2018

ANNUAL REPORT

Berkeley
Group

ABOUT THIS REPORT

Welcome to the 2018 Annual Report of the Berkeley Group Holdings plc ("the Berkeley Group", "Berkeley", "the Group"), a publicly owned company, listed on the London Stock Exchange. The Strategic Report explains Berkeley's strategy, business model, risk management processes and provides an overview of current performance and outlook. The Governance section covers the role and activities of the Board in running the business and their remuneration. The detailed Financials, accompanied by a report from the Group's auditors, complete the Annual Report.

ABOUT BERKELEY

For Berkeley, development and regeneration is about people. It is about transforming places and lives and creating thriving and sustainable communities.

Our operating model recognises the cyclical nature of the housing market and the high operating risk of our complex, long-term developments, by placing product quality and customer service at its core, while keeping financial risk low at all times which enables investment at the right time in the cycle.

This unique approach enables Berkeley to deliver strong risk-adjusted returns to our shareholders, whilst having a positive impact for our stakeholders and on society.

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Front cover: Chiswick Gate — collection of apartments and townhouses inspired by the timeless quality of London's residential squares.
Inside front cover: Gauging Square at London Dock, Wapping

2018 KEY PERFORMANCE INDICATORS

FINANCIAL KPIs

PROFIT BEFORE TAX

£934.9M

2018	**£934.9M**
2017	£812.4M
2016	£530.9M
2015	£539.7M
2014	£380.0M

This is our core measure of profitability, our absolute return from the sale and delivery of new homes in the year.

BASIC EARNINGS PER SHARE

562.7p

2018	**562.7p**
2017	467.8p
2016	295.8p
2015	313.0p
2014	221.8p

This measure of profitability allows for total profit after tax and takes into account the weighted average number of shares in issue during the year. Earnings cover is illustrated by showing the proportion of earnings per share paid as dividends per share in the year.

PRE-TAX RETURN ON EQUITY

39.3%

2018	**39.3%**
2017	41.1%
2016	30.8%
2015	35.1%
2014	27.5%

The efficiency of the returns generated from shareholder equity in the business is measured by calculating profit before tax as a percentage of the average of opening and closing shareholders' funds.

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NET ASSET VALUE PER SHARE

£19.59

2018	**£19.59**
2017	£15.56
2016	£13.14
2015	£11.99
2014	£10.66

This balance sheet measure reflects the value of shareholders' interests in the net assets of the business on an historical cost basis. NAVPS has grown by 26% this year.

CASH DUE ON FORWARD SALES

£2,193M

2018	**£2,193M**
2017	£2,743M
2016	£3,259M
2015	£2,959M
2014	£2,274M

This measures cash due from customers during the next three financial years under unconditional contracts for sale, and provides good visibility over future cash flows.

GROSS MARGIN ON LAND HOLDINGS

£6,003M

2018	**£6,003M**
2017	£6,378M
2016	£6,146M
2015	£5,272M
2014	£4,514M

This provides a measure of expected value in the Group's existing land holdings in the event that the Group successfully sells and delivers the developments planned for.

NON-FINANCIAL KPIs

NET PROMOTER SCORE

73.9

(2017: 70.8)

The six-month rolling Net Promoter Score is an indicator of the success of the customer journey and is used across all industry sectors. Our high levels of customer satisfaction, as a result of our continued efforts to provide world-class customer service, are evidenced through the Net Promoter Score. It compares favourably to the industry average of 29 (Home Builders Federation, 2018).

See page 25

ACCIDENT INCIDENCE RATE PER 1,000 PEOPLE

1.42

(2017: 1.83)

Managing health and safety on our sites is a priority, to protect the wellbeing of our staff and contractors. This measure shows the number of reportable injuries, during the year, to the number of Berkeley employees and contractors working across our sites. It compares favourably to the industry average of 3.97 (Health and Safety Executive, 2017).

See page 42

APPRENTICES AND TRAINING

9.8%

(2017: 11.7%)

Calculated as the percentage of our direct and indirect workforce across our operating companies that was undertaking an apprenticeship or vocational training during the year.

See page 37

GREENHOUSE GAS EMISSIONS INTENSITY

2.15

(2017: 1.76)

This measure relates our annual greenhouse gas emissions to the number of Berkeley employees and the number of contractors working on our sites.

See page 117

AFFORDABLE HOUSING AND WIDER CONTRIBUTIONS

0.42BN

(2017: 0.5BN)

This measures our contribution to affordable housing subsidies and wider community and infrastructure benefits in the year.

BERKELEY ANNUAL REPORT 2018 **STRATEGIC REPORT**

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STRATEGIC REPORT

Wimbledon Hill Park

CHAIRMAN'S STATEMENT

Berkeley's unique operating model is focused on developing complex sites, which others are not willing or able to take on, creating fantastic, sustainable places with homes built to a high quality in which our customers want to live, and enriching the wider community by bringing homes, jobs and amenities for all.

There has been a significant increase in housing supply across England over the past year. Completions have grown by 16% and starts by 5% during 2017. This national picture reflects positive decisions and fresh investment by Government and the private sector. However, it masks a complex picture at a local level, with London starts approximately 30% lower than two years ago. It is telling that some funders and builders are choosing to exit the market when faced with the degree of risk and regulation that now confronts development in the Capital where macro and political uncertainty, including Brexit, are leading to this caution. This is a great shame as London is a fantastic world-class city with unique attributes that will last long beyond the current hiatus which is only exacerbating the well documented under-supply.

In this environment, Berkeley has itself invested cautiously, focusing as always on the quality of the homes and communities we build. We are growing the business in Birmingham through our newest brand, St Joseph and we have broken ground on our first modular factory in Ebbsfleet, which, once operational, will help us deliver a significant portion of construction value through off-site assembly. The number of apprentices on our sites and in our offices has reached 850 across the business over the last two years, an increase of 30%.

Significantly, Berkeley is now a carbon positive company, fulfilling a commitment we made in May 2016. This relates specifically to the operation of our business and we will now match this with a commitment to enable all our homes to operate at net zero carbon by 2030. This will help us cut costs, reduce risk and support the environment.

One year ago, we shared the horror everybody felt at the Grenfell fire. Since then, Berkeley has reviewed its high-rise buildings, engaging with local fire authorities, residents, fire safety experts and MHCLG to ensure our buildings are safe while the future regulatory approach is clarified, following the Hackitt Review.

Berkeley has now returned £9.34 of £16.34 to be returned to shareholders by 30 September 2021 and announced the next £1 per share which will be returned by 30 September 2018; £10.34 paid or committed in total. Total Shareholder Returns in the year were £287.1 million, with £146.7 million returned through dividends and £140.4 million through the purchase of 4.0 million shares. Of the £139.2 million to be returned in the six months to 30 September 2018, £32.2 million has already been returned through share buy-backs. The amount that will be returned as a dividend will be announced on 16 August 2018 and paid on 14 September 2018 to shareholders on the register on 24 August 2018, taking account of any further share buy-backs in the intervening period.

In closing, I would like to thank all our people for the quality of their work and their commitment and integrity and I am delighted that their efforts, in conjunction with our partners in the public and private sector, have been recognised through a number of industry awards. In particular, Woodberry Down, which we are developing in partnership with Hackney, has won numerous accolades including WhatHouse? Best Partnership Award, Planning Magazine's Best Community-led Placemaking Award and the RICS Regeneration and Project of the Year Awards. Berkeley itself won the Best Large Housebuilder and Housebuilder of the Year Awards from Building Magazine and WhatHouse? respectively, and Riverlight won a RIBA London Award. These are all testament to our people and partners working together to deliver fantastic new communities and homes. I am also immensely proud of the Queen's Award for Enterprise (Sustainable Development) that Berkeley has held since 2014. This is the UK's highest business accolade, recognising economic, social and environmental achievements.

I am delighted to welcome Rachel Downey and Peter Vernon to the Board as Non-executive Directors and warmly congratulate Justin Tibaldi and Paul Vallone on their appointment as Executive Directors. I would also like to recognise the significant contribution Sir John Armitt has made to Berkeley as he steps down from his roles as Deputy Chairman and Senior Independent Director after six years. I am delighted that Sir John is remaining on the Board and that we have such a capable replacement as Glyn Barker. We have a strong Board and I would like to thank them all as we look to the future for which we are well placed.

TONY PIDGLEY CBE
CHAIRMAN

BERKELEY IS PROUD TO HAVE EARNED A NUMBER OF PRESTIGIOUS COMPANY AWARDS AND CONTINUES TO PARTICIPATE IN IMPORTANT EXTERNAL INDICES AND BENCHMARKS

Berkeley currently holds the Queen's Award for Enterprise for Sustainable Development. This was awarded in 2014 and is valid for five years.

In December 2017 Berkeley was voted second across all sectors in Management Today's Britain's Most Admired Companies. It was also the 12th year running in which we were named the most admired housebuilder.

Berkeley has been included on the FTSE4Good Index since 2003, reflecting strong social, environmental and governance (ESG) practices.

Berkeley participates annually in CDP's Climate Change Programme. In 2017 we achieved an 'A-' rating.

BERKELEY IS ALSO PROUD TO HAVE EARNED A NUMBER OF INDUSTRY AND DEVELOPMENT AWARDS

Building Awards 2017
Best Large Housebuilder
Berkeley Group

WhatHouse? Awards 2017
Housebuilder of the Year
Berkeley Group
Best Regeneration Scheme
Royal Arsenal Riverside
Best Mixed-Use Development
One Tower Bridge
Best Partnership Scheme
Woodberry Down

RICS Awards 2017
Regeneration Category and London Project of the Year
Woodberry Down

RIBA London Awards 2018
RIBA London Award
Riverlight

Planning Awards 2018
Best Use of Brownfield Land in Placemaking
Southall Waterside
Award for Community-led Placemaking
Woodberry Down

London Evening Standard New Homes Awards 2018
Best Family Home
Fitzroy Gate
Best Luxury Home
The Corniche
Best Large Development
Woodberry Down


190 Strand

BERKELEY ANNUAL REPORT 2018 STRATEGIC REPORT

2017–2018 ACHIEVEMENTS

ECONOMIC CONTRIBUTION

BERKELEY'S CONTRIBUTION TO HOUSEBUILDING, JOB CREATION AND THE WIDER ECONOMY REMAINS STRONG.

£3.0BN

CONTRIBUTION TO ECONOMY

Berkeley's contribution to UK GDP was £3.0 billion in 2017, up 14% from 2016 and the ninth consecutive year of growth.

3,895

HOMES BUILT

Berkeley has built 3,895 homes in 2018 and a total of 19,597 homes over the last five years (including joint ventures).

33,000

JOBS SUPPORTED

Berkeley supported a total of 33,000 jobs in 2017 directly and through its supply chain.

Berkeley has supported an average of 6.5 jobs for every new home built over the last five years.

£750M

CONTRIBUTED TO THE TREASURY

Berkeley contributes to the UK public finances through the taxes paid directly and by the taxes paid by its suppliers and customers.

In 2017 the total tax paid was £756 million and over the last five years £2.7 billion has been contributed to the Treasury, through direct and wider taxation.

£1.9M

COMMITTED BY THE BERKELEY FOUNDATION

More than £13 million has been committed to support young people, their families and communities since it was launched in 2011.

NON-FINANCIAL CONTRIBUTION

BERKELEY MEASURES ITS BUSINESS PERFORMANCE THROUGH ITS KEY PERFORMANCE INDICATORS (PAGE 2), BUT WE ALSO MONITOR A HOST OF OTHER PERFORMANCE DATA ACROSS ALL AREAS OF OUR BUSINESS WHICH IMPACT A VARIETY OF STAKEHOLDERS.

97%

CUSTOMERS WOULD RECOMMEND US

Compared to an industry average of 86%. 90% of our customers are satisfied, compared to an industry average of 76% (both Home Builders Federation, March 2018).

12

SITES HAVE A DEDICATED COMMUNITY PLAN

In addition, to date more than 45 sites have completed community assessment work.

22%

REDUCTION IN CARBON PRODUCED THROUGH OPERATIONS

By offsetting more than our remaining emissions we have become the first carbon positive housebuilder. Our 22% reduction over the last two years excludes the impact of one-off remediation activities at Southall Waterside.

95%

CONSTRUCTION WASTE REUSED OR RECYCLED

111,000 tonnes of construction waste was produced on-site, of which 95% was reused or recycled.

73%

COMPLETED HOMES SUPPLIED WITH LOW CARBON OR RENEWABLE ENERGY.

43/50

AVERAGE CONSIDERATE CONSTRUCTORS SCHEME SCORE

Compared to an industry average of 36/50, with over 60% of our sites recognised at the CCS Awards compared to just 11% nationally.

100%

PLANNING APPLICATIONS SUBMITTED WILL DELIVER A NET BIODIVERSITY GAIN

This means that there will be more nature after development than before.

25

DAYS AVERAGE PAYMENT PERIOD

The average number of days taken to pay our supply chain.

850

APPRENTICES

Worked across our sites or in our offices in the last two years.

100%

CUSTOMERS WILL HAVE ACCESS TO ULTRAFAST BROADBAND

In 2018, 100% of our customers will have access to Ultrafast Fibre to the Premises (FTTP) broadband and we are committed to all homes having FTTP going forwards.

CHIEF EXECUTIVE'S STATEMENT

SUMMARY OF PERFORMANCE

Berkeley has delivered pre-tax earnings of £934.9 million for the year, an increase of 15.1% on last year. This is from the sale of 3,536 homes (2017: 3,905) at an average selling price of £715,000 (2017: £675,000), reflecting the mix of properties sold in the year.

These results, taken together with the £812.4 million delivered last year and the visibility provided by robust forward sales of £2.2 billion, means that Berkeley is able to raise its pre-tax profit guidance for the two years ending 30 April 2019 by £75 million to at least £1.575 billion, and the guidance for the five years ending 30 April 2021 by a similar amount to at least £3.375 billion.

As previously identified, these results are a consequence of Berkeley's operating model and the sites it enabled Berkeley to acquire in the period from 2010 to 2013. They represent a peak for Berkeley with profitability returning to more normal levels from 2018/19, when profits are anticipated to be around 30% lower.

Thereafter Berkeley will target a 20% pre-tax return on equity over the cycle, depending upon the level of cash, which currently includes around £400 million excess due to macro uncertainty.

We have acquired 12 new sites in the year, of which four are on a conditional basis, totalling some 3,600 plots. We have also secured eight new planning consents and in excess of 50 revised consents. This activity has seen our land holdings rise to 46,867 plots with an estimated future gross margin of £6.0 billion, compared to 46,351 plots and £6.4 billion of future gross margin a year ago.

Berkeley's strategy for capital allocation remains unchanged. This is to: first, invest in opportunities for the business where the right risk-adjusted returns are available; second, to ensure the financial strength reflects the prevailing macro environment; and third, to make returns to shareholders through either dividends or share buy-backs.

