 2006

Remuneration Committee report

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 during the year.

Part 2 of the regulations – unaudited information

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.

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 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 own remuneration.

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 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 is 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 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	Ultraframe plc
Balfour Beatty Plc	Crest Nicholson Plc	Persimmon Plc	Westbury Plc
Barratt Developments Plc	George Wimpey Plc	Redrow Plc	Wilson Bowden Plc
Bellway Plc	Marshalls Plc	Taylor Woodrow Plc	
Bovis Homes Group Plc	McAlpine (Alfred) Plc	Travis Perkins Plc	

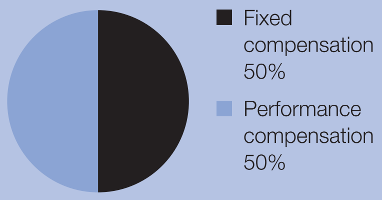
The Remuneration Committee reviews the policy on an annual basis to ensure that it is in line with the Company's objectives and shareholders' interests.

Remuneration Committee report continued

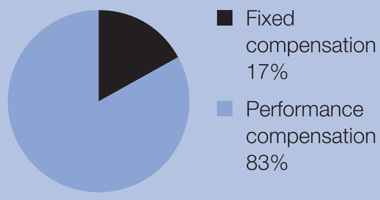
Balance between fixed and variable performance based pay

The charts below demonstrate the balance between fixed and variable performance based pay for each Executive Director for the year ended 30 April 2006:

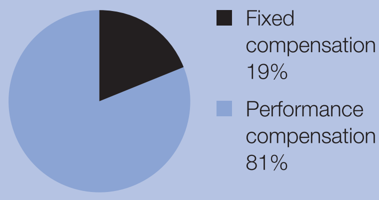
Mr R St J H Lewis
Executive Chairman



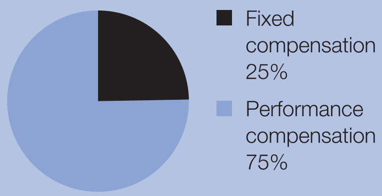
Mr A W Pidgley
Group Managing Director



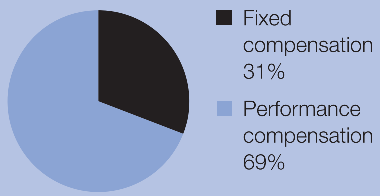
Mr R C Perrins
Group Financial Director



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
– Fair value of LTIP on grant
– Fair value of options on grant

The Executive Directors hold no external appointments.
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 2006
In accordance with the three year 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. When determining the salaries of the Executive Directors the Remuneration Committee takes into consideration:

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

The Remuneration Committee reviewed the salaries of the Executive Directors in May 2006 at the end of the three year salary freeze period in light of the factors set out above. As a result of the review the Remuneration Committee felt that it was appropriate to increase the salary of the Group Finance Director of the Company. No rises were made for the other Executive Directors.

Executive	Current salary	Salary for y/e 30 April 2007	% rise in salary
R St J H Lewis	£220,000	£220,000	0%
A W Pidgley	£750,000	£750,000	0%
R C Perrins	£325,000	£350,000	7.6%
A Carey	£405,000	£405,000	0%
G J Fry	£290,000	£290,000	0%

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. Bonus payments are not pensionable.

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. The maximum bonus potential and the effective maximum bonus potential remain the same for the financial year ending 30 April 2007 i.e. 200%.

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. These Units will be retained by the Executives for 18 months.

Year ended 30 April 2006

The targets for the year ended 30 April 2006, their level of achievement and the corresponding bonus earned for the Executive Directors are set out in the following tables:

Bonus potential and targets for the years ended 30 April 2006 and 30 April 2007

The following table shows the maximum bonus potential for each of the Executive Directors for the years ended 30 April 2006 and 30 April 2007. In addition, the table shows the percentage of that maximum bonus potential subject to each performance target for the financial year ending 30 April 2006 and for the future financial year ending 30 April 2007:

		Bonus targets	
Executive	Maximum annual bonus potential (%age of salary)	Cash redemption bonus criteria (see below for full description)	Annual divisional PBT targets (see below for full description)
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 following table shows the maximum potential bonus for each Executive and the bonus earned for the year ended 30 April 2006:

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%
2006 bonus paid	£220,000	£1,500,000	£650,000	£590,000	£295,000
2006 bonus paid (% of salary)	100%	200%	200%	146%	102%

Bonus performance criteria

Cash redemption condition

This performance condition applies to 100% of the maximum bonus potential for the Group Executive Directors and 25% of the maximum bonus potential for the Divisional Executive Directors.

For years ending 30 April 2005, 2007, 2009 and 2011, the cash redemption condition requires the returns of capital of £5, £2, £2 and £3 per Unit respectively.

For years ending 30 April 2006, 2008 and 2010, the cash redemption condition will be met if the dividend lock up tests[1] 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 Remuneration Committee is of the opinion that the dividend lock up tests have been satisfied as at 30 April 2006. In forming this opinion the Committee has in part relied on the fact that the satisfaction of the dividend lock up tests has been independently verified. Therefore, the Remuneration Committee has agreed the bonus payments set out above which are subject to the satisfaction of this performance condition.

Divisional PBT performance condition

The divisional PBT targets are set at the beginning of the financial year at a level which is challenging taking into account the potential level of bonus payments, the market, development availability and other relevant issues. The Remuneration Committee confirms that the annual bonus payments set out within this report for the Divisional Executive Directors are appropriate taking into account the level of profit achieved and the targets set at the beginning of the year ending 30 April 2006.

Share incentives

Policy: Upper decile

Overview

Executive Directors

The only Executive share incentive plan operated by the Company is The Berkeley Group Holdings plc 2004(b) Long-term Incentive Plan (the "2004(b) LTIP") approved by shareholders at the AGM on 17 September 2004.

The Executive Directors, excluding the Executive Chairman, in accordance with the rules of the 2004(b) LTIP were granted one award on the adoption of the Plan. Therefore, no awards have been granted to the Executive Directors during the financial year ended 30 April 2006 under the 2004(b) LTIP or any other share based arrangement. Further, no awards will be made under the 2004(b) LTIP or any other share based arrangement during the financial year ending 30 April 2007.

Other senior employees of the Company

The Company's business is broken down into a number of operating Divisions. The Remuneration Committee considered the annual and longer term cash based compensation arrangements for other senior employees of the Company linked to the performance of the relevant Division for which they work that are implemented by the Board. Some elements of the cash bonus plans are annual whilst other elements are deferred to ensure long-term consistent delivery by each Division. It is the view of the Board that these arrangements are much more targeted at ensuring the delivery of Divisional performance, for which these senior employees are responsible, than a share based plan which by its very nature would be subject to Group performance. It is the view of the Board that ensuring that senior employees are focused on the delivery of Divisional results is the most effective way of driving shareholder value.

2004(b) LTIP main features

The Plan provides for Executive Directors, excluding the Executive Chairman, with rights to receive, at no cost, the shares set out in the table below. The number of shares awarded under the Plan was determined on 26 October 2004, the date of the Scheme of Arrangement, as 15% of the fully diluted share capital of the Company on adoption of the 2004(b) LTIP. The shares will only be released to the Executive Directors if the Company has returned to shareholders £12 per share by 31 January 2011, i.e. the end of the holding period. Fifty percent of the shares subject to awards will be retained by the Executive Directors for a period of at least 12 months after the date of release, with the balance retained for a period of at least 24 months following release.

[1] The dividend lock up tests are the additional 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.

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

Name	Ordinary Shares
A W Pidgley	11,371,393
R C Perrins	4,264,272
A Carey	3,553,560
G J Fry	2,132,136

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.

Shareholding requirement

The Company has a shareholding requirement for both Executive and Non-executive Directors.

The following table sets out the shareholding requirement and the actual shareholdings of the Executive Directors as at 30 April 2006:

Name	Current shareholding as a % of salary (based on 30 April 2006 share price)	Shareholder requirement as a % of salary by the end of the year ended 30 April 2009
Group Executive Chairman (R St J H Lewis)	214%	200%
Group Managing Director (A W Pidgley)	2,406%	400%
Group Finance Director (R C Perrins)	150%	200%
Divisional Director (A Carey)	801%	200%
Divisional Director (G J Fry)	500%	200%

The following table sets out the shareholding requirement and the actual shareholdings of the Non-executive Directors as at 30 April 2006:

Name	Current shareholding as a % of net fees (based on 30 April 2006 share price)	Shareholding requirement to be built up within three years of appointment (as a % of net fees)
H A Palmer	180%	100%
D Howell	156%	100%
V M Mitchell	283%	100%
M B Tanner	–	100%

Dilution

The only share plan operated by the Company is the 2004(b) LTIP. It is not currently intended to operate any other Executive or all employee share incentive arrangements. The Company has historically operated all its share schemes within the ABI dilution limits excluding the 2004(b) LTIP which was a unique arrangement arising from the change in corporate strategy. There has been no dilution for the purposes of the ABI dilution limits in the year ended 30 April 2006.

Remuneration Committee report continued

Closed share plans

The following table sets out those share plans closed on the reconstruction of the Company in relation to which there are still unpaid benefits held by the Executive Directors:

Plan	Position
The Berkeley Group plc 2000 Long-term Incentive Plan	In accordance with the rules of the Plan the performance conditions were measured on the reconstruction of the Company and were found to have been satisfied. Therefore, Executives were entitled to the immediate release of their awards. The Executives, however, agreed to defer the release of these awards until their original release dates and for the awards to remain subject to the cessation of employment provisions in the rules. No further conditions apply to the awards as the original performance conditions were satisfied in accordance with the rules of the Plan on the reconstruction.
The Berkeley Group plc 2000 Share Option Plan	The Group Managing Director was the only Executive Director to have unvested options on the date of the reconstruction. On the reconstruction his options vested and the Group Managing Director chose to take the conditional compensation payment[2] alternative offered to all holders of unvested options under the Plan.

[2] The conditional compensation payment is equal to the difference between the share price 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.

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 Group Personal Pension Plan (which replaced The St George PLC Retirement and Death Benefits Scheme with effect from 1 March 2006). No element of remuneration other than basic salary is pensionable.

Three Executive 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. The Company is currently in the process of reviewing all its pension arrangements (including those for Executive Directors). However, it should be noted that the Company is not providing any compensation to Executives for loss of tax relief as a result of the change in legislation on 6 April 2006 ("A–Day").

Details of pension costs for Executive Directors are set out in the audited section of the report on page 39.

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 Board of the Company has consulted widely with the management and individuals in its operating Divisions. The consensus view was that employees preferred the opportunity of receiving annual cash bonuses based on the performance of their respective Divisions rather than participate in a Group based all employee share scheme. The Board, therefore, did not believe it was in shareholders' interests to incur the income statement and dilutive cost of share arrangements which would not have the desired effect on employees. Accordingly, the Company has introduced appropriate annual bonus arrangements in all of its Divisions and is not intending to implement any employee share schemes.

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 2006 fee levels are based on a specific survey of the fees paid to Non-executive Directors in the comparator group by Halliwell Consulting. The following table sets out the fee rates for the Non-executive Directors in the year ended 30 April 2006:

Element	H A Palmer Senior Independent Director	D Howell	V M Mitchell	M B Tanner[3]
Total fee rates 2006	£54,400	£52,500	£52,500	£50,000
Total fee rates 2005	£54,400	£50,000	£50,000	–
% Increase	0%	5%	5%	–
Breakdown of 2006 fee				
Basic fee	£54,400	£44,000	£44,000	£50,000
Chair of Committee fee	–	£8,500	£8,500	–

[3] M Tanner was appointed on 1 September 2005. Therefore his fees for the year ended 30 April 2006 have been annualised for comparison purposes.

The Board decided to increase the fees of the Non-executive Directors for the year ended 30 April 2006 in light of the following factors:

- the increasing workload and level of responsibility of the Non-executive Directors under the changing corporate governance expectations of shareholders and their representative bodies; and
- the current market rate for fees for Non-executive Directors. The Board has been made aware of the market rates for Non-executive Directors during its recent recruitment exercise resulting in the appointment of M Tanner.

Non-executive Directors cannot participate in any of the Company's share incentive schemes or performance based plans and are not eligible to join the Company's pension scheme.

