Berkeley annual report 2007

Contents

Scheme of arrangement

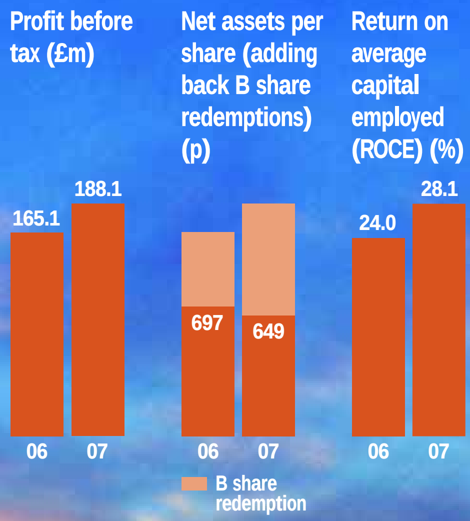
With £820 million of cash generated over the last 3 years before payments to shareholders, the continued enhancement of the Group's unrivalled land bank and the strong forward sales position, the Board has sufficient visibility and confidence to seek shareholder approval for the acceleration of the remaining B shares.

Return of capital to shareholders

2004 B share – Paid on 3rd December 2004	£5
2006 B share – Paid on 8th January 2007	£2
2008 B share – Original scheduled payment date of January 2009 – Proposed payment date of January 2008	£2
2010 B share – Original scheduled payment date of January 2011 – Proposed payment date to be determined, but no later than the original scheduled payment date of January 2011	£3
Total	**£12**

Financial highlights

Balanced sustainable results



Strategic goals

- Operate in the vanguard of the urban regeneration industry by creating sustainable communities
- Maximise shareholder value and deliver the scheme of arrangement payments
- Deliver balanced results that generate sustained cashflow
- Manage risk in a cyclical industry
- Optimise our land bank

Business drivers

- Uniquely experienced and committed management team
- Astute financial management
- Responsible business culture
- Unrivalled landbank
- Planning and design expertise coupled with disciplined delivery
- Strong brands
- Creative partnerships

Measuring our performance

- Customer satisfaction and sales
- Balanced sustainable results
- Delivering our promise to shareholders
- Driving environmental performance
- External recognition

Gunwharf Quays, Portsmouth

- An historic naval site, Berkeley transformed Gunwharf Quays into one of Europe's largest mixed-use developments.
- A multi-phase development, the regeneration of Gunwharf Quays has relaunched Portsmouth as a landmark waterfront destination
- It combines 900 residential units (of which 126 are for key-workers) with over 475,000 ft^2 of commercial space that includes 95 designer outlets, 20 bars and restaurants, a 130 bedroom hotel, a 14-screen cinema and 30,000 ft^2 of office space
- Winner of the BURA Crystal Award for Best Practice in Regeneration

Key Performance Indicators

£102.0 million cash generated
before £241.6 million 2006 B share redemption on 8th January 2007

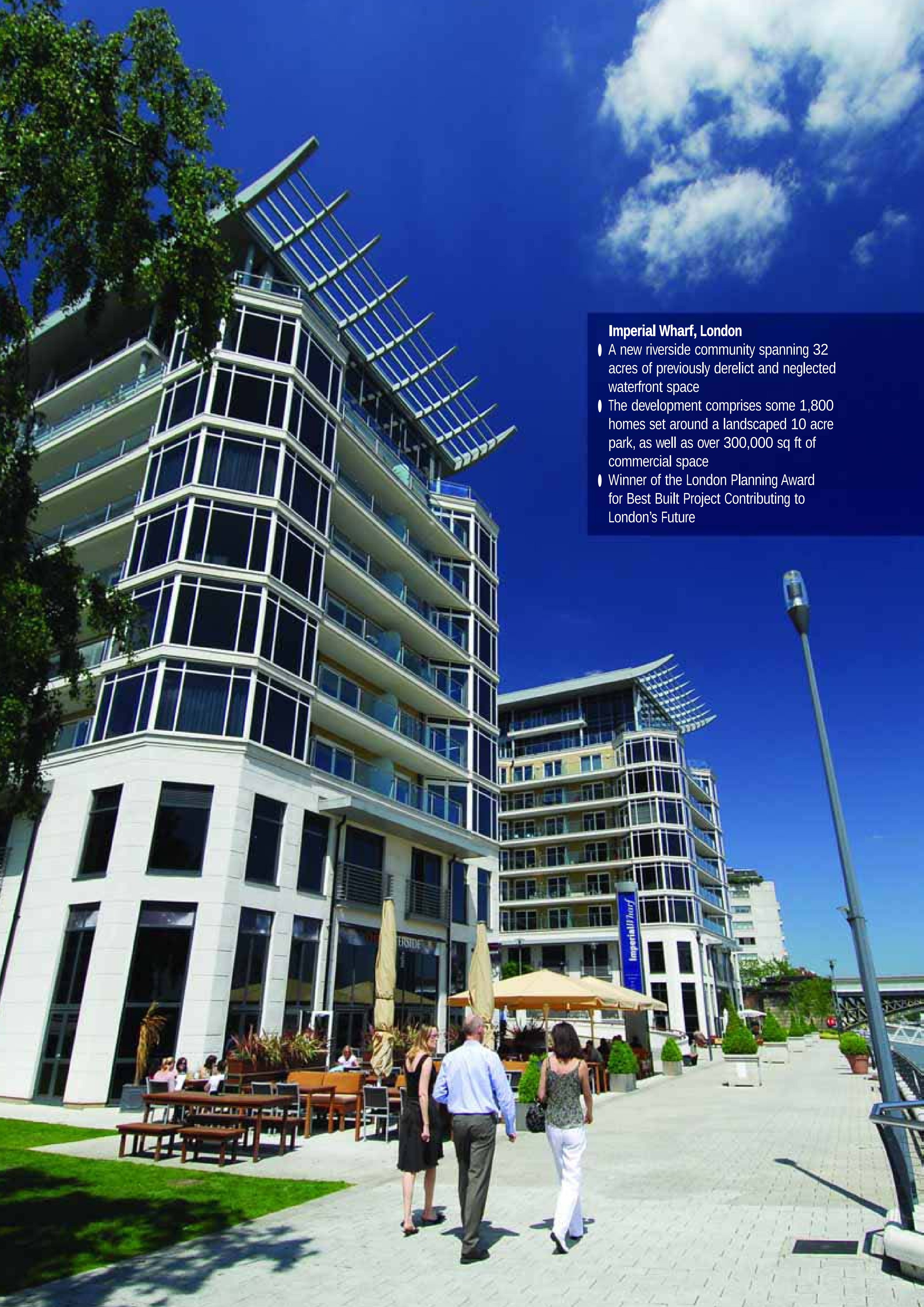
£81.0 million net cash
at the year-end (2006: £220.6 million)

100% brownfield land
used on completed developments over the last 2 years

30,128 plots in the land bank
up from 23,819 at last year-end

£936.3 million of forward sales
up from £793.3 million last time

89.7% of our customers
would recommend Berkeley to a friend

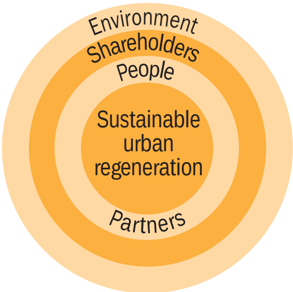


Imperial Wharf, London

- A new riverside community spanning 32 acres of previously derelict and neglected waterfront space
- The development comprises some 1,800 homes set around a landscaped 10 acre park, as well as over 300,000 sq ft of commercial space
- Winner of the London Planning Award for Best Built Project Contributing to London’s Future

Optimising value
for all stakeholders


Roger Lewis Chairman



I am delighted that, at the same time as announcing these exceptional results, I can also announce our proposals for the next phase of Berkeley's strategy.

Scheme of Arrangement and 2007 Strategic Review

In June 2004 Berkeley announced its proposals to return £12 per share to shareholders in conjunction with its future strategy to focus on its urban regeneration business. This was approved by shareholders and effected by a Court approved Scheme of Arrangement in October 2004 which created four tranches of B shares. To date, and in line with the original payment schedule, £7 per share has been returned to shareholders with the remaining £2 and £3 per share scheduled for payment in January 2009 and 2011 respectively.

Since 1st May 2004, the time of the strategic review that led to the Scheme of Arrangement, Berkeley has generated some £820 million of cash before payments to shareholders, demonstrating the underlying strength of the Group and its ability to generate cash and meet its strategic objectives. This, coupled with the strong forward sales position, has provided the Board with the opportunity to review the timing of the remaining B share payments and consider the most appropriate strategy for Berkeley once the B shares are paid. The conclusion of this review is that approval will be sought at the Annual General Meeting on 5th September 2007 to accelerate the payment of the 2008 B share (£2 per share) by 12 months to the beginning of January 2008 and to pay the final (2010) B share of £3 per share at a date to be determined but no later than the original scheduled date of January 2011.

With regard to the future strategy, the Board is seeking to replicate the key features of the Scheme of Arrangement to preserve the environment in which its entrepreneurial management team has concentrated on maximising returns to shareholders through its focus on optimising Berkeley's land holdings and cash generation as opposed to the income statement. This strategy is founded on the Board's belief that the business has a natural size, and is not scaleable in the traditional sense due to the complexities of developing and delivering sustainable mixed-use urban regeneration schemes. Attention to detail and quality together with devoting the necessary amount of time and management to every aspect of the development cycle for each site is the key to delivering value to shareholders and creating the inspiring sustainable communities that we, our customers and other stakeholders demand.

As a result, following the completion of the £12 per share Scheme of Arrangement payments, the Board is proposing to make annual dividend payments at a cover ratio of less than 2 times. This will ensure shareholders continue to see immediate benefit from the Group's strategy, while allowing the Board to maximise short term opportunities under an unambiguous long term strategy.

The Board believes that it is appropriate to consult with shareholders on the remuneration policy to bring this in line with the proposed acceleration of the remaining B shares and, looking forward, to put in place a new policy aligned to the next phase of Berkeley's strategy. Accordingly, the Board will consult with shareholders on its proposals during July and August in advance of the AGM.

Results

£102.0 million of cash generated before 2006 B share redemption

Berkeley is delighted to announce a pre-tax profit of £188.1 million for the year ended 30th April 2007. This is £23.0 million more than the £165.1 million reported for the same period last year, an increase of 13.9%.

Basic earnings per share from continuing operations totalled 112.6 pence, an increase of 11.4% on the 101.1 pence reported for the same period last year.

Over the year, total equity has reduced by £55.6 million to £781.6 million (April 2006 – £837.2 million) and net assets per share by 48 pence (6.9%) from 697 pence to 649 pence. The 48 pence reduction is due to the £241.6 million 2006 B share redemption in January 2007 (200 pence), offset by the profit after tax for the year of 112.6 pence; the revaluation reserve arising from fair valuing the 50% of St James' net assets already owned at acquisition (16.9 pence); and factors relating to accounting for pensions and share based payments (22.5 pence).

At 30th April 2007, Berkeley had net cash of £81.0 million (April 2006 – £220.6 million) after generating £102.0 million of cash flow in the year before the £241.6 million 2006 B share payments in January 2007; a net reduction of £139.6 million.

Return on capital employed for the year was 28.1% compared to 24.0% last time.

Sustainability

Although our focus remains the same, much has changed in the fifteen years since Berkeley took the decision to place its business in the centre of towns and cities. Above all there has been a step-change in the way in which our society thinks about the impact of what we do. Keeping pace with this growing concern with the legacy we create for future generations has played a central role in Berkeley's success; we have never underestimated the scale of our responsibilities and remain passionate about meeting the challenges in the way that is expected of us. Consequently, the principles of sustainability have been, for some time, a driving force of what we do and how we do it. Bringing derelict brownfield land back to life is inherently positive, but we are spurred forwards by a desire to further understand the reality of implementing our policies, not just in strategic terms, but on a day-to-day basis.

There are powerful reasons for doing so: the Code for Sustainable Homes has had a major impact on the development industry and we have reviewed its requirements to understand the commercial implications of reaching its higher levels. We are also responding to our customers, who demonstrate increasing interest in living in homes that respect the environment; our people, who have become genuinely passionate about sustainability; and, of course, our investors, who wish us to sustain value in the medium and longer term. Alongside this, however, is a sense of the opportunities associated with our role, not just as part of the mix of forces that drive the regeneration of urban areas, but also as part of a wider community that is attempting to understand the changes it needs to make if it is to become truly sustainable. It is this focus that, we believe, helps enhance the value of our business in the long-term in a way that in turn helps build better futures for our customers. We were delighted to have these efforts recognised externally this year and to receive the Building Award for Regeneration Housebuilder of the Year, as well as sustainability awards for Sustainable Developer (Berkeley Homes) and Sustainable Development of the Year (Ropetackle in Shoreham, a development undertaken in partnership with SEEDA).

Our People

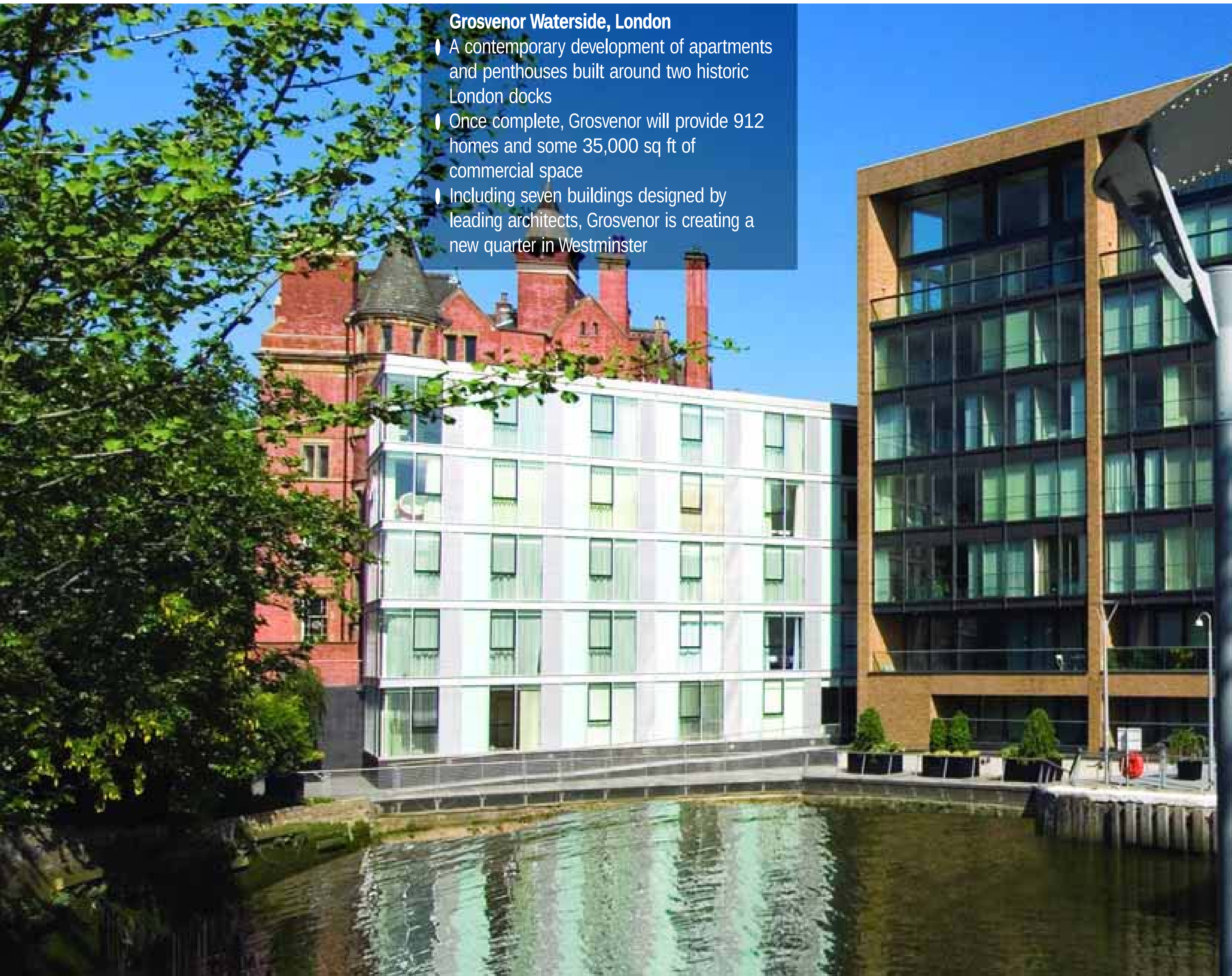
Berkeley's success is driven by the passion, dedication and innovation of its people. The Group's philosophy is to devolve operational responsibility and accountability to autonomous management teams and this creates an environment in which these attributes flourish. Urban regeneration is complex and it requires a relentless attention to detail that can only thrive if people are truly passionate about what they do and are motivated to achieve the highest standards. This deeply embedded culture is what sets Berkeley apart from its peers and makes it a place where people at the top of their discipline want to work.

On behalf of the Board and shareholders, we would like again to express our continued thanks and appreciation to all those who have contributed to this year's outstanding results and who will contribute to the exciting future ahead for Berkeley.

Board Changes

After 16 years with Berkeley, the last eight as Chairman, I have decided that this is the right time for me to retire from the Board and this will be effective at the end of July.

It has long been my intention to retire on reaching 60 and with the business in such good shape I cannot imagine a more appropriate time. It has been a privilege to oversee Berkeley's development and be part of a dynamic first class executive team.



Grosvenor Waterside, London

- A contemporary development of apartments and penthouses built around two historic London docks
- Once complete, Grosvenor will provide 912 homes and some 35,000 sq ft of commercial space
- Including seven buildings designed by leading architects, Grosvenor is creating a new quarter in Westminster

I am delighted that Victoria Mitchell, currently a non-executive director of Berkeley and Chairman of the Remuneration Committee, has accepted the position of Non-Executive Chairman to succeed me and I have no doubt that she will be a great success in her new role.

As announced in December last year, Tony Palmer will retire at the AGM. Tony has been a non-executive member of the Board for nine years and is the senior independent director. The Board would like to thank Tony for his outstanding contribution over these years. David Howell, a non-executive director since February 2004 and the Chairman of the Audit Committee, will replace Tony as the senior independent director at the AGM.

During the year Alan Coppin joined the Board as a non-executive director, bringing with him a wealth of corporate experience in the property sector. Currently a non-executive director of Capital and Regional plc, Alan has also served on the boards of Carillion plc as a non-executive director and Wembley plc as CEO. Following the AGM the Board will comprise a non-executive chairman, four executive directors and three non-executive directors and it is therefore the intention to recruit a fourth non-executive director to ensure the balance of the Board meets the Combined Code's recommendations in this area.