£687.3M

NET CASH

£2.2BN

CASH DUE ON FORWARD SALES

£6.0BN

GROSS MARGIN ON LAND HOLDINGS

These results reflect Berkeley's operating model, which places financial strength and sustainability at its heart, and the sites this enabled Berkeley to acquire in the period from 2010 to 2013. They represent a peak for Berkeley with profitability returning to more normal levels from 2018/19, when profits are anticipated to be around 30% lower. Thereafter Berkeley will target a 20% pre-tax return on equity over the cycle, depending upon the level of cash, which currently includes around £400 million excess due to macro uncertainty.

Taplow Riverside

STRATEGIC DELIVERY

The current Shareholder Returns Programme was established in 2011 as a framework through which Berkeley would return £13.00 per share to shareholders over a 10 year timeframe. The total returns were increased by £3.34 per share to £16.34 per share in December 2015. Having returned £4.34 at the time, the remaining £12.00 per share was to be paid in equal annual dividends of £2.00 per share over 6 years by September 2021.

A year later in December 2016, Berkeley introduced flexibility such that the remaining £10.00 per share, at the time, could be returned through a combination of share buy-backs and dividends, as opposed to solely dividends. Consequently, the shareholder return payments are now categorised as an absolute value per annum which is increased appropriately for any new shares issued, ensuring that the same quantum of cash is returned as previously anticipated. Therefore, on a per share basis, the amount of Shareholder Return increases with share buy-backs, which are undertaken to the extent the Board believes these are in the best interests of all shareholders.

Berkeley has now paid or committed £10.34 of the £16.34 Shareholder Returns Programme. During the year, Shareholder Returns totalled £287.1 million, with £146.7 million returned through dividends and £140.4 million through share buy-backs. This includes £32.2 million towards the £139.2 million committed to be returned by 30 September 2018. The amount to be paid on 14 September 2018 will be announced on 16 August 2018 and paid to shareholders on the register on 24 August 2018, taking account of any further share buy-backs in the intervening period.

Since the amendment to the Shareholder Returns Programme in December 2016, Berkeley has returned £184.8 million via share buy-backs acquiring 5.5 million shares, at an average cost of £33.67 pence per share (range: £28.08 — £38.45 per share), including 4.0 million shares this year. The annual returns for the years to 30 September 2019 through 2021 of £278.4 million, initially equated to £2.00 per annum, are currently equivalent to £2.08 per share following share buy-backs undertaken.

AS OF 19 JUNE 2018	SHAREHOLDER RETURN		RETURN MECHANISM	
	Per share*	Value	Dividends	Buy-backs
To 30 September 2016	£6.34	£854.9M	£854.9M	—
To 30 September 2017	£2.00	£277.7M	£188.0M	£89.7M
To 31 March 2018	£1.00	£139.2M	£76.3M	£62.9M
By 30 September 2018	£1.00	£139.2M	**	£32.2M**
Returns — announced	£10.34	£1,411.0M	£1,119.2M	£184.8M
By 30 September 2019	£2.00	£278.4M		
By 30 September 2020	£2.00	£278.4M		
By 30 September 2021	£2.00	£278.4M		
Shareholder Returns	**£16.34**	**£2,246.2M**		

*Shareholder Return expressed on a per share basis, prior to any share buy-backs

**As of 19 June 2018. The amount to be paid as a dividend in September 2018 will depend upon the extent of any share buy-backs (currently £32.2 million) prior to the announcement of the dividend in August 2018.

CHIEF EXECUTIVE'S STATEMENT

HOUSING MARKET

While the underlying demand for new homes remains strong, the housing market in London and the South East has remained subdued over the last year, in spite of the well documented endemic under-supply. The Government interventions that have helped transactions and starts increase nationally, have little impact in London and the South East where a number of headwinds continue to constrain the market for many. These include property taxation, mortgage regulation and macro uncertainty. However, for those less affected by these factors, this is a good time to buy with the supply of well-located new-build property built to a high standard of quality, well below the required numbers, at the same time as reduced availability on the secondhand market.

For Berkeley, the year has seen new reservations higher than last year by 12% and, in a year of high revenue delivery, this has sustained forward sales at £2.2 billion (April 2017: £2.7 billion). Reservations in the year include sales from the launch of new developments at White City, Millbank and Ealing (Filmworks) in London, as well as new phases on our regeneration schemes and developments outside the Capital in the South East. Prices remain at or above business plan levels. Sales continue to be split broadly evenly between owner occupiers and investors. The headwinds, which are described in detail below, are most keenly felt by UK customers, while overseas customers continue to see relative value in the London market. In the year Berkeley sold just 204 homes through the Government's Help to Buy scheme (2017: 157).

Looking at London as a whole: overall transaction volumes (including secondhand) are 19% lower than two years ago (Land Registry data); and new starts, the most important measure for assessing the health of the market, are still some 30% lower than in 2015 (according to MHCLG data).

The changes to SDLT since 2015 have particularly impacted both home movers and buy-to-let customers. For the former, the SDLT rates mean that the cost of moving is too high and this is harmful for social mobility, with the effect on chains rippling out to all price points, and the efficient occupation of homes. Buy-to-let purchasers are additionally impacted by the 3% surcharge and removal of mortgage interest deductibility.

Buy-to-let has an important role to play in the London market. The early forward sales it provides underpin and de-risk the capital intensive urban regeneration developments that represent the majority of London's remaining development sites, and contribute significantly to the delivery of affordable homes. Importantly buy-to-let properties are also available for recycling to home-owners on a future sale. This contrasts to build-to-rent which does not support the same level of affordable housing and does not deliver homes that are suitable for, or will ever be available to, home owners. The market needs both forms of tenure if we are to see the additionality required to meet the target of 65,000 new homes in London each year. New starts are currently around 20,000 per annum.

While interest rates remain low, mortgage availability is good, however, regulation restricting income multiples means that many potential home-owners, who are capable of affording today's cost of ownership, are unable to do so.

We support the Mayor of London's latest concordat for homes to be marketed exclusively to Londoners for the first three months. We also join him in requesting that the lending banks and Bank of England support and bring forward 24 month mortgage offers to enable more home-owners to purchase early in the development cycle, at the same time cash buyers and investors are able to.

On the supply side, land remains slow to come forward for development and the combined demands of high levels of affordable housing, CIL and other Section 106 requirements are not reflecting the current market conditions.

In times of macro uncertainty, it is important that these market dislocations are addressed. If London is to meet its housing targets, we need more builders, but the current operating environment is not one in which small developers can survive as the barriers to entry are so high and we are even seeing a number of large developers either withdraw from, or reduce activity in, London.

Build costs have increased between 4% and 5% in the year, with the currency movements noted last year now largely embedded within materials prices. The increase this year was across both labour and materials.

Looking forward, we remain concerned that the impact of recognised skills gap in the UK construction workforce may become more pronounced as the UK exits the European Union. While this is hard to predict, it is a fact that over half of London's site labour comes from the EU. This needs to be addressed by a combination of continued access to EU labour, skills training and innovation in construction if the industry is to achieve its medium term production aspirations.

OUR VISION

Berkeley aspires to be a world-class business, defined by the quality of the places we create, generating long-term value and having a positive impact on society. Through the framework of 'Our Vision' we articulate our strategy across our five areas of strategic focus: Customers, Homes, Places, Operations and Our People and we are proud to hold a Queen's Award for Enterprise for Sustainable Development, which is recognition of the Group's economic, social and environmental achievements. Berkeley has also been included on the FTSE4Good Index since 2003, reflecting strong social, environmental and governance (ESG) practices.

In May we launched a new set of commitments to achieve over the next two years. This follows extensive research to understand the views of our stakeholders as well as key industry issues. We have also aligned our strategy to the UN's Sustainable Development Goals, in recognition of the role business must play in achieving these global aims.

Our vision for the future

CUSTOMERS

Our customers' experience remains central to our strategy and we use the independently assessed Net Promoter Score (NPS) to drive and measure progress in this area. Our NPS of 73.9 (on a scale of -100 to +100) is sector leading and within the top quartile for retail brands across all sectors. 97% of our customers would recommend us to a friend, surpassing the industry average of 86%.

We are delighted that Berkeley achieved the Investor in Customers Gold Award in 2018, following an independent assessment of our customer service.

HOMES

The quality of the homes we deliver is fundamental to the success of our business, and we believe our core value of excellence through detail is a key differentiator. We are delighted that our homes continue to be recognised externally. We have taken action over the past year to future-proof our homes in a number of areas, such as incorporating infrastructure to support smart technology and adaptation measures for the effects of climate change. Building on the steps we have taken to become a carbon positive business, over the next two years we will be focusing on the homes we build by setting out plans to ensure they can operate at net zero carbon by 2030.

Following the Grenfell Tower tragedy we undertook a thorough review of all of our high-rise buildings, including engaging with the local fire authorities, fire safety experts, residents and the Ministry of Housing, Communities and Local Government (MHCLG). We have ensured all our buildings are safe whilst the future regulatory approach is clarified following the outcomes of the Hackitt Review and subsequent government consultation.

Woodberry Down, Finsbury Park

CHIEF EXECUTIVE'S STATEMENT


Pizza Union, Goodman's Fields, Aldgate

PLACES

Building strong communities can transform people's wellbeing and their quality of life. Sometimes it happens naturally, but it often takes years, if not decades, to evolve. Since 2012 we have been working on a structured approach to investing time, money and care in accelerating the process. On every site with more than 100 homes we undertake an assessment pre-planning to clarify what kind of community we are trying to create. More recently we have trialled the implementation of bespoke Community Plans at 12 occupied developments to drive an events programme and a digital forum and create a system of community governance.

We recognise that our impact is wider than just the developments we create. In 2017, 33,000 jobs were supported and £0.42 billion was provided in affordable housing subsidies and community and infrastructure benefits. During 2018/19 we will be investigating how to quantify the wider financial and non-financial impacts generated by our activity — known as social value — on a development scale.

We are proud to be the first housebuilder to have an approach for achieving net biodiversity gain on each site; put simply, this means there will be more nature afterwards than before. This year we have introduced a new commitment to sustainable transport, which builds upon our existing requirements for electric car charging points and cycle storage, to understand and respond to future changes in the transport mix and our customers' needs.

OPERATIONS

We are pleased to have become the first carbon positive housebuilder having met our commitment set two years ago to achieve a 10% reduction in carbon emissions at our sites, offices and sales suites and introduced a programme to offset the remaining emissions. We recognise the risks climate change presents to our business and are responding to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, whilst continuing to participate in the CDP Climate Change Programme in which Berkeley achieved an 'A-' rating this year.

A considerate approach to construction is critical to maintaining good relationships with the communities in which we work as well as with our employees and wider workforce. Around 60% of our sites were recognised at the 2018 Considerate Constructors Scheme National Site Awards, compared to just 10% nationally. Our average audit score of 43/50 is testament to the efforts of our site teams in maintaining high standards.

Making our contribution to tackling the industry's skills crisis continues to be an area of focus; in the two-year period there have been over 850 apprentices working on our sites and in our offices, a 30% increase. Overall, people in apprenticeships or training now make up around 10% of the workforce.

After successful completion of a number of homes using modular methods of construction, during the year we were delighted to be granted planning permission for our new manufacturing facility. This will enable us to deliver high quality homes alongside other benefits including reduced time on-site and reduced environmental impact.

OUR PEOPLE

There is nothing more important to Berkeley than the health and safety of our people. Our health and safety record has improved year-on-year for five years, with fewer than 1.5 accidents per 1,000 people per year. Following winning the coveted Sir George Earle trophy in 2017, Berkeley East Thames was delighted to win a sector award in 2018. Our emphasis on safety has been strengthened in recent years with a focus on health and wellbeing in the workplace, and this will be further supported by work on mental health over the next two years.

Attracting and retaining talent is key and we continue to improve our approach to talent management, alongside specific initiatives such as the graduate scheme, apprenticeship programmes and specialist academies.


Demonstration to local school pupils at the Kidbrooke Construction Skills Centre

THE BERKELEY FOUNDATION

The Berkeley Foundation is a registered charity which provides support across four themes: homes, jobs, skills and care. Now in its eighth year, new annual commitments exceeded £2 million last year, and included a number of mental health charities, an area of recent focus for the Foundation. Since 2014, it has supported more than 15,000 people across London and the South East to move out of homelessness, build their skills, move into work and access new opportunities. 60% of employees across Berkeley do something each year to contribute to the Foundation and we are proud of its Platinum Give as You Earn status.

Berkeley is delighted that the Foundation won the Better Society Award for Best Partnership with a National Children's Charity, in recognition of Super 1s, its partnership with The Lord's Taverners. The Foundation continues its innovative programmes with its seven strategic partners as well as a number of other charities who share its vision to improve the lives of young people and their communities across London and the South East.

OUTLOOK

Berkeley is a business set up for the long term. We have an operating model that allows us to invest at the right time in the cycle and deliver robust risk-adjusted returns, and the expertise to transform complex sites into thriving, sustainable communities, while having a positive impact on our stakeholders and society.

We have chosen to focus our operations around one of the world's pre-eminent cities. London's attributes are unique and well known and will endure well into the future. They are founded on openness, respect, tolerance and diversity. It is an environment in which, when the right conditions are present, growth, innovation and prosperity for all, will flourish. At present, political and economic uncertainty, in part due to the uncertainty around Brexit, weigh on sentiment but do present opportunities for customers who can look beyond this short-term volatility.

Berkeley, with its unrivalled financial strength, land position and expertise, is able to look past this prevailing uncertainty with measured confidence but, like all responsible businesses, is cautious in its investment in this environment and this will determine the speed with which it delivers the value from its assets in the medium term.

ROB PERRINS
CHIEF EXECUTIVE

BERKELEY ANNUAL REPORT 2018 **STRATEGIC REPORT**

The Bridge Theatre, One Tower Bridge

BERKELEY'S STRATEGIC FRAMEWORK

OUR ASPIRATION

TO BE A WORLD-CLASS BUSINESS, DEFINED BY THE QUALITY OF THE PLACES WE CREATE, GENERATING LONG-TERM VALUE AND HAVING A POSITIVE IMPACT ON SOCIETY.

OUR STRATEGY

TO ENSURE WE REMAIN FIRMLY FOCUSED ON ACHIEVING OUR ASPIRATION, OUR STRATEGIC PLAN IS ARTICULATED THROUGH THE FRAMEWORK OF OUR VISION.

Our Vision is structured around five areas of focus and a core set of company values. It gives our employees clear direction across every discipline of the business and enables them to contribute to its ongoing success.