Executive Directors' contracts

The policy on termination is that the Company does not make payments beyond its contractual obligations. The only event on the occurrence of which the Company is potentially liable to make a payment to any of the Executive Directors is on cessation of employment; with the maximum payment being 12 months' salary. No payment is due on either a Company takeover or in the event of liquidation. In addition, Executive Directors will be expected to mitigate their loss. 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' agreements

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

Further details of all Directors' contracts are summarised below:

	Date of contract	Unexpired term	Notice period by Company or Director	Potential termination payment	Potential payment upon Company takeover	Potential payment in event of liquidation
Executive Directors						
R St J H Lewis	24 June 1994	1 year rolling	12 months	12 months' salary	nil	nil
A W Pidgley	24 June 1994	1 year rolling	12 months	12 months' salary	nil	nil
A Carey	20 September 1994	1 year rolling	12 months	12 months' salary	nil	nil
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 2006	n/a	1 month	1 month	nil	nil
V M Mitchell	1 May 2006	n/a	1 month	1 month	nil	nil
H A Palmer	1 May 2006	n/a	1 month	1 month	nil	nil
M B Tanner	1 September 2005	n/a	1 month	1 month	nil	nil

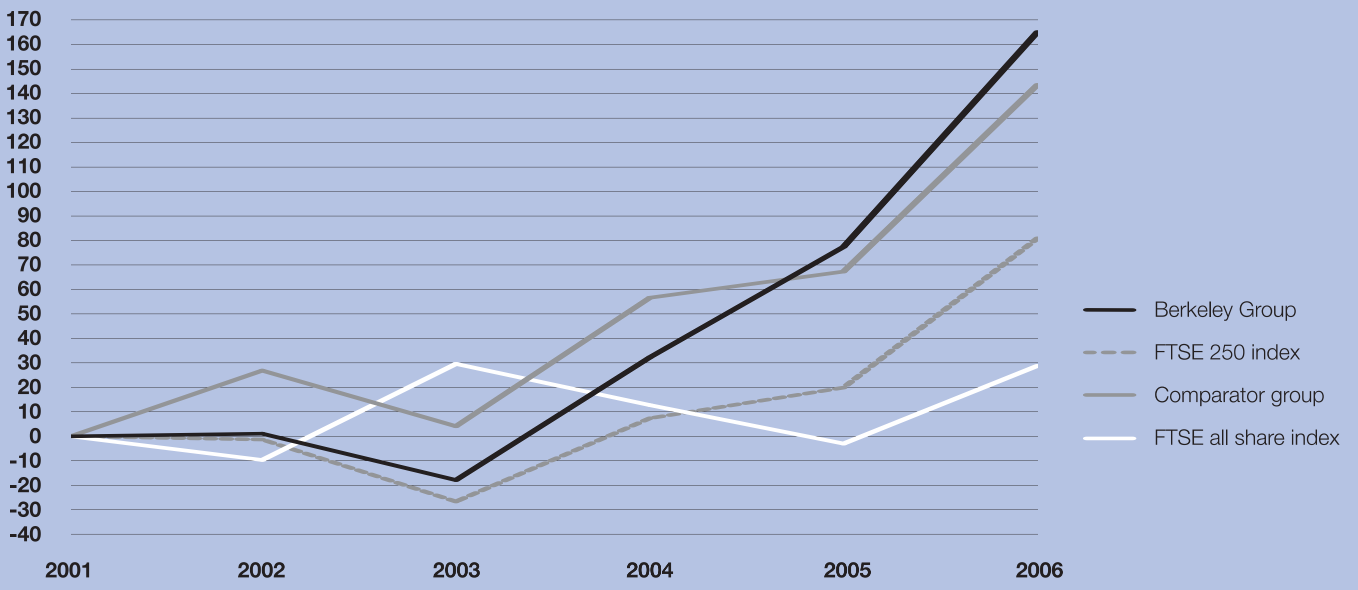
Remuneration Committee report continued

Performance graph

The graph shows the Company's performance, measured by total shareholder return ("TSR"),[4] compared with the performance of the FTSE250, the FTSE All Share and the Company's remuneration comparator group (as set out on page 31). The Company considers these the most relevant indices for total shareholder return disclosure required under the Directors' Remuneration Report Regulations 2002.

[4] 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 relevant Indices and constituents of the Comparator Group.

Total shareholder return from 30 April 2001 (%)



Audited information

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[4] £	**2006 Total £**	2005 Total £
Executive Directors					
R St J H Lewis (Chairman) (1)	220,000	220,000	1,042	**441,042**	386,144
A W Pidgley	750,000	1,500,000	34,273	**2,284,273**	2,284,044
A Carey	405,000	590,000	32,294	**1,027,294**	987,186
G J Fry	290,000	295,000	31,048	**616,048**	596,005
R C Perrins	325,000	650,000	25,460	**1,000,460**	997,854
Non-executive Directors					
D Howell	50,000	–	–	**50,000**	41,400
V M Mitchell (2)	50,000	–	–	**50,000**	101,913
H A Palmer	54,400	–	–	**54,400**	45,500
M B Tanner (3)	33,334	–	–	**33,334**	–
	2,177,734	3,255,000	124,117	**5,556,851**	5,440,046

(1) Mr Lewis' working hours are 3½ days per week.
(2) In 2005, £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 work 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) Appointed as a Director on 1 September 2005.
(4) 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.

The release of awards under The Berkeley Group plc 2000 Long-term Incentive Plan and cash compensation payments in respect of The Berkeley Group plc 2000 Share Option Plan are set out in the remaining sections of the Remuneration Committee Report.

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 2005 (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 2006 (3) £
R St J H Lewis	59	14	22,438	1,731	2,314	31,093	24,752
A W Pidgley	58	19	219,977	17,013	22,732	293,042	242,709
R C Perrins	41	11	18,085	1,743	2,213	12,123	20,298

(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.

The above Directors are non-contributory members of the Plan. A W Pidgley was a contributory member of the Plan until February 2006. The change in transfer value during the year for Mr Pidgley, excluding contributions paid by him, is £237,595.

	Age	Pensionable service (years)	Transfer value at 30 April 2006 £	Transfer value at 30 April 2005 £	Change in transfer value during the year £	Change in transfer value during the year excluding contributions paid £
R St J H Lewis	59	14	444,706	349,921	94,785	94,785
A W Pidgley	58	19	4,180,569	3,368,587	811,982	774,482
R C Perrins	41	11	141,113	102,610	38,563	38,563

The transfer values of the Directors' accrued benefits under the Defined Benefit Plan, as set out above, are calculated in accordance with the 'Retirement Benefits Scheme – Transfer Values (GN11)' published by the Institute of Actuaries and the Faculty of Actuaries. The transfer values disclosed above represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the liability in respect of qualifying services. As such they represent a potential liability of the pension scheme. These transfer values do not represent a sum paid or payable to the individual Director and therefore cannot be added meaningfully to annual remuneration. Members of the fund have the option to pay additional voluntary contributions; neither these contributions nor the resulting benefits are included in the transfer values in the table above.

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

Defined Contribution Plan

	Age	**Company contributions 2006 £**	Company contributions 2005 £
A W Pidgley	58	**28,125**	37,500
A Carey	58	**60,750**	60,750
G J Fry	49	**43,500**	43,500
		132,375	141,750

Remuneration Committee report continued

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 2005 Cash £	Paid in year £	**At 30 April 2006 Cash £**	Cash release date	At 1 May 2005 Shares	Released in year	**At 30 April 2006 Shares**	Value released £	Share release date
A W Pidgley									
7 Aug 2001 (1)	–	–	**–**	7 Aug 2004	82,701	(82,701)	**–**	1,146,236	7 Aug 2005
19 Aug 2002 (2)	650,000	(650,000)	**–**	19 Aug 2005	97,744	–	**97,744**	–	19 Aug 2006
22 July 2003 (2)	750,000	–	**750,000**	22 July 2006	98,361	–	**98,361**	–	22 July 2007
A Carey									
7 Aug 2001 (1)	–	–	**–**	7 Aug 2004	48,242	(48,242)	**–**	668,634	7 Aug 2005
19 Aug 2002 (2)	385,000	(385,000)	**–**	19 Aug 2005	57,894	–	**57,894**	–	19 Aug 2006
22 July 2003 (2)	405,000	–	**405,000**	22 July 2006	53,115	–	**53,115**	–	22 July 2007
G J Fry									
7 Aug 2001 (1)	–	–	**–**	7 Aug 2004	25,844	(25,844)	**–**	358,198	7 Aug 2005
19 Aug 2002 (2)	206,250	(206,250)	**–**	19 Aug 2005	31,015	–	**31,015**	–	19 Aug 2006
22 July 2003 (2)	217,500	–	**217,500**	22 July 2006	28,524	–	**28,524**	–	22 July 2007
R C Perrins									
7 Aug 2001 (1)	–	–	**–**	7 Aug 2004	13,783	(13,783)	**–**	191,032	7 Aug 2005
19 Aug 2002 (2)	187,500	(187,500)	**–**	19 Aug 2005	28,195	–	**28,195**	–	19 Aug 2006
22 July 2003 (2)	243,750	–	**243,750**	22 July 2006	31,967	–	**31,967**	–	22 July 2007

(1) The participants received the share element of the 2001 awards during the year. 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 their release on 7 August 2005. The participants received the cash element of these awards during FY2005.

(2) As explained on page 36, 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 received the cash element of the 2002 award during the year, and will receive 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. All the 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 participants will receive Units as well as any redemption payments attached to those Units, which will be held in trust until the relevant release dates.

The mid-market share price of the Company on 7 August 2001 was 725.5p, on 19 August 2002 was 665.0p, on 22 July 2003 was 762.5p, and on 7 August 2005 was 886.0p.

The mid-market share price of the Company was 770.0p as at 1 May 2005 and the mid-market share price of the Company was 1,151p as at 30 April 2006. The mid-market high and low share prices of the Company were 766.0p and 1,211.0p respectively in the year.

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 2005 Shares	Released in year	**At 30 April 2006 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. Fifty percent 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 pages 34 to 35.

Directors' interests in shares

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.

Name	**Units* 30 April 2006**	Units* 1 May 2005
R St J H Lewis	**40,890**	40,890
A W Pidgley	**1,567,780**	2,085,896
A W Pidgley Non-beneficial	**19,183**	19,183
A Carey	**281,978**	224,228
G J Fry	**126,056**	100,212
D Howell	**4,000**	4,000
V M Mitchell	**7,274**	5,474
H A Palmer	**5,000**	5,000
R C Perrins	**42,362**	50,256
M B Tanner	**–**	–

* The beneficial interests in Units (each Unit comprising one Ordinary Share of 5p, one 2004B share of 5p, one 2006B share of 5p, one 2008B share of 5p and one 2010B share of 5p) at 1 May 2005 relates 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 Company was 770.0p as at 1 May 2005 and the mid-market share price of the Company was 1,151p as at 30 April 2006. The mid-market high and low share prices of the Company were 766.0p and 1,211.0p respectively in the year.

At the date of this report, the interests of A W Pidgley in the Ordinary Share capital of the Company have increased by 35,946 Units to 1,603,726 Units, the interests of A Carey have increased by 8,866 Units to 290,844 Units, the interests of R C Perrins have increased by 15,576 Units to 57,938 Units, the interests of G J Fry have increased by 239 Units to 126,295 Units and the interests of V M Mitchell have increased by 1,000 Units to 8,274 Units.

Following the Court approval of the Scheme of Arrangement on 25 October 2004, the Scheme triggered the rights of participants to exercise options under the Group's share option schemes which would not otherwise have been exercisable. 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") and The Berkeley Group plc 1994 SAYE Share Option Scheme (the "SAYE Scheme"), there were no further options outstanding at 1 May 2005, and no further grants will be made under these schemes.

Aggregate gains made by Directors on the exercise of share options in the year amounted to £nil (2005: £125,397).

Under The Berkeley Group plc 2000 Share Option Plan (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 36 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 2005	Option release date	1 May 2005 £	Paid during year £	**30 April 2006 £**	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 Company over the ten 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
17 July 2006

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.

Statement of compliance

The Board considers that it complied throughout the year with the provisions of Section 1 of the Combined Code except that until the appointment of Mr Mike Tanner on 1 September 2005, at least half the Board, excluding the Chairman, did 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 six times during the year under review. There were no absences from any Board meetings by any Director except that Mr David Howell was unable to attend the April 2006 Board meeting due to ill health. The Board also schedules additional meetings in relation to certain corporate projects and to fulfil legal obligations.

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.

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 other than for the appointment of Mr Mike Tanner on 1 September 2005 and now comprises nine Directors including the Group Chairman, four further Executive Directors and four Non-executive Directors. The Board considers that all the Non-executive Directors (Messrs. Tony Palmer, David Howell and Mike Tanner and Mrs Victoria Mitchell) have skills and experience complementary to the Executive Directors and offer independent judgment when required and remain independent. Brief biographies appear on pages 26 to 27. 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 its 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, Mr David Howell and Mr Mike Tanner were appointed to the Board as Non-executive Directors on 1 May 2002, 24 February 2004 and 1 September 2005 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 predetermined compensation on termination. The terms of appointment for the Non-executive Directors are renewable annually on 1 May 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.

The Articles of Association of the Company include the requirement for Directors to submit themselves to shareholders for re-election every three years, in accordance with the Combined Code. In addition, 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.

Prior to the appointment of Mr Mike Tanner on 1 September 2005, half of the Board (excluding the Chairman) did not comprise independent Non-executive Directors. The Board however considers that the skill base, experience and judgment 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 Company.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Committee Report on pages 31 to 41.

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. All Directors completed the wide-ranging appraisal questionnaire and the results were reviewed by the Board in April 2006. The Non-executive Directors led by the Senior Independent Director also conducted an evaluation of the Chairman. The process concluded that the stability and cohesiveness of the Board has been the key to the Board's continued effectiveness. 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 pursuant to the provisions of the Combined Code. The Terms of Reference can be downloaded from the section dealing with Investor Relations on the Berkeley website (www.berkeleygroup.co.uk). 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 four independent Non-executive Directors. Mr Tanner was appointed to the Committee in November 2005 following his appointment as a Non-executive Director on 1 September 2005. The Committee met on three occasions during the year with no absences except that Mr Palmer was unable to attend the December 2005 meeting due to being involved in a car accident on the way to the meeting.

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.

Corporate Governance continued

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 discharging these responsibilities in the year ended 30 April 2006, the Committee specifically reviewed the work undertaken by the Group in the preparation for the implementation of International Financial Reporting Standards and commissioned an independent external review of the effectiveness of the internal audit function. The findings of the latter review were considered by the Audit Committee as part of its overall monitoring of the internal audit function.

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 31 to 41.

The Committee is chaired by Mrs Victoria Mitchell and the other members comprise 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 to 30 April 2006, the Committee met formally on three occasions and there were no absences.

No Director is involved in deciding his or her remuneration. The Executive Directors decide the remuneration of the Non-executive Directors.

Nomination Committee
The Nomination Committee was primarily established to propose new appointments to the Board. It is also responsible for succession planning. The Committee is chaired by the Group Chairman, Mr Roger Lewis (save in the event of discussions relating to his own succession) with Messrs Tony Palmer and Mike Tanner and Mrs Victoria Mitchell as Independent Non-executive members. The Committee meets at least twice per annum and at such times as required to carry out the duties of the Committee. During the year, the Committee met formally on three occasions and there were no absences. The Committee recommended to the Board the appointment of Mr Mike Tanner as a Non-executive Director. Independent recruitment specialists assisted the Committee in the search criteria and the selection process.