Prospects

In 2006/07 Berkeley has continued to concentrate on its areas of competitive advantage and the business is well placed to look to the future with confidence. We have the right strategy for the market in which we operate, an unrivalled land bank and exceptional teams throughout the business with the passion and entrepreneurial flair to unlock value by creating truly sustainable communities.

When combined with forward sales of £936.3 million and the strong cash generation over the last three years, the Board now has sufficient visibility over the future to seek approval to accelerate the remaining B share payments to shareholders.

The market in London and the South East is favourable due largely to the capital's unique standing as a World City and financial centre, but we should not ignore the imbalances in the wider economy that can lead to a sense of uncertainty.

Berkeley is in a strong position and has in place the right strategy to maximise returns to shareholders and to take advantage of new opportunities as they arise. The business looks forward to an exciting future with confidence and I wish it and its incredible people every success.

Roger Lewis Chairman

Tony Pidgley Managing Director

A year of strong achievement and **exciting future opportunities**

Driving success

Berkeley's entrepreneurial approach to land acquisition and creating new sustainable communities, combined with its ability to deliver through a highly disciplined construction and selling process is what makes Berkeley different. The result is inspiring communities that we, our customers, and all of our stakeholders demand.

Berkeley has once again benefited from having a very clear strategy that aligns the interests of management and shareholders and brings a welcome simplicity of approach to a complex and cyclical business. As a consequence we have produced another set of balanced results, generating free cash flow and growing both our unrivalled land bank and forward sales position, as opposed to concentrating solely on the income statement.

Corporately, 2006/07 has been an active and exciting year. It began with the creation of St Edward Homes, a joint venture with Prudential plc, which was followed by our acquisition of the 50% of St James we did not already own from our original joint venture partner, RWE Thames Water plc. The end of the year saw the establishment of three new joint ventures with Saad Investments Company Limited. On their own, each one of these transactions demonstrates our ability to form innovative partnerships for the future. Taken together, they indicate the confidence and pace with which we are facing that future.

The achievements of the year are a tribute to the commitment and passion of all our people and in turn a source of great pride for the management of the business. Our people are what really keep Berkeley ahead, and I thank each and every one of them for their outstanding contribution this year.

I must also mention Roger Lewis who, after 16 years with Berkeley, the last eight as Chairman, has announced his retirement from the Board. During this time, Roger has brought to Berkeley a unique blend of industry knowledge, balance and style. No one person will be able to replace every aspect of his contribution, and he will be greatly missed. We are therefore delighted that he has agreed to continue working with Berkeley in a consulting capacity for a further 12 months.

The housing market in London and the South-East has been favourable for Berkeley over the last year. Of course, there remain many challenges within our industry – not least those associated with the planning process – and we welcome the recent announcement that the Office of Fair Trading is to conduct a review into this complex area and, in parallel, that of customer satisfaction. Any initiative aimed at improving the supply and quality of housing is one we fully support.

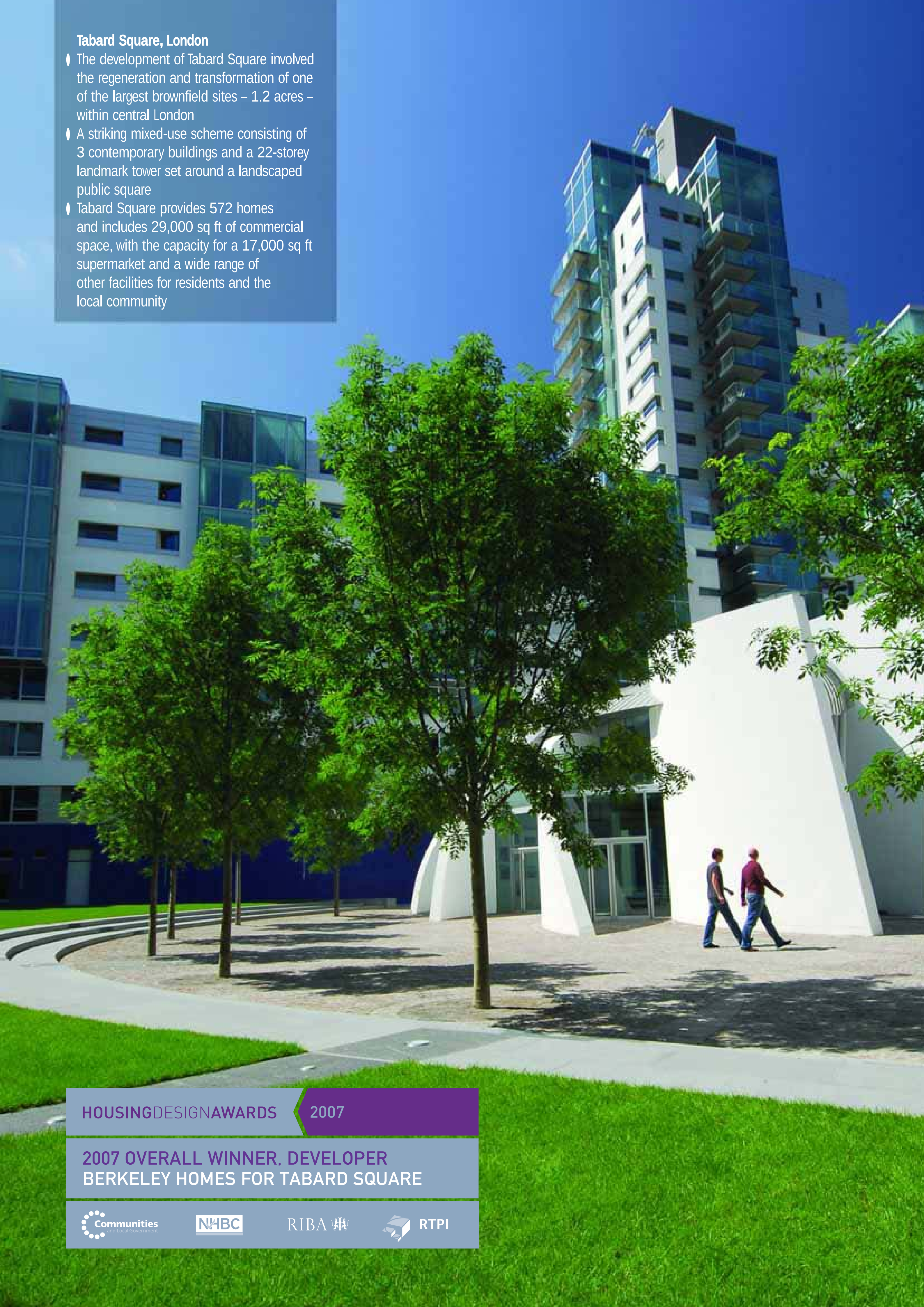
During the year Berkeley has continued to acquire new sites on a very selective basis in what remains a competitive market and we were delighted to exchange development agreements with the London Boroughs of Hackney and Greenwich for the regeneration of their estates at Woodberry Down and Kidbrooke, respectively. In addition we secured a number of new or additional planning consents, notably at The Warren in Woolwich, Battersea Reach and St George Wharf in South London, Caspian Wharf in Tower Hamlets, Queen Mary's Hospital in Roehampton, Fleet in Hampshire and North Bersted in West Sussex.

Trading Analysis

Revenue for the Group was £918.4 million (2006 – £917.9 million). This comprises £867.9 million (2006 – £890.5 million) of residential revenue, of which £44.0 million was from land sales (2006 – £1.1 million), along with £50.5 million (2006 – £27.4 million) of commercial revenue.

During the period, the Group sold 2,852 units at an average selling price of £285,000. This compares with 3,001 units at an average selling price of £293,000 in the same period last year.

At £50.5 million (2006 – £27.4 million), the



Tabard Square, London

- The development of Tabard Square involved the regeneration and transformation of one of the largest brownfield sites – 1.2 acres – within central London
- A striking mixed-use scheme consisting of 3 contemporary buildings and a 22-storey landmark tower set around a landscaped public square
- Tabard Square provides 572 homes and includes 29,000 sq ft of commercial space, with the capacity for a 17,000 sq ft supermarket and a wide range of other facilities for residents and the local community

HOUSINGDESIGNAWARDS 2007

2007 OVERALL WINNER, DEVELOPER
BERKELEY HOMES FOR TABARD SQUARE

Communities and Local Government NHBC RIBA RTPI

Paragon, London

- Situated on a brownfield site that had previously lain dormant for 12 years, Paragon was created in partnership with Thames Valley University and the London Borough of Hounslow exclusively for key workers and students
- The eight separate buildings within the 4.7 acre site house 221 key worker homes and over 800 student study bedrooms
- Constructed using Modern Methods of Construction, the programme time was reduced by 14 months compared to an equivalent site being built using traditional methods

Building Awards 2007
Major Housing Project of the Year

Brands that deliver

Our brands form the building blocks that enable us to realise the full potential within the business, each contributing in its own unique way to Berkeley's overall success.

Group's revenue from commercial activities represents the disposal of commercial units on fourteen mixed-use sites. The most significant of these was the disposal of 130,000ft² of academic space at Brentford.

Excluding joint ventures and land sales, the house-building operating margin for the Group was 19.5% compared to 17.5% for the year ended 30th April 2006. This is at the top end of the 17.5% to 19.5% range (depending on mix) reported by the Group over recent reporting periods and this reflects the favourable market conditions during the period. Operating margins are expected to remain at the top end of this range, or even exceed it, but clearly will depend upon market conditions.

Net operating expenses have increased by £20.9 million from £70.9 million in 2005/06 to £91.8 million this year. This was due to the inclusion of St James in the second half of the year (£9.6 million), increased costs associated with accounting for share based payments (£7.2 million), a one-off pension charge of £1.6 million and an increase of £2.5 million in the underlying business. The pensions charge was the net cost to Berkeley of members accepting an offer to transfer their benefits out of the Group's defined benefit pension scheme which, along with the normal annual pension scheme movements, has resulted in the retirement benefit obligation being reduced from £10.3 million at the start of the year to zero at 30th April 2007.

Net finance income of £4.2 million reflected the positive cash position of the Group and cash generative nature of operating activities in the year which has seen net cash increase from £220.6 million to £322.6 million at the half year prior to shareholder payments of £241.6 million in January 2007 reducing this to £81.0 million at 30th April 2007. Last year the Group had net finance costs of £7.4 million, reflecting an opening net debt position of £255.1 million at 1st May 2005 and closing net cash position of £220.6 million at the end of the year which had benefited from the disposal of Crosby.

The Group's share of post-tax results from joint ventures was £6.8 million compared to £11.6 million last year. This arises from the sale of 441 residential units (2006 – 816 units) at an average selling price of £329,000 (2005 – £372,000) by St James, our then joint venture with RWE Thames Water plc ("Thames Water"). With the acquisition of the 50% of St James not already owned during the year, Berkeley's share of post-tax results from joint ventures will be negligible in 2007/08.

Housing Market

Berkeley continues to benefit from London's unique standing as a World City and financial centre

The housing market in Berkeley's core regions of London and the South-East has been favourable over the year, driven by the feel-good factor, although there are distinctions to draw between the two regions. The London market has been particularly strong for product which is built to a high quality in the right location for the right price. This is principally due to London's unique standing as a World City and financial centre, attracting investment, jobs and families. Put simply, it is a place where people want to be, and Berkeley is building the sustainable communities in which our customers want to live. Outside London in the South East, the market has undoubtedly been tempered by the four quarter per cent increases in interest rates but remains very satisfactory.

Berkeley's concentration on the quality of its product, the location of its developments and its pricing strategy, rather than the pursuit of volume growth, has created a competitive advantage which enables the Group to match supply and demand effectively and fully optimise returns. As a result Berkeley has secured sales reservations with a sales value 15% ahead of those achieved in the previous year and this is reflected in the strong forward sales position at 30th April 2007. As always, the outlook must be balanced with caution as concerns over the affordability of housing, further rises in interest rates, inflationary pressures and high global stock market valuations could introduce fragility to the prevailing feel-good factor. There are also continuing security threats and we must not ignore the potential impact of these on the world's economic and political stability.

Investors remain an important segment of Berkeley's customer profile and have accounted for approximately 40% of reservations in the period. This is lower than the 50% reported last time but remains very much in our range which fluctuates due to market conditions, the mix of product and the phasing of launches on our sites. Investors are attracted by the fundamentals underpinning the housing market in London and the South-East and the lack of alternative investment opportunities. Under the Group's definition, investors range from a large institution to a customer purchasing a second home.

Sales price increases have continued to cover cost increases but there are a number of pressure points that could impact margins adversely in the future should the sales environment become less favourable. While materials prices have increased over the year, labour prices have remained relatively stable due in part to the supply of labour from the European Union. This stability will come under pressure as construction activity in London builds up towards the 2012 Olympics.

Perhaps most significantly, the time and costs required to achieve planning consents continue to rise due to increasing section 106 contributions, including affordable housing requirements, and the complexities associated with meeting today's high standards of environmental and sustainable development practices. This is a concern, not only from a financial perspective as margins on new planning consents will be impacted, but also because, in extreme examples, the conflicting demands of all stakeholders could result in schemes in which people do not want to live.

Forward Sales

Berkeley held forward sales of £936.3 million at 30th April 2007. This is an 18% increase on £793.3 million, the sum of the £581.9 million reported last year by the existing Group and £211.4 million in St James at acquisition. It has always been Berkeley's strategy to sell homes at an early stage in the development cycle, often off-plan, to secure customers' commitment and ensure the quality and certainty of future revenue and cash flow. This year's increase is due to Berkeley capitalising on favourable prevailing market conditions in London.

Land Holdings

Over 95% of Berkeley's holdings are on brownfield or recycled land

At 30th April 2007, the Group (including joint ventures) controlled some 30,128 plots with an estimated gross margin of

New River Village, London

- Acquired in 2003, New River Villlage, in north London, is a former water treatment works that is been transformed into a striking new development.
- The scheme contains some 622 units, set around 17,000m² of landscaped space
- The development features a broad array of leisure and commercial space, including a gym for residents and the acclaimed Pumphouse restaurant.

Land bank

Land bank strengthened to 30,128 plots through acquisition of St James, new St Edward JV and local authority schemes

	2007	2006
Owned	21,209	19.860
Contracted	8,848	3,264
Agreed	71	695

Sales value	£7,709m	£6,067m
Average selling price	£256k	£255k
Average plot cost	£33k	£31k
Land cost percentage	13.1%	12.3%
Gross margin	£2,234m	£1,672m
Gross margin percentage	29.0%	27.6%

£2,234 million. This compares with 23,819 plots and an estimated gross margin of £1,672 million at 30th April 2006.
Of these holdings, 21,209 plots (April 2006 – 19,860) are owned and included on the balance sheet. In addition, 8,848 plots (April 2006 – 3,264) are contracted and a further 71 plots (April 2006 – 695) have terms agreed and solicitors instructed. Over 95% of our holdings are on brownfield or recycled land.

Today's land market remains highly competitive, requiring a disciplined and innovative approach to land acquisition. Of the 18 new sites agreed in the year, two are Prudential sites in St Edward and two are sites that we will develop in partnership with local authorities. The local authority sites are Woodberry Down in the London Borough of Hackney, a site of over 1,200 units, and Kidbrooke in the London Borough of Greenwich, a site of over 3,600 units. Working in partnership with land owners has always been a feature of Berkeley's strategy, proving successful both for Berkeley and its partners, and we are delighted that a number of local authorities are choosing Berkeley as their preferred regeneration partner.

The St Edward and local authority sites account for the majority of the contracted plots. At the same time Berkeley has continued to maximise its existing land holdings, on many of which new applications have been submitted.

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

St James Group

On 7th November 2006 Berkeley completed the acquisition of the 50% of St James that it did not already own from Thames Water for £97.5 million, including goodwill of £17.2 million.

On completion, St James paid Thames Water a further £93.5 million to accelerate the settlement of outstanding land creditors and to acquire six previously identified and negotiated sites. Including the six new sites, which contain approximately 700 plots, St James' land bank at acquisition totalled some 5,000 plots on 23 sites.

In what was widely regarded as a visionary approach to land development, St James

The Royal Arsenal, London

- A multi-phase scheme on a 76 acre site that exemplifies mixed-use urban development and forms part of an entire regeneration of an historic riverside location
- Once complete, over 3,750 new homes will have been built, while it is estimated that the development will create around 1,000 jobs in the offices, retail units, theatre, cinemas and museums that will occupy the site
- Many of the Royal Arsenal's buildings have been sensitively restored, including 18 listed buildings, among which is the Grade I Royal Brass Foundry

St George Wharf, London

- Acquired in 1997, St George Wharf occupies over 7 acres of London riverside at Vauxhall, London
- The development will comprise some 1,400 residential units and in excess of 150,000 sq ft of commercial space, as well as a 275m waterside promenade for residents and public alike

was established as a 50:50 joint venture company by Thames Water and Berkeley in May 1996 to develop residential Thames Water sites and sites acquired on the open market. Completing some 5,000 unit sales since it was established, St James proved a highly successful joint venture for its shareholders and Berkeley is delighted to have been able to take the opportunity to acquire 100% control of a business to which it has always been fully committed and in which it has historically invested significant management time and expertise. As a joint venture partner, Berkeley had an intimate knowledge of St James' business and, in particular, its land bank which includes an increasing proportion of third party land. St James is now an established business in its own right with its own distinct management team, a number of the members of which transferred from Berkeley, guided by the same philosophy and operating procedures as Berkeley's wholly owned divisions.

The full integration of St James has been successfully achieved in the second half of the year with St James contributing £23.7 million to the Group's operating profit since its acquisition.

At the point of acquisition, St James ceased to be a joint venture and became a fully consolidated subsidiary and this accounts for the reduction in Berkeley's investments accounted for using the equity method from £69.0 million at the start of the year to £1.7 million at 30th April 2007.

New joint ventures

Creative partnerships are a key part of Berkeley's strategy

While sad that the relationship with Thames Water ended, Berkeley was delighted to have announced new joint ventures during the year; one with Prudential plc and three with Saad Investments Company Limited ("Saad").

St Edward Homes Limited was established in the first half of the year as a joint venture with Prudential, bringing together Prudential's financial strength and commercial expertise and Berkeley's passion and talent for creating sustainable new communities. St Edward has a potential land bank of 2,230 plots across its first three sites – Green Park in Reading, an office building in Kensington and a site in Stanmore.

On 24th April 2007, shareholders approved the establishment of three new joint venture companies with Saad (a 29.4% shareholder in Berkeley). Berkeley will invest up to £175 million over an expected 10 year investment period and, together with Saad's investment and external bank debt at a target equity to debt ratio of 30:70, a fund of approximately £1 billion will be available to take advantage of land opportunities as they present themselves to the three companies; Saad Berkeley Regeneration Limited, Saad Berkeley Developments Limited and Saad Berkeley Investments Limited.