FOCUS AREAS	CORE VALUES
Customers	Have integrity
Homes	Respect people
Places	Think creatively
Operations	Be passionate
Our People	Excellence through detail

Every two years we set targeted, challenging new commitments in each of the five focus areas. This enables us to continually improve, as well as to respond to global and industry issues. In May 2018 we set new commitments based on detailed research and a review of the United Nations' Sustainable Development Goals. The detailed commitment-setting exercise is explained on page 21.

See page 20

OUR BUSINESS MODEL

DEVELOPMENT AND REGENERATION IS ABOUT PEOPLE. WE TRANSFORM PLACES AND LIVES AND CREATE THRIVING COMMUNITIES.

We do this through five core business activities, all of which are integral to supporting our strategic commitments:

CORE BUSINESS ACTIVITIES

- Identifying and acquiring land
- Designing and planning new homes and places
- Building new homes and places
- Marketing and customer service
- Placekeeping and stewardship

Through undertaking these activities in a responsible way and with a long-term focus, we deliver value for all our stakeholders, including our customers, local communities, employees, partners, shareholders and wider society.

See page 48

OUR RISK MANAGEMENT

RISK MANAGEMENT UNDERPINS OUR BUSINESS MODEL.

We understand our risks and set an appropriate level of appetite for risk throughout our business.

MARKET RISK

Berkeley recognises that the housing market is inherently cyclical, where market sentiment and transaction levels can change quickly. Consequently, we focus on London and the South of England, markets that we know and understand, with a long-term, added value approach to development.

OPERATIONAL RISKS

Berkeley focuses on complex and long-term regeneration developments, particularly in London, which present a complex array of operational challenges.

Accordingly, risk management is embedded throughout the business and our autonomous operational teams are required to carefully manage each development's design and delivery, regardless of size, whilst embracing Berkeley's core values, Our Vision commitments and overall quality-led approach.

FINANCIAL RISKS

Given the operational risks present in its developments, Berkeley keeps financial risk low by maintaining a strong balance sheet and land position as well as forward selling its homes where possible. This ensures that the business is always well placed, with the financial flexibility to invest as opportunities arise at the right point in the market cycle.

See page 60

Our vision
for the future

OUR VISION

BERKELEY ASPIRES TO BE A WORLD-CLASS BUSINESS, DEFINED BY THE QUALITY OF THE PLACES WE CREATE, GENERATING LONG-TERM VALUE AND HAVING A POSITIVE IMPACT ON SOCIETY.

OUR VISION IS THE LONG-TERM STRATEGY FOR THE BUSINESS WHICH SETS OUT THIS GOAL AND IS STRUCTURED AROUND FIVE AREAS OF FOCUS AND OUR CORE SET OF COMPANY VALUES.

OUR AREAS OF FOCUS

CUSTOMERS
Provide exceptional service to all of our customers and put them at the heart of our decisions

HOMES
Deliver high quality homes with low environmental impact where people aspire to live

PLACES
Create strong communities where residents can live an enjoyable, sustainable life

OPERATIONS
Make the right long-term decisions, run the business efficiently and work collaboratively with our supply chain

OUR PEOPLE
Develop highly skilled teams that work together in a safe, healthy and supportive environment and contribute to wider society

OUR VALUES

HAVE INTEGRITY
Build trust by being open, clear and credible

RESPECT PEOPLE
Work together, empower people and value their contribution

THINK CREATIVELY
Find individual solutions for every site and situation

BE PASSIONATE
Take pride in what we do and the impact we make

EXCELLENCE THROUGH DETAIL
Deliver the best through attention to detail in everything we do

DRIVING THE BUSINESS FORWARD

We review and develop our strategy every two years in order to drive continual improvement and to ensure we address any emerging global, industry or business issues and opportunities. In May 2018 we launched 10 new headline commitments to achieve by April 2020, underpinned by revised supporting commitments in each focus area.

The development of the new commitments was informed by in-depth initial research followed by a materiality assessment to understand the views of our employees and key external stakeholders.

With the support of an objective external party, all employees were invited to provide their views; responses were received from approximately 1,200 people, representing 45% of the business. Views from key external stakeholders were also requested via both an online survey and detailed interviews.

We used the results of this work to shortlist topic themes for further consultation with each of our autonomous companies and specialist committees. Workshops were run on each of the focus areas to debate and refine the commitments before sign-off by the Main Board.


Employees at St Edward

SUSTAINABLE DEVELOPMENT GOALS

SUPPORTING THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

Our vision is to be a world-class business, and therefore it is important that we help to address global challenges. In 2015, all 193 Member States of the United Nations adopted a plan for achieving a better future for all — laying out a path to end extreme poverty, fight inequality and injustice, and protect our planet. This plan is called 'Agenda 2030' and at the heart of it are 17 Sustainable Development Goals (SDGs).

We have aligned the Our Vision commitments to support the goals. All the goals are important and inter-connected, but we focus our efforts on eight that we have the most material ability to influence.

Further information on how we address each of the prioritised goals can be found at:
www.berkeleygroup.co.uk/sustainability

COMMITMENTS

WE SET NEW HEADLINE COMMITMENTS EVERY TWO YEARS TO HELP DRIVE THE BUSINESS TOWARDS BEING WORLD-CLASS. IN MAY 2018 WE LAUNCHED A NEW SET OF 10 STRETCHING COMMITMENTS TO ACHIEVE BY APRIL 2020.

Our vision for the future

The headline commitments are underpinned by leading commitments, either within the industry or out of sector, and by business as usual commitments. These help us to ensure a consistently strong approach in key areas. More detail is provided on pages 24 to 43.

CUSTOMERS

Our approach in this area has evolved from ensuring that customer-facing teams provide exceptional service to a strong emphasis on all employees placing the customer at the heart of every decision.

2016-2018 HEADLINE COMMITMENTS — PERFORMANCE

Net Promoter Score
Deliver world-class customer service as evidenced by a top quartile Net Promoter Score compared to UK Customer Satisfaction Index results. ✓

Customer insight
Run a programme of engagement and research to further enhance our product and processes based on the needs of our customers. ✓

2018-2020 HEADLINE COMMITMENTS

Net Promoter Score
Establish Berkeley amongst the top performing companies for customer service, as evidenced by the Net Promoter Score.

Mortgage lending
Make the case for a proportionate approach to lending, including two year mortgage offers, so that every purchaser has a fair chance in the new build market.

See page 24

HOMES

Our approach in this area has developed from a long-standing focus on quality to also ensuring the homes are healthy and environmentally-sound as well as being fit for the future.

2016-2018 HEADLINE COMMITMENTS — PERFORMANCE

Climate change adaptation
Design our homes to consider future climate change to ensure continued thermal comfort. ✓

Smart homes
Understand the evolution of smart technology and connectivity in homes and on developments. ✓

2018-2020 HEADLINE COMMITMENTS

Safe and healthy homes
Launch a design framework to contribute to the wellbeing of our customers, including safety, air quality and thermal comfort.

Net zero carbon
Develop a transition plan for each new development which enables the homes to operate at net zero carbon by 2030.

See page 28

Learn more about Our Vision at:
www.berkeleygroup.co.uk/about-berkeley-group/our-vision

PLACES

Our approach in this area has developed from a focus on the public realm, to developing an understanding of how to build communities and enable our customers to live sustainable lifestyles.

2016-2018 HEADLINE COMMITMENTS — PERFORMANCE

Community plans
Implement community plans on our developments to facilitate thriving communities. ✓

Net biodiversity gain
Develop and apply an approach to ensure that all new developments create a net biodiversity gain. ✓

2018-2020 HEADLINE COMMITMENTS

Community and social value
Understand the social value generated by new development and embed a coherent approach to building communities on all our sites.

Sustainable transport
Explore future transport trends and encourage a modal shift away from an over-reliance on petrol and diesel cars.

See page 32

OPERATIONS

Our approach in this area has evolved from established financial success to ensuring that, at the same time, we work with our supply chain to make a positive contribution to both society and the environment.

2016-2018 HEADLINE COMMITMENTS — PERFORMANCE

Carbon positive
Reduce our operational carbon emissions intensity by 10% and introduce a programme to become carbon positive. ✓

Apprentices and training
Ensure at least 1,500 people across our direct and indirect workforce undertake an apprenticeship or vocational training. ✓

2018-2020 HEADLINE COMMITMENTS

Off-site manufacture
Deliver the Berkeley Modular facility and ensure that 30% of construction value is delivered through off-site assembly by 2020.

Waste and plastics
Work with our supply chain to develop a zero waste strategy, focusing on key wastes including plastics.

See page 36

OUR PEOPLE

Our approach in this area has evolved from ensuring safe working environments to also promoting health, wellbeing and inclusion alongside talent management initiatives.

2016-2018 HEADLINE COMMITMENTS — PERFORMANCE

Healthy workplaces
Launch and implement a new programme to promote the wellbeing of our staff and create healthy workplaces. ✓

Talent management
Invest in training and development through our talent management programmes to realise the potential of our people across all areas of the business. ✓

2018-2020 HEADLINE COMMITMENTS

Industry image
Engage with young people, education providers and employers to transform perceptions of careers in the built environment.

Diversity and inclusion
Implement a programme to create an inclusive environment where employees can reach their full potential, irrespective of their identity or background.

See page 40

CUSTOMERS

PROVIDE EXCEPTIONAL SERVICE TO ALL OF OUR CUSTOMERS AND PUT THEM AT THE HEART OF OUR DECISIONS.

Our vision for the future

2016–2018 COMMITMENTS

Net Promoter Score
Deliver world-class customer service as evidenced by a top quartile Net Promoter Score compared to UK Customer Satisfaction Index results.

Customer insight
Run a programme of engagement and research to further enhance our product and processes based on the needs of our customers.

There were also commitments covering the following areas:

— Communicating digitally with customers via MyHome Plus
— Marketing homes in the UK first
— Communicating Our Vision to customers
— Communicating sustainability to customers
— Providing Living Guides

2018 HIGHLIGHTS

73.9
Sixth-month rolling average Net Promoter Score (compared to a Home Builders Federation industry average of 29)

Green Mortgage
Partner organisation working with Barclays for the first green home mortgage in the UK

Investor in Customers Gold 2017

Investor in Customers Gold 2017
Achieved across all of our operating companies

97%
Customers would recommend us to a friend (compared to a Home Builders Federation industry average of 86%)

Londoners First
Signatory to the Mayor of London's initiative to offer lower value new-build homes within London and the UK first


Sales suite at Woodberry Down


Customers at Kidbrooke Village

2016–2018 COMMITMENTS

CUSTOMER SERVICE AND THE NET PROMOTER SCORE

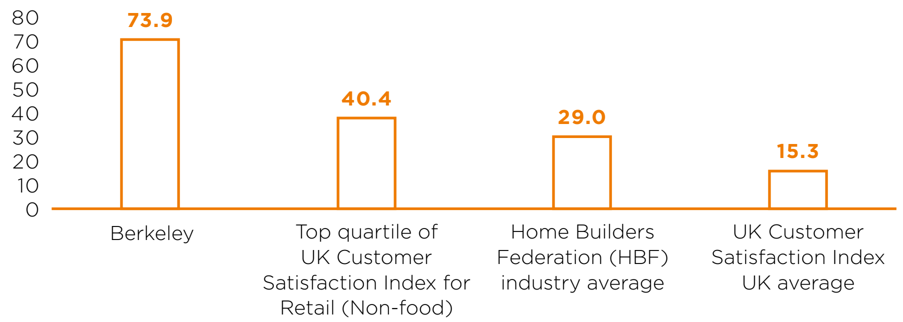
The service we provide is professional, efficient and helpful to make the home buying process as straightforward and enjoyable as possible. We aim to exceed our customers' expectations, starting from the moment a customer first enquires about a property. Each customer receives tailored information relating to their purchase and has a dedicated person to guide them through their buying journey and beyond.

We have created a 'customer first' mind-set and empower teams to think and act differently. This is supported by a range of employee training and the continuation of our Sales Academy to bring talented individuals from other industries into the business.

This year we are delighted to have achieved the Investor in Customers Gold award across all of our operating companies. This follows an independent assessment of customer service, from understanding and meeting customer needs to delighting customers and engendering loyalty. Customer feedback showed a high level of customer satisfaction and loyalty and employee feedback showed that staff in all roles and at all levels understand the needs of the customer and are committed to delivering an excellent customer experience.

We use the Net Promoter Score to benchmark the levels of service we provide against well-regarded companies across all sectors. Our six-month rolling average Net Promoter Score of 73.9 compares extremely favourably against the industry average of 29 and overall UK average of 15.3. Overall, 97% of our customers would recommend us to a friend.

Net Promoter Score
(on a scale of -100 to +100)



CUSTOMER INSIGHT

Key to the ongoing success of our business is that we listen to, understand and respond to the needs of our customers. Over the last two years we have implemented a range of new initiatives to gain customer insight.

A new data tool has been used to provide further insight from existing customer surveys. We have also developed an online portal to share lessons learnt across Berkeley.

Customer focus groups are run at many of our developments, including the Skyline apartments at Woodberry Down. These give customers an opportunity to provide feedback on the homes and places in which they live whilst providing us with invaluable information to help inform future improvements both on-site and beyond.

We also recognise the value in obtaining feedback from potential customers who chose not to purchase a property. Surveys of around 170 potential customers completed at seven developments have enabled us to better understand purchaser expectations and priorities. Going forward, we will undertake this for all sites.

Site-specific information is supported by annual brand research of 500 people from our target market on what is important to people when selecting a new home.

CUSTOMERS

Our vision for the future

Sales advisor at The Corniche

Residents at Ryewood, Sevenoaks

USING DATA TO FURTHER UNDERSTAND CUSTOMER FEEDBACK

A sophisticated text analysis programme has been used to review the past eight years of customer verbatim comments. Whilst customer verbatims have always been of critical importance to us, this is the first time that such a detailed and consolidated trend analysis has been completed which allows us to turn the comments into actionable insight.

Information is now available at a consolidated Group level, as well as for our autonomous businesses and individual sites. This will provide invaluable information to aid us in the continual improvement of our product and service offering.

Learn more about customers at:

www.berkeleygroup.co.uk/about-berkeley-group/our-vision/customers

2016–2018 COMMITMENTS

COMMUNICATING WITH CUSTOMERS

We strive for seamless communication with customers from the moment they first contact us.

Once a customer has chosen to buy a new home they are given the opportunity to use our interactive online system, MyHome Plus. It covers a range of features, from selecting choices and options to receiving updates on construction progress and the Living Guide on completion.

Communication with customers does not end when they purchase their home. For example at Goodman's Fields the estate management and Berkeley teams hold regular meetings with residents to discuss topics which directly affect them, such as service charges and the refuse strategy.

SUSTAINABILITY

We continue to promote sustainable living at all stages of the customer journey. Site-specific features are noted in brochures and in information provided to the customer at purchase and completion.