Key risks and internal control
The Board confirms that an ongoing process for identifying, evaluating and managing the significant risks of the Group has been in place from the start of the year to the date on which the 2006 Annual Report and Accounts were approved.

This process is regularly reviewed by the Board and is in accordance with the Turnbull guidance issued in 1999, and includes an annual review by the Directors of the operation and effectiveness of the system of internal control as part of its year end procedures.

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 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 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 The Group has recently formalised its whistleblowing policy which has been communicated to all staff, where Directors, management and staff can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters.

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.

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.

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 will also be 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.

Corporate Governance continued

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 approval at the 2004 Annual General Meeting of the amendment to the Company's articles to allow the Company the power to provide electronic voting facilities for shareholders who hold their shares through Crest, the Company was then able to use Crest voting facilities for the 2005 Annual General Meeting.

Going concern

After making proper enquiries, the Directors have a reasonable expectation that the Group has 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 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 Group keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the 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 consolidated financial statements

Independent auditors' report to the members of The Berkeley Group Holdings plc
We have audited the group financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2006 which comprise the Consolidated income statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2006 and on the information in the Remuneration Committee Report that is described as having been audited.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Managing Director's review, the Financial review and the Environmental and social report that are cross referred from the section entitled Principal activities and review of the business in the Directors' Report. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

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 form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Chairman's statement, the Managing Director's review, the Financial review, the Environmental and social report, the Directors' Report, the unaudited part of the Renumeration Committee report and the Corporate Governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group'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 group financial statements 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 group financial statements.

Opinion
In our opinion:
- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2006 and of its profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 July 2006

Consolidated income statement

For the year ended 30 April	Notes	**2006 £'000**	2005 £'000
Continuing operations			
Revenue	2	**917,926**	794,461
Cost of sales		**(686,166)**	(565,395)
Gross profit		**231,760**	229,066
Net operating expenses		**(70,885)**	(75,687)
Net operating expenses include:			
Merger expenses		**–**	(1,633)
Operating profit	2	**160,875**	153,379
Interest receivable	3	**19,968**	11,292
Finance costs	3	**(27,304)**	(19,573)
Share of post tax results of joint ventures	11	**11,562**	10,358
Profit before taxation from continuing operations	4	**165,101**	155,456
Taxation	6	**(43,736)**	(41,439)
Profit after taxation from continuing operations		**121,365**	114,017
Discontinued operations			
Profit from discontinued operations	7	**80,782**	24,941
Profit for the financial year attributable to equity shareholders		**202,147**	138,958
Dividends paid per Ordinary Share	8	**–**	16.5p
Earnings per Ordinary Share – basic	9	**168.4p**	116.2p
– continuing operations	9	**101.1p**	95.3p
– discontinued operations	9	**67.3p**	20.9p
– diluted	9	**167.4p**	115.3p
– continuing operations	9	**100.5p**	94.6p
– discontinued operations	9	**66.9p**	20.7p

Consolidated statement of recognised income and expense

For the year ended 30 April	Notes	**2006 £'000**	2005 £'000
Profit for the financial year		**202,147**	138,958
Actuarial gain/(loss) recognised in the pension scheme	5	**1,925**	(3,262)
Deferred tax on actuarial gain/(loss) recognised in the pension scheme	18	**(578)**	978
Credit in respect of employee share schemes	5	**6,347**	3,533
Deferred tax in respect of employee share schemes	18	**6,440**	658
Total recognised income for the financial year		**216,281**	140,865

Consolidated balance sheet

As at 30 April	Notes	**2006 £'000**	2005 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**2,252**	8,883
Investments accounted for using equity method	11	**68,995**	64,497
Deferred tax assets	18	**18,285**	23,128
		89,532	96,508
Current assets			
Inventories	12	**763,873**	1,103,045
Trade and other receivables	13	**23,692**	48,067
Cash and cash equivalents	14	**220,670**	344,948
		1,008,235	1,496,060
Liabilities			
Current liabilities			
Borrowings	15	**(85)**	(88)
Trade and other payables	16	**(202,267)**	(293,090)
Current tax liabilities		**(32,589)**	(32,924)
		(234,941)	(326,102)
Net current assets		**773,294**	1,169,958
Total assets less current liabilities		**862,826**	1,266,466
Non-current liabilities			
Borrowings	15	**–**	(600,000)
Retirement benefit obligation	5	**(10,342)**	(12,089)
Other non-current liabilities	17	**(15,294)**	(32,968)
		(25,636)	(645,057)
Net assets		**837,190**	621,409
Shareholders' equity			
Share capital	19	**24,164**	24,164
Share premium	20	**264**	264
Capital redemption reserve	20	**6,091**	6,091
Other reserve	20	**(961,299)**	(961,299)
Retained profit	20	**1,735,475**	1,522,976
Joint ventures' reserves	20	**32,495**	28,713
Total shareholders' equity		**837,190**	620,909
Minority interest in equity		**–**	500
Total equity		**837,190**	621,409

The accounts on pages 48 to 76 were approved by the Board of Directors on 17 July 2006 and were signed on its behalf by:

R C Perrins
Finance Director

Consolidated cash flow statement

For the year ended 30 April	Notes	**2006 £'000**	2005 £'000
Cash flows from operating activities			
Cash generated from operations		**276,435**	289,187
Dividends from joint ventures		**5,396**	1,564
Interest received		**19,968**	11,413
Interest paid		**(37,384)**	(7,845)
Tax paid		**(35,413)**	(59,754)
	25	**229,002**	234,565
Cash flows from investing activities			
Purchase of tangible fixed assets		**(1,419)**	(1,853)
Sale of tangible fixed assets		**467**	5,764
Purchase of shares in joint ventures		**(10)**	–
Disposal of subsidiary undertaking	7	**250,736**	–
Overdraft balance of subsidiary disposed		**572**	–
Expenses relating to disposal of subsidiary	7	**(2,765)**	–
Movements in loans with joint ventures		**(858)**	4,490
Merger expenses		**–**	(1,633)
		246,723	6,768
Cash flows from financing activities			
Cost of share buy-backs		**–**	(20,656)
Share options exercised		**–**	5,667
Issue/redemption expenses		**–**	(2,841)
Redemption of shares		**–**	(604,153)
Repayment of loan stock		**(3)**	(32)
Repayment of bank loan		**(600,000)**	(100,000)
New bank loan issued		**–**	600,000
Equity dividends paid		**–**	(19,676)
		(600,003)	(141,691)
Net (decrease)/increase in cash and cash equivalents		**(124,278)**	99,642
Cash and cash equivalents at the start of the year		**344,948**	245,306
Cash and cash equivalents at the end of the year	14	**220,670**	344,948

For the year ended 30 April	**2006 £'000**	2005 £'000
Reconciliation of net cash flow to net cash/(debt)		
Net (decrease)/increase in cash and cash equivalents	**(124,278)**	99,642
Cash outflow/(inflow) from decrease/(increase) in debt	**600,003**	(499,968)
Movement in net (debt)/cash in the year	**475,725**	(400,326)
Opening net (debt)/cash	**(255,140)**	145,186
Closing net cash/(debt)	**220,585**	(255,140)

As at 30 April	Notes	**2006 £'000**	2005 £'000
Net cash/(debt)			
Cash and cash equivalents	14	**220,670**	344,948
Borrowings	15	**(85)**	(600,088)
Net cash/(debt)		**220,585**	(255,140)

Notes to the consolidated financial statements year ended 30 April 2006

1 Accounting policies

Basis of preparation
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The Group has elected to take the optional exemption from applying IAS 32 and IAS 39 in the comparative year (and to first apply them at 1 May 2005 and for the year ended 30 April 2006). There is no impact on the consolidated financial statements of applying IAS 32 and IAS 39 on the implementation of these standards at 1 May 2005.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

IFRS 7 "Financial Instruments: Disclosure" (applicable for financial years commencing on or after 1 January 2007) was available for early application but has not been applied by the Group in these consolidated financial statements. The standard is concerned only with disclosure and as such, were it to have been applied in the year ending 30 April 2006, would have had no impact on the income statement or balance sheet.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 29, along with details of the choices made by the Group in respect of the optional exemptions allowable under IFRS 1.

Group reconstruction
In October 2004, the Group implemented a capital reorganisation, incorporating a Scheme of Arrangement, in order to effect the return of £12 per share to shareholders by January 2011.

In the opinion of the Directors, the Scheme of Arrangement was a group reconstruction rather than an acquisition, since the shareholders in the holding company of the Group after the implementation of the Scheme (The Berkeley Group Holdings plc) were the same as the shareholders in the holding company of the Group before the implementation of the Scheme (The Berkeley Group plc), with no change to the rights of each shareholder, relative to the others, and no alteration to minority interests in the net assets of the Group. Accordingly, the Directors adopted merger rather than acquisition accounting principles in drawing up the financial statements, having regard to the overriding requirement of Section 227(6) of the Companies Act 1985 for the accounts to present a true and fair view of the Group's results and financial position.

IFRS 3 ("Business Combinations") does not identify merger accounting as applicable for business combinations; however it does not address the situation where a new holding company is added to an existing group by issuing shares in exchange for the transfer of shares in the existing group. There is currently no guidance as to the appropriate accounting in such situations under IFRS. The Directors therefore believe that it is appropriate to continue to adopt merger accounting for the Group reconstruction under IFRS.

Basis of consolidation
The consolidated financial statements comprise the financial statements 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
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 is based on annual impairment reviews, with any impairment losses recognised immediately in the income statement. Goodwill written off to reserves prior to 1998 under UK GAAP was not reinstated on transition to IFRS and is not included in determining any subsequent profit or loss on disposal.

Joint ventures
Entities which are jointly controlled with another party or parties ("joint ventures") are accounted for using the equity method of accounting. The results attributable to the Company's holding in joint ventures are shown separately in the consolidated income statement. 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. The carrying value of goodwill is included in the carrying value of the investment in joint ventures.

Revenue
Revenue represents the amounts receivable from the sale of properties during the year. Properties are treated as sold and profits are taken when contracts are exchanged and the building work is physically complete. This policy applies to both residential housebuilding and commercial property activities. Revenue does not include the value of the onward sale of part exchange properties, for which the net gain or loss is recognised in cost of sales.

1 Accounting policies continued

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Borrowing costs

Interest is written off to the income statement as incurred.

Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax. Current tax, including UK Corporation tax, is provided at the amounts expected to be paid (or recovered) using the tax rules and laws that have been enacted, or substantively enacted, by the balance sheet date.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, or from differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. The carrying values of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred taxation is also dealt with in reserves.

Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation. Depreciation is provided to write off the cost of the assets on a straight line basis to their residual value 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. The assets' residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date. Where an impairment is identified, the recoverable amount of the asset is identified and an impairment loss, where appropriate, is recognised in the income statement.

Inventories

Property in the course of development is valued at the lower of 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 inventories and work in progress to their net realisable value.

Land purchased for development, including land in the course of development, is initially recorded at fair value. Where such land is purchased on deferred settlement terms, and the fair value differs from the amount that will subsequently be paid in settling the liability, this difference is charged as a finance cost in the income statement over the period to settlement.

Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances in hand and at the bank, including bank overdrafts repayable on demand which form part of the Group's cash management, for which offset arrangements across Group businesses have been applied where appropriate.

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs.

1 Accounting policies continued

Derivative 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. The Group does not use derivative financial instruments for speculative purposes.

On 1 May 2005, the Group adopted IAS 32 and IAS 39, which had no impact on the financial statements. Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition these instruments are stated at fair value. Where the derivative instrument is deemed an effective hedge over the interest rate exposure, the instrument is treated as a cash flow hedge, and hedge accounting is applied, whereby gains and losses in the fair value of the derivative instrument are recognised directly in equity until such time as the gains or losses are realised. On realisation, any gains are reported in the income statement net of related charges.

Employee benefits

(a) Pensions

The Group accounts for pensions and similar benefits under IAS 19 "Employee benefits". The Group has also adopted early the amendment to IAS 19 issued by the IASB on 16 December 2004 which allows all actuarial gains and losses to be charged or credited to equity through the statement of recognised income and expense. Since the Group has elected to follow this approach, all cumulative actuarial gains and losses in relation to employee benefit schemes have been recognised at the beginning of the first IFRS reporting period.

For defined benefit schemes, the obligations are measured at discounted present value whilst plan assets are recorded at fair value. The calculation of the net obligation is performed by a qualified actuary. The operating and financing costs of these plans are recognised separately in the income statement; service costs are spread systematically over the lives of the employees and financing costs are recognised in the period in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense ("SORIE"). Cumulative actuarial gains and losses were recognised at 1 May 2004, the beginning of the first IFRS reporting period, within the net obligation at that date.

Pension contributions under defined contribution schemes are charged to the income statement as incurred.

(b) Share-based payments

The Group has applied the requirements of IFRS 2 "Share-based payments", in accordance with the transitional provisions of IFRS 1, to all grants of equity instruments after 7 November 2002 which had not vested as of 1 January 2005. The fair value of awards under the Group's Long-Term Incentive Plans at the date of grant are charged against profit on a straight line basis over the vesting period of the awards, based on the Group's estimate of the awards that will eventually vest. Shares held in trust to satisfy these awards are treated as a deduction from shareholders' funds.

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.

Accounting estimates and judgments

Management apply the Group's accounting policies as described above when making critical accounting judgments, of which no individual judgment is deemed to have a significant impact upon the financial statements, apart from those involving estimations, which are detailed below.

(a) Carrying value of land and work in progress and estimation of costs to complete

The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed units. As residential development is largely speculative by nature, not all inventories are covered by forward sales contracts. Furthermore due to the nature of the Group's activity and, in particular the scale of its developments and the length of the development cycle, the Group has to allocate site-wide development costs between units being built and/or completed in the current year and those for future years. It also has to forecast the costs to complete on such developments.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and centrally review inventory carrying values and ensure the appropriateness of the estimates made.