Saad Berkeley Regeneration Limited will invest in development opportunities which are outside Berkeley's normal acquisition criteria due to the size of capital requirement and/or length of planning lead time utilising financial leverage to reflect the capital intensive nature and risk profile of the sites, whilst limiting the shareholders' exposure. Once suitable planning permission is obtained, the sites will be sold for development, either to third parties or to Saad Berkeley Developments Limited, the second of the new companies.

Saad Berkeley Investments Limited will acquire commercial property as opportunities are identified by its board of directors with a view to achieving returns primarily through capital growth. Berkeley has previously conducted such activities through Saad Berkeley Investment Properties Limited and Berkeley Eastoak Investments Limited, both joint ventures with Saad, and Saad Berkeley Investments

Limited is a continuation of this. Commercial property investment is commonly undertaken through leveraged joint ventures and special purpose vehicles to maximise shareholder returns and for Berkeley this also reflects the fact that such investment is of an opportunistic nature.

Looking forward

Berkeley is all about people. We build communities for people, and our ability to do that depends on the passion and imagination of the people who work for us. Regeneration is complex; it needs patience, determination, and a relentless attention to detail. That's why Berkeley is a business with a natural size – there simply are not enough of us to do what we do on a larger scale. If we tried to, we would sacrifice quality and value. And that would mean compromising the interests of both our customers and our shareholders – neither of which we are going to do.

This has been a busy year for Berkeley. As we look to the future, we do so with confidence. We have a well-bought landbank, the skills to optimise its potential, some outstanding new joint ventures, and a commitment to continue turning our vision of regeneration into a reality built on integrity and quality.

Integrity. Quality. Sustainability.
That's Berkeley. Past. Present. and Future.

Tony Pidgley Managing Director

Battersea Reach, London

- When complete, Battersea Reach, in south west London, will comprise over 1,300 homes
- The development will feature in excess of 390,000 ft² of commercial space, including offices, shops, restaurants and bars, a business centre, health and fitness suite and a crèche

Rob Perrins Group Finance Director

Astute financial management

£102.0 million of cash generated before 2006 B share redemption

Profit before tax

Profit before tax for the continuing business increased by £23.0 million to £188.1 million (2006: £165.1 million). Revenue for the continuing Group was up £0.5 million to £918.4 million (2006: £917.9 million) and operating profit up £16.2 million to £177.1 million (2006: £160.9 million).

The continuing Group's share of post-tax results from joint ventures was down £4.8 million to £6.8 million (2006: £11.6 million). The Trading Analysis in the Managing Director's Review on pages 6 to 17 considers these items further.

Four factors have contributed to the £23.0 million increase in pre-tax profit. These are: a reduction of £7.5 million from the operating activities of the existing Group (excluding St James); £23.7 million of operating profit earned in St James since the acquisition of the 50% of St James not already owned on 7th November 2006; a reduction in joint ventures of £4.8 million (due to St James only contributing as a joint venture for the first half of the year); and a positive movement in interest of £11.6 million. A reduction in operating profit in the existing Group was anticipated in recognition of the Group's strategy to focus more on cash generation than profit growth following the 2004 strategic review, however, the actual reduction was less pronounced than forecast due to the strong performance in the underlying business.

	£'million
Profit before tax: 2006	165.1
Operating activities – existing Group	-7.5
Operating activities – St James (post-acquisition)	+23.7
Joint ventures	-4.8
Interest	+11.6
Profit before tax: 2007	188.1

Net finance income of £4.2 million in 2007 compared to net finance costs in 2006 of £7.4 million, a positive movement of £11.6 million. Included in this was £7.1 million of net bank interest receivable (2006: net bank interest payable of £6.2 million) and £2.9 million (2006: £1.2 million) of interest imputed on the cost of land acquired on deferred payment terms and on the retirement benefit obligation.

The change to bank interest receivable in the year of £7.1 million from bank interest payable of £6.2 million reflected the positive cash position of the Group and cash generative nature of operating activities in the year which saw net cash increase from £220.6 million to

Headline results	April 2007 £'million	April 2006 £'million	Change %
Continuing operations Group revenue	918.4	917.9	+0.1%
Operating profit	177.1	160.9	+10.1%
Net finance income/(costs)	4.2	(7.4)	
Joint ventures	6.8	11.6	-41.4%
Profit before tax	188.1	165.1	+13.9%
Tax	(52.6)	(43.7)	
Profit after tax	135.5	121.4	+11.6%
Profit from discontinued operations	-	80.8	
Profit for the financial year	135.5	202.2	-33.0%
EPS – basic	112.6p	168.4p	-33.1%
EPS – continuing	112.6p	101.1p	+11.4%

Key financial performance indicators

£102.0 million cash generated
before £241.6 million 2006 B share redemption, a net outflow of £139.6 million

£81.0 million net cash
down from £220.6 million net cash last year

649 pence net asset value per share
down 6.9% from 697 pence last year

28.1% return on average capital employed
up from 24.0% last year

£188.1 million pre-tax profit
up 13.9% from £165.1 million last year

30,128 plots in land bank
up from 23,819 last year

£936.3 million forward order book
up from £581.9 million last year

£322.6 million before shareholder payments of £241.6 million reduced this to £81.0 million at 30 April 2007. Last year's net bank interest payable of £6.2 million reflected an opening net debt position of £255.1 million at 1 May 2005 and closing net cash position of £220.6 million at the end of the year which benefited from the disposal of The Crosby Group plc and its subsidiaries to Lend Lease Corporation Limited for £250.7 million in that year.

Earnings per share

Basic earnings per share for the Group reduced by 33.1% to 112.6 pence (2006: 168.4 pence). This reflected the effect of the profit from discontinued operations of £80.8 million relating to the disposal of Crosby in the prior year.

When compared with basic earnings per share for the continuing business in 2006 of 101.1 pence, this was a rise of 11.4% to 112.6 pence. For the year ended 30th April 2007, Berkeley reported 43% of its profits in the first half and 57% in the second half. A similar profile is expected in 2007/08.

St James

St James Group Ltd ('St James') was established as a 50:50 joint venture company in May 1996 by RWE Thames Water plc ('Thames Water') and Berkeley to develop residential Thames Water sites and sites acquired on the open market.

On 7th November 2006 Berkeley completed the acquisition of the 50% of St James that it did not already own from Thames Water for £97.5 million.

The consideration of £97.5 million included payments of £68.6 million in respect of the purchase of the ordinary share capital of St James and £28.9 million for the settlement of shareholder loans owed by St James to Thames Water. Transaction expenses of £1.8 million were incurred. In addition, St James held cash balances of £34.7 million at the date of acquisition, and this resulted in a net cash outflow of £64.6 million for the Group on acquisition.

In the second half of the year, Berkeley completed an exercise to determine the fair values to be assigned to St James' identifiable assets and liabilities at the acquisition date. This resulted in the recognition of fair value adjustments of £40.6 million on 100% of St James' net assets. The fair value adjustments applied to the 50% of St James' already owned by Berkeley at the acquisition date were recognised through creation of a revaluation reserve of £20.3 million.

Goodwill of £17.2 million was recognised on completion of the fair value exercise. Further information in respect of the acquisition accounting is set out in note 25 to the financial statements.

On completion of the acquisition, Berkeley paid Thames Water a further £93.5 million to accelerate the settlement of outstanding land creditors and to acquire six previously identified and negotiated sites.

The full integration of St James was successfully achieved in the second half of the year with St James contributing £23.7 million to the Group's operating profit since its acquisition.

Cash flow and net assets	April 2007 £'million	April 2007 £'million	April 2006 £'million	April 2006 £'million	Change £'million	Change £'million
Continuing operations						
Profit after tax		135.5		121.4		14.1
Non-cash items and other movements		16.8		(1.8)		18.6
		152.3		119.6		32.7
- Underlying working capital movements	107.8		126.4		(18.6)	
- Land payments by St James at acquisition	(93.5)		-		(93.5)	
Working capital movements		14.3		126.4		(112.1)
		166.6		246.0		(79.4)
- Acquisition of St James	(99.3)		-		(99.3)	
- Cash acquired in St James	34.7		-		34.7	
Net cash outflow on acquisition of St James		(64.6)		-		(64.6)
Discontinued operations		-		229.7		(229.7)
Payments to shareholders		(241.6)		-		(241.6)
		(139.6)		475.7		(615.3)
Opening net cash/(debt)		220.6		(255.1)		475.7
Closing net cash		81.0		220.6		(139.6)
Capital employed		700.6		616.6		84.0
Net assets		781.6		837.2		(55.6)
Net assets per share		649p		697p		-6.9%
ROCE (excluding discontinued operations)		28.1%		24.0%		

At the point of acquisition, St James ceased to be a joint venture and became a fully consolidated subsidiary and this accounts for the reduction in Berkeley's investments accounted for using the equity method from £69.0 million at the start of the year to £1.7 million at 30th April 2007.

Cash flow

Cash generation remains as important a financial performance indicator to Berkeley as profit. Meeting the B share repayments, as set out under the Scheme of Arrangement in October 2004, is fundamental to the Group's strategy.

During the year, the Group completed the £241.6 million 2006 B share redemption (200 pence per share). The Group's proposals for the acceleration of the remaining B share payments are considered in Scheme of Arrangement and 2007 Strategic Review in the Chairman's Statement on page 3.

At 30th April 2007, Berkeley had net cash of £81.0 million (2006: £220.6 million). This was a net reduction of £139.6 million in the year (2006: net increase of £475.7 million from net debt of £255.1 million at 1st May 2005). 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 £152.3 million, an increase of £32.7 million from the £119.6 million generated last year.

Secondly, through working capital movements, the Group generated £14.3 million compared to £126.4 million last year. This was an inflow of £107.8 million in the underlying business from which £93.5 million was paid to Thames Water immediately following the acquisition of St James to acquire new sites and to settle outstanding land creditors. This reflects the Group's careful management of working capital maintaining the Group at its natural size following the Scheme of Arrangement and matching supply more closely to demand.

Thirdly, Berkeley spent net cash of £64.6 million on the acquisition of the 50% of St James that it did not already own on 7th November 2006. Consideration of £97.5 million and transaction expenses of £1.8 million were offset by £34.7 million in the St James business at acquisition to give a net cash outflow of £64.6 million. Last year, Berkeley generated £229.7 million from the disposal of The Crosby Group plc.

Fourthly, Berkeley repaid the 2006 B share in the year for £241.6 million (200 pence per share). There were no payments to shareholders in the year ended 30th April 2006.

Financial position

Net assets reduced by 6.6% to £781.6 million (2006: £837.2 million) and net assets per share by 6.9% to 649 pence (2006: 697 pence). The net cash outflow in the year of £139.6 million was offset by an £84.0 million increase in capital employed, which combined to give the net reduction of £55.6 million in net assets.

Net assets per share have reduced by 48 pence (6.9%) from 697 pence to 649 pence. The 48 pence reduction is due to the £241.6 million 2006 B share redemption in January 2007 (200 pence), offset by the profit after tax for the year of 112.6 pence; the revaluation reserve arising from fair valuing the 50% of St James' net assets already owned at acquisition (16.9 pence); and factors relating to accounting for pensions and share based payments (22.5 pence).

The £84.0 million increase in capital employed included an £84.9 million increase from the accounting for the acquisition of St James, offset by a £0.9 million underlying reduction in the ongoing business. The £84.9 million increase from St James included £129.5 million of capital employed at fair value in the St James business at acquisition (before shareholder loans) and £17.2 million of goodwill arising on acquisition, offset by a reduction in investments in joint ventures of £61.8 million.

The £0.9 million reduction in underlying capital employed included an £18.4 million underlying reduction in inventories, largely a result of reduced completed stock as the Group took advantage of the favourable market conditions, offset by other movements including a £29.6 million increase in the Group's deferred tax asset relating to the accounting for share-based payments.

ROCE

Return on average capital employed increased from 24.0% in 2006 to 28.1% in 2007, with the increase in operating profit and reduced year-on-year level of capital employed more than offsetting the reduced share of joint venture profits.

Bank facilities

With the acquisition in the year of the 50% of St James not already owned, the Group's facilities increased by £200 million to £575 million as St James' facilities were brought into the Group.

Financial risk

The Group finances its operations by a

£'000	2007 Available Date	2007 Termination	2006 Available £'000	2006 Termination Date
Revolving facility	375,000	Aug-11	375,000	Aug-11
364 day revolving facility	50,000	Jun-07	-	-
Three year revolving facility	50,000	Aug-08	-	-
Three year revolving facility	100,000	Aug-08	-	-
	575,000		375,000	

At 30th April 2007, the Group was drawn against £59.3 million of its borrowing facilities (2006: £nil) 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.

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.

Rob Perrins Group Finance Director

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

Issue	Risk
Sustainability	Urban Regeneration has a significant impact on the built environment and the communities in which it occurs. Sustainability issues are an integral component of the risks listed here as failure to address sustainability issues can affect our ability to acquire land, gain planning permission, manage sites effectively and respond to increasing customer demand for sustainable homes. For more details of how these risks are managed, please see our sustainability report.
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 Programme	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 programme.
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.
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 47 to 48 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.

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. We recognise the scale of the responsibilities that result from this commitment and we have the passion to meet the challenges that are expected of us.

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 2007 Sustainability Report on its website: www.berkeleygroup.co.uk

Each year Berkeley has evolved its approach to reporting on sustainability 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 sixth annual Sustainability Report, Berkeley has concentrated upon providing practical examples of the progress that it has made in relation to its key sustainability impacts and therefore the report is structured around our strategic sustainability objectives and includes case studies from across all of our divisions and many of our projects. The report also provides detailed reporting against Key Performance Indicators and our targets for 2007/08.

Governance

The board-level Sustainability Governance Committee (SGC) has the responsibility of setting the Group's sustainability strategy and ensuring that it is aligned with business objectives. Meeting three times a year, 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.

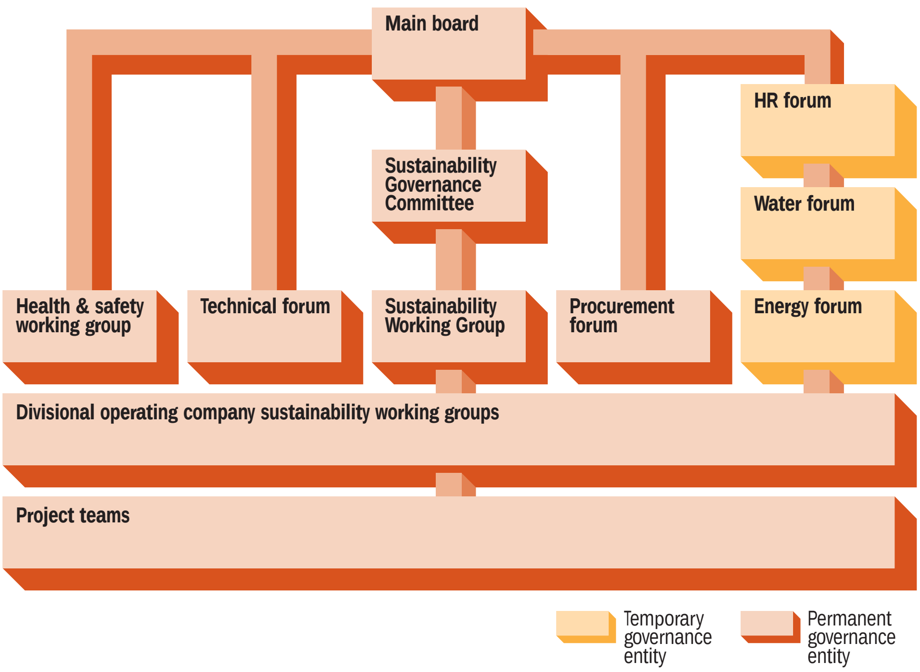
Berkeley Homes, St George and St James, meanwhile, each have their own internal Sustainability Working Groups which meet at least quarterly. All reporting to the Group's SWG, these groups further embed the daily practice of sustainability within the business. They are supported at project level by meetings convened to implement sustainability priorities and procedures on individual sites.

There are also a number of other forums which are used to support the implementation of Berkeley's sustainability strategy, covering Technical, Procurement, Energy, Water and Human Resources practices. Where appropriate, these forums take responsibility for completing sustainability targets and report back to the SWG on progress.

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



Holborough Valley, Kent
A rich mix of wetland, woodland and chalk down environments surround the properties at Holborough. An Ecological Mitigation Strategy and Conservation Management Plan was drawn up for the site to ensure that populations of birds, newts, slowworms, bats, fish and many wild plant species will be able to flourish in and around the development. Located close to a lake and native woodland, new habitats have been created providing plenty of wildlife interest to compliment existing Nature Conservation Sites and Sites of Scientific Interest.

Sustainable development continued

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.

The planning and design of our developments is critical in securing environmental, social and economic benefits for our customers and local communities. There are no standard solutions; we continue to focus on ensuring that we have processes in place to find the optimum outcome for specific projects. During the past year we have been raising awareness of specific issues and bringing in industry experts to help us develop our strategies. Our Let's Talk Energy and Let's Talk Water Conferences have enabled us to create a clear and consistent approach to sustainability issues in the planning and design process. We have also been evolving our understanding of the forthcoming Code for Sustainable Homes and considering the commercial implications of achieving different levels of the Code.

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.

Climate change is the singular most important environmental challenge that we are currently facing. We are continuously developing our approaches to climate change mitigation and adaptation in line with good practice in respect of the developments we build and the way in which we manage our business. In addition to our work for the Let's Talk Energy Conference, we have recently undertaken an independent carbon foot printing

Case study: The Envirohome, Kennet Island, Reading

The Envirohome is a showcase for innovative environmentally-friendly technologies and emits 70% less carbon dioxide than a normal terrace house.

The energy savings have been achieved through a range of measures including:

- High insulation and air tightness standards
- Solar photovoltaic roof tiles
- Solar thermal roof tiles
- Wind turbine
- A rated appliances
- Energy efficient lighting
- Efficient controlled heating

The house also features a range of water-saving technologies including grey water recycling and rainwater harvesting, as well as recycling and composting facilities, and sustainable materials and furniture. Local schools are being shown the development in order to educate children of the benefits of living more sustainably.

In addition to raising awareness of sustainable housing to our customers, we have also been seeking their general feedback on the Envirohome, as well as specific information on the technologies on display. The feedback received has allowed us to judge which technologies would be welcomed by consumers. 81% of visitors said that the Envirohome had taught them more about how to conserve energy and help save the environment in their own homes. 85% of visitors said that they would encourage friends and family to visit the Envirohome.

exercise, which demonstrates that the carbon footprint of an inner city development is approximately one-third lower than an out of town development. Our focus on urban regeneration is therefore the most significant step towards addressing climate change. In addition, we are employing a wide range of techniques to further reduce the carbon emissions associated with our developments including improving the energy efficiency of our homes, incorporating renewable energy and Combined Heat and Power technologies and in encouraging our customers to use renewable energy tariffs.

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 maintaining a 4 star rating in the Home Builders Federation Survey, Berkeley continues to receive strong customer satisfaction and recommendation feedback from its customers.