Berkeley was delighted to be one of five partner organisations supporting Barclays with its launch of the UK's first green mortgage in April 2018. If a customer is purchasing an energy efficient new-build home, they will be eligible for a Barclays Green Home Mortgage which offers discounted rates compared to standard mortgages.

UK AND LONDON FIRST

Our UK First Policy has been in place since 2014 for all developments, requiring that every individual home is made available in the UK either first or at the same time as launching overseas. This enables UK customers to have the opportunity to buy our homes, whilst also appreciating the vital role that international investors play in generating the cash flow and confidence required to begin construction.

In February 2018 we were pleased to support the Mayor of London's initiative to offer lower-cost new properties exclusively to Londoners and UK-based buyers first. The sale of any new-build homes within London of up to £350,000 is being restricted to UK buyers for three months before any overseas marketing takes place.

Senior living at Highwood Mill, Horsham

SUPPORTING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

2018–2020 NEW COMMITMENTS

NET PROMOTER SCORE

Establish Berkeley amongst the top performing companies for customer service, as evidenced by the Net Promoter Score.

Having high levels of customer satisfaction is critical to our business and we aim to exceed our customers' expectations, starting from the moment a customer first enquires about a property.

For the last four years, we have used the Net Promoter Score to benchmark the levels of service we provide against well-regarded companies across all sectors and help drive improvements. We will continue to monitor our performance, share good practice, and implement new initiatives to ensure that our customers receive excellent levels of service.

MORTGAGE LENDING

Make the case for a proportionate approach to lending, including two-year mortgage offers, so that every purchaser has a fair chance in the new build market.

We want every homebuyer to have the same chance as an investor to purchase a property in the new-build market. Mortgage offers today typically last for six months, but this does not lend itself to buying off-plan because the offer has usually expired before the new property is completed.

Through this commitment we will encourage lenders to introduce mortgage offers which give every purchaser a fair chance of buying a new-build home. Through research, debate and fresh thinking, we want to create a level playing field for every purchaser.

OTHER AREAS OF FOCUS

In addition to the two headline commitments, we have specific targets to:

- Understand and respond to customers' emotional journeys
- Promote the use of MyHome Plus
- Market homes in the UK and London first
- Meet minimum standards for sales and marketing suite set-up
- Communicate Our Vision
- Communicate sustainable living
- Promote digital and sustainable communication
- Undertake sales and marketing suite exit interviews

Our vision for the future

HOMES

DELIVER HIGH QUALITY HOMES WITH LOW ENVIRONMENTAL IMPACT WHERE PEOPLE ASPIRE TO LIVE.

2016-2018 COMMITMENTS

Thermal comfort
Design our homes to consider future climate change to ensure continued thermal comfort.

Smart homes
Understand the evolution of smart technology and connectivity in homes and on developments.

There were also commitments covering the following areas:

- Enabling fibre broadband and community Wi-Fi
- Undertaking research and development
- Meeting space standards
- Installing internal recycling facilities

2018 HIGHLIGHTS

Launched
Thermal comfort risk assessment for all new homes

91%
Completed homes with an EPC rating of at least B

100%
Customers will have access to Ultafast broadband in 2018

73%
Completed homes supplied with low carbon or renewable energy

Evening Standard New Homes Awards 2018 WINNER

London Evening Standard New Homes Awards 2018

Best Apartment
Wimbledon Hill Park

Best Family Home
Fitzroy Gate

Best Luxury Home
The Corniche

Best Large Development
Woodberry Down

The Sunday Times British Homes Awards Celebrating Exceptional Design

The Sunday Times British Homes Awards 2017

Innovative Living
Berkeley Urban House

THERMAL COMFORT AT CLARENDON

During the early planning stages of Clarendon, the thermal comfort risk assessment tool highlighted that the development was at risk of overheating as it is located within an urban area adjacent to a mainline railway and because communal heating was proposed throughout.

Dynamic thermal modelling was undertaken and a number of design measures have been incorporated to mitigate the effects of overheating, including:

- External shading from balcony overhangs and recessed balconies
- Natural ventilation measures
- Use of rain gardens and green roofs


Computer Generated Image of Clarendon

2016-2018 COMMITMENTS

THERMAL COMFORT

The potential for overheating in new homes has become a growing issue for the industry as an unintended consequence of improvements to regulatory standards for energy efficiency and air tightness. We want to ensure the thermal comfort of our customers both now and in the future with expected changes in climate.

Over the last two years we have developed and implemented a thermal comfort risk assessment tool for use on all new sites; we are the only developer to apply such an approach consistently across all schemes. The risk assessment, which was based on industry research and feedback from our own employees and external experts, has been undertaken for 21 sites to date. The tool takes into account factors which can affect overheating, such as location, building type and ventilation strategies. It then highlights site-specific risks and actions to reduce them.

SMART HOMES

We are increasingly living in a connected world, with our customers expecting access to the internet and good connectivity from the first day they move in. Technology continues to develop, from enabling us to control the temperature of our homes through a smart phone, to intelligent devices learning our behaviours and movements.

Over the last two years we have developed new minimum infrastructure recommendations for new sites, covering broadband and cabling provision. These enable customers to benefit from the freedom of being able to 'plug in' technologies as they become available.

We continue to incorporate relevant smart technologies into our developments. These can range from items such as smart thermostats at Kennet Island to more advanced systems linking the digital and electrical infrastructure within the homes at South Quay Plaza, enabling our customers to connect their homes via the IOT (Internet of Things).

Research and field trials continue at Kidbrooke Village into other technologies such as home battery storage, which when combined with photovoltaic panels, an electric car charging point and smart controls would enable us to offer a 'smart home' as an option to our customers.

ENVIRONMENTAL PERFORMANCE

All our homes incorporate measures to reduce their impact on the environment. We begin by applying the energy hierarchy in design by focusing on the building fabric and then incorporating clean and renewable technologies. Around three quarters of our completed homes incorporate low carbon or renewable energy technologies. These measures ensure our homes are efficient, as demonstrated by our average EPC rating of 'B' for homes which completed in 2018. In March 2018 we were a signatory of the UK Green Building Council's letter to Government to move towards net zero carbon homes by 2030.

Throughout the design stage we also consider daylighting, space standards and noise to maximise the performance and comfort of our homes. To help our customers lead more sustainable lifestyles we incorporate energy efficient appliances, provide internal recycling bins and install water efficient fittings.

HOMES

Our vision for the future

2016–2018 COMMITMENTS

QUALITY

Excellence through detail is one of our company values and is applied at every stage of the project to create exceptional homes. Our brand is defined by the quality of the homes we build and we have high design and construction standards in place. To ensure that we meet these standards we have deployed technology to improve our quality procedures, such as Viewpoint Field View, which enables our project teams to communicate instantly with contractors.

We are delighted to have been recognised externally for our high standards of excellence. Management Today ranked us joint first for the quality of goods and services across all sectors in Britain's Most Admired Companies 2017 and we are honoured to have received many development-specific awards for design and quality, including at the International Property Awards 2017 and the London Evening Standard New Homes Awards 2018.

RESEARCH AND DEVELOPMENT

Research and development occurs across the business to enable continual improvement. We undertake research on an individual site level and at a Group level through our Production Committee.

We continue to utilise and develop our innovative Urban House type which enables high densities to be achieved whilst providing low-rise back-to-back adaptable family housing. The design was recognised at the Sunday Times British Homes Awards 2017 through the Innovative Living Award.

We regularly seek to collaborate with external organisations and are pleased to have contributed to the Chartered Institution of Building Services Engineers' (CIBSE) Homes for the Future Group.


Apartment at The Corniche, Albert Embankment


The Urban House at Kidbrooke Village

Learn more about homes at:

www.berkeleygroup.co.uk/about-berkeley-group/our-vision/homes


Photovoltaic roof panel array at Goodman's Fields

SUPPORTING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

7 AFFORDABLE AND CLEAN ENERGY

2018–2020 NEW COMMITMENTS

SAFE AND HEALTHY HOMES

Launch a design framework to contribute to the wellbeing of our customers, including safety, air quality and thermal comfort.

We design a range of features into our homes that benefit occupants' health and wellbeing, including good levels of daylight, insulation to reduce noise and help to regulate temperature, storage space and adaptability, so the homes can meet the needs of future residents. This is vital because people spend around two thirds of their time in their home and research shows that sustainable, well-designed homes lead to better health and wellbeing of occupants.

We will create a new Berkeley Safe and Healthy Homes Design Framework covering a range of issues including noise, air quality, overheating, materials, daylight, storage and security. This will be applied to all new sites, with the aim to positively influence the health and wellbeing of our customers.

NET ZERO CARBON

Produce a transition plan for each new development which enables the homes to operate at net zero carbon by 2030.

At Berkeley we have traditionally had a leading approach to energy efficiency in our homes, and were the first developer to commit to achieving Code for Sustainable Homes Level 3 in 2007. Whilst Government policy has moved away from the zero carbon homes agenda, there is recognition within the industry, and by the Mayor of London, that to meet our national carbon targets new build standards should be tightened.

There remains uncertainty about the right long-term technological solution for achieving zero carbon. In the interim, we will develop Low Carbon Transition Plans to identify clear routes for how the homes could operate at net zero carbon by 2030 together with future-proofing measures which will be incorporated when they are built.

OTHER AREAS OF FOCUS

In addition to the two headline commitments, we have specific targets to:

- Develop a strategic partnership with the Royal Society for the Prevention of Accidents (RoSPA) on 'safer by design'
- Undertake post occupancy evaluation
- Enable connected homes
- Specify sustainable materials
- Install recycling facilities
- Ensure water efficiency of homes
- Install energy efficient lighting
- Meet Berkeley minimum fire ratings and energy efficiency standards for domestic appliances, which are over and above Government guidelines

PLACES

CREATE STRONG COMMUNITIES WHERE RESIDENTS CAN LIVE AN ENJOYABLE, SUSTAINABLE LIFE.

2016-2018 COMMITMENTS

Community plans
Implement community plans on our developments to facilitate thriving communities.

Net biodiversity gain
Develop and apply an approach to ensure that all new developments create a net biodiversity gain.

There were also commitments covering the following areas:

— Undertaking community assessments pre-planning
— Undertaking community engagement
— Incorporating climate change adaptation measures
— Consulting ecologists
— Implementing electric car charging
— Installing cycle storage facilities
— Incorporating rainwater harvesting
— Achieving BREEAM Very Good
— Installing living roofs

2018 HIGHLIGHTS

12
Developments implementing community plans

100%
New developments committed to creating a net biodiversity gain

39,000
Cycle storage spaces and 2,650 electric car charging points being installed on sites under construction

The Sunday Times British Homes Awards 2017
Outstanding Placemaking
Woodberry Down

CIRIA BIG Biodiversity Challenge Awards 2017
Medium Scale Permanent Award
Fitzroy Gate

WhatHouse? Awards 2017
Housebuilder of the Year
Berkeley Group

Gold awards for:

Best Public Realm
Heritage Walk
Kew Bridge West

Best Regeneration Scheme
Royal Arsenal Riverside

Best Mixed-Use Development
One Tower Bridge

Best Partnership Scheme
Woodberry Down

BUILDING COMMUNITY AT ROYAL WELLS PARK

As part of the community plan at Royal Wells Park, we prompted the residents to form a social committee. They organised a summer party and, as a result, developed the appetite and confidence to get directly involved in estate management and decision-making. We then took them to meet and share ideas with a more established group on another of our sites and there is now an increasingly strong and empowered community at Royal Wells Park.


Community event at Royal Wells Park, Royal Tunbridge Wells

2016-2018 COMMITMENTS

CREATING COMMUNITIES

Our ambition is to create safe and inclusive places that remain great places for decades to come, where people feel proud of their home, connected to each other and able to influence what goes on. Our approach goes beyond placemaking and placekeeping, to creating places where communities can thrive.

This begins at the outset; when acquiring land, we consider the site's location and potential to support a community. At the very early stages of design, we engage the local community in the design of our developments and use our toolkit, Creating Successful Places, on new developments as a framework for ensuring the right facilities and mechanisms are in place to enable a thriving community.

During construction, we build infrastructure to benefit the local community, such as play spaces, and look for opportunities to create temporary facilities, such as pop-up parks. All of our commercial space, student accommodation and relevant senior living housing is designed to achieve at least a BREEAM Very Good rating.

Sometimes a sense of community develops naturally, but it often takes years, if not decades, to evolve. We recognise that our customers and our managing agents play a key role in creating communities, and so we are increasingly putting structures in place to support them to do so.

DELIVERING COMMUNITIES: COMMUNITY PLANS

Over the last two years we have been developing and piloting community plans on 12 of our developments, ranging from rural villages and suburban neighbourhoods to London regeneration schemes, as part of a structured approach to building communities.

Each community plan is different, reflecting local needs and aspirations. The community plan provides the structure to enable the community to mix and meet, usually through an events programme and an online forum. Through this, we are seeing community governance systems beginning to form, ranging from social clubs to residents' committees. These help to embed a sense of shared ownership and self-management. Whilst we initially lead the plans, it is our residents and estate managers who will look after the place in the long term, so it is important that they help to inform, influence, develop and own the plan.

PLACES

Our **vision** for the future


Sustainable urban drainage at Kidbrooke Village


Electric car charging at Fitzroy Gate, Old Isleworth

> Natural England welcomes the development of the Berkeley Group Biodiversity Toolkit. Bringing key ecological information and data together into a single and easy to use template, this should help all involved in the process to readily and easily access information needed to help design in a biodiversity net gain outcome to the project.
>
> NATURAL ENGLAND

2016-2018 COMMITMENTS

ENHANCING BIODIVERSITY

Biodiversity plays an important role within our towns and cities as it helps to improve air quality, provides resilience to climate change, adds amenity value and supports wellbeing. Despite this, biodiversity continues to decrease at an alarming rate. New development can help to reverse this trend, by providing the opportunity to enhance biodiversity.

Through our commitment to net biodiversity gain, we seek to ensure that our developments make a positive impact on their local environment by creating an overall enhancement for biodiversity. Put simply, there should be more nature afterwards than before we began.

Our Biodiversity Toolkit, which we developed and launched in 2017, enables project teams and their appointed ecologist to baseline the biodiversity of a site before any work occurs. Through the design process, project teams use the toolkit to identify features that will create a net gain. To provide practical advice of how to design for biodiversity net gain, we have published a guide called The Nine Concepts: Making Space for Nature and Beauty.

All our new developments submitted to planning during 2018 targeted a net gain through the landscape design.

DESIGNING FOR CLIMATE CHANGE

Truly sustainable places are great places now, but also stand the test of time. Climate change could adversely affect the places we create, and our customers living within these, through changing weather patterns which are likely to cause wetter winters, hotter summers and more frequent heat waves. We are focused on addressing the risks most relevant to the design of our developments: flooding, water shortage and ensuring thermal comfort.