(b) Pensions

Pension assumptions are set out within Note 5 and are as advised by the Group's actuary. The assumptions include expected long-term rate of return on assets and the discount rate used. Such estimations are based on assumed rates and should these differ from what actually transpires, the pension liability of the Group would change.

2 Segmental reporting

Business segments are analysed as the primary reporting format below:

	Residential housebuilding 2006 £'000	Commercial property and other activities 2006 £'000	Unallocated 2006 £'000	Group 2006 £'000	Residential housebuilding 2005 £'000	Commercial property and other activities 2005 £'000	Unallocated 2005 £'000	Group 2005 £'000
Income statement information								
Continuing operations								
Revenue	890,539	27,387	–	917,926	738,349	56,112	–	794,461
Operating profit before merger expenses	156,846	4,029	–	160,875	146,026	8,986	–	155,012
Merger expenses	–	–	–	–	–	–	(1,633)	(1,633)
Operating profit	156,846	4,029	–	160,875	146,026	8,986	(1,633)	153,379
Interest receivable	–	–	19,968	19,968	–	–	11,292	11,292
Finance costs	–	–	(27,304)	(27,304)	–	–	(19,573)	(19,573)
Share of post tax results of joint ventures	11,469	93	–	11,562	10,117	241	–	10,358
Profit before taxation	168,315	4,122	(7,336)	165,101	156,143	9,227	(9,914)	155,456
Taxation	–	–	(43,736)	(43,736)	–	–	(41,439)	(41,439)
Profit after taxation	168,315	4,122	(51,072)	121,365	156,143	9,227	(51,353)	114,017
Discontinued operations								
Revenue	8,176	–	–	8,176	225,541	11,436	–	236,977
Operating profit	1,514	–	–	1,514	34,745	297	–	35,042
Finance costs	–	–	(130)	(130)	–	–	(196)	(196)
Share of post tax profit of joint ventures	–	–	–	–	496	52	–	548
Profit before taxation	1,514	–	(130)	1,384	35,241	349	(196)	35,394
Taxation	–	–	(348)	(348)	–	–	(348)	(10,453)
Profit after taxation	1,514	–	(478)	1,036	35,241	349	(544)	24,941
Balance sheet information								
Property, plant and equipment	2,164	88	–	2,252	8,335	548	–	8,883
Investment in equity accounted joint ventures	65,115	3,880	–	68,995	59,799	4,698	–	64,497
Other segment assets	762,288	25,277	–	787,565	1,110,456	40,656	–	1,151,112
Unallocated assets:								
Deferred taxation	–	–	18,285	18,285	–	–	23,128	23,128
Cash and cash equivalents	–	–	220,670	220,670	–	–	344,948	344,948
Total assets	829,567	29,245	238,955	1,097,767	1,178,590	45,902	368,076	1,592,568
Segment liabilities	(210,578)	(6,983)	–	(217,561)	(314,542)	(11,516)	–	(326,058)
Unallocated liabilities:								
Retirement benefit obligation	–	–	(10,342)	(10,342)	–	–	(12,089)	(12,089)
Borrowings	–	–	(85)	(85)	–	–	(600,088)	(600,088)
Current taxation	–	–	(32,589)	(32,589)	–	–	(32,924)	(32,924)
Total liabilities	(210,578)	(6,983)	(43,016)	(260,577)	(314,542)	(11,516)	(645,101)	(971,159)
Net assets	618,989	22,262	195,939	837,190	864,048	34,386	(277,025)	621,409
Other segment items								
Continuing operations								
Capital expenditure	1,419	–	–	1,419	1,641	57	–	1,698
Depreciation	1,630	18	–	1,648	2,125	43	–	2,168
Discontinued operations								
Capital expenditure	–	–	–	–	155	–	–	155
Depreciation	58	–	–	58	413	–	–	413

2 Segmental reporting continued

All revenue and profit are derived from sales to external customers and from activities performed in the United Kingdom, which is considered a single economic environment for the Group's activities. For this reason segment reporting is only presented by business segment. Included in Group residential housebuilding revenue and operating profit are £1,142,000 and £889,000 (2005: £16,139,000 and £6,600,000) in respect of land sales.

Unallocated income, costs, assets and liabilities relate to those areas that are managed centrally by the Group, and cannot be reasonably allocated to the business segments. These comprise the Group's net cash/(debt) and associated interest receivable and payable, the current tax creditor, the deferred tax asset and the tax charge, and the retirement benefit obligation.

3 Net finance costs

Continuing operations	**2006 £'000**	2005 £'000
Interest receivable		
Interest receivable	**19,968**	11,292
Finance costs		
Interest payable on bank loans and overdrafts	**(26,153)**	(18,058)
Other finance costs	**(1,151)**	(1,515)
	(27,304)	(19,573)
Finance costs – net	**(7,336)**	(8,281)

4 Profit before taxation

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

Continuing operations	**2006 £'000**	2005 £'000
Staff costs (note 5)	**68,510**	69,948
Depreciation of property, plant and equipment – owned assets	**1,648**	2,168
Hire of plant and machinery	**4,720**	3,221
Profit on sale of property, plant and equipment	**(114)**	(1,340)
Operating lease costs – motor vehicles	**544**	685
Operating lease costs – land and buildings	**1,922**	2,463
Auditors' remuneration:		
– statutory audit	**199**	205
– further assurance services	**93**	55
– taxation services	**440**	781
– other services	**157**	158

Auditors' remuneration for audit-related services includes £25,000 in respect of the interim review (2005: £25,000) and £67,800 (2005: £30,000) in respect of advice relating to International Financial Reporting Standards.

Remuneration paid to the auditors in respect of taxation services was incurred primarily in connection with corporate activity in the year.

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

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 auditors for audit services to the pension schemes during the year were £12,000 (2005: £11,000).

Operating expenses represent administration costs.

5 Directors and employees

	2006 £'000	2005 £'000
Staff costs		
Wages and salaries	**49,702**	56,417
Social security costs	**10,207**	7,220
Share-based payments	**6,348**	3,533
Other pension costs	**2,253**	2,778
	68,510	69,948

The average number of persons employed by the Group during the year was 766 (2005: 935), of which 752 (2005: 926) were employed in residential housebuilding activities; the balance in commercial property and other activities.

Key management

Key management comprises the Main Board, as the Directors are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Details of Directors' emoluments are set out in the Remuneration Report on pages 38 to 41.

Pensions

During the year the Group operated four principal pension schemes. 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") and the St George PLC Retirement and Death Benefits Scheme (the "St George Scheme") are defined contribution schemes. The assets of these schemes were held in separate trustee administered funds. With effect from 1 March 2006, the St George PLC Group Personal Pension Plan (a contract based defined contribution scheme) was introduced to replace the St George Scheme.

Defined contribution plan

Contributions amounting to £791,000 (2005: £1,615,000) of which £219,000 (2005: £308,000) were paid on behalf of joint ventures, and £21,000 (2005: £102,000) related to discontinued operations, were paid into the defined contribution schemes during the year.

Defined benefit plan

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 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 currently proposed to maintain this level of contribution thereby reducing the deficit to zero over the expected remaining service life of existing members. The Company is currently in the process of reviewing all of its pension arrangements.

The major assumptions used by the actuary were:

Valuation at:	30 April 2006	30 April 2005
Rate of increase in salaries	**4.0%**	3.8%
Discount rate	**5.1%**	5.3%
Inflation assumption	**3.0%**	2.8%
Rate of increase in pensions in payment (post-97)	**3.5%**	3.6%
(Pre-97 receive 3% p.a. increases)		

The mortality assumptions are the standard PA92 tables projected to 2014 for current pensioners and projected to 2024 for future pensioners.

The fair value of the assets and the expected rates of return on the assets were as follows:

	30 April 2006		30 April 2005	
	Long-term rate of return	Value (£'000)	Long-term rate of return	Value (£'000)
Equities	**7.50%**	**22,714**	7.50%	16,034
Government Bonds	**4.50%**	**2,734**	4.50%	2,163
Corporate Bonds	**4.90%**	**2,732**	4.90%	2,143
Cash	**4.60%**	**157**	4.70%	1,041
Fair value of plan assets		**28,337**		21,381

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

5 Directors and employees continued

The amounts recognised in the balance sheet are determined as follows:

	2006 £'000	2005 £'000
Present value of defined benefit obligations	**(38,679)**	(33,470)
Fair value of plan assets	**28,337**	21,381
Net deficit	**(10,342)**	(12,089)

The amounts recognised in the income statement are as follows:

	2006 £'000	2005 £'000
Current service cost	**1,428**	1,797
Interest on pension scheme liabilities	**1,785**	1,605
Expected return on plan assets	**(1,310)**	(1,296)
Past service cost	**–**	–
Curtailment gain	**(207)**	–
Total included within staff costs	**1,696**	2,106

Of the total charge for the Group of £1,696,000 (2005: £2,106,000), amounts of £1,428,000 (2005: £1,797,000) were included in net operating expenses, £475,000 (2005: £309,000) was included in finance costs and £207,000 (2005: £nil) in profit from discontinued operations.

Changes in the present value of the defined benefit obligation

	2006 £'000	2005 £'000
Present value of defined benefit obligations at 1 May	**33,470**	27,173
Current service cost	**1,428**	1,797
Interest on pension scheme liabilities	**1,785**	1,605
Contributions by plan participants	**144**	188
Actuarial losses on scheme liabilities (recognised in SORIE)	**2,896**	3,270
Net benefits paid out	**(837)**	(563)
Curtailment gain	**(207)**	–
Present value of defined benefit obligations at 30 April	**38,679**	33,470

Changes in the fair value of plan assets

	2006 £'000	2005 £'000
Fair value of plan assets at 1 May	**21,381**	18,296
Expected return on plan assets	**1,310**	1,296
Actuarial gains on plan assets (recognised in SORIE)	**4,821**	8
Contributions by the employer	**1,518**	2,156
Contributions by plan participants	**144**	188
Net benefits paid out	**(837)**	(563)
Fair value of plan assets at 30 April	**28,337**	21,381

Cumulative actuarial gains and losses recognised in equity

	2006 £'000	2005 £'000
Cumulative amounts of losses recognised in SORIE at 1 May	**(3,262)**	–
Net actuarial gains/(losses) recognised in the year	**1,925**	(3,262)
Cumulative amounts of losses recognised in SORIE at 30 April	**(1,337)**	(3,262)

Actual return on plan assets

	2006 £'000	2005 £'000
Expected return on scheme assets	**1,310**	1,296
Actuarial gain on scheme assets	**4,821**	8
Actual return on scheme assets	**6,131**	1,304

5 Directors and employees continued

History of asset values, defined benefit obligations, and experience gains and losses

	30 April 2006	30 April 2005	30 April 2004
Fair value of scheme assets (£'000)	**28,337**	21,381	18,296
Present value of scheme liabilities (£'000)	**(38,679)**	(33,470)	(27,173)
Deficit (£'000)	**(10,342)**	(12,089)	(8,877)

	2006	2005
Experience adjustments arising on scheme assets:		
Amount (£'000)	**4,821**	8
% of scheme assets	**17.01%**	0.04%
Experience adjustments arising on scheme liabilities:		
Amount (£'000)	**(342)**	(1,198)
% of the present value of scheme liabilities	**0.08%**	3.58%

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.

Share-based payments

The charge to the income statement in respect of share-based payments in the year, relating to grants of shares awarded under The Berkeley Group plc 2000 Long-Term Incentive Plan after 7 November 2002 and under The Berkeley Group Holdings 2004(b) Long-Term Incentive Plan, was £6,347,500 (2005: £3,533,300).

Employee share option schemes

Pursuant to the Court sanctioned Scheme of Arrangement on 26 October 2004, approval of the Scheme of Arrangement triggered the rights of employees to exercise options under the Group's share option schemes. At 30 April 2005, there were no options remaining exercisable under The Berkeley Group Executive Share Option Scheme (the "1984 Scheme"), The Berkeley Group plc 1994 SAYE Share Option Scheme (the "SAYE Scheme"), The Berkeley Group plc 1994 Executive Share Option Scheme (the "1994 Scheme"), The Berkeley Group plc Executive Share Option Scheme 1996 (the "1996 Scheme"), The Berkeley Group plc 2000 Approved Share Option Plan (the "2000 Approved Plan") and The Berkeley Group plc 2000 Share Option Plan (the "2000 Plan"). No further options will be granted under any of these schemes. There is no charge to the income statement in respect of the Group's share option schemes in the year (2005: £nil).

The Berkeley Group plc 2000 Long-Term Incentive Plan (the "2000 LTIP")

No awards were granted under the 2000 LTIP during the year (2005: nil). Further details on the 2000 LTIP are set out in the Remuneration Committee Report on page 40.

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

On 26 October 2004, 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.

The price of a Unit (each Unit comprising one Ordinary Share of 5p, one 2006 B share of 5p, one 2008 B share of 5p and one 2010 B share of 5p) in the Company at 26 October 2004 was 1,180p. The fair value of the awards at the date of grant was 162p per Unit. The fair value calculated was based on the share price at the date of grant, net of the discounted present value of expected returns to shareholders over the six-year vesting period. 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 (500p per Unit paid in December 2004, 200p per Unit payable in January 2007, 200p per Unit payable in January 2009 and 300p per Unit payable in January 2011). None of the awards granted under this scheme are expected to lapse by 31 January 2011.

The charge to the income statement in the year of grant was £2,860,000, and the annual charge to the income statement thereafter until the vesting date is £5,610,000.

There were no further grants under the 2004(b) LTIP in the year, and no further grants are expected under this scheme. Further details on the terms applying to the 2004(b) LTIP are set out in the Remuneration Committee Report on page 40.