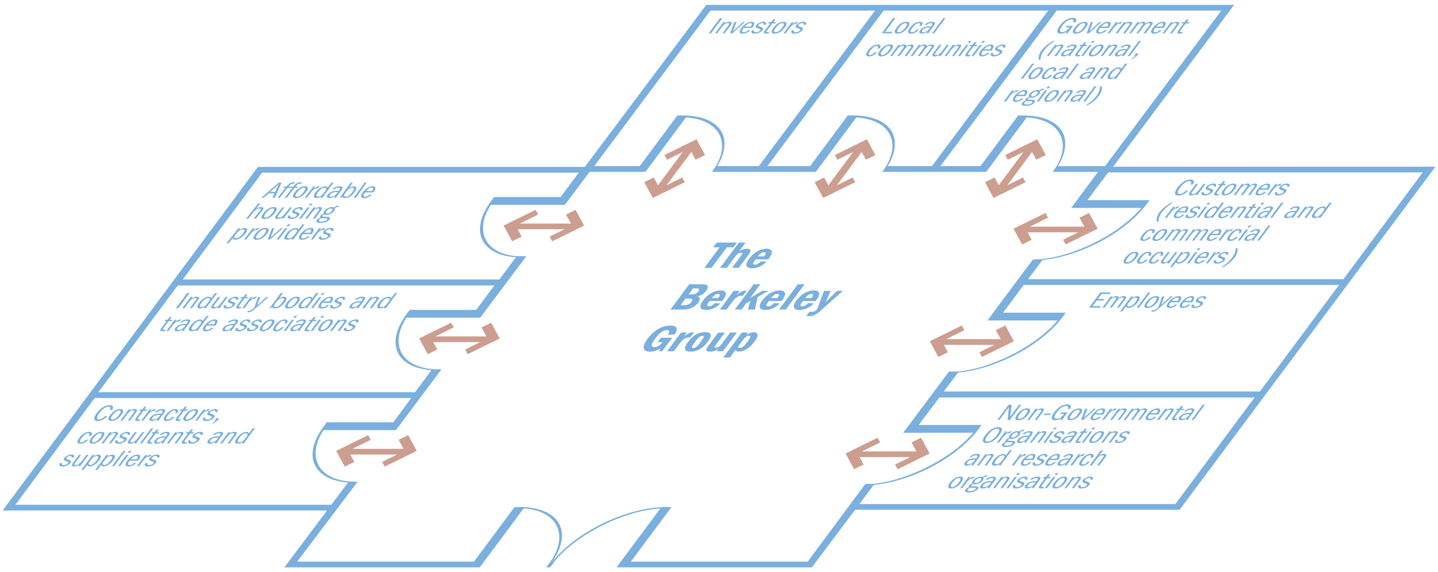
Obtaining recognition for its work in this field is important and Berkeley is delighted to continue to receive awards and external recognition for sustainability, including being named Regeneration Housebuilder of the Year, Sustainable Housebuilder of the Year and our Ropetackle development was granted the prestigious title of Sustainable Development of the Year.

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.

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.

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



- Customers – the purchasers of our homes and commercial premises are, of course, critical to the success of our business
- Investors – they are interested in both the financial performance of the business and the factors that may affect this performance in the short and long term
- Local Communities – we are committed to listening to the concerns and aspirations of the communities in which we work, and finding appropriate solutions in every development
- Employees – they are paramount in achieving our business objectives and our aims are to support, develop, protect and reward them for their contribution to the success of the business
- Contractors and Suppliers – they are critical to the delivery of our projects and therefore we aim to treat them fairly and work with them to achieve our sustainability objectives
- Housing Associations – we work with them to help deliver mixed tenure developments
- Industry bodies and trade associations – we work with them to promote good practice in sustainability
- Government (national, local and regional) – we aim to work with all levels of government to inform their approach to sustainability
- Non-Government and Research organisations – we regularly work with them to achieve sustainable communities and further our knowledge of susbtainability

Stakeholder engagement continued

the success of the type of regeneration it has evolved.

The practical application of these partnerships can be demonstrated by the following case studies:

Community consultation

Extensive pre-application public consultation has taken place in respect of the regeneration of Roehampton House and proposed development on the former Queen Mary's Hospital site, Roehampton.

This included meetings with local residents, the Roehampton Quadrant Resident's Association, local ward councillors, and the Putney Society, a presentation to the Roehampton Forum, leaflets and public exhibitions to provide local residents, residents' groups and civic organisations, with the details of the proposed scheme including the proposed layout, heights of buildings, landscaping and transport initiatives.

In response St James considered the issues raised and refined the development design where possible to address concerns, for example:

- In response to concerns regarding overlooking, a block of apartments on the boundary of the site has been replaced with a terrace of mews houses.

- Provision has been made in the layout for a potential future pedestrian and cycle link through the retained hospital land (subject to the approval of the Primary Care Trust).

St James Homes is committed to ongoing consultation with local residents following the submission of the application. A consultation website will be established for the public giving details of the application scheme and inviting further feedback from the public. A further public exhibition is planned for local residents in mid September at which architects and other members of the design team will be on hand to answer queries.

Affordable housing / housing choice

In partnership with local authorities and housing associations, Berkeley has ensured that its developments cater for a wide range of different housing needs. St George has developed the Nominated Essential Workers Scheme (NEWS) which enables key workers to take an equity stake in relatively high value properties and rent the balance at a subsidised level from the Housing Association. This is underpinned with flexible tenure so should their economic circumstances change they can increase or decrease the equity. Over 330 homes have been agreed with local authorities using NEWS. We were also one of only two developers selected for Starter Homes Initiative Funding from Government to generate 94 affordable homes for public sector workers in Newham and Hammersmith.

At Beaufort Park we were one of the first developers to pilot the Government's First-Time Buyers' Initiative (FTBI), in association with English Partnerships, the national regeneration agency. The FTBI enables aspiring first time buyers who cannot otherwise afford to buy a home outright to purchase, through an affordable mortgage, and with Government assistance, a new home.

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 few years, Berkeley has developed new systems to strengthen communication lines with employees. A key aspect of this was the launch of the intranet in 2005 with an emphasis on it as a tool to enhance communication within the Group. The intranet is accessible to all employees and is regularly updated.

In addition to the intranet, we also provide updates to employees regarding key issues such as financial results and awards. We have also held three 'Lets Talk Conferences' attended by directors across all of the businesses, covering Energy, Water and Health & Safety. We have sought feedback from attendees to ensure outcomes can be delivered.

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 2007, Berkeley recruited a further nine graduates, seven men and two women, 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.

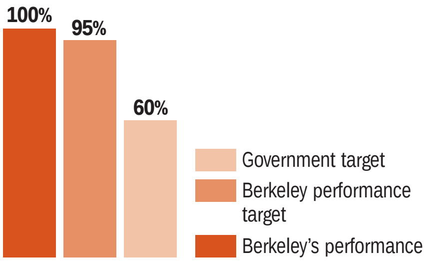
Health and Safety

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 – 97% in the past year. It is also reflected by the numerous industry awards that Berkeley has received over the past year, such as St George winning the coveted Housebuilding and Property Development Sector Award at the 2007 Royal Society for the Prevention of Accidents Occupational Health & Safety Awards.

Achieving such high standards provides even further incentive to seek continuous 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

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.

Site management

In 2006/07 96% 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 a waste review, 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 DTI's 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 DTI's 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.

In 2006/07 98% of sites were signed up to the Considerate Construction Scheme, providing an external verification of our strong commitment to the good site management we believe reduces the risk of us not meeting minimum legislative standards. Berkeley has never had an environmental prosecution.

Eco Homes

Berkeley continues to measure the percentage of completed dwellings certified using the EcoHomes methodology as a general benchmark of the environmental performance of the dwellings we build, and in the past year 43.2% of units were EcoHomes certified. Having an extensive understanding of the EcoHomes methodology has allowed us to prepare for the introduction of the Code for Sustainable Homes.

The Code for Sustainable Homes was introduced by the Government in December last year as a single national standard for measuring the sustainability of new housing. Certification to Level 3 of the Code is now required by the affordable housing bodies, and it is expected that it will be required on all new housing from 2008 onwards.

In order to ensure that we are fully aware of the commercial implications of the Code we have set a target to trial the assessment of the Code for Sustainable Homes on a range of dwelling types over the coming year.

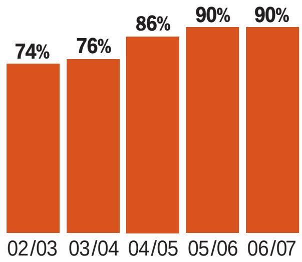
Transport

One important way in which we can reduce the carbon footprint of our developments is to provide accessible environments which give the opportunity for residents to reduce their car use. We seek to reduce car dependency on all sites, and do this through a number of means, including designing the site to encourage the use of public transport, locating homes and places of work close together to reduce the need to travel, and providing facilities and incentives that reduce car use.

Over 90% of our current sites are within 500m of a transport node. Over the coming year we intend to review the work being undertaken at The Hamptons in relation to innovative transport initiatives and share the outcomes within the Group.

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 maintain its 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 and Berkeley continues to demonstrate strong performance in this area. The average RIDDOR incident rate per 1,000 employees was 7.2, compared to the House Builder Federation all-builder average of 10.7. 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.

Experience driving the strategy

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, A Coppin

▲ **Audit Committee**
D Howell (Chairman), V M Mitchell, H A Palmer, M B Tanner, A Coppin

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

Honorary Life President
Jim Farrer MRICS, 77
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.

1 Roger Lewis FCA, 60
Group Chairman since February 1999 having been appointed a Group Main Board Director in 1992, a year after he joined the company. Retires from the Board on 31st July 2007. He is also a Non-executive Director of Camper & Nicholsons Marina Investments Limited, an AIM listed company. ■ ◆

3 Rob Perrins BSc (Hons) ACA, 42
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. ■

5 Greg Fry ACA, 50
Having joined the company in 1982 he became a director of St George PLC from the division's inception in 1986 and is currently the chairman of its three main operating companies. Appointed to the Group Main Board on 1 May 1996. ■

7 Victoria Mitchell, 56
Appointed a Non-executive Director on 1 May 2002. 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, and a Trustee of The Landmark Trust. To beome Group Chairman on 1st August 2007. ● ▲ ◆

9 Michael Tanner, 62
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. ▲ ◆

2 Tony Pidgley, 59
Group Managing Director and Chairman of the Executive Committee, he co-founded the company in 1976 with Jim Farrer. ■

4 Tony Carey BSc FRICS, 59
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. ■

6 Tony Palmer FRICS FCIOB, 70
Appointed a Non-executive Director on 1 January 1998, he 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. ● ▲ ◆

8 David Howell FCA, 58
A Non-executive Director since 24 February 2004. 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. ● ▲

10 Alan Coppin, 57
Appointed a Non-executive Director on 1 September 2006. He is currently a non-executive Director of Capital and Regional plc and Non-executive Chairman of Redstone plc. Previously he served on the boards of Carillion plc as a Non-executive Director and Wembley plc as CEO and was Hon. Chairman of The Prince's Foundation for the Built Environment. ● ▲ ◆

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

Auditors
PricewaterhouseCoopers LLP

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

Directors' report

The Directors submit their report together with the financial statements for the year ended 30 April 2007.

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 Wales and is quoted on the London Stock Exchange.

On 7 November 2006, the Group completed the acquisition of the 50 per cent interest in St James Group Limited not already owned for £97.5 million, of which £68.6 million related to the purchase of the ordinary share capital owned by RWE Thames Water plc and £28.9 million related to the settlement and refinancing of shareholder loans owned by St James Group Limited to RWE Thames Water plc. Further details on the acquisition can be found in Note 25 of the financial statements.

On 2 April 2007, the Company announced that its wholly owned subsidiary, The Berkeley Group plc, had entered into three agreements, which were subsequently approved by shareholders, to establish three further private joint venture companies with Saad Investments Company Ltd, including an investment of up to £175 million. The establishment of the three joint venture companies was completed in May 2007 with the incorporation of these three companies. Further details on the joint ventures can be found in Note 27 of the financial statements.

The information that fulfils the requirements of the business review can be found in the Chairman's statement on pages 3 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 Finance Director's review on pages 18 to 21 and the Environmental and Social report on pages 22 to 27. In addition, information in respect of the financial risks of the business is set out in the Finance Director's review on pages 20 to 21.

Trading results and dividends
The Group's consolidated profit for the financial year was £135,545,000 (2006: £202,147,000). The Group's joint ventures contributed profits after taxation of £6,798,000 (2006: £11,562,000).

No dividends were declared or paid in the financial year (2006: nil). 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.

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 2007 the Company redeemed 120,820,642 2006 B Shares at £2 per share for a total cost of £241,641,284. There were no redemptions of shares during the financial year ended 30 April 2006. The Company had previously redeemed 120,820,642 2004 B shares at £5 per share in the year ended 30 April 2005. The Company had 120,820,642 Units in issue at 30 April 2007 and 30 April 2006.

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

Of the 10% authority given at the 2006 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 37 and 43.

Directors
The Directors of the Company and their profiles are detailed on pages 28 and 29. All of the Directors served throughout the year under review with the exception of Mr Coppin, who was appointed on 1 September 2006.

In accordance with the Articles of Association of the Company, Messrs. Fry, Howell and Perrins will retire from the Board by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Mr Lewis will retire from the Board at the end of July 2007. Mr Palmer will retire from the Board at the forthcoming Annual General Meeting and will not offer himself for re-election. Mr Coppin, 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 44. At 30 April 2007 each of the Executive Directors was deemed to have a non-beneficial interest in 393,836 (2006: 693,301) 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 of the financial statements, 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, pursuant to Rule 5 of the Disclosure Rules and Transparency Rules amounting to 3% or more of the issued capital of the Company, as at 19 July 2007:

	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	35,525,000	29.4%
Lloyds TSB Group plc	12,094,148	10.01%
Legal & General plc Companies	3,946,615	3.26%
Credit Suisse Securities (Europe) Limited	3,906,885	3.23%

Donations

During the year, donations by the Group for charitable purposes in the United Kingdom amounted to £171,973 (2006: £190,977). The Group made no political contributions (2006: £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 sixth annual Sustainability Report, Berkeley has concentrated upon providing practical examples of the progress that it has made in relation to its key sustainability impacts. The intention is to move beyond the strategy and rhetoric and to demonstrate that the company is continually improving its approach and performance. The report is structured around our strategic sustainability objectives and includes case studies from across all of our divisions and many of our projects. The report also provides detailed reporting against Key Performance Indicators and our targets for 2007/08.

For further information please refer to Berkeley's sixth 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 27.

In our recently published Sustainability Report 2007, we have reported in more detail on progress made and initiatives taken since last year.

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 2007, the Company did not have any trade creditors (2006: nil).

Auditors and disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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 Wednesday 5 September 2007. 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
19 July 2007

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, Mr Tony Palmer and Mr Alan Coppin (who was appointed to the Committee on 1 September 2006) 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 twice.

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 remuneration.

Mr Roger Lewis acts as a director of Saad Berkeley Investments Limited, a joint venture between the Company and Saad Investments Company Limited, for which he receives a fee of £10,000 per annum which he retains. In addition, Mr Lewis was appointed a non-executive director of CNMI Limited on 20 October 2006, for which he receives a fee of £25,000 per annum which he retains.

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 Remuneration Committee reviews on an annual basis whether its remuneration policy remains appropriate for the relevant financial year. Factors taken into account by the Remuneration Committee include:

- market conditions affecting the Company;
- the recruitment market in the Company's sector;
- changing market practice;
- changing views of institutional shareholders and their representative bodies.

The Company's current long-term incentive for the Executive Directors is provided through The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan (see later in the report for full details). This Plan provided for one grant on its adoption with the release of awards subject to the return to shareholders of £12 per share by 31 January 2011. Therefore the performance criteria and release schedules were fixed on the date of grant. However, the Committee does formally review the operation of the Plan on a regular basis to ensure it remains appropriate to the Company's current circumstances and prospects.

Policy for year ended 30 April 2007 and year ending 30 April 2008

The policy is to set the main elements of the Executive Directors' remuneration package against the Company's comparator group as follows:

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 used the following comparator group of companies, the Company's principal industry peers, in the year ended 30 April 2007:

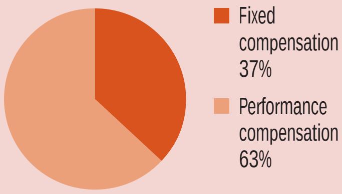
Company name			
Amec plc	Carillion Plc	McCarthy & Stone Plc	Westbury Plc
Balfour Beatty Plc	Crest Nicholson Plc	Persimmon Plc	Wilson Bowden Plc
Barratt Developments Plc	George Wimpey Plc	Redrow Plc	
Bellway Plc	Marshalls Plc	Taylor Woodrow Plc	
Bovis Homes Group Plc	McAlpine (Alfred) Plc	Travis Perkins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

It is the intention of the Remuneration Committee to use the same basis for the comparator group for the year ending 30 April 2008 with the following adjustments to its constituents resulting from corporate activity during the year:

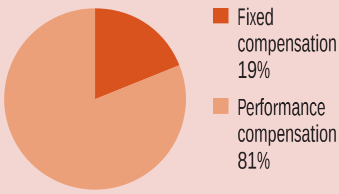
- Crest Nicholson and McCarthy & Stone have been taken private and therefore are excluded on an ongoing basis;
- Westbury was taken over by Persimmon Plc and Wilson Bowden was taken over by Barratt Developments plc and therefore the acquired companies are excluded on an ongoing basis.
- George Wimpey plc and Taylor Woodrow plc have merged and will be included as Taylor Wimpey plc on an ongoing basis.

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 2007:

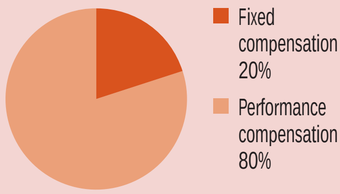
Mr R St J H Lewis
Executive Chairman



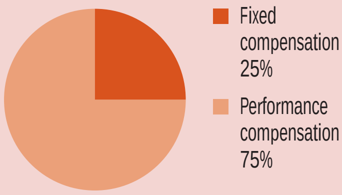
Mr A W Pidgley
Group Managing Director



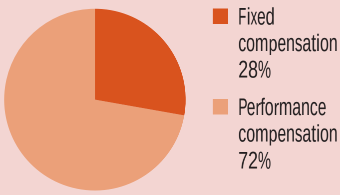
Mr R C Perrins
Group Finance Director



Mr A Carey
Divisional Director



Mr G J Fry
Divisional Director



Key
Fixed compensation is calculated as:
– Salary
– Benefits (including pension allowance)
Performance compensation is calculated as:
– Bonus paid
– Fair value of LTIP on grant

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

Elements of Executive Directors' Remuneration

Basic salary
Policy: Upper decile

Year ended 30 April 2007
There was one salary rise amongst the Executive Directors during this financial year with the salary for the Group Finance Director being increased from £325,000 to £350,000. As stated in last year's report the Remuneration Committee felt that this rise was appropriate taking into account the policy set out below.