We incorporate a number of features into the design of our developments to increase resilience to these impacts, such as sustainable drainage systems, rainwater harvesting and green infrastructure such as trees, parks, gardens and living roofs. These help our developments to manage water effectively. They also provide a cooling effect, which has a wider benefit of helping to reduce the urban heat island effect in dense urban areas.

Learn more about places at:
www.berkeleygroup.co.uk/about-berkeley-group/our-vision/places


Living roof at Goodman's Fields

SUPPORTING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

2018-2020 NEW COMMITMENTS

SUSTAINABLE TRANSPORT

Explore future transport trends and encourage a modal shift away from an over-reliance on petrol and diesel cars.

The way we travel is changing; more people are choosing to cycle and in the future there is likely to be less travel per person, but more logistics traffic. We are likely to see fewer conventional petrol and diesel cars and more electric and autonomous vehicles.

In order to design developments fit for the future, we need to understand our customers' needs and expectations, as well as how the transport mix is likely to change over time. Research undertaken through this commitment will ensure that we put the right infrastructure and services in place to meet customer expectations and promote sustainable travel. This builds on our existing commitments to provide cycle storage and electric car charging on all developments.

COMMUNITY AND SOCIAL VALUE

Understand the social value generated by new development and embed a coherent approach to building communities on all our sites.

We have developed an approach to building communities on our schemes over many years. Through our new commitment we will seek to further embed this work on every site.

We will also explore how we quantify and explain our wider impacts. New development generates benefits for local communities, the local economy and the environment. This is often termed 'social value' and is focused on maximising public benefit and outcomes that support the public good. Stakeholders demand real value creation in the local area yet it can be difficult to define, measure and deliver.

OTHER AREAS OF FOCUS

In addition to the two headline commitments, we have specific targets to:

- Achieve net biodiversity gain
- Develop an approach to integrated water management
- Explore temporary alternative uses during construction works
- Achieve BREEAM Very Good
- Install living roofs
- Review the performance of managing agents and the durability of schemes

Our **vision** for the future

OPERATIONS

MAKE THE RIGHT LONG-TERM DECISIONS, RUN THE BUSINESS EFFICIENTLY AND WORK COLLABORATIVELY WITH OUR SUPPLY CHAIN.

2016-2018 COMMITMENTS

Carbon positive
Reduce our operational carbon emissions intensity by 10% and introduce a programme to become carbon positive.

Apprentices and training
Ensure at least 1,500 people across our direct and indirect workforce undertake an apprenticeship or vocational training.

There were also commitments covering the following areas:

- Procuring contractors on best overall value
- Procuring materials sustainably, including certified timber
- Reducing and reusing or recycling construction waste
- Reducing water and paper consumption
- Achieving a minimum Considerate Constructors Scheme audit score of 38/50
- Completing sustainability assessments on-sites and offices
- Running an Innovation Fund

2018 HIGHLIGHTS

22%
Reduction in operational carbon emissions intensity achieved and carbon positive programme implemented

25
Average number of days taken to pay suppliers

OFFSITE AWARDS
Off-site Construction Awards 2018
Housing Project of the Year
Urban House at Kidbrooke Village

850
Apprentices worked on our sites or in our offices in the last two years

A-
Leadership score achieved in CDP's 2017 Climate Change Programme

60%
Sites recognised at the Considerate Constructors Scheme 2018 National Site Awards (compared to a national average of 11%)

REACH Apprentice


Photovoltaic panels on the roof of the site welfare facilities at London Dock

2016-2018 COMMITMENTS

CARBON POSITIVE

We are delighted to have become the first carbon positive housebuilder by decreasing carbon emissions and offsetting more than our remaining emissions during 2018.

Since setting this commitment we have increased our understanding of energy consumption across our day-to-day activities and issued guidance on how to address out-of-hours electricity consumption together with minimum recommendations for site set up and operation.

All sites now complete a Carbon Management and Action Plan to detail energy consumption and efficiency measures and many have retrofitted more energy efficient measures or are including these from site start. The use of energy from renewable sources has also been encouraged, either through the purchase of renewable energy tariff supplies or on-site generation such as the welfare facility solar photovoltaic panels at London Dock.

We are pleased that our efforts have led to a 22% reduction in operational carbon emissions per person across our activities compared to our baseline in 2016. This figure excludes Southall Waterside due to one-off remediation activities in the year. Greenhouse gas emissions data aligned to Berkeley's reporting on greenhouse gas emissions as required under the Companies Act is provided on page 117.

We have worked with the Carbon Trust to help to develop our long-term carbon positive programme.

APPRENTICES AND TRAINING

Training the next generation of talented workers is key to tackling the skills crisis in the built environment industry. In the last two years alone, more than 850 apprentices worked across our sites and offices, whilst over 1,200 additional people undertook other types of formal training.

Following the success of our first Apprentice Awards in 2016, in autumn 2017 we once again recognised individuals and businesses who have demonstrated an extraordinary commitment to apprenticeships across our supply chain.

Within the year, we have progressed our work with West London College to develop the West London Construction Academy at Southall Waterside, which will be used to train its first intake of apprentices from September 2018. There was also a second intake of apprentices under our REACH apprenticeship scheme; we have now directly employed more than 40 trade apprentices.

We continue to be a partner member of Build UK and support industry initiatives to improve the image of construction, such as the Open Doors initiative which involved opening up nine of our sites to visitors in spring 2018.

SUPPLY CHAIN AND RESPONSIBLE PROCUREMENT

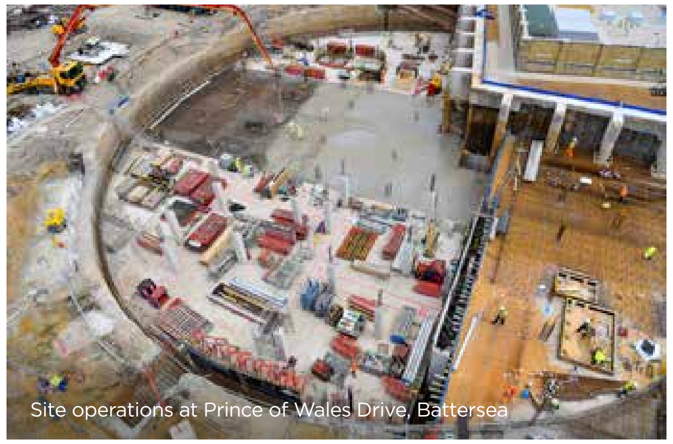
Collaborating with our supply chain is critical to ensuring a high quality and timely product. We communicate our requirements at the earliest stages of the tender process and continue to engage regularly throughout each project and at wider supplier days and conferences. We recognise that ensuring prompt payment is imperative and are pleased to confirm that suppliers are paid within an average of 25 days, less than the new 30 day period outlined as part of the Construction Supply Chain Payment Charter.

On a broader level we continue to take action against modern slavery and our statement setting out more detail is available on our website.

In March 2018, we held an internal campaign to coincide with the International Day of Forests to raise awareness and highlight our commitment to procuring certified timber.

OPERATIONS

Our vision for the future


Site operations at Prince of Wales Drive, Battersea


Considerate Constructors Scheme event at Woodberry Down

2016–2018 COMMITMENTS

INNOVATION

Innovation occurs continually on a project-by-project basis. For example, considerable research and development has occurred over the past few years to develop the Urban House type and, more recently, to deliver it using a fully-fitted modular system built off-site.

We also support external projects under our Innovation Fund, including a number of health and safety initiatives. fuseAware provides an app for workers and a dashboard for employers that provides real time data in order to improve productivity, worker safety and wellbeing. It was trialled at a number of our sites before being launched to the industry.

BUILD QUALITY

Each of our sites and homes has strict procedures to ensure a high quality of build.

We support the work on the industry's Get It Right Initiative (GIRI) which aims to increase productivity significantly by reducing error and its associated consequences. One of our Operations Directors has specific responsibility for overseeing the Skills and Training workstream which aims to develop innovative training courses in relation to error reduction through the management of interfaces during the design process and on-site.

RESOURCE EFFICIENCY

In 2018, 111,000 tonnes of construction waste was produced on-site, of which 95% was reused or recycled. These results are testament to initiatives implemented by our project teams, such as the donation of spare materials by Berkeley Eastern Counties to Kent Wildlife Trust and Sevenoaks Scout Group. We have also begun to address plastic waste; St George at Beaufort Park has worked with contractors to eliminate the use of plastic wrapping around materials that are to be stored internally, whilst Berkeley Capital has partnered with Yes Recycling to process hard hats into pellets for reuse.

Throughout the year we used almost 177,000 cubic metres of water, a reduction of 9% compared to 2017 excluding one-off remediation activities at Southall Waterside.

To reduce print wastage and ensure efficient print settings as standard, we have been rolling out a print release system since autumn 2017. This measure, along with awareness raising and reviews of our printing practices, has led to a reduction in printing by 18% per person compared to 2017.

CONSIDERATE CONSTRUCTION

Managing our sites with consideration of our workforce, the local community and the environment is imperative. We register each of our sites to the Considerate Constructors Scheme (CCS) and our performance against the Code of Considerate Practice is regularly assessed by independent monitors. We are pleased that Berkeley's average score of 43/50 in 2018 demonstrates performance beyond the industry average of 36/50 and that 33 sites were recognised at this year's CCS National Site Awards.

Learn more about operations at:
www.berkeleygroup.co.uk/about-berkeley-group/our-vision/operations

HIGH QUALITY MODULAR HOUSING

From our purpose-built manufacturing facility in Northfleet, Kent, our multi-skilled workforce will produce a range of modular housing products designed to the high specification and excellent build standards that customers demand from Berkeley.

Construction work is now ongoing and we intend to begin manufacturing the first live scheme by 2020. The key driver for us is build quality. The facility will also enable improved construction productivity, whilst at the same time ensuring the efficient use of resources.


Computer Generated Image of the Berkeley Modular facility

SUPPORTING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

2018–2020 NEW COMMITMENTS

OFF-SITE MANUFACTURE

Deliver the Berkeley Modular facility and ensure that 30% of construction value is delivered through off-site assembly by 2020.

Off-site manufacture brings a number of potential benefits including improved quality, reduced build time on-site and minimised environmental impacts.

Through this commitment we will be delivering the Berkeley Modular facility and developing an approach considering both volumetric off-site manufacture and the use of off-site components within the homes of all new projects.

WASTE AND PLASTICS

Work with our supply chain to develop a zero waste strategy, focusing on key wastes including plastics.

The construction industry continues to be the UK's largest user of natural resources, and produces vast amounts of waste. The need to drastically reduce the amount of plastic waste in particular has become a topical issue.

Through this commitment we seek to better understand the waste streams produced across our activities, with a particular focus on the type, recyclability and management of plastic wastes.

Working with our supply chain, we will seek opportunities to improve, and will take action to address key issue areas through design, procurement and behavioural change. In addition, we will also aim to eliminate avoidable plastic waste across our divisional offices and sites.

OTHER AREAS OF FOCUS

In addition to the two headline commitments, we have specific targets to:

- Reduce carbon emissions and evolve our carbon positive programme
- Use and provide feedback from our Tender Scoring Matrix
- Broaden the Innovation Fund
- Reduce water use
- Use paper efficiently and source it sustainably
- Source materials responsibly, including certified timber
- Undertake office sustainability reviews and site sustainability assessments
- Sign up to the Considerate Constructors Scheme
- Enhance procedures for build quality and quality assurance

OUR PEOPLE

Our vision for the future

DEVELOP HIGHLY SKILLED TEAMS THAT WORK TOGETHER IN A SAFE, HEALTHY AND SUPPORTIVE ENVIRONMENT AND CONTRIBUTE TO WIDER SOCIETY.

2016-2018 COMMITMENTS

Talent management ✓
Invest in training and development through our talent management programmes to realise the potential of our people across all areas of the business.

Healthy workplaces ✓
Launch and implement a new programme to promote the wellbeing of our staff and create healthy workplaces.

There were also commitments covering the following areas:

- Paying the Living Wage Foundation's living wage
- Maintaining Berkeley health and safety standards
- Undertaking Director health and safety visits
- Targeting reduced health and safety incident and injury rates
- Undertaking employee training assessments
- Supporting the Berkeley Foundation

2018 HIGHLIGHTS

1.42
Accident Incident Rate (compared to the Health and Safety Executive's industry average of 3.97)

38%
Direct employees are women

60%
Employees involved with Berkeley Foundation

RoSPA Health and Safety Awards 2018
Sector Award
Berkeley East Thames

NHBC Pride in the Job Awards 2017
Supreme Award
Stephen Kirwan, Construction Director at St George


Site Health and Safety visit at Vista


Graduates from the 2017 intake

2016-2018 COMMITMENTS

TALENT MANAGEMENT

Our talented employees are our strongest resource; it is vital that we provide the right opportunities within the business to enable people to grow and flourish.

As a minimum, everyone should have a training assessment and annual personal development review. All employees, but particularly those in the early years of their career, are encouraged to pursue professional accreditation to bodies such as the Royal Institution of Chartered Surveyors (RICS). This is then supplemented by more detailed local programmes, ranging from informal lunch and learns to leadership courses.

Our successful graduate scheme brought 26 young people into the business in autumn 2017 and we are recognised as one of the top 100 graduate employers by TheJobCrowd. Together with our sandwich placement scheme, we are also focusing on increasing the number of directly employed apprentices in a range of specialisms including construction management, surveying, project management and business administration.

We are proud that Stephen Kirwan, Construction Director at St George, was recognised nationally for his hard work and talent by winning one of just four NHBC Pride in the Job Supreme Awards.

HEALTHY WORKPLACES

Through our commitment to providing healthy workplaces we seek to improve the quality of life of our employees, staff satisfaction and productivity.

A checklist has been developed based on recognised frameworks such as the Mayor of London's Healthy Workplace Charter and the WELL Building Standard. We have also utilised our links with Bupa to set out a framework approach to individual health.

Health and wellbeing programmes are now in operation across all of our autonomous businesses, including a variety of initiatives such as health assessments, exercise classes, encouragement of healthy eating and sessions on managing stress and personal finances. Many of our operating companies run health and wellbeing weeks to raise awareness further, such as Berkeley Oxford and Chiltern's programme of activities to boost health and mental wellbeing in November 2017. The new Your Road to Health and Wellbeing programme launched in summer 2017 within Berkeley Eastern Counties has been well received.

INCLUSIVITY

We understand the benefits a diverse workforce can bring and recognise that the industry as a whole faces under-representation of women as well as those from a broad range of backgrounds.

38% of our direct employees are women, as are a quarter of our Board of Directors and one third of senior management. The median pay gap for the Group is 37.9% and, like much of our industry, this is primarily driven by the shape of our workforce, with a lower proportion of women in senior, higher paid roles. We published our gender pay gap report in March 2018; further information can be found in our Corporate Governance Statement and on our website.