6 Taxation

The tax charge for the year is as follows:

Continuing operations	**2006 £'000**	2005 £'000
Current tax		
UK corporation tax payable	**(35,158)**	(47,527)
Adjustments in respect of previous periods	**469**	427
	(34,689)	(47,100)
Deferred tax	**(9,047)**	5,661
	(43,736)	(41,439)

Tax is recognised on items charged to equity as follows:

	2006 £'000	2005 £'000
Deferred tax on actuarial gain/(loss) recognised in the pension scheme	**(578)**	978
Deferred tax in respect of employee share schemes	**6,440**	658
	5,862	1,636

The total change in tax in the year is as follows:

	2006 £'000	2005 £'000
Current tax	**(34,689)**	(47,100)
Deferred tax	**(3,185)**	7,297
	(37,874)	(39,803)

The tax charge assessed for the year differs from the standard rate of UK corporation tax of 30% (2005: 30%). These differences are explained below:

Continuing operations	**2006 £'000**	2005 £'000
Profit before tax	**165,101**	155,456
Tax on profit at standard UK corporation tax rate	**49,530**	46,637
Effects of:		
Expenses not deductible for tax purposes	**157**	1,005
Utilisation of losses	**–**	(1,132)
Tax effect of share of results of joint ventures	**(3,469)**	(3,107)
Adjustments in respect of previous periods	**(469)**	(427)
Other	**(2,013)**	(1,537)
Tax charge (continuing operations)	**43,736**	41,439

7 Profit from discontinued operations

The Group completed the sale of The Crosby Group plc ("Crosby") to Lend Lease Corporation Limited on 8 July 2005 for consideration of £250,736,000 which included the settlement of £151,306,000 of intercompany balances. The profit from discontinued operations which has been included in the consolidated income statement is as follows:

	2006 £'000	2005 £'000
Discontinued operations		
Revenue	**8,176**	236,977
Operating profit	**1,514**	35,042
Net finance costs	**(130)**	(196)
Share of post tax results of joint ventures	**–**	548
Taxation	**(348)**	(10,453)
Post tax results from discontinued operations	**1,036**	24,941
Profit on disposal	**79,746**	–
Profit from discontinued operations	**80,782**	24,941

Revenue and operating profit from discontinued operations include £nil in respect of commercial property and other activities (2005: £11,436,000 and £297,000 respectively).

7 Profit from discontinued operations continued

The profit on disposal of Crosby is set out as follows:

	2006 £'000
Non-current assets	**10,760**
Current assets	**202,513**
Current liabilities	**(36,550)**
Non-current liabilities	**(7,791)**
Minority interest	**(500)**
Net assets disposed	**168,432**
Expenses relating to the disposal	**2,765**
Curtailment gain in The Berkeley Group plc staff benefits plan	**(207)**
Profit on disposal	**79,746**
Consideration	**250,736**
Of which:	
Cash	**99,430**
Settlement of intercompany balances	**151,306**
	250,736

8 Dividends

	2006 £'000	2005 £'000
On Ordinary Equity Shares		
Final dividend paid of nil (2005: 16.5p) per Ordinary Share	**–**	19,646

The Directors did not declare an interim dividend nor a final dividend in the year.

9 Earnings per Ordinary Share

Basic earnings per Ordinary Share is calculated as the profit for the financial period of £202,147,000 (2005: £138,958,000) divided by the weighted average number of Ordinary Shares in issue during the year of 120,067,044 (2005: 119,558,439) 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 Ordinary 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 Ordinary Shares is 681,083 shares (2005: 990,459), giving a diluted weighted average number of shares of 120,748,127 (2005: 120,548,898). Reconciliations of the earnings and weighted average number of shares used in the calculations are set out in the table below:

	Earnings £'000	**2006 Weighted average number of shares '000**	**Per-share amount pence**	Earnings £'000	2005 Weighted average number of shares '000	Per-share amount pence
Basic earnings per Ordinary Share	**202,147**	**120,067**	**168.4**	138,958	119,558	116.2
Effect of dilutive potential shares	**–**	**681**		–	991	
Diluted earnings per Ordinary Share	**202,147**	**120,748**	**167.4**	138,958	120,549	115.3
Basic earnings per Ordinary Share	**202,147**	**120,067**	**168.4**	138,958	119,558	116.2
Basic earnings per Ordinary Share from continuing operations	**121,365**	**120,067**	**101.1**	114,017	119,558	95.3
Basic earnings per Ordinary Share from discontinued operations	**80,782**	**120,067**	**67.3**	24,941	119,558	20.9
Diluted earnings per Ordinary Share	**202,147**	**120,748**	**167.4**	138,958	120,549	115.3
Diluted earnings per Ordinary Share from continuing operations	**121,365**	**120,748**	**100.5**	114,017	120,549	94.6
Diluted earnings per Ordinary Share from discontinued operations	**80,782**	**120,748**	**66.9**	24,941	120,549	20.7

9 Earnings per Ordinary Share continued

Net assets per Ordinary Share is calculated based on net assets at the end of the year divided by the number of Ordinary Shares in issue at the end of the year of 120,127,341 (2005: 119,905,035). This excludes shares held by the Company to satisfy awards under its Long-Term Incentive Plan.

Return on capital employed (ROCE) is calculated based on profit before interest and tax (including joint venture profit before tax) divided by the average shareholders' funds adjusted for net debt/cash.

10 Property, plant and equipment

	Freehold property £'000	Short leasehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 May 2005	5,866	320	11,779	3,323	21,288
Additions	–	–	552	867	1,419
Disposal of subsidiary	(5,856)	–	(1,562)	(414)	(7,832)
Disposals	(10)	(320)	(752)	(1,151)	(2,233)
At 30 April 2006	**–**	**–**	**10,017**	**2,625**	**12,642**
Depreciation					
At 1 May 2005	364	320	9,905	1,816	12,405
Charge for the year – continuing operations	–	–	1,101	547	1,648
Charge for the year – discontinued operations	9	–	30	19	58
Disposal of subsidiary	(364)	–	(1,252)	(225)	(1,841)
Disposals	(9)	(320)	(724)	(827)	(1,880)
At 30 April 2006	**–**	**–**	**9,060**	**1,330**	**10,390**
Net book value					
At 30 April 2005	5,502	–	1,874	1,507	8,883
At 30 April 2006	**–**	**–**	**957**	**1,295**	**2,252**

	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 – continuing operations	20	–	1,420	728	2,168
Charge for the year – discontinued operations	80	–	199	134	413
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

11 Investments

	2006 £'000	2005 £'000
Investments accounted for using equity method	**68,995**	64,497

Details of the principal subsidiaries and joint ventures are provided in Note 28 to the accounts.

11 Investments continued

Investments accounted for using the equity method

	2006 £'000	2005 £'000
Unlisted shares at cost	**171**	181
Loans	**36,329**	35,603
Share of post-acquisition reserves	**32,495**	28,713
	68,995	64,497

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

	2006 £'000	2005 £'000
At the start of the year – Net assets	**64,497**	59,465
– Goodwill	**–**	–
	64,497	59,465
Retained profit for the year – continuing operations	**11,562**	10,358
Retained profit for the year – discontinued operations	**–**	548
Disposal of subsidiaries – shares	**(20)**	–
Disposal of subsidiaries – reserves	**(2,384)**	–
Acquisition of shares	**10**	–
Net increase in loans	**726**	(4,310)
Dividends received	**(5,396)**	(1,564)
At the end of the year – Net assets	**68,995**	64,497
– Goodwill	**–**	–
	68,995	64,497

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

	2006 £'000	2005 £'000
Non-current assets	**2,236**	2,970
Current assets	**158,223**	165,150
Current liabilities	**(33,988)**	(87,257)
Non-current liabilities	**(57,476)**	(16,366)
	68,995	64,497
Revenue	**153,642**	137,015
Costs	**(132,005)**	(116,852)
Operating profit	**21,637**	20,163
Interest	**(4,894)**	(5,471)
Profit before taxation	**16,743**	14,692
Tax	**(5,181)**	(4,334)
Share of post tax results of joint ventures	**11,562**	10,358

The joint ventures have no significant contingent liabilities to which the Group is exposed and nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures other than bank guarantees as set out in Note 22.

12 Inventories

	2006 £'000	2005 £'000
Land not under development	**138,701**	100,300
Work in progress	**631,626**	1,015,526
Completed units	**52,927**	92,900
Part exchanges	**2,361**	6,566
Less: progress payments	**(61,742)**	(112,247)
	763,873	1,103,045

13 Trade and other receivables

	2006 £'000	2005 £'000
Current		
Trade receivables	**16,973**	37,252
Other receivables	**4,726**	5,081
Prepayments and accrued income	**1,993**	5,734
	23,692	48,067

14 Cash and cash equivalents

	2006 £'000	2005 £'000
Cash at bank and in hand	**220,670**	344,948

15 Financial liabilities – borrowings

	2006 £'000	2005 £'000
Current		
Unsecured loan stock [1]	**(85)**	(88)
Non-current		
Bank loans [2]	**–**	(600,000)

(1) Unsecured loan stock is repayable on three months' notice being given to the Company, with interest rates linked to LIBOR.
(2) Bank loans are unsecured with interest rates linked to LIBOR.

Further disclosures relating to the Group's financial liabilities are set out in Note 26.

16 Trade and other payables

	2006 £'000	2005 £'000
Current		
Trade payables	**(166,128)**	(243,131)
Loans from joint ventures	**(121)**	(1,322)
Other taxes and social security	**(9,962)**	(4,734)
Accruals and deferred income	**(26,056)**	(43,903)
	(202,267)	(293,090)

All amounts included above are unsecured. The total of £9,962,000 (2005: £4,734,000) for other taxes and social security includes £5,115,000 (2005: £1,033,100) in respect of share-based payments.

17 Other non-current liabilities

	2006 £'000	2005 £'000
Trade payables	**(15,294)**	(32,968)

All amounts included above are unsecured.

18 Deferred tax

The movement on the deferred tax account is as follows:

	Accelerated capital allowances £'000	Retirement benefit obligation £'000	Other short-term timing differences £'000	Total £'000
At 1 May 2005	952	3,627	18,549	23,128
(Charged)/credited to income statement – continuing operations	(27)	51	(9,071)	(9,047)
Credited to income statement – discontinued operations	–	–	704	704
(Charged)/credited to equity	–	(578)	6,440	5,862
Disposal of subsidiary	(83)	–	(2,279)	(2,362)
At 30 April 2006	**842**	**3,100**	**14,343**	**18,285**
At 1 May 2004	911	2,663	12,958	16,532
(Charged)/credited to income statement – continuing operations	61	(14)	4,257	4,304
Credited to income statement – discontinued operations	(20)	–	676	656
(Charged)/credited to equity	–	978	658	1,636
At 30 April 2005	952	3,627	18,549	23,128

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%). There is no unprovided deferred tax.

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 30 April 2006 was £18,285,000 (2005: £23,128,000).

The deferred tax (charged)/credited to equity during the year was as follows:

	2006 £'000	2005 £'000
Deferred tax on actuarial gain/(loss) recognised in the pension scheme	**(578)**	978
Deferred tax in respect of employee share schemes	**6,440**	658
Movement in the year	**5,862**	1,636
Cumulative deferred tax charged to equity at 1 May	**1,636**	–
Cumulative deferred tax charged to equity at 30 April	**7,498**	1,636

19 Share capital

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

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

19 Share capital continued

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 B 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. These shares were redeemed 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 5 pence 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.

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 allotted, called-up and fully paid share capital for the Group were as follows:

	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 2005 and at 30 April 2006	**6,041**	**–**	**6,041**	**6,041**	**6,041**	**–**	**24,164**
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

20 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Own shares held £'000	Other retained profit £'000	Retained profit £'000	Joint ventures' reserves £'000	Total £'000
At 1 May 2005	24,164	264	6,091	(961,299)	(5,944)	1,528,920	1,522,976	28,713	620,909
Profit for the financial year	–	–	–	–	–	190,585	190,585	11,562	202,147
Joint venture reserves held by subsidiaries disposed	–	–	–	–	–	2,384	2,384	(2,384)	–
Dividends received from joint ventures	–	–	–	–	–	5,396	5,396	(5,396)	–
Own shares disposed	–	–		–	1,323	(1,323)	–	–	–
Actuarial gain recognised in the pension scheme	–	–	–	–	–	1,925	1,925	–	1,925
Deferred tax on actuarial gain recognised in the pension scheme	–	–	–	–	–	(578)	(578)	–	(578)
Credit in respect of employee share schemes	–	–	–	–	–	6,347	6,347	–	6,347
Deferred tax in respect of employee share schemes	–	–	–	–	–	6,440	6,440	–	6,440
At 30 April 2006	**24,164**	**264**	**6,091**	**(961,299)**	**(4,621)**	**1,740,096**	**1,735,475**	**32,495**	**837,190**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Own shares held £'000	Other retained profit £'000	Retained profit £'000	Joint ventures' reserves £'000	Total £'000
At 1 May 2004	30,516	–	–	431,055	(7,003)	647,733	640,730	19,372	1,121,673
Dividends paid to shareholders	–	–	–	–	–	(19,646)	(19,646)	–	(19,646)
Share buy-backs prior to the Scheme of Arrangement	(524)	–	–	524	–	(20,656)	(20,656)	–	(20,656)
New shares issued prior to the Scheme of Arrangement	258	–	–	9,590	–	(4,321)	(4,321)	–	5,527
Scheme of Arrangement	1,402,468	–	–	(1,402,468)	–	–	–	–	–
Issue/redemption expenses	–	–	–	–	–	(2,841)	(2,841)	–	(2,841)
	1,432,718	–	–	(961,299)	(7,003)	600,269	593,266	19,372	1,084,057
Reduction of capital	(1,402,468)	–	–	–	–	1,402,468	1,402,468	–	–
New Units issued after the Scheme of Arrangement	5	264	–	–	–	(129)	(129)	–	140
Redemption of shares	(6,091)	–	6,091	–	–	(604,153)	(604,153)	–	(604,153)
Profit for the financial year	–	–	–	–	–	128,053	128,053	10,905	138,958
Dividends received from joint ventures	–	–	–	–	–	1,564	1,564	(1,564)	–
Own shares disposed	–	–	–	–	1,059	(1,059)	–	–	–
Actuarial loss recognised in the pension scheme	–	–	–	–	–	(3,262)	(3,262)	–	(3,262)
Deferred tax on actuarial loss recognised in the pension scheme	–	–	–	–	–	978	978	–	978
Credit in respect of employee share schemes	–	–	–	–	–	3,533	3,533	–	3,533
Deferred tax in respect of employee share schemes	–	–	–	–	–	658	658	–	658
At 30 April 2005	24,164	264	6,091	(961,299)	(5,944)	1,528,920	1,522,976	28,713	620,909

The Other reserve of £961,299,000 (2005: £961,299,000) arose from the application of merger accounting principles to the financial statements on implementation of the capital reorganisation of the Group, incorporating a Scheme of Arrangement, in the year ended 30 April 2005.