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 2007, and felt that in general, applying the above policy, salary rises of between 5-7.5% were appropriate for the Executive Directors. However, the Executive Directors believed that the current balance of the remuneration package was appropriate at this point and the salary recommendations were therefore not implemented.

Executive	Current salary	Salary for the year ending 30 April 2008	% rise in salary
R St J H Lewis	£220,000	£220,000	0%
A W Pidgley	£750,000	£750,000	0%
R C Perrins	£350,000	£350,000	0%
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 2008 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 2007

The targets for the year ended 30 April 2007, 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 year ended 30 April 2007 and year ending 30 April 2008

The following table shows the maximum bonus potential for each of the Executive Directors for the year ended 30 April 2007 and the year ending 30 April 2008. In addition, the table shows the percentage of that maximum bonus potential subject to each performance target for the year ended 30 April 2007 and for the year ending 30 April 2008:

		Bonus targets	
Executive	Maximum annual bonus potential (% 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 2007:

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%
2007 Bonus paid	£440,000	£1,500,000	£700,000	£600,000	£400,000
2007 Bonus paid as % of salary	200%	200%	200%	148%	138%

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

For years ending 30 April 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 year ended 30 April 2007 saw the scheduled redemption of the 2006 B share, and, accordingly, the Remuneration Committee has agreed the bonus payments set out above in respect of the year ended 30 April 2007.

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 ended 30 April 2007.

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 2007 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 2008.

Other senior employees of the Company
The Company’s business is broken down into a number of operating Divisions. The Remuneration Committee in conjunction with the Board has, therefore, implemented both 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. Some elements of the cash bonus plans are annual, whilst other elements are deferred to ensure long-term consistent delivery by each Division. The Remuneration Committee, in line with best practice, continually reviews with the Board the policy behind the compensation plans at this level in the Company to ensure they remain appropriate to the market and the Company’s current circumstances. It is the view of both the Committee and the Board as a whole that these arrangements are very effective at ensuring the delivery of Divisional performance for which these senior employees are responsible. Both the Remuneration Committee and the Board believe that having senior employees focused on the delivery of Divisional results is an excellent way of driving shareholder value.

(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.

2004(b) LTIP main features

The Plan provides 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.

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 2007:

Name	Current shareholding as a % of salary (based on 30 April 2007 share price)	Shareholder requirement as a % of salary by the year ending 30 April 2009
Group Executive Chairman (R St J H Lewis)	323%	200%
Group Managing Director (A W Pidgley)	3,945%	400%
Group Finance Director (R C Perrins)	211%	200%
Divisional Director (A Carey)	1,497%	200%
Divisional Director (G J Fry)	943%	200%

The following table sets out the shareholding requirement and the actual shareholdings of the Non-executive Directors as at 30 April 2007:

Name	Current shareholding as a % of net fees (based on 30 April 2007 share price)	Shareholding requirement to be built up within 3 years of appointment (as a % of net fees)
H A Palmer	271%	100%
D Howell	225%	100%
V M Mitchell	465%	100%
M B Tanner	184%	100%
A Coppin[(2)]	–	100%

Dilution

The only share plan operated by the Company is the 2004(b) LTIP. It is not intended to operate any other Executive or all employee share incentive arrangements during the year ended 30 April 2008. 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 2007.

(2) Appointed as a Director on 1 September 2006.

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(3) alternative offered to all holders of unvested options under the Plan. The final payments made under this Plan occurred in the year ended 30 April 2007.

Pension
Policy: Lower quartile to median
During the year the Remuneration Committee reviewed the impact of the Lifetime Allowance under the pension simplification legislation which came into force from 6 April 2006. The following were the main consequences of this review:

Defined Benefit Plan In the first half of the year all members (active and deferred) of the Defined Benefit Plan were offered a transfer value from the Plan to their own private pension arrangements and a potential enhanced transfer value from the Defined Benefit Plan or a cash payment. The offer was made to all employees and did not vary by grade. Messrs Lewis, Pidgley and Perrins all accepted the offer, each choosing to receive the enhanced value as a separate taxable cash payment. The transfer values paid from the Plan to the individual Directors' private pension arrangements and the additional cash payments made to them are set out in the table in the audited section of the report on page 41.

Ongoing Going forward Executive Directors may receive a cash payment in lieu of pension contributions. Messrs Lewis and Pidgley chose this alternative from the start of the year, having ceased to accrue benefits under the Defined Benefit Plan. Mr Perrins chose this alternative with effect from 1 October 2006 when he transferred out of the Defined Benefit Plan. Messrs Lewis and Pidgley receive payments in lieu of pension at 17% of base salary and Mr Perrins at 12%(4) of base salary (all these payments are subject to income tax and national insurance). For the avoidance of doubt these payments are included in the Directors' remuneration table in the audited section of the report on page 41 but are not included in salary figures for the purposes of determining any other benefit entitlement.

Defined Contribution The other Executive Directors, Messrs Carey and Fry, who did not participate in the Defined Benefit Plan, continue to receive contributions into their respective defined contribution plans.

It should be noted, however, that the Company is not providing any compensation to Executives for loss of tax relief. Full details of pension costs for Executive Directors are set out in the audited section of the report on page 42.

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.

(3) 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.
(4) This percentage was increased to 15% p.a. on 1 May 2007 to bring the rate into line with the Divisional Executive Directors on the Board.

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 historic 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 earnings per share dilutive cost of share arrangements which would not have the desired effect on employees. Accordingly the Company has historically introduced appropriate annual bonus arrangements in all of its Divisions. However, recent consultations have indicated a growing desire for all employees to be offered some form of equity participation. The Remuneration Committee is currently considering whether to implement such arrangements and if so what structure would be most appropriate taking into account the Company's current equity structure.

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 2007 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 2007 and those rates which will apply in the year ending 30 April 2008:

Element	H A Palmer Senior Independent Director	D Howell	V M Mitchell	M B Tanner	A Coppin[5]
Total fee rates 2008	£56,000	£55,000	£55,000	£50,000	£45,000
Total fee rates 2007	£54,400	£52,500	£52,500	£50,000	£45,000
% Increase	2.9%	4.8%	4.8%	–	–
Breakdown of 2008 fee					
Basic fee	£56,000	£45,000	£45,000	£50,000	£45,000
Chair of Committee fee	–	£10,000	£10,000	–	–

The Board has decided to review the fees of the Non-executive Directors annually taking into account the following factors:

- the 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.

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.

(5) A Coppin was appointed on 1 September 2006. Therefore his fees for the year ending 30 April 2007 have been annualised for comparison purposes.

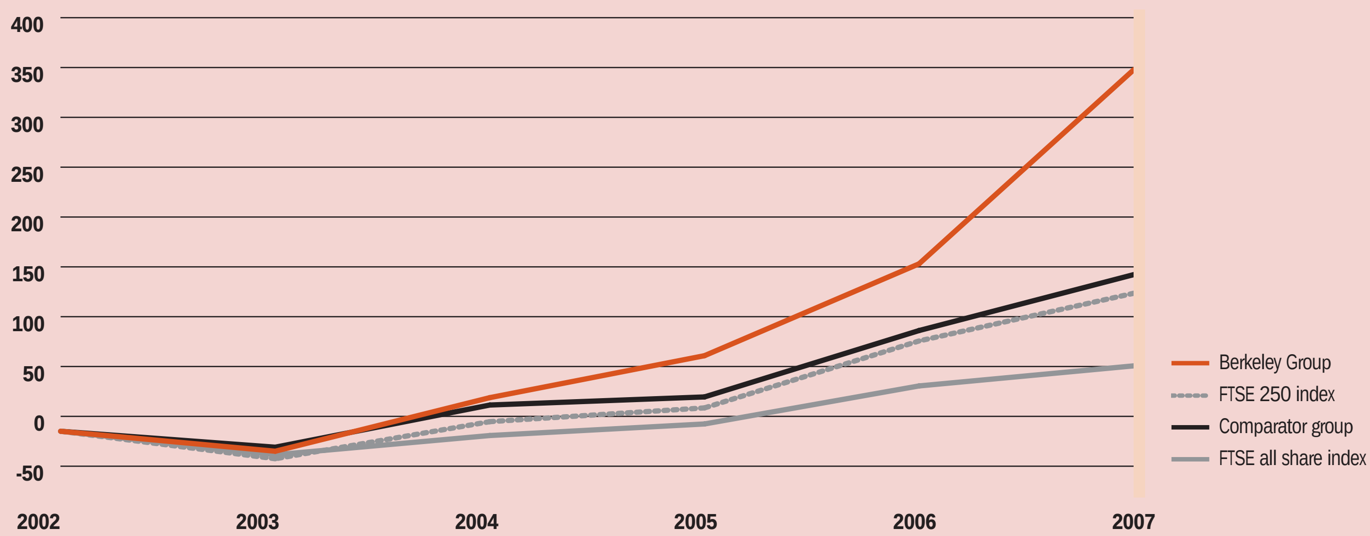
Non-executive Directors' agreements
All non-executive appointments are subject to a notice period of one month and subject to successful re-election upon retirement by rotation as required by the Company's articles of association. All letters of appointment for Non-executive Directors are renewable annually 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						
A Coppin	1 September 2006	n/a	1 month	1 month		
D Howell	24 February 2004	n/a	1 month	1 month	nil	nil
V M Mitchell	1 May 2002	n/a	1 month	1 month	nil	nil
H A Palmer	3 June 1997	n/a	1 month	1 month	nil	nil
M B Tanner	1 September 2005	n/a	1 month	1 month	nil	nil

Performance graph
The graph shows the Company's performance, measured by total shareholder return ("TSR")(6), compared with the performance of the FTSE250, the FTSE All Share and the Company's remuneration comparator group (as set out on page 34). The Company considers these the most relevant indices for total shareholder return disclosure required under the Directors' Remuneration Report Regulations 2002.

Total shareholder return from 30 April 2002 (%)



(6) 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.

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 £	Payment in lieu of pension[3] £	Benefits in kind[4] £	**2007 Total £**	2006 Total £
Executive Directors						
R St J H Lewis (Chairman)[1]	220,000	440,000	37,400	950	**698,350**	441,042
A W Pidgley	750,000	1,500,000	127,500	34,228	**2,411,728**	2,284,273
A Carey	405,000	600,000	–	32,208	**1,037,208**	1,027,294
G J Fry	290,000	400,000	–	31,013	**721,013**	616,048
R C Perrins	350,000	700,000	24,500	29,188	**1,103,688**	1,000,460
Non-executive Directors						
A Coppin[2]	30,000	–	–	–	**30,000**	–
D Howell	52,500	–	–	–	**52,500**	50,000
V M Mitchell	52,500	–	–	–	**52,500**	50,000
H A Palmer	54,400	–	–	–	**54,400**	54,400
M B Tanner	50,000	–	–	–	**50,000**	33,334
	2,254,400	3,640,000	189,400	127,587	**6,211,387**	5,556,851

(1) Mr Lewis's working hours are 3½ days per week. He also acts as a director of Saad Berkeley Investment Properties Limited, a joint venture between the Company and Saad Investments Company Limited, for which he receives a fee of £10,000 per annum which he retains. This is not included in the table above.
(2) Appointed as a Director on 1 September 2006.
(3) During the year the Remuneration Committee reviewed the impact of the Lifetime Allowance under the pension simplification legislation which came into force from 6 April 2006. As a consequence Directors may receive a cash payment in lieu of pension contributions. Messrs Lewis and Pidgley chose this alternative from the start of the year, having ceased to accrue benefits under the Defined Benefit Plan. Mr Perrins chose this alternative with effect from 1 October 2006 when he transferred out of the Defined Benefit Plan. Messrs Lewis and Pidgley received payments in lieu of pension at 17% of base salary and Mr Perrins at 12% of base salary.
(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

Defined Benefit Plan
In the first half of the year all members (active and deferred) of the Defined Benefit Plan were offered an enhanced transfer value from the Defined Benefit Plan. The offer was made on equal terms to all employees and did not vary with grade, with the additional amount available to be taken either as an enhancement to the standard pension transfer value or as a separate taxable cash amount. Messrs Lewis, Pidgley and Perrins all accepted the offer, each choosing to receive the additional amount as a separate taxable cash amount. The transfer values paid from the Plan to the individual Directors' private pension arrangements and the additional cash amounts received by them are set out in the table below.

Name	**Transfer value £**	**Cash sum £**
R St J H Lewis	**432,518**	**160,628**
A W Pidgley	**4,178,415**	**1,720,638**
R C Perrins	**147,075**	**125,705**

The transfers were all made during the second half of the year.

A W Pidgley and R St J H Lewis ceased to accrue future benefits in the Plan with effect from 5 April 2006. R C Perrins ceased to accrue future benefits in the Plan with effect from 30 September 2006.

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

Name	Age	Pensionable service (years)	Accumulated accrued pension 1 May 2006(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 2007(5) £**
R St J H Lewis	60	15	24,752	–	–	–	–
A W Pidgley	59	20	242,709	–	–	–	–
R C Perrins	42	12	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.
(5) As all the Directors took a transfer value from the Defined Benefit Plan, their accrued entitlement at the end of the year is zero.

	Age	Pensionable service (years)	**Transfer value at 30 April 2007 £**	Transfer value at 1 May 2006 £	**Change in transfer value during the year £**	**Change in transfer value during the year excluding contributions paid**
R St J H Lewis	60	15	–	444,706	–	–
A W Pidgley	59	20	–	4,180,569	–	
R C Perrins	42	12	–	141,113	–	–

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 as at 1 May 2006 represent the value of assets that the pension scheme would have needed to transfer if the liability had been transferred to another pension provider at the time in respect of qualifying services. As such they represent a potential liability of the pension scheme. As the Directors transferred their benefit from the Defined Benefit Plan during the year, the remaining liability of the pension scheme in respect of them is zero at the end of the year. 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.

Defined Contribution Plan

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

	Age	**Company contributions 2007 £**	Company contributions 2006 £
A W Pidgley	59	–	28,125
A Carey	59	**60,750**	60,750
G J Fry	50	**43,500**	43,500
		104,250	132,375

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 2006 Cash £	Paid in year £	**At 30 April 2007 Cash £**	Cash release date	At 1 May 2006 Shares	Released in year	**At 30 April 2007 Shares**	Value released £	Share release date
A W Pidgley									
19 Aug 2002 (1)	–	–	**–**	–	97,744	(97,744)	**–**	1,726,159	19 Aug 2006
22 July 2003 (2)	750,000	(750,000)	**–**	22 July 2006	98,361	–	**98,361**	–	22 July 2007
A Carey									
19 Aug 2002 (1)	–	–	**–**	–	57,894	(57,894)	**–**	1,022,408	19 Aug 2006
22 July 2003 (2)	405,000	(405,000)	**–**	22 July 2006	53,115	–	**53,115**	–	22 July 2007
G J Fry									
19 Aug 2002 (1)	–	–	**–**	–	31,015	(31,015)	**–**	547,725	19 Aug 2006
22 July 2003 (2)	217,500	(217,500)	**–**	22 July 2006	28,524	–	**28,524**	–	22 July 2007
R C Perrins									
19 Aug 2002 (1)	–	–	**–**	–	28,195	(28,195)	**–**	497,924	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 2002 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 19 August 2006. The participants received the cash element of these awards during FY2006.

(2) On approval of the Group reconstruction on 25 October 2004, the Remuneration Committee determined that the performance conditions relating to the 2003 awards had been satisfied. The participants received the cash element of the 2003 award during the year, and will receive 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 19 August 2002 was 665p, on 22 July 2003 was 763p, and on 19 August 2006 was 1,266p.

The mid-market share price of the Company was 1,151p as at 1 May 2006 and was 1,739p at 30 April 2007. The mid-market high and low share prices of the Company were 1,749p and 1,057p 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 2006 Shares	Released in year	**At 30 April 2007 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 page 37.

Directors' interests in shares

The beneficial interests (unless indicated otherwise) of the Directors in office at the end of the year in the share capital of the Company were as shown below.

	Units* 1 May 2006	**Units* 30 April 2007**
R St J H Lewis	40,890	**40,890**
A W Pidgley	1,567,780	**1,701,470**
A W Pidgley Non-beneficial	19,183	**19,183**
A Carey	281,978	**348,738**
G J Fry	126,056	**157,310**
D Howell	4,000	**4,000**
V M Mitchell	7,274	**8,274**
H A Palmer	5,000	**5,000**
R C Perrins	42,362	**42,362**
M B Tanner	–	**3,113**
A Coppin	–	**–**

* The beneficial interests in Units (each Unit originally 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) at 1 May 2006 relates to Units in the Company of 20p (after the redemption of the 2004 B share of 5p). As at 30 April 2007 the beneficial interest in Units relates to Units in the Company of 15p (after the redemption of the 2004 B share of 5p and the 2006 B share of 5p). 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 1,151p as at 1 May 2006 and was 1,739p at 30 April 2007. The mid-market high and low share prices of the Company were 1,749p and 1,057p respectively in the year.

At the date of this report, the interests of Mr Lewis in the share capital of the Company has increased by 7,329 Units to 48,219 Units, the interests of Mr Pidgley by 24,985 Units to 1,726,455 Units, the interests of Mr Carey by 6,496 Units to 355,234 Units, the interests of Mr Fry by 3,664 Units to 160,974 Units and the interests of Mr Perrins by 11,659 Units to 54,021 Units.

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 38 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 2006 £	Paid during year £	**30 April 2007 £**	Conditional compensation payment date
A W Pidgley	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 1,208p.

The Remuneration Committee report on pages 33 to 44 was approved by the Board of Directors and was signed on its behalf by:

V M Mitchell
Chairman, Remuneration Committee
19 July 2007

Corporate Governance report

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.

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 Tony Carey missed the September 2006 Board meeting due to prior commitments, and Mr Tony Palmer missed the October 2006 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 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 Alan Coppin on 1 September 2006 and now comprises ten Directors including the Group Chairman, four further Executive Directors and five Non-executive Directors. The Board considers that all the Non-executive Directors (Messrs. Tony Palmer, David Howell, Mike Tanner and Alan Coppin and Mrs Victoria Mitchell) have skills and experience complementary to the Executive Directors, offer independent judgement when required and remain independent. Brief biographies appear on pages 28 to 29. 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, other than Mr Roger Lewis whose other appointments are set out in the Remuneration Committee report on page 33.

Mr Roger Lewis will retire from the Board at the end of July 2007 and Mrs Victoria Mitchell, currently a non-executive Director and Chairman of the Remuneration Committee, will become Non-Executive Chairman with effect from the beginning of August 2007.
In addition, Mr Tony Palmer will retire from the Board at the forthcoming Annual General Meeting.