We are already taking steps to increase the proportion of women overall and at senior levels in the business.

	FEMALE	MALE	TOTAL
Total Employees	1,017	1,672	**2,689**
Reporting to Senior Management	41	183	**224**
Senior Management	2	4	**6**
Board of Directors	4	12	**16**

At 30 April 2018

Our vision for the future

OUR PEOPLE

2016–2018 COMMITMENTS

HEALTH AND SAFETY

We are committed to operating incident and injury free and aspire to have a positive health impact on all those employed and affected by what we do.

Our Group Health and Safety Strategy and Standards set clear direction across all of our business and supply chain. There is an emphasis on strong leadership and continual improvement, together with a focus on high risk operations.

Three corporate programmes provide a platform for actively delivering improvements; Good Order to raise standards of the physical working environment; Good Work to promote a positive culture and develop attitudes and behaviour; and Good Health to improve health awareness.

We aim to achieve industry-leading performance and have seen a year-on-year decrease in our Accident Incident Rate (AIR) for five years. During 2018 there were fewer than 1.5 incidents for every 1,000 people working on our sites and in our offices.

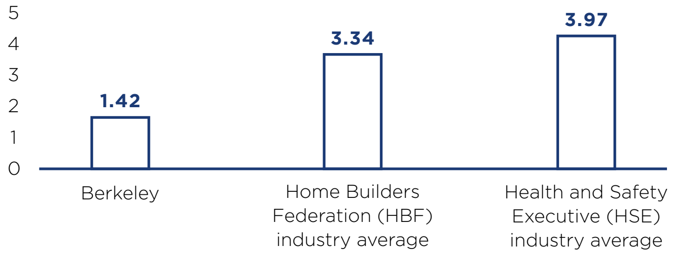
Following winning the coveted Sir George Earle trophy in 2017, Berkeley East Thames was delighted to win a Sector Award at the RoSPA Health and Safety Awards 2018.

THE BERKELEY FOUNDATION

Berkeley employees continue to support the Berkeley Foundation, with 60% of people getting involved. Give As You Earn rates have remained high (33%) and 45% of employees get involved in fundraising activities. Our aim is to inspire all employees to do something every year for the Foundation. More information on the Foundation can be found on page 44.

Accident Incident Rate

Number of RIDDOR reportable injuries per 1,000 people



Health and safety noticeboard at Southall Waterside

Learn more about our people at:

www.berkeleygroup.co.uk/about-berkeley-group/our-vision/our-people

COLLABORATING TO IMPROVE HEALTH AND SAFETY STANDARDS

Over the past two years we have been leading on the production of new health and safety guidance on the planning, design and construction of tall buildings as part of the Health and Safety Executive's Construction Industry Advisory Network (HSE's CONIAN).

We also funded thought-leadership research by Glasgow Caledonian University focusing on the effectiveness of the worker engagement model.

Site entrance at Royal Arsenal Riverside

SUPPORTING THE UN'S SUSTAINABLE DEVELOPMENT GOALS

2018–2020 NEW COMMITMENTS

INDUSTRY IMAGE

Engage with young people, education providers and employers to transform perceptions of careers in the built environment.

The UK built environment is facing a skills shortage as more people are leaving the industry than joining it; this forms a genuine threat to future levels of production.

Through this commitment we seek to encourage young, talented people into the industry by showing the breadth of viable, attractive career opportunities that exist. To help achieve this, we will undertake a range of activities including ensuring that existing material for the industry includes clear pathways for progression and by developing a programme for school and further education engagement. We will encourage our employees, across all roles and levels, to act as role models and mentors for the industry.

DIVERSITY AND INCLUSION

Implement a programme to create an inclusive environment where employees can reach their full potential, irrespective of their identity or background.

The industry is known for its lack of diversity and we believe there are real benefits in ensuring diverse views, skills and perspectives which can lead to creative thinking and more effective problem solving.

Through this commitment we seek to attract and retain a diverse workforce. To help us achieve this, we will develop guiding principles for diversity and inclusion, to be applied by each of our autonomous companies. This will be supplemented by a range of additional activities, which could include a wider review of our policies, processes and procedures to ensure we create an inclusive environment.

OTHER AREAS OF FOCUS

In addition to the two headline commitments, we have specific targets to:

- Develop and implement a strategy for mental health
- Maintain programmes for healthy workplaces
- Ensure each employee has opportunities for learning and development
- Promote early stage careers
- Promote apprenticeships and training to our supply chain
- Raise awareness of modern slavery
- Pay the Living Wage Foundation's Living Wage
- Undertake Director health and safety visits
- Reduce health and safety incident rates
- Support the Berkeley Foundation

BERKELEY FOUNDATION

The Berkeley Foundation is a registered charity launched by Berkeley in 2011, to support young people, their families and communities in London and Southern England. Its work has four themes: homes, jobs, skills and care.

Now in its eighth year, the Berkeley Foundation works in close partnership with other voluntary sector organisations, providing funding, volunteering, and capacity building support. The Foundation builds long-term, impactful partnerships with the voluntary sector on three levels:

STRATEGIC PARTNERSHIPS

Crisis, Imperial College, The Lord's Taverners, MyBnk, Shelter, The Change Foundation, The Mayor's Fund for London and The Prince's Trust.

DESIGNATED CHARITIES

18 charities chosen by the employees in our operating businesses which are local to their offices and developments.

COMMUNITY INVESTMENT FUND

Targeted funding programmes focused on specific issues, such as improving young people's mental health.

Berkeley provides the core funding for the Foundation, pays all of its overheads, and covers the cost of specific fundraising events. This support means that every penny raised for the Foundation is spent on charitable activities.

ALEX'S STORY

Super 1s, the Berkeley Foundation's partnership with the Lord's Taverners, delivers year round cricket coaching and competition to disabled young people across London and Warwickshire.

Alex, 15, is autistic and getting through everyday life can be a struggle. She feels she isn't understood and doesn't fit in with her peers. She is reluctant to go to school, where she is often bullied, and tends to stay at home at the weekends. The only exception to this is when playing cricket. On practise days she is excited and up early, even in mid-winter, in anticipation of going to training and meeting her friends there.

"Cricket has become the highlight of her life," says Alex's mum. "She just loves it and she is a different person because of it. The team are her friends, they accept her and listen to her and make her feel welcome. I am so proud of her — what she has overcome and what she has achieved. I now feel really positive about her future."

FOUNDATION HIGHLIGHTS

£13 MILLION

The Berkeley Foundation has committed more than £13 million to support young people, their families and communities to date

60%

of Berkeley staff do something each year to support the Berkeley Foundation

15,000

Since 2014, the Foundation's work has reached more than 15,000 people, helping them to move out of homelessness, build their skills, move into work or access new opportunities

Better Society 2018 AWARDS WINNER

Better Society Awards Winner 2018

Best Partnership with a National Children's Charity, in recognition of Super 1s, our partnership with The Lord's Taverners.

Learn more about the Foundation at:

www.berkeleyfoundation.org.uk


Crisis Employability Programme

Employees and clients at SPEAR


Charity cricket match for Thames Reach


Imperial College's The Invention Rooms


The Lord's Taverners Super 1s indoor cricket programme


Woodhurst Park, Warfield

OUR BUSINESS MODEL

FOR BERKELEY, DEVELOPMENT AND REGENERATION IS ABOUT PEOPLE. IT IS ABOUT TRANSFORMING PLACES AND LIVES AND CREATING THRIVING COMMUNITIES.

INPUTS

OUR PEOPLE

- Strategic appreciation of the cyclical nature of the market
- Focus on geographical markets we know and understand
- Expertise and experience to deliver complex regeneration developments
- Heath and wellbeing focus

RELATIONSHIPS AND PARTNERSHIPS

- Relationships with land owners, local authorities and communities who grant us consent
- Strong supply chain engagement
- Public and private Joint Venture partners

PHYSICAL

- Well located land holdings with a long-term, regeneration focus where we can add value
- Intensive on-site management and innovative build solutions

FINANCIAL

- Financial discipline underpinned by strong balance sheet, net cash and forward sales
- Rigorous land investment appraisal process

CORE BUSINESS ACTIVITIES

- Identifying and acquiring land
- Designing and planning new homes, places and communities
- Building new homes and places
- Marketing and customer service
- Placekeeping and stewardship

OUTPUTS

SKILLED WORKFORCE AND JOB CREATION

- Strong retention, training and development of skilled workforce
- Excellent health and safety record and employee wellbeing
- Jobs created through our construction activity and on our completed developments

COMMUNITY AND PARTNERSHIPS

- Enduring stakeholder relationships underpinned by trust through delivering on our commitments
- Thriving communities where people aspire to live and work with homes built to a high quality for all tenures

EXCEPTIONAL PLACEMAKING

- Developments which incorporate stunning public realm and amenities sympathetic to their neighbourhood
- Residents embracing stewardship of their developments following our community governance structures

SUSTAINABLE FINANCIAL RETURNS

- Ability to invest at the right point in the cycle
- Sustainable, risk adjusted returns for shareholders

WHAT SETS US APART

- We operate through a network of autonomous brands and management teams
- A consistent set of core values and culture exist throughout our autonomous teams
- Framework of Our Vision which gives our teams clear direction and keeps Berkeley ahead
- An unrivalled reputation for quality delivery for more than 40 years
- Unrelenting commitment to customer satisfaction
- Our contribution to society through the creation of jobs, support of the Berkeley Foundation and environmental commitments

Residents at Holborough Lakes

IDENTIFYING AND ACQUIRING LAND

WE ACQUIRE LAND SELECTIVELY WITH A FOCUS ON LONG-TERM, COMPLEX DEVELOPMENTS WHERE WE CAN USE OUR EXPERTISE TO ADD VALUE THROUGH CREATING NEW HOMES, PLACES AND COMMUNITIES.

LOCATION AND APPRAISAL

Our experienced land teams focus on investing selectively in the right locations where there is strong demand for new homes, good transport links and the scope to create successful new places and communities where people aspire to live. We undertake a rigorous evaluation of the opportunities and risks of each potential acquisition prior to all land offers, each of which is authorised at Main Board level.

COMPLEX REGENERATION

Most major development opportunities today involve complex brownfield sites that require a huge amount of time, expertise and capital to bring them forward and a commitment on all sides to share risks and rewards, often over one or more decades. We have the requisite expertise and capital to undertake these complex developments that carry high operational risk, which others are usually not willing or able to take on.

FINANCIAL AGILITY

By taking low financial risk we have the financial resources to act quickly, decisively and opportunistically when land prospects arise at the right commercial terms for the prevailing point in the cycle.

RELATIONSHIPS

We recognise the importance of developing and maintaining strong relationships and applying our extensive knowledge of our markets in providing us with the platform to deliver exceptional new places. Our thorough appraisal process and strong financial position ensures that we always deliver on our offers and commitments which fosters trust and underpins these enduring relationships.

SNOW HILL WHARF, BIRMINGHAM

This year St Joseph acquired a former industrial site within the Gun Quarter of Birmingham. The Gun Quarter has a rich heritage and includes 160 metres of canalside frontage on to the Birmingham and Fazeley Canal with the cultural, retail and leisure heart of the city within easy access.

St Joseph worked with the Canals and Rivers Trust and Severn Trent Water to overcome risks around the canal wall and services, respectively. St Joseph also engaged with the local authority, Historic England and the neighbouring St Chad's Cathedral and Salvation Army to ensure the development proposals were sympathetic to all stakeholders' needs.

Having established these foundations, the development will deliver over 400 homes and three landscaped gardens in the first major residential development in this city centre location, at the same time creating a platform for further regeneration in the Gun Quarter and establishing a new place for the community to thrive.


Computer generated image of Snow Hill Wharf

DESIGNING AND PLANNING NEW HOMES, PLACES AND COMMUNITIES

WE WORK CLOSELY WITH LOCAL AUTHORITIES AND COMMUNITIES TO CREATE UNIQUE PLACES SYMPATHETIC TO THEIR NEIGHBOURHOODS WHICH ARE CHARACTERISED BY THE QUALITY OF THEIR DESIGN, PUBLIC REALM AND SUSTAINABILITY FEATURES, CREATING STRONG COMMUNITIES.

DESIGN AND PUBLIC REALM

No two Berkeley developments are the same. Attention to detail is paramount to our design to ensure the specification of each home and building suits the lifestyle of our customers. However, design is about more than just the homes and buildings.

High quality landscape and public realm is the essence of a successful masterplan. We also consider how best to connect the development to the surrounding neighbourhood to bring about the greatest sense of community and integration.

PARTNERSHIPS

We approach each development in a spirit of partnership and work in collaboration with the local authorities and communities, which give us permission to unlock development. We understand their needs and sensitivities and reflect these in our designs to the greatest extent possible. In doing so we continue to strengthen our reputation.

COMMUNITY

We strive to establish a true sense of community on our developments where people feel connected and responsible and want to spend their time, enhancing theirs and others wellbeing and quality of life. We do this by undertaking a community assessment within our larger developments as part of the design and planning process.

SUSTAINABILITY

We incorporate a range of sustainability features into our homes, from energy efficient lighting to recycling facilities. On a wider development scale we ensure sustainable transport options are available and every new development seeks to achieve a net biodiversity gain.

TRENT PARK, ENFIELD

Berkeley worked with the local authority and community, establishing a Working Group, to understand the local sensitivities and key issues for this historic site which includes a Grade II Listed Mansion House which played an important role in intelligence gathering during World War II.

Over 2,000 people attended the exhibitions and more than 1,000 hours were spent on consultation prior to and during the determination of the planning application.

The development will deliver a range of 124 new houses and 134 new apartments including 15 as a part of the restoration of the Mansion House which will include a museum to celebrate the site's history. We will also make investment in the local hockey club, improvements to a neighbouring wildlife centre, as well as planting over 400 trees in the process of restoring historic landscaping and creating new areas of public realm for the public to enjoy.


Computer generated image of Trent Park

BERKELEY ANNUAL REPORT 2018 **STRATEGIC REPORT**

BUILDING NEW HOMES AND PLACES

THE QUALITY OF EACH INDIVIDUAL HOME WE BUILD AND OUR FOCUS UPON PLACEMAKING ARE AT THE FOREFRONT OF OUR ON-SITE ACTIVITIES.

INTENSIVE MANAGEMENT

Each of our developments is led by a dedicated and experienced project team responsible for all aspects of the delivery. The coordination of our in-house expertise and teams of external consultants and contractors through effective communication is paramount to our ability to deliver high quality developments.

SKILLED WORKFORCE AND SUPPLY CHAIN

Recruitment and retention of a high calibre workforce is crucial. We recognise employees' performance ensuring we retain our best people, whilst providing support and development opportunities. We also work with our supply chain to secure employment and training opportunities for the local communities in which we build.