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

The cumulative amount of goodwill, relating to acquisitions made prior to 1998, written off directly against the Group's reserves amounts to £4,363,000 (2005: £4,363,000).

20 Statement of changes in shareholders' equity continued

At 30 April 2006 there were 692,712 Units (2005: 915,018 Units) held in trust to satisfy awards granted under The Berkeley Group plc 2000 Long-Term Incentive Plan, at a cost of £4,616,794 (2005: £5,939,000), which are treated as a deduction from shareholders' funds. No further Units were acquired in the year for this purpose. 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.

At 30 April 2006 there were 589 Units (2005: 589 Units) held in trust to satisfy awards granted under previous long-term incentive schemes, at a cost of £4,300 (2005: £4,300), which are treated as a deduction from shareholders' funds. No further Units were acquired in the year for this purpose.

In the year ended 30 April 2005, the Group issued Ordinary Shares in the Company 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 new Ordinary Shares in The Berkeley Group plc were issued to scheme participants for a total consideration of £9,796,094 based on the market price on the date of issue. £5,473,899 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 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. There were no options remaining exercisable at 30 April 2005.

21 Minority Interest

	2006 £'000	2005 £'000
At 1 May	**500**	500
Disposal of subsidiary	**(500)**	–
At 30 April	**–**	500

22 Contingent liabilities

The Group has guaranteed bank facilities of £2,500,000 (2005: £2,500,000) in joint ventures.

The Group has guaranteed road and performance agreements in the ordinary course of business of £16,926,000 (2005: £46,023,000).

23 Capital commitments

The Group has no capital commitments at 30 April 2006 (2005: £nil).

24 Operating leases – minimum lease payments

The total future minimum lease payments of the Group under non-cancellable operating leases are set out below:

	Land and buildings		Motor vehicles	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000
Operating leases which expire:				
Within one year	**52**	68	**45**	143
Between one and five years	**544**	1,863	**763**	521
After five years	**20,737**	21,255	**–**	–
	21,333	23,186	**808**	664

25 Cash flow from operating activities

Reconciliation of profit for the financial year to net cash inflow from operating activities:

	2006 £'000	2005 £'000
Continuing operations		
Profit for the financial year	121,365	114,017
Adjustments for:		
– Taxation	43,736	41,439
– Depreciation	1,648	2,168
– Profit on sale of property, plant and equipment	(114)	(1,340)
– Interest income	(19,968)	(11,292)
– Finance costs	27,304	19,573
– Share of results of joint ventures after tax	(11,562)	(10,358)
– Merger expenses	–	1,633
– Non-cash charge in respect of share awards	6,347	3,533
Changes in working capital:		
– Decrease/(increase) in inventories	154,672	(26,281)
– Decrease in receivables	13,292	31,017
– (Decrease)/increase in payables	(41,242)	34,404
– (Decrease) in employee benefit obligations	(301)	(359)
– Cash generated from continuing operations	295,177	198,154
– Dividends from joint ventures	5,396	459
– Interest received	19,968	11,292
– Interest paid	(37,254)	(7,528)
– Taxation	(35,413)	(59,754)
Net cash from continuing operating activities	247,874	142,623
Discontinued operations		
Profit for the financial year	80,782	24,941
Adjustments for:		
– Taxation	348	10,453
– Depreciation	58	413
– Profit on sale of property, plant and equipment	–	(39)
– Interest income	–	(121)
– Finance costs	130	317
– Share of results of joint ventures after tax	–	(548)
– Profit on disposal of subsidiary undertaking	(79,746)	–
– Non-cash movement on profit on disposal of subsidiary	707	–
Changes in working capital:		
– (Increase)/decrease in inventories	(15,785)	14,205
– Decrease in receivables	5,925	28,655
– (Decrease)/increase in payables	(11,161)	12,757
– Cash generated from discontinued operations	(18,742)	91,033
– Dividends from joint ventures	–	1,105
– Interest received	–	121
– Interest paid	(130)	(317)
Net cash from discontinued operating activities	(18,872)	91,942
Net cash from operating activities	229,002	234,565
Other net cash flows from discontinued operations		
Net cash from investing activities	248,556	441

26 Treasury policy and financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Financial review relating to risk management on pages 20 to 21.

The Group finances its operations by a combination of shareholders' funds and net borrowings. The Group's financial instruments comprise cash at bank and in hand, bank loans, loan stock, trade receivables and trade payables, loans from joint ventures and accruals.

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. During the year and at the year end the Group held no such instruments (2005: nil).

All of the operations carried out by the Group are in sterling and hence the Group has no exposure to currency risk.

Financial assets

The Group's financial assets can be summarised as follows:

	2006 £'000	2005 £'000
Current		
Trade receivables	**16,973**	37,252
Cash at bank and in hand	**220,670**	344,948
	237,643	382,200

Cash at bank and in hand is at floating rates linked to interest rates related to LIBOR. The effective interest rate of cash at bank at the balance sheet date was 4.33% (2005: 4.68%). Trade and other receivables are non-interest bearing. Together, these balances represent the Group's exposure to credit risk at the balance sheet date. Trade debtors are spread across a wide number of customers, with no significant concentration of credit risk in one area.

Financial liabilities

The Group's financial liabilities can be summarised as follows:

	2006 £'000	2005 £'000
Current		
Unsecured loan stock	**(85)**	(88)
Trade payables	**(166,128)**	(243,131)
Loans from joint ventures	**(121)**	(1,322)
Accruals	**(26,056)**	(43,903)
	(192,390)	(288,444)
Non-current		
Bank loans due after one year	**–**	(600,000)
Other non-current liabilities	**(15,294)**	(32,968)
	(15,294)	(632,968)

All amounts included above are unsecured.

Unsecured loan stock is repayable on three months' notice being given to the Company, with floating interest rates linked to LIBOR. Trade and other payables and other current liabilities are non-interest bearing. Bank loans and overdrafts are unsecured with floating interest rates linked to LIBOR. The Group held no fixed rate liabilities at 30 April 2006 (2005: nil).

The effective interest rates at the balance sheet dates were as follows:

	2006	2005
Unsecured loan stock	**4.50%**	4.75%
Bank loans	**–**	5.50%

The above analysis excludes the effect of the charge to finance costs imputed on land purchased on deferred settlement terms, since this represents an accounting transaction, with no interest being paid out of the Group.

Maturity of non-current financial liabilities

The maturity profile of the Group's non-current financial liabilities is as follows:

	2006 £'000	2005 £'000
Financial liabilities – non-current		
In more than one year but not more than two years	9,056	17,096
In more than two years but not more than five years	6,238	115,872
In more than five years	–	500,000
	15,294	632,968

Fair value of financial assets and financial liabilities

The carrying amounts of the Group's financial assets and financial liabilities approximate to fair value. The carrying amount of current trade and other receivables and of current trade and other payables approximate to their fair value as the transactions which give rise to these balances arise in the normal course of trade and, where relevant, with industry standard payment terms. The unsecured loan stock is repayable at book value on three months' notice being given to the Company. Other non-current liabilities principally comprise long-term land creditors which are held at their discounted present value (calculated by discounting expected future cash flows at prevailing interest rates and yields as appropriate). The carrying value of bank loans equates to their fair value.

Committed borrowing facilities

The Group has committed borrowing facilities, all at floating rates linked to LIBOR, as follows:

	2006 Available £'000	2006 Drawn £'000	2006 Undrawn £'000	2006 Termination Date	2005 Available	2005 Drawn	2005 Undrawn £'000	2005 Termination Date
Seven year term facility	–	–	–	–	500,000	500,000	–	Aug 11
Revolving facility	375,000	–	375,000	Aug 11	175,000	100,000	75,000	Aug 07
364 day revolving facility with term out option	–	–	–	–	150,000	–	150,000	Aug 05
	375,000	–	375,000		825,000	600,000	225,000	

During the year, the Group repaid £100 million of loans drawn under the revolving facility and £500 million of loans drawn under the seven year term facility. The Group then negotiated amendments to its banking arrangements to cancel £300 million of the £500 million available under the seven year term facility, and to transfer the remaining £200 million of that facility to increase the revolving facility from £175 million to £375 million available. The termination date of the revolving facility was extended for a further four years to August 2011.

The 364 day revolving facility expired during the year following the Group's decision not to renew the term out option.

All these facilities incur commitment fees at market rates.

27 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 financial year £2,371,000 (2005: £2,189,000) was charged to joint ventures for goods and services supplied.

b) Transactions with Directors

During the financial year, each of Mr A W Pidgley and Mr R C Perrins paid £207,000 and £123,000 respectively to Berkeley Homes plc for works carried out at their homes under the Group's own build scheme. This is a scheme whereby eligible employees may enter into an arrangement, at commercial rates, with the Group for the construction or renovation of their own home. There were no balances outstanding at the year end.

28 Subsidiaries, joint ventures and limited partnership

At 30 April 2006 the Group had the following principal subsidiary undertakings which have all been consolidated, are registered and operate in England and Wales, are all 100% owned and for which 100% of voting rights are held:

Residential housebuilding

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
Berkeley Urban Renaissance Limited (1)
St George PLC
St George Central London Limited (2)
St George South London Limited (2)
St George West London Limited (2)
St George Battersea Reach Limited (3)
The Berkeley Group plc (4)
Thirlstone Homes Limited (1)
West Kent Cold Storage Company Limited (3)

(1) Agency companies of Berkeley Homes plc
(2) Agency companies of St George PLC
(3) 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.
(4) The Berkeley Group plc is the only direct subsidiary of the parent company.

Commercial property and other activities

Berkeley Commercial Developments Limited†

† Direct subsidiary of The Berkeley Group plc

At 30 April 2006 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
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
U B Developments Limited	30 April	Residential housebuilding

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

29 Reconciliation of net assets, profit and cash flows under UK GAAP to IFRS

The Group reported under UK GAAP in its previously published financial statements for the year ended 30 April 2005. The analysis below shows a reconciliation of net assets and profit for the Group as reported under UK GAAP as at 30 April 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group, being 1 May 2004.

Reconciliation of prior period income statements

	Notes	Year ended 30 April 2005 £'000
Revenue		
Group turnover as reported under UK GAAP		1,070,317
IAS 18 – Impact of change of revenue recognition policy	(d)	(38,879)
IFRS 5 – Eliminate revenue from discontinued operations	(a)	(236,977)
Revenue (continuing operations) as reported under IFRS		794,461
Operating profit		
Group operating profit as reported under UK GAAP		199,569
IAS 1 – Merger expenses classified within operating profit under IFRS	(a)	(1,633)
IAS 2 – Increased margin from inventory held at lower cost	(h)	250
IAS 18 – Impact of change of revenue recognition policy	(d)	(11,272)
IAS 19 – Reduced charge for pension costs	(f)	828
IFRS 2 – Reduction in charge for share-based payments	(g)	679
IFRS 5 – Eliminate profit from discontinued operations	(a)	(35,042)
Operating profit (continuing operations) as reported under IFRS		153,379
Net finance costs		
Net interest receivable/(payable) as reported under UK GAAP		(10,289)
IAS 2 – Unwinding of interest charge on discounted land creditors	(h)	(1,206)
IAS 19 – Increased charge for pension costs	(f)	(309)
IAS 31 – Reclassify joint venture interest to share of profit of joint ventures	(a)	3,327
IFRS 5 – Eliminate finance costs from discontinued operations	(a)	196
Net finance costs (continuing operations) as reported under IFRS		(8,281)
Joint ventures		
Share of operating profit of joint ventures as reported under UK GAAP		15,244
IAS 2 – Net adjustment from discounting of land creditors (net of interest and tax)	(h)	595
IAS 18 – Impact of change of revenue recognition policy (net of interest and tax)	(d)	1,895
IAS 31 – Reclassification of joint venture interest and tax	(a)	(6,828)
IFRS 5 – Eliminate profit from discontinued operations (net of interest and tax)	(a)	(548)
Share of post tax results of joint ventures (continuing operations) as reported under IFRS		10,358
Taxation		
Taxation as reported under UK GAAP		(58,248)
IAS 2 – Net tax adjustment from discounting of land creditors	(h)	287
IAS 18 – Impact of change of revenue recognition policy	(d)	3,382
IAS 19 – Reduced charge for pension costs	(f)	(156)
IAS 31 – Reclassify joint venture tax to share of profit of joint ventures	(a)	3,501
IFRS 2 – Reclassification of deferred tax to Statement of Recognised Income and Expense	(g)	(658)
IFRS 5 – Eliminate tax from discontinued operations	(a)	10,453
Taxation (continuing operations) as reported under IFRS		(41,439)

29 Reconciliation of net assets, profit and cash flows under UK GAAP to IFRS continued

Reconciliation of prior period equity

	Notes	At 1 May 2004 £'000	At 30 April 2005 £'000
Total shareholders' funds as reported under UK GAAP		1,142,610	669,482
Group			
IAS 18 – Impact of change of revenue recognition policy	(d)	(25,413)	(33,303)
IAS 10 – Eliminate accrued dividend	(e)	19,646	–
IAS 19 – Recognition of pension scheme deficit	(f)	(5,074)	(6,994)
IAS 2 – Reduction in value of long-term creditors	(h)	(1,154)	(1,824)
Joint ventures			
IAS 18 – Impact of change of revenue recognition policy	(d)	(3,931)	(2,036)
IAS 2 – Reduction in value of long-term creditors	(h)	(4,511)	(3,916)
Total equity as reported under IFRS		1,122,173	621,409