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, Mr Mike Tanner and Mr Alan Coppin were appointed to the Board as Non-executive Directors on 1 May 2002, 24 February 2004, 1 September 2005 and 1 September 2006 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 after their appointment and thereafter at intervals of no more than three years.

Directors' remuneration
The principles and details of Directors' remuneration are contained in the Remuneration Committee report on pages 33 to 44.

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. The process concluded that the stability and cohesiveness of the Board has been the key to the Board's continued effectiveness.

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. Mr Roger Lewis will retire from the Committee at the end of July 2007.

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 five independent Non-executive Directors. Mr Coppin was appointed to the Committee on his appointment as a Non-executive Director on 1 September 2006. During the year to 30 April 2007, the Committee met formally on three occasions with no absences.

Mr Tony Palmer will retire from the Committee following the forthcoming Annual General Meeting.

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

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

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

The Audit Committee plays an important role in Corporate Governance by undertaking the following key responsibilities:
- monitoring the integrity of the financial reporting of the Company, including its annual and interim reports and other formal announcements relating to financial performance;
- reviewing the adequacy and effectiveness of the Group's internal control and risk management systems and disclosure of statements concerning these in the Annual Report;
- monitoring the effectiveness of the Group's internal audit function, reviewing the scope of the Group's internal audit programme and considering the findings and recommendations of the reports produced from this programme;
- overseeing the relationship with the external auditor, including appointment, removal and fees, and ensuring the auditor's independence and the effectiveness of the audit process.

In addition to specifically undertaking these responsibilities in the year ended 30 April 2007, the Committee also reviewed the accounting of the acquisition of the remaining 50% of St James not already owned.

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 Committee report is set out on pages 33 to 44.

The Committee is chaired by Mrs Victoria Mitchell and the other members comprise Messrs Tony Palmer, David Howell and Alan Coppin. Mr Coppin was appointed to the Committee on 8 February 2007 following his appointment as a Non-executive Director on 1 September 2006. 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 2007, the Committee met formally on two occasions with no absences.

Mr Tony Palmer will retire from the Committee following the forthcoming Annual General Meeting.

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, Mike Tanner and Alan Coppin and Mrs Victoria Mitchell as Independent Non-executive members. Mr Coppin was appointed to the Committee on his appointment as a Non-executive Director on 1 September 2006. 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 to 30 April 2007, the Committee met formally on three occasions and with no absences.

Mr Roger Lewis will retire from the Committee at the end of July 2007, and Mr Tony Palmer will retire from the Committee following the forthcoming Annual General Meeting.

The Committee recommended to the Board the appointment of Mr Alan Coppin 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 acknowledges that it has overall responsibility for the Company's system of internal control and for reviewing its effectiveness.

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 2007 Annual Report and Accounts were approved.

This process is regularly reviewed by the Board and is in accordance with the revised Turnbull guidance issued in 2005, 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.

Internal control procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In conducting these reviews, the Board has taken into consideration the following established framework of internal controls within the Group:

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.

Berkeley has a variety of systems in place to address the sustainability risks associated with its operations, these include:
- A Land Acquisition Sustainability Risk Assessment Checklist
- Sustainability issues are incorporated within Strategic Risk Registers for each project
- Each Division has processes in place to ensure that sustainability is managed during the construction phase, which includes signing all sites up to the Considerate Constructors Scheme

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 a 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 with 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.

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 at the Company's registered office.

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.

Statement of Directors' responsibilities in respect of the Annual Report, the Remuneration Committee report and the financial statements

The Directors are responsible for preparing the Annual Report, the Remuneration Committee report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements and the Directors' Remuneration report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group 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 that the Group financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Group and parent company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent company financial statements and the Remuneration Committee report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A R Foster ACA
Company Secretary
19 July 2007

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 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense 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 2007 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 is 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 Directors' 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 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 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 judgements 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 2007 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
19 July 2007

Consolidated income statement

For the year ended 30 April	Notes	2007 £'000	2006 £'000
Continuing operations			
Revenue	2		917,926
Cost of sales			(686,166)
Gross profit			231,760
Net operating expenses			(70,885)
Operating profit	2		160,875
Finance income	3		19,968
Finance costs	3		(27,304)
Share of post tax results of joint ventures using the equity method	11		11,562
Profit before taxation from continuing operations	4		165,101
Taxation	6		(43,736)
Profit after taxation from continuing operations			121,365
Discontinued operations			
Profit from discontinued operations	7		80,782
Profit for the financial year attributable to equity shareholders			202,147
Earnings per Ordinary Share – basic	8		168.4p
– continuing operations	8		101.1p
– discontinued operations	8		67.3p
– diluted	8		167.4p
– continuing operations	8		100.5p
– discontinued operations	8		66.9p

Consolidated statement of recognised income and expense

For the year ended 30 April	Notes	2007 £'000	2006 £'000
Profit for the financial year			202,147
Actuarial gain recognised in the pension scheme	5		1,925
Deferred tax on actuarial gain recognised in the pension scheme	18		(578)
Deferred tax in respect of employee share schemes	18		6,440
Total recognised income for the financial year			209,934

Consolidated balance sheet

As at 30 April	Notes	**2007 £'000**	2006 £'000
Assets			
Non-current assets			
Intangible assets	9		–
Property, plant and equipment	10		2,252
Investments accounted for using equity method	11		68,995
Deferred tax assets	18		18,285
			89,532
Current assets			
Inventories	12		763,873
Trade and other receivables	13		23,692
Cash and cash equivalents	14		220,670
			1,008,235
Liabilities			
Current liabilities			
Borrowings	15		(85)
Trade and other payables	16		(202,267)
Current tax liabilities			(32,589)
			(234,941)
Net current assets			773,294
Total assets less current liabilities			862,826
Non-current liabilities			
Retirement benefit obligation	5		(10,342)
Other non-current liabilities	17		(15,294)
			(25,636)
Net assets			837,190
Shareholders' equity			
Share capital	19		24,164
Share premium	20		264
Capital redemption reserve	20		6,091
Other reserve	20		(961,299)
Revaluation reserve	20		–
Retained profit	20		1,735,475
Joint ventures' reserves	20		32,495
Total equity			837,190

The financial statements on pages 51 to 77 were approved by the Board of Directors on 19 July 2007 and were signed on its behalf by:

R C Perrins
Finance Director

Consolidated cash flow statement

For the year ended 30 April	Notes	**2007 £'000**	2006 £'000
Cash flows from operating activities			
Cash generated from operations			276,435
Dividends from joint ventures			5,396
Interest received			19,968
Interest paid			(37,384)
Tax paid			(35,413)
Net cash flow from operating activities	24		229,002
Cash flows from investing activities			
Purchase of property, plant and equipment			(1,419)
Sale of property, plant and equipment			467
Purchase of shares in joint ventures			(10)
Sale of shares in joint ventures			–
Movements in loans with joint ventures			(858)
Acquisition of subsidiary undertaking	25		–
Cash balance in subsidiary acquired	25		–
Expenses relating to acquisition of subsidiary	25		–
Disposal of subsidiary undertaking	7		250,736
Overdraft balance of subsidiary disposed			572
Expenses relating to disposal of subsidiary			(2,765)
Net cash flow from investing activities			246,723
Cash flows from financing activities			
Redemption of shares			–
Repayment of loan stock			(3)
Increase in short-term borrowings			–
Repayment of bank loan			(600,000)
Net cash flow from financing activities			(600,003)
Net decrease in cash and cash equivalents			(124,278)
Cash and cash equivalents at the start of the year			344,948
Cash and cash equivalents at the end of the year	14		220,670

Notes to the Consolidated financial statements

1 Accounting policies

Basis of preparation
These consolidated financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRS"), 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on page 57.

The following interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 May 2006 and have been adopted in the preparation of these accounts:

IFRIC 8 "Scope of IFRS 2" (applicable for financial years commencing on or after 1 May 2006).

IAS 21 (Amendment) "Net investment in a foreign operation" (applicable for accounting periods beginning on or after 1 January 2006).

IAS 39 (Amendment) "Cash flow hedge accounting of forecast intragroup transactions" (applicable for accounting periods beginning on or after 1 January 2006).

IAS 39 (Amendment) "The fair value option" (applicable for accounting periods beginning on or after 1 January 2006).

The adoption of these standards has no impact on the consolidated financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:
- IFRS 7 "Financial Instruments: Disclosures" and the Amendments to IAS 1 "Presentation of Financial Statements: Capital Disclosures"
- IFRS 8 "Operating segments"
- IFRIC 9 "Reassessment of embedded derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 11 "IFRS2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements"
- IAS 23 (Amendment) Borrowing Costs

The Group has not adopted these Standards and Interpretations early. Their adoption is not expected to have a significant impact on the Consolidated financial statements.

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.

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain the benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiary undertakings have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Segmental reporting
A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

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 received) using the tax rules and laws that have been enacted, or substantially 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 value 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.

Intangible assets
(a) 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 is allocated to cash-generating units for the purpose of impairment testing. 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.

(b) Other intangible assets
Other intangible assets, which include customer contracts, have a finite useful life and are carried at cost less accumulated amortisation. Other intangible assets are amortised over their estimated useful lives.

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	$33\frac{1}{3}$%

1 Accounting policies continued

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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.

Share capital
Ordinary shares and redeemable preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

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.

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 (1 May 2004).

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 judgements

Management apply the Group's accounting policies as described above when making critical accounting judgements, of which no individual judgement 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 the expected long-term rate of return on assets, the discount rate used and the mortality rates. Such estimations are based on assumed rates and, should these differ from what actually transpires, the pension liability of the Group would change.

(c) Goodwill impairment

In determining whether or not goodwill is impaired or not requires an estimation of value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate.

2 Segmental reporting

Business segments are analysed as the primary reporting format below:

	Residential housebuilding 2007 £'000	Commercial property and other activities 2007 £'000	Unallocated 2007 £'000	Group 2007 £'000	Residential housebuilding 2006 £'000	Commercial property and other activities 2006 £'000	Unallocated 2006 £'000	Group 2006 £'000
Income Statement Information								
Continuing operations								
Revenue	867,944	50,466	–	918,410	890,539	27,387	–	917,926
Operating profit	170,097	6,975	–	177,072	156,846	4,029	–	160,875
Finance income	–	–	10,121	10,121	–	–	19,968	19,968
Finance costs	–	–	(5,941)	(5,941)	–	–	(27,304)	(27,304)
Share of post tax profit of joint ventures using the equity method	6,751	47	–	6,798	11,469	93	–	11,562
Profit before taxation	176,848	7,022	4,180	188,050	168,315	4,122	(7,336)	165,101
Taxation	–	–	(52,505)	(52,505)	–	–	(43,736)	(43,736)
Profit after taxation	176,848	7,022	(48,325)	135,545	168,315	4,122	(51,072)	121,365
Discontinued operations								
Revenue	–	–	–	–	8,176	–	–	8,176
Operating profit	–	–	–	–	1,514	–	–	1,514
Finance costs	–	–	–	–	–	–	(130)	(130)
Profit before taxation	–	–	–	–	1,514	–	(130)	1,384
Taxation	–	–	–	–	–	–	(348)	(348)
Profit after taxation	–	–	–	–	1,514	–	(478)	1,036
Balance Sheet Information								
Intangible assets	19,686	–	–	19,686	–	–	–	–
Property, plant and equipment	2,238	130	–	2,368	2,184	68	–	2,252
Investment in equity accounted joint ventures	1,729	–	–	1,729	65,115	3,880	–	68,995
Other segment assets	1,063,524	22,071	–	1,085,595	762,288	25,277	–	787,565
Unallocated assets:								
Deferred taxation	–	–	34,594	34,594	–	–	18,285	18,285
Cash and cash equivalents	–	–	140,330	140,330	–	–	220,670	220,670
Total assets	1,087,177	22,201	174,924	1,284,302	829,587	29,225	238,955	1,097,767
Segment liabilities	(396,452)	(8,227)	–	(404,679)	(210,578)	(6,983)	–	(217,561)
Unallocated liabilities:								
Retirement benefit obligation	–	–	–	–	–	–	(10,342)	(10,342)
Borrowings	–	–	(59,368)	(59,368)	–	–	(85)	(85)
Current taxation	–	–	(38,680)	(38,680)	–	–	(32,589)	(32,589)
	(396,452)	(8,227)	(98,048)	(502,727)	(210,578)	(6,983)	(43,016)	(260,577)
Net assets	690,725	13,974	76,876	781,575	619,009	22,242	195,939	837,190
Other Segment Items								
Continuing operations								
Capital expenditure	1,114	69	–	1,183	1,376	43	–	1,419
Depreciation	1,194	84	–	1,278	1,581	67	–	1,648
Discontinued operations								
Depreciation	–	–	–	–	58	–	–	58

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 £43,997,000 and £9,245,000 (2006: £1,142,000 and £889,000) 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 income/(costs)

Continuing operations	2007 £'000	2006 £'000
Finance income		
Finance income	**10,121**	19,968
Finance costs		
Interest payable on bank loans and overdrafts	**(3,000)**	(26,153)
Other finance costs	**(2,941)**	(1,151)
	(5,941)	(27,304)
Net finance income/(costs)	**4,180**	(7,336)

4 Profit before taxation

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

Continuing operations	2007 £'000	2006 £'000
Staff costs (note 5)	**86,272**	68,510
Depreciation of property, plant and equipment – owned assets	**1,278**	1,648
Amortisation of intangible assets	**746**	–
Hire of plant and machinery	**2,690**	4,720
Profit on sale of property, plant and equipment	**(34)**	(114)
Operating lease costs – motor vehicles	**610**	544
Operating lease costs – land and buildings	**1,782**	1,922
Fees payable to the Company's auditors for the audit of the Company's accounts	**120**	104
Fees payable to the Company's auditors for other services:		
– Audit fee for the accounts of the Company's subsidiaries pursuant to legislation	**145**	95
– Services relating to taxation	**521**	440
– Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	**370**	157
– Other services supplied pursuant for legislation	**25**	93

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, and also includes £25,000 in respect of the interim review (2006: £25,000).

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 (2006: £12,000).

Operating expenses represent administration costs.

5 Directors and employees

	2007 £'000	2006 £'000
Staff costs		
Wages and salaries(1)	**61,959**	49,702
Social security costs(2)	**18,740**	10,207
Share-based payments	**5,661**	6,348
Pensions – curtailment gain	**(1,520)**	(207)
– settlement gain	**(4,305)**	–
– other pension costs(3)	**5,737**	2,460
	86,272	68,510

(1) Wages and salaries include £2,586,000 in respect of payments made to active members of the Berkeley Final Salary Plan who elected to receive the transfer value enhancement as a cash payment (see below).
(2) Social security costs include £340,000 in respect of employer's national insurance contributions on the above payments to active members.
(3) Other pension costs include £3,413,000 in respect of payments made to deferred members of the Berkeley Final Salary Plan who elected to receive the transfer value enhancement as a cash payment (see below).

The average number of persons employed by the Group during the year was 865 (2006: 766), of which 858 (2006: 752) were employed in residential housebuilding activities; the balance in commercial property and other activities.

5 Directors and employees continued

Directors
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 Committee report on pages 33 to 44.

Pensions
At the start of the year, three principal pension schemes were in place for employees. The Berkeley Group plc Staff Benefits Plan (the "Berkeley Final Salary Plan") is a defined benefit scheme and had been 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 Group Personal Pension Plan (the "St George Group Personal Pension Plan") are defined contribution schemes. The assets of these schemes were held in separate trustee administered funds. With effect from 1 November 2006, the Berkeley Money Purchase Plan was closed, with future employer contributions being paid into The Berkeley Group plc Group Personal Pension Plan (the "Berkeley Group Personal Pension Plan"), also a defined contribution scheme.

During the year, all members (active and deferred) were offered a transfer value from the Berkeley Final Salary Plan to their own private pension arrangements and a potential enhanced transfer value from the Berkeley Final Salary Plan or a cash payment. Contributions to the Berkeley Final Salary Plan ceased at 30 September 2006. The offer was made to all employees and did not vary by grade. The Berkeley Group Personal Pension Plan was established to receive transfers and future contributions from 1 October 2006. The majority of active and deferred members accepted this offer. The Berkeley Final Salary Plan was closed to future accrual with effect from 1 April 2007.

Included in Wages and salaries and Social security costs for the year in the table above are £2,586,000 and £340,000 in respect of payments to active members of the Berkeley Final Salary Plan who elected to receive the transfer value enhancement as a cash payment. Payments to deferred members who elected to receive the enhanced transfer value as a cash payment were £3,413,000. The payments resulted in a curtailment gain of £1,520,000 and a settlement gain of £4,305,000 in respect of the Group's defined benefit obligation. In addition, £3,537,000 was paid to the Berkeley Final Salary Plan in respect of members requesting the transfer value enhancement as pension. Fees and expenses of £1,100,000 in respect of this process are included within net operating expenses.

Defined contribution plan Contributions amounting to £1,743,000 (2006: £791,000), of which £107,000 (2006: £219,000) were paid on behalf of joint ventures, and £nil (2006: £21,000) 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. Up until closure of the Berkeley Final Salary Plan to future accrual with effect from 1 April 2007, employer's contributions were paid at 21.1%. With effect from 1 May 2007, employee's contributions are paid at £45,000 per month.

The major assumptions used by the actuary were:

Valuation at:	**30 April 2007**	30 April 2006
Rate of increase in salaries	**4.2%**	4.0%
Discount rate	**5.5%**	5.1%
Inflation assumption	**3.2%**	3.0%
Rate of increase in pensions in payment (post-97)	**3.5%**	3.5%
(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 average life expectancy of male and female pensioners retiring at age 65 on the balance sheet date is 19.3 years and 22.3 years respectively (2006: 19.3 and 22.3). The average life expectancy of male and female pensioners retiring at age 65 after the balance sheet date is 20.1 years and 23.1 years respectively (2006: 20.1 and 23.1).

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

	30 April 2007		30 April 2006	
	Long-term rate of return	**Value (£'000)**	Long-term rate of return	Value (£'000)
Equities	**7.80%**	**4,356**	7.50%	22,714
Government Bonds	**4.80%**	**2,762**	4.50%	2,734
Corporate Bonds	**5.30%**	**2,779**	4.90%	2,732
Cash	**5.50%**	**77**	4.60%	157
Fair value of plan assets		**9,974**		28,337

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

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

	2007 £'000	2006 £'000
Present value of defined benefit obligations	**(9,832)**	(38,679)
Fair value of plan assets	**9,974**	28,337
Net surplus/(deficit)	**142**	(10,342)
Unrecognised asset in accordance with IAS 19	**(142)**	–
Net deficit recognised on the balance sheet	**–**	(10,342)

The amounts recognised in the income statement are as follows:

	2007 £'000	2006 £'000
Current service cost	**751**	1,428
Interest on pension scheme liabilities	**1,263**	1,785
Expected return on plan assets	**(1,019)**	(1,310)
Past service cost	**–**	–
Curtailment gain	**(1,520)**	(207)
Settlement gain	**(4,305)**	–
Total included within staff costs	**(4,830)**	1,696

Of the total credit for the Group of £4,830,000 (2006: charge of £1,696,000), a credit of £5,074,000 (2006: charge of £1,428,000) was included in net operating expenses, a charge of £244,000 (2006: charge of £475,000) was included in finance costs and £nil (2006: charge of £207,000) in profit from discontinued operations.