Engagement with our supply chain is also critical to the success of our business and forms a key part of our risk management. We conduct a comprehensive procurement process with considerable focus on sourcing sustainable materials and combatting forms of modern slavery.

HEALTH AND SAFETY

The health, safety and wellbeing of our people and on-site contractor teams is paramount. Each development has dedicated resource responsible for the implementation of a robust health and safety programme covering training, risk assessment, monitoring and reporting. Senior Management review the health and safety status of every operating business at each Board meeting. Regular site visits by directors set the right tone from the top of the organisation.

INNOVATIVE BUILD SOLUTIONS

We combine our experience from previous developments with the knowledge and skills of our talented workforce to enable us to tackle complex development risks and successfully regenerate brownfield land.

CONSIDERATE CONSTRUCTION

The reputation of Berkeley amongst its stakeholders, including the local communities in which we build, relies on our project teams' engagement with them and actions undertaken to mitigate the development impact on both local infrastructure and the surrounding communities as far as possible. We strongly believe in being a responsible and considerate neighbour.

Southall Waterside

SOUTHALL WATERSIDE

The transformation of this 88 acre brownfield site into 3,750 new homes, a new primary school, a health centre, extensive retail and leisure facilities and over 40 acres of open public space, including wetlands and parks is among the most complex regeneration projects in London.

At this initial stage of the project, minimising vehicle movements on the local roads around the site is a key focus area. To address this, Berkeley has established a Soil Hospital to treat the contaminated soil on-site and installed an on-site concrete batching plant, reducing the need to bring in pre-mixed concrete. We estimate that over the project life these facilities remove the need for over 80,000 HGV movements, reducing associated travel by circa 3 million miles.

We have re-established the local historic use of the Grand Union Canal at Southall and are using it as an innovative transport route to site. Several barges moved by a tug deliver circa 500-700 tonnes of raw aggregates to site every day aiding construction progress and dramatically reducing the project's impact on local roads.

Community initiatives have included running safety awareness days and 'Have a Go' practical construction skills training events at local schools. We regularly participate in local community events and hold drop-in sessions for our neighbours to keep them informed of the progress on the development.

MARKETING AND CUSTOMER SERVICE

WE STRIVE TO ENSURE THAT RIGHT FROM THEIR INITIAL CONTACT POINT WITH BERKELEY EACH CUSTOMER RECEIVES UNPARALLELED SERVICE.

CUSTOMER FOCUS

We are a customer centric business and never forget that we are building someone's home. Buying a home is one of the most significant decisions a person makes and we recognise the need to consistently meet and exceed their expectations in providing an empathetic, professional, efficient and helpful home-buying service.

MARKETING

Each sales team has an in-depth knowledge of their development and location to help our customers find the right home to best suit their needs. They are equipped to explain the intricacies of each distinct development, from the specification and technical details of each home to the on-site amenities, whilst providing the context of how the scheme fits within the community.

Each customer receives a tailored information pack relating to their home and has a designated Berkeley representative throughout their journey. In evaluating our customer experience we benchmark our customer service performance against both the wider housebuilding sector and other UK blue chip companies using NPS.

FORWARD SALES

Our approach to placemaking and communities, coupled with our reputation for high-quality delivery and customer service, provides Berkeley with the best opportunity to forward sell our homes where possible. This approach underpins our future financial performance and provides good visibility of cash flow and is imperative as a risk management tool in a capital intensive cyclical industry.

UK AND OVERSEAS MARKETS

Creating exceptional places requires significant upfront investment in infrastructure, public realm and landscaping. International investment plays a pivotal role in generating the early security of future cash flows and momentum to commence construction. All of our homes are marketed in the UK either first or at the same time as they are marketed abroad. We have a network of overseas sales offices to support our overseas marketing initiatives.

Marketing suite at Fitzroy Gate

PLACEKEEPING AND STEWARDSHIP

WE ARE PROUD OF THE HOMES AND COMMUNITIES WE CREATE AND TAKE A LONG-TERM VIEW ON BOTH PLACEMAKING AND PLACEKEEPING TO ENSURE PEOPLE ASPIRE TO LIVE IN THE PLACES WE BUILD FOR DECADES TO COME.

CUSTOMER PEACE OF MIND

Dedicated customer relationship managers continue to provide a high level of care and service after our customers move into their home.

TECHNOLOGY

We recognise that the speed of technological advancement has the potential to evolve at a quicker pace than we are able to deliver our schemes. Therefore we need to be at the forefront of employing new innovative technologies and the right infrastructure to best serve and future-proof our homes for our customers.

BUILDING COMMUNITY

We explore structured ways to build community, foster community governance and encourage placekeeping, and are piloting community plans on a variety of developments. They provide new places with an events programme, ranging from social clubs to resident committees, and digital forum to help create a system of community governance. These initiatives help build a sense of self-management that continues after Berkeley passes the stewardship of its developments to estate managers and the residents.

ESTATE MANAGEMENT

We think hard about the role of each managing agent to ensure the right level of community governance, facility and development management and skills exist to support the community long after the completion of the development. We remain committed to exploring and implementing excellent estate management practices across all of our developments.

WOODBERRY DOWN, FINSBURY

At Woodberry Down we actively encourage all residents and stakeholders to get involved in decision making processes. This has created a strong, successful and multi-award winning partnership, which continues to support a thriving community.

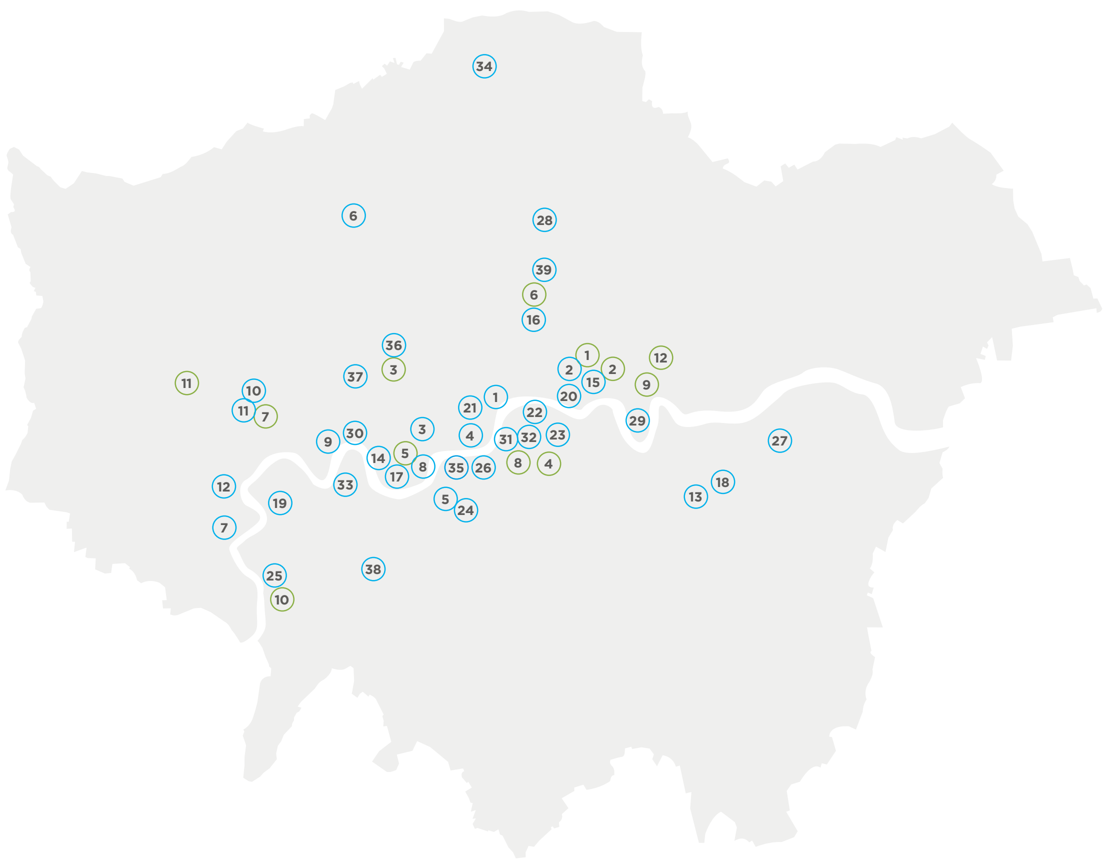
In a first for regeneration practice Berkeley signed a Partnership Agreement earlier this year with the local authority and local resident stakeholder groups which sets out the key objectives for the development, the first priority being the creation of a sustainable, balanced and well-integrated community.

The Partners host community events such as the annual Fun day, Hidden River Festival and outdoor cinema screenings. These events allow the Partners to involve the community in the regeneration to ensure Woodberry Down is a place where people are proud to live, and will look after it for future generations.

Woodberry Down community event

WHERE WE OPERATE

LONDON



LONDON UNDER CONSTRUCTION

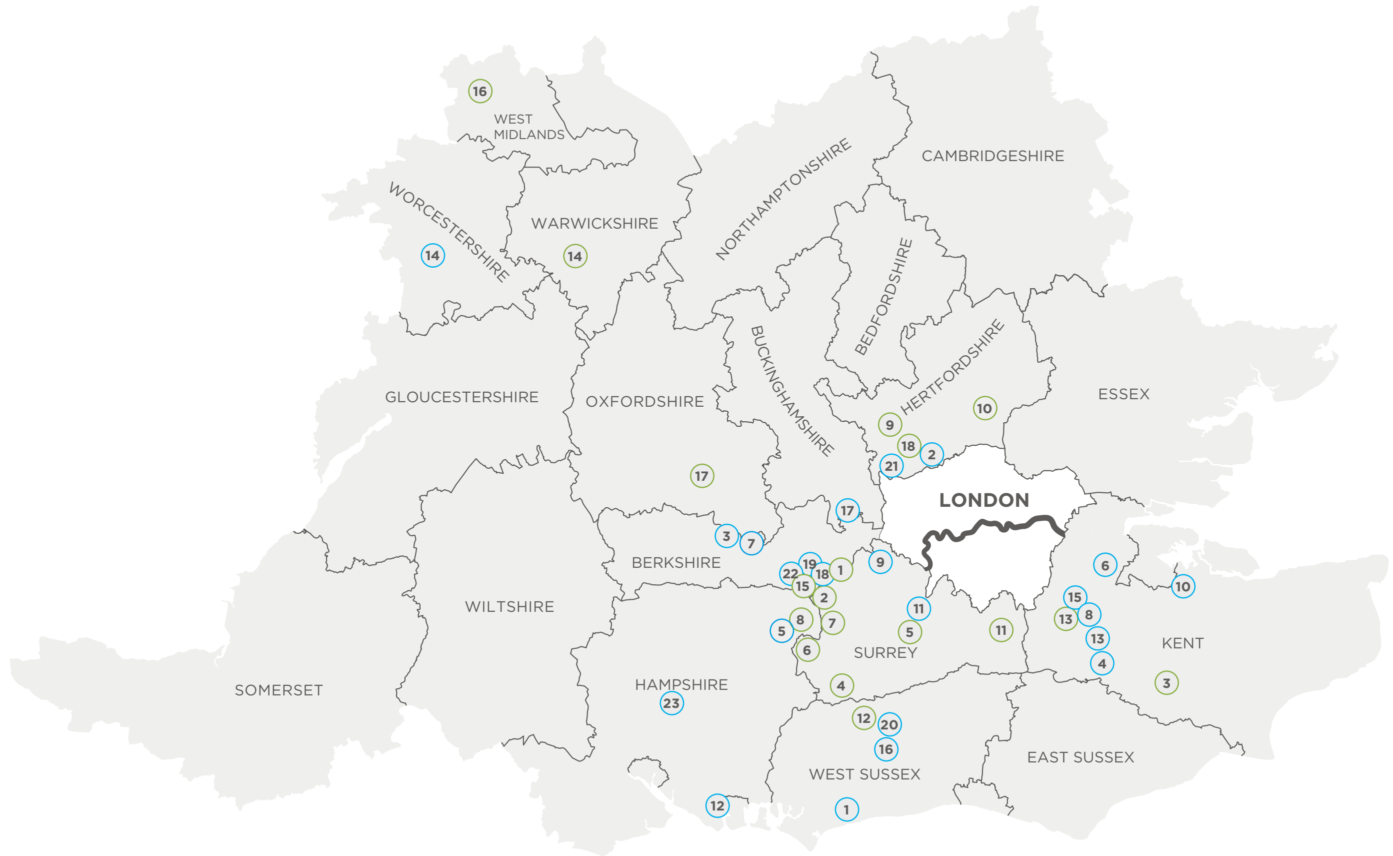
1. 190 Strand
2. 250 City Road, City of London
3. 375 Kensington High Street & Kensington Row
4. Abell & Cleland, Westminster
5. Battersea Reach
6. Beaufort Park, Hendon
7. Brewery Wharf, Twickenham
8. Chelsea Creek
9. Chiswick Gate
10. Dickens Yard, Ealing
11. Filmworks, Ealing
12. Fitzroy Gate, Isleworth
13. Forbury, Blackheath
14. Fulham Reach, Hammersmith
15. Goodman's Fields, Aldgate
16. Highbury*
17. Hurlingham Gate, Fulham
18. Kidbrooke Village
19. Richmond Chase
20. London Dock, Wapping
21. Millbank, Westminster
22. One Blackfriars, Southwark
23. One Tower Bridge
24. Prince of Wales Drive, Battersea
25. Queenshurst, Kingston
26. Riverlight, Battersea
27. Royal Arsenal Riverside
28. Smithfield Square, Hornsey
29. South Quay Plaza, Docklands
30. Sovereign Court, Hammersmith
31. The Corniche, Albert Embankment
32. The Dumont, Albert Embankment
33. The Villas, Barnes
34. Trent Park, Cockfosters
35. Vista, Battersea
36. West End Gate, Paddington
37. White City
38. Wimbledon Hill Park
39. Woodberry Down, Finsbury

LONDON FUTURE SITES

1. Bethnal Green*
2. Bow Common*
3. Centre House, Wood Lane
4. Chambers Wharf, Southwark
5. Fulham
6. Clarendon
7. Northfields
8. Oval* (two sites)
9. Poplar
10. Royal Exchange, Kingston
11. Southall
12. Stephenson Street

*New sites contracted for acquisition during the year

OUT OF LONDON



OUT OF LONDON UNDER CONSTRUCTION

1. Bersted Park
2. Fairwood Place, Borehamwood
3. Green Park Village, Reading
4. Hawkenbury
5. Edenbrook Village, Fleet
6. Holborough Lakes
7. Kennet Island, Reading
8. London Road, Sevenoaks
9. London Road, Staines*
10. Victory Pier, Gillingham
11. Pachesham, Leatherhead
12. Royal Clarence Marina, Gosport
13. Royal Wells Park, Tunbridge Wells
14. The Waterside, Royal Worcester
15. Ryewood, Sevenoaks
16. Broadacres, Southwater
17. Taplow Riverside
18. The Brackens, Ascot
19. Warfield, Bracknell
20. Highwood, Horsham
21. Elmswater, Rickmansworth
22. Eldridge Park, Wokingham
23. Winchester

OUT OF LONDON FUTURE SITES

1. Ascot
2. Camberley*
3. Cranbrook*
4. Cranleigh
5. Effingham*
6. Farnham
7. Frimley Green*
8. Grove Farm, Fleet*
9. Hemel Hempstead
10. Hertford
11. Oxted
12. Rudgwick
13. Sevenoaks
14. Stratford-upon-Avon*
15. Sunningdale Park
16. Snow Hill Wharf, Birmingham*
17. Wallingford
18. Watford

*New sites contracted for acquisition during the year

Royal Arsenal Riverside

HOW WE MANAGE RISK

THE ASSESSMENT OF RISK AND EMBEDDING RISK MANAGEMENT THROUGHOUT BERKELEY IS A KEY ELEMENT OF SETTING AND DELIVERING THE GROUP'S STRATEGY.