Reconciliation of equity at 1 May 2004

	Notes	At 1 May 2004 UK GAAP £'000	Effect of transition to IFRS £'000	At 1 May 2004 IFRS £'000	At 30 April 2005 UK GAAP £'000	Effect of transition to IFRS £'000	At 30 April 2005 IFRS £'000
Assets							
Non-current assets							
Property, plant and equipment		13,996	–	13,996	8,883	–	8,883
Investments accounted for using equity method	(d),(h)	67,907	(8,442)	59,465	70,449	(5,952)	64,497
Deferred tax assets	(a),(d),(f),(h)	–	16,532	16,532	–	23,128	23,128
		81,903	8,090	89,993	79,332	17,176	96,508
Current assets							
Inventories	(d),(h)	1,066,275	24,694	1,090,969	1,053,674	49,371	1,103,045
Trade and other receivables	(a),(d)	172,301	(66,686)	105,615	155,737	(107,670)	48,067
Cash and cash equivalents		245,306	–	245,306	344,948	–	344,948
		1,483,741	(41,992)	1,441,890	1,554,359	(58,299)	1,496,060
Liabilities							
Current liabilities							
Borrowings		(25,120)	–	(25,120)	(88)	–	(88)
Trade and other payables	(e),(f)	(277,649)	21,275	(256,374)	(295,188)	2,098	(293,090)
Current tax liabilities		(35,827)	–	(35,827)	(32,924)	–	(32,924)
		(338,596)	21,275	(317,321)	(328,200)	2,098	(326,102)
Net current assets		1,145,145	(20,717)	1,124,569	1,226,159	(56,201)	1,169,958
Total assets less current liabilities		1,227,048	(12,627)	1,214,562	1,305,491	(39,025)	1,266,466
Non-current liabilities							
Borrowings		(75,000)	–	(75,000)	(600,000)	–	(600,000)
Retirement benefit obligation	(f)	–	(8,877)	(8,877)	–	(12,089)	(12,089)
Other creditors	(h)	(9,579)	1,067	(8,512)	(36,009)	3,041	(32,968)
		(84,579)	(7,810)	(92,389)	(636,009)	(9,048)	(645,057)
Net assets		1,142,469	(20,437)	1,122,173	669,482	(48,073)	621,409
Shareholders' equity							
Share capital		30,516	–	30,516	24,164	–	24,164
Share premium		–	–	–	264	–	264
Capital redemption reserve		–	–	–	6,091	–	6,091
Other reserve		431,055	–	431,055	(961,299)	–	(961,299)
Retained profit	(d),(e),(f),(h)	652,725	(11,995)	640,730	1,565,097	(42,121)	1,522,976
Joint ventures' reserves	(d),(h)	27,814	(8,442)	19,372	34,665	(5,952)	28,713
Equity shareholders' funds		1,142,110	(20,437)	1,121,673	668,982	(48,073)	620,909
Equity minority interest		500	–	500	500	–	500
Total equity		1,142,610	(20,437)	1,122,173	669,482	(48,073)	621,409

29 Reconciliation of net assets, profit and cash flows under UK GAAP to IFRS continued

Reconciliation of profit for the year ended 30 April 2005

	Notes	Year ended 30 April 2005 UK GAAP £'000	Effect of transition to IFRS £'000	Year ended 30 April 2005 IFRS £'000
Revenue	(a),(d)	1,070,317	(275,856)	794,461
Cost of sales	(a),(d),(h)	(781,429)	216,034	(565,395)
Gross profit		288,888	(59,822)	229,066
Net operating expenses	(a),(f),(g)	(89,319)	13,632	(75,687)
Operating profit		199,569	(46,190)	153,379
Merger expenses	(a)	(1,633)	1,633	–
Finance costs – net	(a),(f),(h)	(10,289)	2,008	(8,281)
Share of results of joint ventures	(a),(d),(h)	15,244	(4,886)	10,358
Taxation	(a),(d),(g),(f),(h)	(58,248)	16,809	(41,439)
Profit after taxation		144,643	(30,626)	114,017
Profit from discontinued operations		–	24,941	24,941
Profit for the financial year		144,643	(5,685)	138,958

Explanation of differences and reconciling items between UK GAAP and IFRS

(a) Presentation of financial statements – primary statements
The primary statements have been presented in this document in accordance with the guidelines set out in IAS 1 "Presentation of Financial Statements".

Joint ventures (IAS 31): The Group has elected to account for its investments in joint ventures using the equity method of accounting rather than adopting the proportionate consolidation method that is allowable under IAS 31. This is consistent with the existing UK practice, subject to the following key difference. Under IFRS, the Group's share of the results of joint ventures are presented net of interest and tax in one line in the consolidated income statement. Under UK GAAP, the Group's share of the operating profit, interest and tax of joint ventures were disclosed separately.

Deferred taxation (IAS 12): Under IFRS, the Group's deferred tax asset is presented in non-current assets on the face of the consolidated balance sheet. Under UK GAAP, it was classified within other debtors in current assets.

Discontinued operations (IFRS 5): Under IFRS, the results and profit on disposal from discontinued operations are shown in one line below profit after taxation in the income statement. Under UK GAAP, the results from discontinued operations were included line-by-line in the profit and loss account.

Merger expenses incurred as part of the Scheme of Arrangement and capital restructure in October 2004 are classified within operating expenses under IFRS. Under UK GAAP, merger expenses were disclosed as a separate line item in the profit and loss account after operating profit.

(b) Group reconstruction
In October 2004, the Group implemented a capital reorganisation, incorporating a Scheme of Arrangement, in order to effect the return of £12 per share to shareholders by January 2011.

In the opinion of the Directors, the Scheme of Arrangement was a group reconstruction rather than an acquisition, since the shareholders in the holding company of the Group after the implementation of the Scheme (The Berkeley Group Holdings plc) were the same as the shareholders in the holding company of the Group before the implementation of the Scheme (The Berkeley Group plc), with no change to the rights of each shareholder, relative to the others, and no alteration to minority interests in the net assets of the Group. Accordingly, the Directors adopted merger rather than acquisition accounting principles in drawing up the financial statements, having regard to the overriding requirement of Section 227(6) of the Companies Act 1985 for the accounts to present a true and fair view of the Group's results and financial position.

IFRS 3 ("Business Combinations") does not identify merger accounting as applicable for business combinations; however it does not address the situation where a new holding company is added to an existing group by issuing shares in exchange for the transfer of shares in the existing group. There is currently no guidance as to the appropriate accounting in such situations under IFRS. The Directors therefore believe that it is appropriate to continue to adopt merger accounting for the Group reconstruction under IFRS.

29 Reconciliation of net assets, profit and cash flows under UK GAAP to IFRS continued

(c) Business combinations before the transition date (IFRS 3)

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the beginning of the first IFRS reporting period.

(d) Revenue recognition (IAS 18)

On traditional developments under UK GAAP, properties were treated as sold and profits were taken when contracts were exchanged and the building work was physically complete. On complex multi-unit developments, revenue and profit were recognised on a staged basis, commencing when the building work was substantially complete, which was defined as being plastered, and when contracts were exchanged.

On transition to IFRS, the Group has amended its policy to recognise revenue on properties on both traditional and complex multi-unit developments when contracts are exchanged and the building work is physically complete. This brings the policy on complex multi-unit developments into line with the Group's existing revenue recognition policy on traditional developments and reflects the provisions of IAS 18 ("Revenue").

The effect of this change in policy on the Group excluding joint ventures is to reduce opening reserves at 1 May 2004 by £25,413,000, and to reduce turnover, operating profit and retained profit for the year ended 30 April 2005 by £38,879,000, £11,272,000 and £7,890,000 respectively. For joint ventures, opening reserves are reduced by £3,931,000 and the Group's share of retained profit for the year ended 30 April 2005 is increased by £1,895,000. This gives rise to an overall reduction of net assets of £29,344,000 at 1 May 2004 and £35,339,000 (5%) at 30 April 2005.

This change in policy constitutes a timing difference in terms of the point at which revenue is recognised, and has no impact on the underlying profitability of the Group. Profit in any one year will be higher or lower than under the existing policy based on the timing of build programmes.

There is no impact on the Group's net debt position as a result of the change in policy.

(e) Events after the Balance Sheet date (IAS 10)

IAS 10 ("Events after the Balance Sheet date") requires that dividends approved after the balance sheet date should not be recognised as a liability at that balance sheet date since the liability did not represent a present obligation at that date.

The final dividend approved in respect of the financial year ended 30 April 2004 of £19,646,000 has been reversed in the opening balance sheet at 1 May 2004 and is charged, based on shareholders on the register on 10 August 2004, in the year ended 30 April 2005.

(f) Employee benefits (IAS 19)

Under UK GAAP, the Group previously applied SSAP 24 in respect of the Group's pension schemes, and provided detailed information under the FRS 17 transitional disclosures.

The Group has adopted IAS 19 ("Employee benefits") in preparing the IFRS opening balance sheet, including the amendment to IAS 19 issued by the IASB on 16 December 2004 which allows all actuarial gains and losses to be charged or credited to equity through the statement of recognised income and expense. Since the Group has elected to follow this approach, all cumulative actuarial gains and losses in relation to employee benefit schemes have been recognised at the beginning of the first IFRS reporting period.

The Group's opening IFRS balance sheet reflects the recognition of a net deficit of £6,214,000 (after taking account of the related £2,663,000 deferred tax asset) in respect of the Group's defined benefit scheme. The transitional adjustment of £5,074,000 to opening reserves includes the reversal of SSAP 24 accounting under UK GAAP and the recognition of the net liabilities of the Group's defined benefit scheme.

The impact of the change to IAS 19 on the consolidated income statement for the year ended 30 April 2005 is a credit to retained profit of £363,000. The actuarial loss of £2,284,000 (net of associated deferred tax) has been recorded in the statement of recognised income and expense.

(g) Share-based payments (IFRS 2)

The Group has elected to follow the transitional provisions of IFRS 2, and therefore to apply IFRS 2 only to grants under the Group's share option schemes and Long-Term Incentive Plans made after 7 November 2002 which had not vested by 1 January 2005.

All options under the Group's existing share option schemes had vested by 1 January 2005. Further details are set out in Note 5 on page 58.

Of the four grants under The Berkeley Group plc 2000 Long-Term Incentive Plan, only the grant of 22 July 2003 has been accounted for as allowed under IFRS 2. The change to IFRS 2 has no impact on the opening IFRS balance sheet, but the exclusion of the profit and loss charge in relation to the pre-November 2002 grants under the 2000 LTIP has reduced operating expenses by £679,000 in the year ended 30 April 2005. Deferred tax on the 2000 LTIP is calculated at each reporting date based on an estimate of the future tax deduction. The tax benefit up to the amount of the tax effect of the cumulative expense is recorded in the income statement, and the excess tax benefit above this amount is recorded in equity.

29 Reconciliation of net assets, profit and cash flows under UK GAAP to IFRS continued

The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan was introduced during the year ended 30 April 2005, and the only grants under this scheme were those made to four Main Board Directors on Court approval of the Scheme of Arrangement on 26 October 2004. As such these grants fall to be treated under IFRS 2. The accounting treatment under IFRS 2 is similar to the UK GAAP treatment under UITF 17 (revised) and no significant adjustment arises on transition to IFRS.

(h) Land purchased on deferred settlement terms (IAS 2)

IAS 2 (“Inventories”) requires that, where a company purchases inventories on deferred settlement terms and the arrangement effectively contains a financing element, then that element should be recognised as interest expense over the period of financing. This affects the Group in respect of long-term land creditors (which have a price determined at inception but payable a year or more in the future) which must be recognised at a discounted net present (“fair”) value on recognition, with the discount being unwound through finance costs over the period to settlement of the liability.

This adjustment does not affect net profit or net assets over time. It is a reduction of work in progress and creditors by an equal amount in the balance sheet at inception, and a reclassification between cost of sales and finance costs in the income statement. The timing of recognition of the finance costs (on an effective interest basis) and of the equivalent benefit in operating profit (when sales are recognised on the relevant sites) will however give rise to a net impact on net assets at each balance sheet date.

The impact of IAS 2 in the opening IFRS balance sheet at 1 May 2004 is to reduce inventories by £2,716,000 and to reduce other non-current creditors by £1,067,000, with an associated reduction of net assets, net of tax, of £1,154,000 at that date.

In the year ended 30 April 2005, this adjustment increases net finance costs payable by £1,206,000, and reduces cost of sales by £250,000. In the closing balance sheet at 30 April 2005, inventories reduce by £5,646,000 and other non-current liabilities by £3,041,000, with an associated reduction of net assets, net of tax, of £1,824,000 at that date.

This change in accounting also affects the results of joint ventures. The impact of this adjustment in the opening balance sheet at 1 May 2004 is to reduce investments in joint ventures and reserves by £4,511,000, and in the year ended 30 April 2005 to increase the Group’s share of joint ventures’ profit after tax by £595,000, resulting in a reduction of investments in joint ventures of £3,916,000 at 30 April 2005.

The overall impact is a reduction of net assets of £5,665,000 at 1 May 2004 and £5,740,000 (1%) at 30 April 2005.

(i) Financial instruments (IAS 32 and IAS 39)

The Group has elected to take the optional exemption from applying IAS 32 and IAS 39 in the comparative year (and to first apply them at 1 May 2005 and for the year ended 30 April 2006). There is no impact of IAS 32 and IAS 39 on the results at 1 May 2004 and 30 April 2005.

In respect of another option allowed by IFRS 1, the Group has elected not to designate any financial assets or liabilities at “fair value through profit or loss” or as “available for sale” on transition to IFRS.