Changes in the present value of the defined benefit obligation

	2007 £'000	2006 £'000
Present value of defined benefit obligations at 1 May	**38,679**	33,470
Current service cost	**751**	1,428
Interest on pension scheme liabilities	**1,263**	1,785
Contributions by plan participants	**52**	144
Actuarial losses on scheme liabilities (recognised in SORIE)	**(720)**	2,896
Net benefits paid out	**(547)**	(837)
Curtailment gain	**(1,520)**	(207)
Settlements	**(28,126)**	–
Present value of defined benefit obligations at 30 April	**9,832**	38,679

Changes in the fair value of plan assets

	2007 £'000	2006 £'000
Fair value of plan assets at 1 May	**28,337**	21,381
Expected return on plan assets	**1,019**	1,310
Actuarial gains on plan assets (recognised in SORIE)	**383**	4,821
Contributions by the employer [(1)]	**4,551**	1,518
Contributions by plan participants	**52**	144
Net benefits paid out	**(547)**	(837)
Settlements	**(23,821)**	–
Fair value of plan assets at 30 April	**9,974**	28,337

(1) Contributions by the employer include £3,537,000 to fund enhancements to transfer values paid to encourage members to transfer out of the scheme.

5 Directors and employees continued

Cumulative actuarial gains and losses recognised in equity

	2007 £'000	2006 £'000
Cumulative amounts of losses recognised in Statement of Recognised Income and Expense at 1 May	(1,337)	(3,262)
Net actuarial gains recognised in the year	1,103	1,925
Change in irrecoverable surplus in accordance with IAS 19	(142)	–
Cumulative amounts of losses recognised in Statement of Recognised Income and Expense at 30 April	(376)	(1,337)

Actual return on plan assets

	2007 £'000	2006 £'000
Expected return on scheme assets	1,019	1,310
Actuarial gain on scheme assets	383	4,821
Actual return on scheme assets	1,402	6,131

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

	30 April 2007 £'000	30 April 2006 £'000	30 April 2005 £'000
Fair value of scheme assets	9,974	28,337	21,381
Present value of scheme liabilities	(9,832)	(38,679)	(33,470)
Net surplus/(deficit) in plan	142	(10,342)	(12,089)

	2007	2006
Experience adjustments arising on scheme assets:		
Amount (£'000)	383	4,821
% of scheme assets	3.84%	17.01%
Experience adjustments arising on scheme liabilities		
Amount (£'000)	346	(342)
% of the present value of scheme liabilities	(3.52%)	0.88%

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 £5,661,000 (2006: £6,347,500).

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

No awards were granted under the 2000 LTIP during the year (2006: nil). Further details on the 2000 LTIP are set out in the Remuneration Committee report on page 43.

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 2004 B 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 paid 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 expected to be £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 43.

6 Taxation

The tax charge for the year is as follows:

Continuing operations	**2007 £'000**	2006 £'000
Current tax		
UK corporation tax payable	**(63,107)**	(35,158)
Adjustments in respect of previous periods	**4,611**	469
	(58,496)	(34,689)
Deferred tax (note 18)	**5,991**	(9,047)
	(52,505)	(43,736)

Tax is recognised on items charged to equity as follows:

	2007 £'000	2006 £'000
Deferred tax on actuarial gain recognised in the pension scheme	**(288)**	(578)
Deferred tax in respect of employee share schemes	**23,850**	6,440
	23,562	5,862

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

	2007 £'000	2006 £'000
Current tax	**(58,496)**	(34,689)
Deferred tax	**29,553**	(3,185)
	(28,943)	(37,874)

The tax charge assessed for the year differs from the standard rate of UK corporation tax of 30% (2006: 30%). These differences are explained below:

Continuing operations	**2007 £'000**	2006 £'000
Profit before tax	**188,050**	165,101
Tax on profit at standard UK corporation tax rate	**56,415**	49,530
Effects of:		
Expenses not deductible for tax purposes	**1,395**	157
Tax effect of share of results of joint ventures	**(2,040)**	(3,469)
Adjustments in respect of previous periods	**(4,611)**	(469)
Other	**1,346**	(2,013)
Tax charge (continuing operations)	**52,505**	43,736

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 was included within the consolidated income statement for the year ended 30 April 2006 was £80,782,000.

8 Earnings per Ordinary Share

Basic earnings per Ordinary Share is calculated as the profit for the financial period of £135,545,000 (2006: £202,147,000) divided by the weighted average number of Ordinary Shares in issue during the year of 120,335,736 (2006: 120,067,044) 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 Ordinary potential shares is 388,267 shares (2006: 681,083), giving a diluted weighted average number of shares of 120,724,003 (2006: 120,748,127). Reconciliations of the earnings and weighted average number of shares used in the calculations are set out in the table below:

	Earnings £'000	**2007 Weighted average number of shares '000**	**Per-share amount pence**	Earnings £'000	2006 Weighted average number of shares '000	Per-share amount pence
Basic earnings per Ordinary Share	**135,545**	**120,336**	**112.6**	202,147	120,067	168.4
Effect of dilutive potential shares	**–**	**388**		–	681	
Diluted earnings per Ordinary Share	**135,545**	**120,724**	**112.3**	202,147	120,748	167.4
Basic earnings per Ordinary Share	**135,545**	**120,336**	**112.6**	202,147	120,067	168.4
Basic earnings per Ordinary Share from continuing operations	**135,545**	**120,336**	**112.6**	121,365	120,067	101.1
Basic earnings per Ordinary Share from discontinued operations	**–**	**–**	**–**	80,782	120,067	67.3
Diluted earnings per Ordinary Share	**135,545**	**120,724**	**112.3**	202,147	120,748	167.4
Diluted earnings per Ordinary Share from continuing operations	**135,545**	**120,724**	**112.3**	121,365	120,748	100.5
Diluted earnings per Ordinary Share from discontinued operations	**–**	**–**	**–**	80,782	120,748	66.9

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 120,426,806 (2006: 120,127,341). 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 cash/debt.

9 Intangible assets

	Goodwill	Other Intangible assets	Total £'000
Cost			
At 1 May 2005 and 1 May 2006	–	–	–
Additions (note 25)	17,159	3,273	20,432
At 30 April 2007	**17,159**	**3,273**	**20,432**
Accumulated Amortisation			
At 1 May 2005 and 1 May 2006	–	–	–
Amortisation charge for the year	–	746	746
At 30 April 2007	**–**	**746**	**746**
Net book value			
At 30 April 2006	–	–	–
At 30 April 2007	**17,159**	**2,527**	**19,686**

The goodwill balance relates to the acquisition of the 50% of the ordinary share capital of St James Group Limited that was not already owned by the Group. The acquisition was completed on 7 November 2006 and resulted in the recognition of goodwill of £17,159,000. The calculation of this goodwill is set out in note 25. The factors which give rise to goodwill include a premium for gaining full control of the strategy and direction of the acquired business, for bringing St James Group Limited's strong management team into the Group and for other control-based synergies.

The goodwill balance is tested annually for impairment. The recoverable amount has been determined on the basis of the current five-year divisional forecasts. Key assumptions are as follows:

(i) Cash flows beyond the initial five-year period are extrapolated assuming steady returns.
(ii) A discount rate of 8% based on the Group's weighted average cost of capital.

The goodwill balance has been allocated to residential housebuilding within the segmental analysis.

Other intangible assets relate to contracts for the sale of units that had reserved or exchanged at the date of the acquisition of the 50% of the ordinary share capital of St James Group Limited that it did not already own (see note 25). This resulted in an intangible asset of £3,272,000 at the acquisition date. This intangible asset is amortised as these reserved or exchanged units are taken to profit.

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 2006	–	–	10,017	2,625	12,642
Acquisition of a subsidiary (see note 25)	–	–	1,171	463	1,634
Additions	–	–	334	849	1,183
Disposals	–	–	(4,396)	(892)	(5,288)
At 30 April 2007	**–**	**–**	**7,126**	**3,045**	**10,171**
Depreciation					
At 1 May 2006	–	–	9,060	1,330	10,390
Charge for the year	–	–	744	534	1,278
Acquisition of a subsidiary (see note 25)	–	–	1,003	109	1,112
Disposals	–	–	(4,373)	(604)	(4,977)
At 30 April 2007	**–**	**–**	**6,434**	**1,369**	**7,803**
Net book value					
At 30 April 2006	–	–	957	1,295	2,252
At 30 April 2007	**–**	**–**	**692**	**1,676**	**2,368**
Cost					
At 1 May 2005	5,866	320	11,779	3,323	21,288
Additions	–	–	552	867	1,419
Disposal of a 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 a 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

11 Investments

	2007 £'000	2006 £'000
Investments accounted for using equity method	1,729	68,995

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

Investments accounted for using the equity method

	2007 £'000	2006 £'000
Unlisted shares at cost	156	171
Loans	1,242	36,329
Share of post-acquisition reserves	331	32,495
	1,729	68,995

Following completion on 7 November 2006 of its acquisition of the 50% interest in St James Group Limited that it did not already own, the Group has consolidated the results of St James Group Limited as a wholly owned subsidiary from this date forward. Previously in the six months ended 31 October 2006, the Group accounted for the results of St James Group Limited using the equity method of accounting for its 50% interest in the joint venture.

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

	2007 £'000	2006 £'000
At the start of the year – Net assets	68,995	64,497
– Goodwill	–	–
	68,995	64,497
Retained profit for the year – continuing operations	6,798	11,562
Acquisition of 50% of ordinary share capital of St James Group Limited not already owned	(61,814)	–
Disposal of subsidiaries – shares	–	(20)
Disposal of subsidiaries – reserves	–	(2,384)
Acquisition of shares in joint ventures	5	10
Disposal of shares in joint ventures	(10)	–
Net (decrease)/increase in loans	(6,229)	726
Dividends received	(6,016)	(5,396)
At the end of the year – Net assets	1,729	68,995
– Goodwill	–	–
	1,729	68,995

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

	2007 £'000	2006 £'000
Non-current assets	–	2,236
Current assets	1,939	158,223
Current liabilities	(210)	(33,988)
Non-current liabilities	–	(57,476)
	1,729	68,995
Revenue	73,984	153,642
Costs	(63,977)	(132,005)
Operating profit	10,007	21,637
Interest	(1,782)	(4,894)
Profit before taxation	8,225	16,743
Tax	(1,427)	(5,181)
Share of post tax profit of joint ventures	6,798	11,562

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 21.

12 Inventories

	2007 £'000	2006 £'000
Land not under development	**106,441**	138,701
Work in progress	**989,314**	631,626
Completed units	**31,338**	52,927
Part exchanges	**2,281**	2,361
Less progress payments	**(71,380)**	(61,742)
	1,057,994	763,873

13 Trade and other receivables

	2007 £'000	2006 £'000
Current		
Trade receivables	**22,206**	16,973
Other receivables	**3,706**	4,726
Prepayments and accrued income	**1,689**	1,993
	27,601	23,692

14 Cash and cash equivalents

	2007 £'000	2006 £'000
Cash at bank and in hand	**140,330**	220,670
	140,330	220,670

15 Financial liabilities – borrowings

	2007 £'000	2006 £'000
Current		
Unsecured loan stock(1)	**(85)**	(85)
Bank loans	**(59,283)**	–
	(59,368)	(85)

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

Further disclosures relating to security over the Group's bank loans and financial liabilities are set out in Note 26.

16 Trade and other payables

	2007 £'000	2006 £'000
Current		
Trade payables	**(280,531)**	(166,128)
Loans from joint ventures	**(420)**	(121)
Other taxes and social security	**(21,619)**	(9,962)
Accruals and deferred income	**(39,290)**	(26,056)
	(341,860)	(202,267)

All amounts included above are unsecured. The total of £21,099,000 (2006: £9,962,000) for other taxes and social security includes £15,712,000 (2006: £5,115,000) in respect of share-based payments.

17 Other non-current liabilities

	2007 £'000	2006 £'000
Trade payables	**(62,819)**	(15,294)

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 2006	842	3,100	14,343	18,285
(Charged)/credited to income statement – continuing operations	(71)	(2,812)	8,874	5,991
(Charged)/credited to equity	–	(288)	23,850	23,562
Acquisition of subsidiary (note 25)	129	–	(13,373)	(13,244)
At 30 April 2007	**900**	**–**	**33,694**	**34,594**
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**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006: 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 2007 was £34,594,000 (2006: £18,285,000).

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

	2007 £'000	2006 £'000
Deferred tax on actuarial gain recognised in the pension scheme	**(288)**	(578)
Deferred tax in respect of employee share schemes	**23,850**	6,440
Movement in the year	**23,562**	5,862
Cumulative deferred tax charged to equity at 1 May	**7,498**	1,636
Cumulative deferred tax charged to equity at 30 April	**31,060**	7,498

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and were substantively enacted in the 2007 Finance Act. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes enacted in the Finance Act 2007 would have been to reduce the deferred tax asset provided at 30 April by £2,391,000 in 2007. This £2,391,000 decrease in deferred tax would have increased profit for the year by £371,000 and increased other recognised gains by £2,020,000. This increase in deferred tax charge is due to the reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008.

19 Share capital

	2007 No. '000	2006 No. '000	**2007 £'000**	2006 £'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

	2007 No. '000	2006 No. '000	**2007 £'000**	2006 £'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	**–**	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	**18,123**	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 5 pence: 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 5 pence 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 for £604,103,000.

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 was entitled to a return of £2 per share on redemption on 8 January 2007. These shares were redeemed on 8 January 2007 for £241,641,000.

2008 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 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 5 pence 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.

19 Share capital continued

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	Total £'000
At 1 May 2006	6,041	–	6,041	6,041	6,041	24,164
Redemption of shares	–	–	(6,041)	–	–	(6,041)
At 30 April 2007	**6,041**	**–**	**–**	**6,041**	**6,041**	**18,123**

20 Statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Revaluation reserve £'000	Own shares held £'000	Other retained profit £'000	Retained profit £'000	Joint ventures' reserves £'000	Total £'000
At 1 May 2006	24,164	264	6,091	(961,299)	–	(4,621)	1,740,096	1,735,475	32,495	837,190
Profit for the financial year	–	–	–	–	–	–	128,747	128,747	6,798	135,545
Acquisition of subsidiary (see note 25)	–	–	–	–	20,297	–	32,946	32,946	(32,946)	20,297
Dividends received from joint ventures	–	–	–	–	–	–	6,016	6,016	(6,016)	–
Reserves transfer from revaluation reserve	–	–	–	–	(2,572)	–	2,572	2,572	–	–
Own shares disposed	–	–	–	–	–	1,770	(1,770)	–	–	–
Redemption of shares	(6,041)	–	6,041	–	–	–	(241,641)	(241,641)	–	(241,641)
Actuarial gain recognised in the pension scheme	–	–	–	–	–	–	961	961	–	961
Deferred tax on actuarial gain recognised in the pension scheme	–	–	–	–	–	–	(288)	(288)	–	(288)
Credit in respect of employee share schemes	–	–	–	–	–	–	5,661	5,661	–	5,661
Deferred tax in respect of employee share schemes	–	–	–	–	–	–	23,850	23,850	–	23,850
At 30 April 2007	**18,123**	**264**	**12,132**	**(961,299)**	**17,725**	**(2,851)**	**1,697,150**	**1,694,299**	**331**	**781,575**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Revaluation 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

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.

The revaluation reserve arose following the acquisition on 7 November 2006 of the 50% of the ordinary share capital of St James Group Limited not already owned. The revaluation reserve of £20,297,000 was created in accordance with IFRS 3 through fair value adjustments to the 50% of the net assets of St James Group Limited owned by the Group prior to 7 November 2006 (see note 25). Transfers of £2,572,000 in the year (2006: £nil) to distributable reserves were recognised as the associated fair value adjustments were charged to the income statement.

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 (2006: £4,363,000).

At 30 April 2007 there were 393,247 Units (2006: 692,712 Units) held in Trust to satisfy awards granted under The Berkeley Group plc 2000 Long-Term Incentive Plan, at cost of £2,846,955 (2006: £4,616,794), 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, and cash of £2 per Unit, arising from the return of cash on 8 January 2007, is also held in Trust for transfer to participants in the Plan at the date of vesting of their awards.

At 30 April 2007 there were 589 Units (2006: 589 Units) held in Trust to satisfy awards granted under The Berkeley Group Executive Share Option Scheme, at a cost of £4,300 (2006: £4,300), which are treated as a deduction from shareholders' funds. No further Units were acquired in the year for this purpose.

21 Contingent liabilities

The Group has guaranteed bank facilities of £2,500,000 (2006: £2,500,000) in joint ventures.

The Group has guaranteed road and performance agreements in the ordinary course of business of £45,563,000 (2006: £16,926,000).

22 Capital commitments

The Group has no capital commitments at 30 April 2007 (2006: £nil).

23 Operating leases – minimum lease payments

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

	Land and buildings		Motor vehicles	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Operating leases which expire:				
Within one year	**25**	52	**52**	45
Between one and five years	**1,258**	544	**955**	763
After five years	**20,382**	20,737	**–**	–
	21,665	21,333	**1,007**	808

24 Notes to the consolidated cash flow statement

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

Net cash flows from operating activities

	2007 £'000	2006 £'000
Continuing operations		
Profit for the financial year	**135,545**	121,365
Adjustments for:		
– Taxation	**52,505**	43,736
– Depreciation	**1,278**	1,648
– Amortisation of intangible assets	**746**	–
– Profit on sale of property, plant and equipment	**(34)**	(114)
– Finance income	**(10,121)**	(19,968)
– Finance costs	**5,941**	27,304
– Share of results of joint ventures after tax	**(6,798)**	(11,562)
– Non-cash charge in respect of share awards	**5,661**	6,347
Changes in working capital:		
– Decrease in inventories	**18,385**	154,672
– Decrease in receivables	**5,354**	13,292
– Increase/(decrease) in payables	**216**	(41,242)
– Decrease in employee benefit obligations	**(9,625)**	(301)
Cash generated from continuing operations	**199,053**	295,177
Dividends from joint ventures	**6,016**	5,396
Interest received	**10,121**	19,968
Interest paid	**(2,716)**	(37,254)
Taxation	**(51,540)**	(35,413)
Net cash flow from continuing operating activities	**160,934**	247,874
Discontinued operations		
Profit for the financial year	**–**	80,782
Adjustments for:		
– Taxation	**–**	348
– Depreciation	**–**	58
– Finance costs	**–**	130
– Profit on disposal of subsidiary undertaking	**–**	(79,746)
– Non-cash movement on profit on disposal of subsidiary	**–**	707
Changes in working capital:		
– Increase in inventories	**–**	(15,785)
– Decrease in receivables	**–**	5,925
– Decrease in payables	**–**	(11,161)
– Cash used in discontinued operations	**–**	(18,742)
– Interest paid	**–**	(130)
Net cash used in discontinued operating activities	**–**	(18,872)
Net cash flow from operating activities	**160,934**	229,002
Other net cash flows from discontinued operations		
Net cash from investing activities	**–**	248,556

Reconciliation of net cash flow to net cash/(debt)

For the year ended 30 April	2007 £'000	2006 £'000
Net decrease in cash and cash equivalents	(80,340)	(124,278)
Cash (inflow)/outflow from (increase)/decrease in debt	(59,283)	600,003
Movement in net cash/(debt) in the year	(139,623)	475,725
Opening net cash/(debt)	220,585	(255,140)
Closing net cash	80,962	220,585

Net cash

As at 30 April	2007 £'000	2006 £'000
Cash and cash equivalents	140,330	220,670
Borrowings	(59,368)	(85)
Net cash	80,962	220,585

25 Acquisitions and disposals

On 6 November 2006 at an Extraordinary General Meeting, the shareholders of The Berkeley Group Holdings plc approved the offer by its wholly-owned subsidiary, The Berkeley Group plc, to acquire from RWE Thames Water plc the 50% of the ordinary share capital of St James Group Limited that it did not already own. Following completion of the acquisition on 7 November 2006, The Berkeley Group plc held 100% of the ordinary share capital of St James Group Limited. The Berkeley Group plc made payments to RWE Thames Water plc to complete the acquisition of £97,457,000. Of this:

- £68,600,000 related to the purchase of the ordinary share capital of St James Group Limited owned by RWE Thames Water plc; and
- £28,857,000 related to the settlement and refinancing of shareholder loans owed by St James Group Limited to RWE Thames Water plc.

Transaction expenses were £1,812,000.

In the six months ended 31 October 2006, the Group accounted for the results of St James Group Limited using the equity method of accounting for its 50% interest in the joint venture. Following completion on 7 November 2006 of its acquisition of the 50% interest in St James Group Limited that it did not already own, the Group has consolidated the results of St James Group Limited as a wholly owned subsidiary from this date forward.

From the date of acquisition to 30 April 2007 St James Group Limited contributed £129,531,000 to revenue, £23,708,000 to operating profit and £20,039,000 to profit before tax. St James Group Limited contributed a net outflow of £76,683,000 to the Group's net operating cash flows, paid £2,113,000 in respect of interest, and utilised £66,000 for capital expenditure.

	Carrying values pre-acquisition £'000	Fair value adjustments £'000	Fair values £'000
Intangible assets	–	3,273	3,273
Property, plant and equipment	522	-	522
Deferred tax assets/(liabilities)	4,153	(17,397)	(13,244)
Inventories	257,788	54,718	312,506
Trade and other receivables	9,263	–	9,263
Cash and cash equivalents	34,658	–	34,658
Shareholder loans	(57,714)	–	(57,714)
Trade and other payables	(138,742)	–	(138,742)
Non-current liabilities	(44,015)	–	(44,015)
Net assets acquired	65,913	40,594	106,507
Carrying value of 50% of net assets owned prior to the transaction			(32,957)
Fair value adjustments applied to revalue 50% of net assets owned prior to this transaction			(20,297)
Shareholder loans owed by St James to Thames Water settled under the terms of this transaction			28,857
Goodwill			17,159
Consideration			99,269

Consideration satisfied by:	
Cash in respect of the purchase of the ordinary share capital of St James Group Limited	68,600
Settlement of shareholder loans owed by St James Group Limited to RWE Thames Water plc	28,857
	97,457
Cash in respect of transaction costs	1,812
	99,269

25 Acquisitions and disposals continued

The outflow of cash and cash equivalents on the acquisition of the 50% of the ordinary share capital of St James Group Limited that it did not already own is calculated as follows:

	£'000
Consideration	99,269
Cash in the St James Group Limited's balance sheet at the date of acquisition	(34,658)
Net cash outflow on acquisition of 50% of ordinary share capital of St James Group Limited not already owned	64,611

All intangible assets acquired as part of the acquisition of St James Group Limited were recognised at their respective fair values. These comprise customer contracts.

The residual excess of the cost of investment over the fair value of the net assets acquired is recognised as goodwill in the financial statements. The factors which give rise to goodwill of £17,159,000 include a premium for gaining full control of the strategy and direction of the acquired business, for bringing St James Group Limited's strong management team into the Group and for other control-based synergies.

The results of the Group's operations, as if the acquisition had been made at the beginning of the year, would be as follows:

	£'000
Revenue	1,064,526
Profit before taxation	205,120

26 Treasury policy and financial instruments

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the Finance Director's 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 (2006: 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:

	2007 £'000	2006 £'000
Current		
Trade receivables	**22,206**	16,973
Cash at bank and in hand	**140,330**	220,670
	162,536	237,643

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 5.20% (2006: 4.33%). 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 receivables 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:

	2007 £'000	2006 £'000
Current		
Unsecured loan stock	(85)	(85)
Bank loans due within one year	(59,283)	–
Trade payables	(280,532)	(166,128)
Loans from joint ventures	(420)	(121)
Accruals	(39,810)	(26,056)
	(380,130)	(192,390)
Non-current		
Other non-current liabilities	(62,819)	(15,294)
	(62,819)	(15,294)

All amounts included above are unsecured, with the exception of bank loans.

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 secured with floating interest rates linked to LIBOR. The Group held no fixed rate liabilities at 30 April 2007 (2006: nil). Further disclosures relating to security over the bank loans are set out in Committed borrowing facilities below.

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

	2007	2006
Unsecured loan stock	5.25%	4.50%
Bank loans	5.93%	–

The above analysis excludes the effect of the change 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:

	2007 £'000	2006 £'000
Financial liabilities – non-current		
In more than one year but not more than two years	28,580	9,056
In more than two years but not more than five years	34,239	6,238
In more than five years	–	–
	62,819	15,294

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 and overdrafts equates to their fair value.

Committed borrowing facilities

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

	2007 Available £'000	2007 Drawn £'000	2007 Undrawn £'000	2007 Termination Date	2006 Available	2006 Drawn	2006 Undrawn £'000	2006 Termination Date
Revolving facility	375,000	–	375,000	Aug-11	375,000	–	375,000	Aug-11
364 day revolving facility	50,000	9,283	40,717	Jun-07	–	–	–	–
Revolving facility	50,000	–	50,000	Aug-08	–	–	–	–
Revolving facility	100,000	50,000	50,000	Aug-08	–	–	–	–
	575,000	59,283	515,717		375,000	–	375,000	

26 Treasury policy and financial instruments continued

On 7 November 2006 the Group acquired the 50% of the ordinary share capital of St James Group Limited not already owned, which increased its interest in St James Group Limited to a 100% holding, at which point it became a subsidiary of the Company. The £50,000,000 364 day revolving facility, the £50,000,000 three year revolving facility and the £100,000,000 three year revolving facility were brought into the Group at that date. At the year end, borrowings drawn under these facilities were secured over certain of the Group's land and development contracts.

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 £2,040,000 (2006: £2,371,000) 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 £278,000 and £926,000 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.

c) Proposed Investment with Saad Investments Company Limited in three new joint venture companies
On 2 April 2007, the Company announced that its wholly owned subsidiary, The Berkeley Group plc, had entered into three agreements, which were subsequently approved by shareholders, to establish three further private joint venture companies with Saad Investments Company Limited ('Saad'), including an investment of up to £175 million.

In addition to being a partner in an existing joint venture, Saad is currently a 29.4% shareholder in the Company and therefore under the Listing Rules is considered a related party by virtue of being a substantial shareholder.

The first of the three joint venture companies will operate as a land fund ("Saad Berkeley Regeneration Limited") to acquire new development opportunities adding value through securing enhanced planning consents, prior to disposal to either third parties or the second of the joint venture companies. This second company will operate as a development company ("Saad Berkeley Developments Limited"), primarily developing the land purchased by Saad Berkeley Regeneration Limited once planning permission is obtained. The third company will operate as a property investment company ("Saad Berkeley Investments Limited").

Saad Berkeley Regeneration Limited will invest in development opportunities which cannot be accommodated within the Company's usual acquisition criteria. These might include land options, freehold land or land currently with commercial use with a high capital requirement and/or relatively long planning lead time. Such opportunities can, however, offer attractive returns and are, in the view of the Company, ideally suited to joint ventures, which can utilise financial leverage to reflect the capital intensive nature and risk profile of the sites, whilst limiting the Group's exposure. Saad Berkeley Regeneration Limited will therefore be complementary to Berkeley's core business, acquiring sites that Berkeley normally would not. Once suitable planning permission is obtained by Saad Berkeley Regeneration Limited, the sites will be sold for development, either to third parties or to Saad Berkeley Developments Limited.

Saad Berkeley Investments Limited will acquire commercial property as opportunities are identified by its board of directors with a view to achieving returns primarily through capital growth. Berkeley has previously conducted such activities through Saad Berkeley Investment Properties Limited and Berkeley Eastoak Investments Limited, both joint ventures with Saad, and the Property Investment Company is a continuation of this. Commercial property investment is commonly undertaken through joint ventures or special purpose vehicles that utilise financial leverage to maximise shareholder returns and for Berkeley this also reflects the fact that such investment is of an opportunistic nature.

Funding of the three joint venture companies will be through a combination of shareholder investment and non-recourse bank funding with a target equity to debt ratio of 30:70. Berkeley's investment in the joint venture companies, in the form of both shareholder capital and loans, will not exceed £175 million in aggregate. Initially, Berkeley is committed to providing loan facilities of £92 million in aggregate. Investment is expected to occur over a 10-year period as appropriate acquisition and investment opportunities are identified by the three joint venture companies and the respective boards request the funds from their shareholders.

The establishment of the three joint venture companies was completed in May 2007 with the incorporation of these three companies.

28 Subsidiaries, joint ventures and limited partnership

At 30 April 2007 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 Gemini Limited(3)
Berkeley Homes plc
Berkeley Homes (Capital) 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 (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)
St James Homes (Grosvenor Dock) Limited
St James Group Limited
St James Homes Limited
The Berkeley Group plc(4)
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 2007 the Group has 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 Sutton Limited	30 April	Residential housebuilding
Saad Berkeley Investment Properties Limited (Jersey)	30 April	Commercial property
Saad Berkeley Limited	30 April	Residential housebuilding
St Edward Homes Ltd	30 April	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

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 2007 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 2007.

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 also 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, the Environmental and social report that are cross referenced from the section entitled principal activities and review of the business in the Directors' Report. In addition we 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 judgements 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 2007;
- 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
19 July 2007

Company balance sheet

As at 30 April	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	C5	**1,381,471**	1,379,971
		1,381,471	1,379,971
Current assets			
Debtors	C6	**6,337**	2,708
Cash at bank and in hand		**134**	–
		6,471	2,708
Creditors (amounts falling due within one year)			
Creditors (amounts falling due within one year)	C7	**(645,660)**	(481,825)
		(645,660)	(481,825)
Net current liabilities		**(639,189)**	(479,117)
Net assets		**742,282**	900,854
Capital and reserves			
Share capital	C8	**18,123**	24,164
Share premium	C9	**264**	264
Capital redemption reserve	C9	**12,132**	6,091
Retained profit	C9	**711,763**	870,335
Total shareholders' funds		**742,282**	900,854

The financial statements on pages 79 to 83 were approved by the Board of Directors on 19 July 2007 and were signed on its behalf by:

R C Perrins
Finance Director

Notes to the Company financial statements

C1 Accounting policies

Basis of preparation
These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985, where applicable and applicable accounting standards in the United Kingdom (United Kingdom Generally Accepted Accounting Practice). A summary of the more important Company accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

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.

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company, are publicly available.

Adoption of new Accounting Standards and pronouncements

Adoption of FRS 29 "Financial Instruments: Disclosures"
From 1 May 2006, the Company has early adopted Financial Reporting Standard 29 "Financial Instruments: Disclosures". This accounting standard is concerned with disclosures and has no impact on the financial statements of the Company at 30 April 2007.

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.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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:

	2007 £'000	2006 £'000
Auditors' remuneration – audit fees	**12**	12

C3 Directors and employees

	2007 £'000	2006 £'000
Staff costs		
Wages and salaries	**10,589**	8,937
Social security costs	**8,796**	3,779
Other pension costs	**10**	231
	19,395	12,947

The average number of persons employed by the Company during the year was 8 (2006: 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 33 to 44.

Pensions

At the start of the year, the Company participated in one of the Group's pension schemes, The Berkeley Group plc Staff Benefits Plan (the "Berkeley Final Salary Plan"), which is a defined benefit scheme and had been closed to new entrants from 1 May 2002. During the year, all members (active and deferred) were offered a transfer value from the Berkeley Final Salary Plan to their own private pension arrangements and a potential enhanced transfer value from the Berkeley Final Salary Plan or a cash payment. Further details on this process are set out in Note 5 of the consolidated financial statements.

Contributions amounting to £nil (2006 £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 (2006: £4,110,000). See note 5 in the consolidated financial statements for further information on the 2004(b) Long-Term Incentive Plan.

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 £77,459,000 (2006: £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 2006	1,379,971
Additions	1,500
Investment in shares of subsidiary undertaking at cost at 30 April 2007	**1,381,471**

Details of principal subsidiaries are given within note 28 on page 77.

C6 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Other debtors	**6,337**	2,708
	6,337	2,708

Other debtors comprise deferred tax assets of £6,337,000 (2006: £2,708,000) arising from short-term timing differences. The movements on the deferred tax asset are as follows:

	£'000
At 30 April 2006	2,708
Credit to profit and loss account	3,629
At 30 April 2007	**6,337**

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and were substantively enacted in the 2007 Finance Act. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes enacted in the Finance Act 2007 would have been to reduce the deferred tax asset provided at 30 April by £422,000 in 2007. This £422,000 decrease in deferred tax would have increased profit for the year by £422,000. This increase in deferred tax charge is due to the reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008.

C7 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts falling due within one year		
Other taxes and social security	**10,802**	2,816
Amounts owed to subsidiary undertakings	**634,858**	479,009
	645,660	481,825

All amounts included above are unsecured. Amounts owed to subsidiary undertakings are at floating interest rates linked to LIBOR and have no fixed repayment date.

C8 Share capital

	2007 No. '000	2006 No. '000	2007 £'000	2006 £'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

	2007 No. '000	2006 No. '000	2007 £'000	2006 £'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	**–**	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	**18,123**	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 5 pence: 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 5 pence per share and was entitled to a return of £5 per share on redemption on 3 December 2004 for £604,103,000.

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 was entitled to a return of £2 per share on redemption on 8 January 2007 for £241,641,000.

2008 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 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 5 pence 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 2006	264	6,091	870,335	876,690
Retained profit	–	–	77,459	77,459
Redemption of shares	–	6,041	(241,641)	(235,600)
Credit in respect of employee share schemes	–	–	5,610	5,610
At 30 April 2007	264	12,132	711,763	724,159

C10 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Retained profit	**77,459**	81,357
Redemption of shares	**(241,641)**	–
Credit in respect of employee share schemes	**5,610**	6,370
	(158,572)	87,727
Opening equity shareholders' funds	**900,854**	813,127
Closing equity shareholders' funds	**742,282**	900,854

C11 Contingent liabilities

The Company has no contingent liabilities (2006: £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	2007 IFRS(i) £'000	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
Income Statement							
Revenue (excluding joint ventures)	**918,410**	917,926	794,461	(275,856)	1,070,317	1,272,443	1,150,840
Operating profit – Group							
– residential housebuilding	**170,097**	156,846	146,026	(44,461)	190,487	198,586	212,012
– commercial and other	**6,975**	4,029	8,986	(96)	9,082	14,215	3,652
– merger expenses	**–**	–	(1,633)	–	(1,633)	–	–
	177,072	160,875	153,379	(44,557)	197,936	212,801	215,664
Share of operating profit of joint ventures	**–**	–	–	(15,244)	15,244	21,924	16,542
Share of post tax results of joint ventures	**6,798**	11,562	10,358	10,358			
Finance costs – net	**4,180**	(7,336)	(8,281)	2,008	(10,289)	(4,958)	(11,025)
Profit before taxation	**188,050**	165,101	155,456	(47,435)	202,891	229,767	221,181
Taxation	**(52,505)**	(43,736)	(41,439)	16,809	(58,248)	(67,747)	(66,497)
Profit after taxation	**135,545**	121,365	114,017	(30,626)	144,643	162,020	154,684
Profit from discontinued operations	**–**	80,782	24,941	24,941	–	–	–
Retained profit	**135,545**	202,147	138,958	(5,685)	144,643	162,020	154,684
Earnings per share	**112.6p**	168.4p	116.2p	(4.8p)	121.0p	130.4p	116.0p
Dividends per share	**–**	–	16.5p	16.5p	–	22.3p	19.2p
Balance sheet							
Capital employed	**700,613**	616,605	876,549	(48,073)	924,622	997,424	1,197,660
Net cash/(debt)	**80,962**	220,585	(255,140)	–	(255,140)	145,186	(143,050)
Shareholders' funds	**781,575**	837,190	621,409	(48,073)	669,482	1,142,610	1,054,610
Net assets per share	**649p**	697p	518p	(40p)	558p	944p	829p
Ratios and statistics							
Return on capital employed(iii)	**28.1%**	24.0%	22.0%	(0.2%)	22.2%	21.4%	19.3%
Return on shareholders' funds(iv)	**16.7%**	16.6%	15.9%	(0.1%)	16.0%	14.7%	15.3%
Dividend cover	**–**	–	–	–	–	6.1	6.2
Units sold	**2,852**	3,001	2,292	(1,278)	3,570	3,805	3,544

(i) Information relating to 2007, 2006 and 2005 is presented under IFRS.
(ii) Information relating to 2004 and 2003 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 in the 2006 Annual Report, 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.
(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.
(iv) Calculated as profit after taxation as a percentage of the average of opening and closing shareholders' funds.

Financial diary

Annual General Meeting	5 September 2007
Half Year End	31 October 2007
Interim Report for six months to 31 October 2007	7 December 2007
Preliminary announcement of results for year 30 April 2008	June 2008
Publication of 2007/08 Annual Report	July 2008

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	Paid on 8 January 2007	£2
2008 B Share	Original scheduled payment date of January 2009	
	Proposed payment date of January 2008	£2
2010 B Share	Original scheduled payment date of January 2011	
	Proposed payment date to be determined, but no later than the original scheduled payment date of January 2011	£3
Total		£12

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