(j) Property, plant and equipment (IAS 16)

Fair value of property plant and equipment on transition

The Group has not previously applied a policy of revaluation to property, plant and equipment. The Group will continue to hold property, plant and equipment at depreciated cost under IFRS.

The provisions of IFRS 1 allow companies to revalue property, plant and equipment to fair value on transition to IFRS, and to treat the fair value as deemed cost on transition, even where a policy of revaluation will not be applied going forward. The Group has elected not to revalue property, plant and equipment to fair value on transition. Therefore there is no adjustment to the carrying value of property, plant and equipment on transition to IFRS.

Residual value of property, plant and equipment

Under IFRS, the residual value of property, plant and equipment should be reassessed annually based on values current at the balance sheet date (rather than at the date of capitalisation of the asset under existing accounting). If there is any change, future depreciation charges should be adjusted accordingly.

This change has no impact on the opening balance sheet at 1 May 2004, and has no material impact on the Group’s results for the year ended 30 April 2005.

(k) Cash flow statement

The transition to IFRS does not result in any material changes to cash flows compared to UK GAAP. Under IFRS, cash flows are classified as operating, investing or financing cash flows. Tax and interest paid, and dividends received from joint ventures, are classifed within operating cash flows under IFRS, but were categorised within separate headings under UK GAAP.

Statement of Directors' responsibilities in relation to the financial statements of The Berkeley Group Holdings plc
(the Company)

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 profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

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

Going concern basis
After making enquiries, the Directors have a reasonable expectation that the Company has 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.

The Combined Code
The Directors consider that the Company applies the principles of the Combined Code on Corporate Governance of the Financial Reporting Council, as described in the Corporate Governance section on pages 42 to 46.

As required by the Listing Rules of the Financial Services Authority, the auditors have considered the Directors' statement of compliance in relation to those points of the Combined Code which are specified for their review.

Auditors' report on the Company financial statements

Independent auditors' report to the members of The Berkeley Group Holdings plc
We have audited the parent company financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2006 which comprise the Company balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee report that is described as having been audited.

We have reported separately on the group financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2006.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, the Remuneration Committee report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Remuneration Committee report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Committee report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement, the Managing Director's review, the Financial review and the Environmental and social report that are cross referred from the section entitled Principal activities and review of the business in the Directors' Report. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's statement, the Managing Director's review, the Financial review, the Environmental and social report, the Directors' Report, the unaudited part of the Remuneration Committee report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Remuneration Committee report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the Remuneration Committee report to be audited 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 parent company financial statements and the part of the Remuneration Committee report to be audited.

Opinion
In our opinion:
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006;
- the parent company financial statements and the part of the Remuneration Committee report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 July 2006

Company balance sheet

As at 30 April	Notes	**£'000**	£'000
Fixed assets			
Investments	C5	**1,379,971**	1,377,711
		1,379,971	1,377,711
Current assets			
Debtors	C6	**2,708**	630
Cash at bank and in hand		**–**	76
		2,708	706
Creditors (amounts falling due within one year)			
Other creditors	C7	**(481,825)**	(565,290)
		(481,825)	(565,290)
Net current liabilities		**(479,117)**	(564,584)
Net assets		**900,854**	813,127
Capital and reserves			
Share capital	C8	**24,164**	24,164
Share premium	C9	**264**	264
Capital redemption reserve	C9	**6,091**	6,091
Retained profit	C9	**870,335**	782,608
Total shareholders' funds	C10	**900,854**	813,127

The accounts on pages 79 to 83 were approved by the Board of Directors on 17 July 2006 and were signed on its behalf by:

R C Perrins
Finance Director

Notes to the Company financial statements

C1 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 applicable accounting standards in the United Kingdom. There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

The principal activity of the Company is to act as a holding company.

Adoption of new Accounting Standards and pronouncements
Adoption of FRS 20 "Share-based payments"
From 1 May 2005, the Company has adopted Financial Reporting Standard 20 "Share-based payments". Grants under The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan fall within the scope of FRS 20. The accounting treatment under FRS 20 is similar to the previous treatment under UITF 17 (revised 2003) in respect of the calculation of the cost of the awards at their fair value at the date of grant, which is recognised on a straight line basis over the vesting period of the awards, based on the Company's estimates of the awards that will eventually vest.

The Company has elected to take the optional exemption from applying FRS 20 in the comparative year (and to first apply it at 1 May 2005 and for the year ended 30 April 2006). There is no impact on the financial statements of applying FRS 20 on the implementation of these standards at 1 May 2005.

Adoption of FRS 21 "Events after the balance sheet date"
From 1 May 2005, the Company has adopted Financial Reporting Standard 21 "Events after the balance sheet date". FRS 21 requires that dividends approved after the balance sheet date should not be recognised as a liability at that balance sheet date since the liability did not represent an obligation at that date, and that dividends for which the right to receive payment has not been established at the balance sheet date should not be recognised as an asset at the balance sheet date.

This change has no impact on the balance sheet of the Company at the date of incorporation, at 30 April 2005 or at 30 April 2006.

Adoption of other new Accounting Standards and pronouncements
The following Accounting Standards, which were issued during the year, have been adopted by the Company with no significant impact on these financial statements, including the comparatives: FRS 22 "Earnings per Share", FRS 23 "The effects of changes in foreign exchange rates", FRS 24 "Financial reporting in hyperinflationary economies", FRS 25 "Financial instruments: Disclosure and presentation", FRS 26 "Financial instruments: Measurement", FRS 27 "Life assurance" and FRS 28 "Corresponding amounts". Disclosures under FRS 25 in respect of the financial risks of the Company are covered by the disclosures set out in Note 26 of the Consolidated financial statements.

Expenditure
Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

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.

Deferred taxation
The taxation expense represents the sum of the tax currently payable and deferred tax.

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.

Pension costs
Pension contributions under defined contribution schemes are charged to the profit and loss account as incurred. For the defined benefit pension scheme, a valuation is performed every three years. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the plan as if it was a defined contribution plan.

Share-based payments
The fair 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.

C2 Profit on ordinary activities before taxation

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

	2006 £'000	2005 £'000
Auditors' remuneration – statutory audit	**12**	10

C3 Directors and employees

	2006 £'000	2005 £'000
Staff costs		
Wages and salaries	**8,937**	5,982
Social security costs	**3,779**	698
Other pension costs	**231**	97
	12,947	6,777

The average number of persons employed by the Company during the year was 7 (2005: 7), all of whom were employed in residential housebuilding activities.

Directors

Details of Directors' emoluments are set out in the Remuneration Committee Report on pages 38 to 41.

Pensions

The Berkeley Group Holdings plc participates in two of the four principal pension schemes that were operated by the Group during the year: The Berkeley Group plc Staff Benefits Plan (the "Berkeley Final Salary Plan") which is a defined benefit scheme and was closed to new entrants from 1 May 2002, and The Berkeley Group plc Money Purchase Scheme (the "Berkeley Money Purchase Plan") which is a defined contribution scheme. Details of these schemes are set out in Note 5 of the Group Financial Statements.

Contributions amounting to £28,125 were paid into the defined contribution schemes during the year.

Share-based payments

The charge to the income statement in respect of share-based payments in the year, relating to grants of shares awarded under the The Berkeley Group Holdings 2004(b) Long-Term Incentive Plan, was £4,110,000 (2005: £2,100,000).

C4 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 profit for the period dealt with in the accounts of the Company is £81,357,000.

In accordance with Paragraph 4 of FRS 22, The Berkeley Group Holdings plc has not presented the Earnings per Share for the Company profit and loss account.

C5 Investments

	£'000
Investments in shares of subsidiary undertaking at cost at 1 May 2005	1,377,711
Additions	2,260
Investment in shares of subsidiary undertaking at cost at 30 April 2006	**1,379,971**

Notes to the Company financial statements continued

C6 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year		
Other debtors	**2,708**	630
	2,708	630

Other debtors include deferred tax assets of £2,708,000 (2005: £630,000) arising from short-term timing differences. The movements on the deferred tax assets are as follows:

	£'000
At 30 April 2005	630
Credit to profit and loss account	2,078
At 30 April 2006	**2,708**

C7 Other creditors

	2006 £'000	2005 £'000
Amounts falling due within one year		
Other taxes and social security	**2,816**	–
Amounts owed to subsidiary undertakings	**479,009**	565,290
	481,825	565,290

All amounts included above are unsecured. Amounts owed to subsidiary undertakings are at floating interest rates linked to LIBOR.

C8 Share capital

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

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

C8 Share capital continued

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.

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.

C9 Reserves

	Share premium £'000	Capital redemption reserve £'000	Retained profit £'000	Total £'000
At 1 May 2005	264	6,091	782,608	788,963
Retained profit	–	–	81,357	81,357
Credit in respect of employee share schemes	–	–	6,370	6,370
At 30 April 2006	**264**	**6,091**	**870,335**	**876,690**

C10 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Retained profit/(loss)	**81,357**	(14,966)
New shares issued prior to the Scheme of Arrangement	**–**	50
Shares issued on acquisition of The Berkeley Group plc	**–**	1,432,668
Issue/redemption expenses	**–**	(2,841)
Units issued after the Scheme of Arrangement	**–**	269
Redemption of shares	**–**	(604,153)
Credit in respect of employee share schemes	**6,370**	2,100
	87,727	813,127
Opening equity shareholders' funds	**813,127**	–
Closing equity shareholders' funds	**900,854**	813,127

C11 Contingent liabilities

The Company has no contingent liabilities (2005: £nil).

C12 Related party transactions

The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Berkeley Group Holdings plc or investees of The Berkeley Group Holdings plc. Disclosures in respect of transactions with Directors of the Company are set out in Note 27 of the Consolidated financial statements.

Five year summary

Years ended 30 April	**2006 IFRS [i] £'000**	2005 IFRS [i] £'000	Transition to IFRS £'000	2005 UK GAAP [ii] £'000	2004 UK GAAP [ii] £'000	2003 UK GAAP [ii] £'000	2002 UK GAAP [ii] £'000
Income statement							
Revenue (excluding joint ventures)	**917,926**	794,461	(275,856)	1,070,317	1,272,443	1,150,840	976,771
Operating profit – Group							
– residential housebuilding	**156,846**	146,026	(44,461)	190,487	198,586	212,012	181,447
– commercial and other	**4,029**	8,986	(96)	9,082	14,215	3,652	8,003
– merger expenses	**–**	(1,633)	–	(1,633)	–	–	–
	160,875	153,379	(44,557)	197,936	212,801	215,664	189,450
Share of operating profit of joint ventures	**–**	–	(15,244)	(15,244)	21,924	16,542	23,540
Share of post tax results of joint ventures	**11,562**	10,358	10,358	–	–	–	–
Finance costs – net	**(7,336)**	(8,281)	2,008	(10,289)	(4,958)	(11,025)	(16,828)
Profit before taxation	**165,101**	155,456	(47,435)	202,891	229,767	221,181	196,162
Taxation	**(43,736)**	(41,439)	16,809	(58,248)	(67,747)	(66,497)	(59,333)
Profit after taxation	**121,365**	114,017	(30,626)	144,643	162,020	154,684	136,829
Profit from discontinued operations	**80,782**	24,941	24,941	–	–	–	–
Retained profit	**202,147**	138,958	(5,685)	144,643	162,020	154,684	136,829
Earnings per share	**168.4p**	116.2p	(4.8p)	121.0p	130.4p	116.0p	105.3p
Dividends per share	**–**	16.5p	16.5p	–	22.3p	19.2p	16.5p
Balance sheet							
Capital employed	**616,605**	876,549	(48,073)	924,622	997,424	1,197,660	1,211,672
Net cash/(debt)	**220,585**	(255,140)	–	(255,140)	145,186	(143,050)	(243,457)
Shareholders' funds	**837,190**	621,409	(48,073)	669,482	1,142,610	1,054,610	968,215
Net assets per share	**697p**	518p	(40p)	558p	944p	829p	717p
Ratios and statistics							
Return on capital employed (note iii)	**24.0%**	22.0%	(0.2%)	22.2%	21.4%	19.3%	18.9%
Return on shareholders' funds (note iv)	**16.6%**	15.9%	(0.1%)	16.0%	14.7%	15.3%	15.4%
Dividend cover	**–**	–	–	–	6.1	6.2	6.2
Units sold	**3,001**	2,292	(1,278)	3,570	3,805	3,544	3,182

Note i: Information relating to 2006 and 2005 is presented under IFRS.

Note ii: Information relating to 2004, 2003 and 2002 is presented under UK GAAP, as directed by IFRS 1. 2005 is also presented under UK GAAP for comparison purposes. The main adjustments that would be required to comply with IFRS would be those set out in Note 29 to the Group Financial Statements, including the impact of IAS 18 "Revenue recognition", IAS 10 "Events after the balance sheet date", IAS 19 "Employee benefits" and IAS 2 "Inventory". In addition, under IFRS, discontinued operations are excluded from individual lines in the income statement, and included in the line Profit from discontinued operations. This applies to the Crosby business which was disposed in the year ended 30 April 2006.

Note iii: Calculated as profit before interest and taxation (including joint venture profit before tax) divided by the average shareholders' funds adjusted for net debt/cash.

Note iv: Calculated as profit after taxation as a percentage of the average of opening and closing shareholders' funds.

Financial diary

Annual General Meeting	1 September 2006
Half Year End	31 October 2006
Interim Report for six months to 31 October 2006	8 December 2006
Preliminary announcement of results for year 30 April 2007	June 2007
Publication of 2006/07 Annual Report	July 2007

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	Expected Record Date: 29 December 2006	£2
2008 B Share	Expected Record Date: 31 December 2008	£2
2010 B Share	Expected Record Date: 31 December 2010	£3
Total		£12

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

Telephone +44 (0)1932 868555
Facsimile +44 (0)1932 868667
Website www.berkeleygroup.co.uk

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