RISK APPETITE

The Board is responsible for setting and monitoring the risk appetite for Berkeley when pursuing its strategic objectives. The Board's approach to, and appetite for risk is summarised below:

CYCLICAL MARKET

Berkeley's business model is centred on the Board's appreciation of the risks of the cyclical market in which the business operates, where market sentiment and transaction levels can change quickly, requiring us to adopt a flexible approach to our investment decisions.

OPERATIONAL COMPLEXITY

The business model also recognises the complexity of the planning and delivery of the sites Berkeley undertakes, and mitigates this risk by focusing its activities in London and the South East, recognising the importance of relationships and local knowledge and having highly skilled teams in place.

AUTONOMY AND VALUES

We have recognised brands and autonomous, talented and experienced teams who embrace Berkeley's core values in their approach. We create bespoke solutions for each site which requires experienced, intensive management and as such do not produce a standard product.

FINANCIAL STRENGTH

This translates into an approach that, at all times through the cycle, keeps financial risk low in recognition of the operational risks within the business (see page 61).

The Group's risk appetite is reviewed annually and approved by the Board. Berkeley's risk appetite has reduced in the year due to the complexities of the current operating environment and background macro-economic uncertainty.

This review guides the actions we take to implement our strategy.

In accordance with provision C2.1 of the 2016 revision of the UK Corporate Governance Code, the Directors have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

HOW WE MANAGE RISK

RISK MANAGEMENT FRAMEWORK

The Board takes overall responsibility for risk management, and the assessment of risk. Embedding risk management into the business is a key element of setting and delivering our strategy. Our approach combines a top-down strategic review and feedback of risks by the Board, coupled with a bottom-up review and reporting of risk by each operating business.

The top-down assessment of risk by the Board includes a review of the external environment in which Berkeley operates, coupled with a deep seated knowledge of our industry and operations based on the substantial experience of the Board. This takes into account the likelihood and impact of risks, whether pre-existing or emerging, which may materialise in the short or longer-term.

A fundamental principle of the operating structure of the Group is that the prime responsibility for assessing, managing and monitoring the majority of the risks rests with operational management, thus ensuring risk management is embedded in our day-to-day operations.

Risk registers at operational level are overlain by wider strategic risks facing the Group, such as macro-economic risk. This is then assessed and managed by the Board and Executive Committee.

The Audit Committee has responsibility for ensuring the effectiveness of risk management and internal controls on behalf of the Board. The controls and processes surrounding how we assess risk across the Group are explained further in the Corporate Governance report on page 89.

The principal operating risks and our approach to mitigating them are described in more detail on pages 62 to 71.

VIABILITY STATEMENT

In accordance with provision C2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the longer term viability of the Group.

The Directors have undertaken their assessment over a three year period from 1 May 2018 to 30 April 2021. The end of this period coincides with the end of the earnings guidance provided by the Board and broadly with the end of the current Shareholder Returns Programme. The majority of the Group's developments are long-term in nature and the Board's strategic planning reviews cover at least this timeframe. Furthermore, the Group owns or controls the land required for this period and accordingly there is sufficient detail within the individual site cash flow forecasts to enable a meaningful assessment over this period.

In making its assessment, the Directors have considered the principal risks facing the Group and how the Group mitigates such risks, which are summarised on pages 62 to 71 of the Strategic Report. The majority of risks to the Group are operational in nature primarily because the sites acquired are generally complex, long-term regeneration schemes and therefore risk management is appropriately embedded in the day-to-day business processes and controls. The individual site cash flow forecasts, which are used to prepare the Group's consolidated cash forecasts, take account of these individual site operational risks.

The Group's business model, as set out on page 48 of the Strategic Report, recognises these operational risks, and that the property market is inherently cyclical. Accordingly a core risk management principal for the Group is to keep financial risk sufficiently low through forward selling where possible, maintaining a sound balance sheet and headroom within its financing activities. The Group's consolidated cash flow forecasts include appropriate allowances for discretionary investment and the quantum and timing of this is in turn subject to the delivery of the individual site operational cash flows. The viability assessment has considered the impact of reduced sales activity in the three year period from the business plan levels as a result of adverse macro-economic conditions and the Directors have also taken into account appropriate mitigating actions which may be instigated in response, primarily around curtailed discretionary investment, such as lower new land purchases or deferment of new site starts, amongst others.

Based on the assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period commencing 1 May 2018.

EXPOSURE TO FINANCIAL RISKS

The financial risks to which Berkeley is exposed include:

LIQUIDITY RISK

The risk that the funding required for the Group to pursue its activities may not be available.

MARKET CREDIT RISK

The risk that counterparties (mainly customers) will default on their contractual obligations, resulting in a loss to the Group. The Group's exposure to credit risk is comprised of cash and cash equivalents and trade and other receivables.

MARKET INTEREST RATE RISK

The risk that Group financing activities are affected by fluctuations in market interest rates.

OTHER FINANCIAL RISKS

Berkeley contracts all of its sales and the vast majority of its purchases in sterling, and so has no significant exposure to currency risk, but does recognise that its credit risk includes receivables from customers in a range of jurisdictions who are themselves exposed to currency risk in contracting in sterling.

MANAGEMENT OF FINANCIAL RISKS

Berkeley adopts a prudent approach to managing these financial risks.

TREASURY POLICY AND CENTRAL OVERVIEW

The Board approves treasury policy and senior management control day-to-day operations. Relationships with banks and cash management are coordinated centrally as a Group function. The treasury policy is intended to maintain an appropriate capital structure to manage the financial risks identified and provide the right platform for the business to manage its operating risks.

LOW GEARING

The Group is currently financing its operations through shareholder equity, supported by over £687 million of net cash on the balance sheet. This in turn has mitigated its current exposure to interest rate risk.

HEADROOM PROVIDED BY BANK FACILITIES

The Group has £750 million of committed credit facilities maturing in November 2022, after the Group exercised the first of two options to extend the facilities by a year. This comprises a term loan of £300 million and the revolving credit facility of £450 million. The facilities include an optional extension to November 2023. Berkeley has a strong working partnership with the six banks that provide the facilities listed on page 163 and is key to Berkeley's approach to mitigating liquidity risk.

FORWARD SALES

Berkeley's approach to forward selling new homes to customers provides good visibility over future cash flows, as expressed in cash due on forward sales which stands at £2,193 million at 30 April 2018. It also helps mitigate market credit risk by virtue of customers' deposits held from the point of unconditional exchange of contracts with customers.

LAND HOLDINGS

By investing opportunistically in land at the right point in the cycle, holding a clear development pipeline in our land holdings and continually optimising our existing holdings, we are not under pressure to buy new land when it would be wrong for the long-term returns for the business.

DETAILED APPRAISAL OF SPENDING COMMITMENTS

A culture which prioritises an understanding of the impact of all decisions on the Group's spending commitments and hence its balance sheet, alongside weekly and monthly reviews of cash flow forecasts at operating company, divisional and Group levels, recognises that cash flow management is central to the continued success of Berkeley.

BERKELEY ANNUAL REPORT 2018 **STRATEGIC REPORT**

HOW WE MANAGE RISK

EXTERNAL RISKS

	RISK DESCRIPTION AND IMPACT	APPROACH TO MITIGATING RISK	RESIDUAL RISK RATING	LIKELIHOOD CHANGE DURING YEAR	IMPACT CHANGE DURING YEAR	COMMENTARY
ECONOMIC OUTLOOK	As a property developer, Berkeley's business is sensitive to wider economic factors such as changes in interest rates, employment levels and general consumer confidence. Some customers are also sensitive to changes in the sterling exchange rate in terms of their buying decisions or ability to meet their obligations under contracts. Changes to economic conditions in the UK, Europe and worldwide may lead to a reduction in demand for housing which could impact on the Group's ability to deliver its corporate strategy.	Recognition that Berkeley operates in a cyclical market is central to our strategy and maintaining a strong financial position is fundamental to our business model and protects us against adverse changes in economic conditions. Land investment in all market conditions is carefully targeted and underpinned by demand fundamentals and a solid viability case, respecting the cyclical nature of the property industry. Levels of committed expenditure are carefully monitored against forward sales secured, cash levels and headroom against our available bank facilities, with the objective of keeping financial risk low to mitigate the operating risks of delivery in uncertain markets. Production programmes are continually assessed, depending upon market conditions. The business is committed to operating at an optimal size, with a strong balance sheet, through autonomous businesses to maintain the flexibility to react swiftly, when necessary, to changes in market conditions.	**HIGH**	→	→	UK economic performance has remained resilient over the last year and has fared better than many expected. There however remains significant uncertainty on the economic outlook from the decision to leave the EU and the progress to date in exit negotiations. Consumer spending continues to be squeezed, although there are signs that inflation is moderating. Equity and foreign exchange markets have been less volatile this year and the Bank of England has increased interest rates for the first time in a decade. Further increases are likely but are expected to be limited and gradual. **See pages 6 and 10** **Key Performance indicators see pages 2 and 3** — Net asset value per share — Profit before tax — Basic earnings per share — Return on equity — Basic EPS
POLITICAL OUTLOOK	Significant political events, including the impact of the vote to leave the EU, may impact Berkeley's business through, for instance, the reluctance of buyers to make investment decisions due to political uncertainty and, subsequently, specific policies and regulation may be introduced that directly impact our business model.	Whilst we cannot directly influence political events, the risks are taken into account when setting our business strategy and operating model. In addition, we actively engage in the debate on policy decisions.	**HIGH**	→	→	Despite an agreed Brexit transition period now being in place, uncertainty remains over the outcome of negotiations over our future relationship with the EU, which may impact investment levels from both domestic and overseas customers and investors. Critical issues such as continued access to EU labour need to be addressed, with over half of London's construction labour coming from the EU. In addition, the present hung parliament creates domestic policy uncertainty. **See pages 6 and 10**
REGULATION	Adverse changes to Government policy on areas such as taxation, housing and the environment could restrict the ability of the Group to deliver its strategy. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage. .	Berkeley is primarily focused geographically on London and the South of England, which limits our risk when understanding and determining the impact of new regulation across multiple locations and jurisdictions. The effects of changes to Government policies at all levels are closely monitored by operating businesses and the Board, and representations made to policy-setters where appropriate. Berkeley's experienced teams are well placed to interpret and implement new regulations at the appropriate time through direct lines of communication across the Group, with support from internal and external legal advisors. Detailed policies and procedures are in place where appropriate to the prevailing regulations and these are communicated to all staff. Following the Grenfell Tower tragedy we undertook a thorough review of all of our high-rise buildings, including engaging with the local fire authorities, expert fire consultants, residents and MHCLG.	**HIGH**	↗	↗	The level of risk associated with regulation has increased in the last year. High levels of property taxes remain, and following consultation the Government announced during the year changes to ground rents and the intention to reform leasehold regulation. In addition, the General Data Protection Regulation (GDPR) came into force on 25 May 2018 controlling the use of personal data which has a significant impact on the business. The Letwin Review was instigated last year to consider the gap between planning permissions and starts on-site and is expected to report in the next few months. Following the tragic fire at Grenfell Tower last June, there has also been an increased focus on how buildings are delivered and managed, including building design, cladding and fire safety. Dame Judith Hackitt's review into Building Regulations following the Grenfell Tower fire tragedy has recently concluded and the industry and regulators are reviewing the implications of this report. **See pages 6 and 10**

HOW WE MANAGE RISK

INTERNAL RISKS

	RISK DESCRIPTION AND IMPACT	APPROACH TO MITIGATING RISK	RESIDUAL RISK RATING	LIKELIHOOD CHANGE DURING YEAR	IMPACT CHANGE DURING YEAR	COMMENTARY
LAND AVAILABILITY	An inability to source suitable land to maintain the Group's land holdings at appropriate margins in a highly competitive market could impact on the Group's ability to deliver its corporate strategy.	Understanding the markets in which we operate is central to Berkeley's strategy and, consequently, land acquisition is primarily focused on Berkeley's core markets of London and the South of England, markets in which it believes that the demand fundamentals are strong. Berkeley has experienced land teams with strong market knowledge in their areas of focus, which gives us the confidence to buy land without an implementable planning consent and, with an understanding of local stakeholders' needs, positions Berkeley with the best chance of securing a viable planning consent. Berkeley acquires land opportunistically, where it meets its internal criteria for purchase, and considers joint ventures in particular as a vehicle to work with the right partners who bring good quality land complemented by Berkeley's expertise. Each land acquisition is subject to a formal internal appraisal and approval process prior to the submission of a bid and again prior to exchange of contracts to give the Group the greatest chance of securing targeted land. The Group maintains its land holdings to mitigate against significant impacts from market changes or delayed build activity.	**MEDIUM**	→	→	The Group continues to focus on enhancing the value of the land bank through a combination of acquiring new sites, enhancing the value of existing sites and bringing sites through the strategic pipeline of long-term options. Investment decisions are affected by the uncertainty in the political and economic outlook as well as a complexities in the planning system. The risk remains unchanged in the year, with Berkeley remaining selective in the land market, acquiring 12 new sites in the year. In addition, the Group continues to work closely with National Grid to identify sites from across its portfolio to bring into the St William joint venture, with a further three sites added this year. **See pages 50 and 77** **Key Performance indicators see pages 2 and 3** — Gross margin on land holdings
PLANNING PROCESS	Delays or refusals in obtaining commercially viable planning permissions could result in the Group being unable to develop its land holdings. This could have a direct impact on the Group's ability to deliver its product and on its profitability.	The Group's strategic geographical focus and expertise places it in the best position to conceive and deliver the right consents for the land acquired. Full detailed planning and risk assessments are performed and monitored for each site without planning permission, both before and after purchase. Our assessment of the risk profile dictates whether sites are acquired either conditionally or unconditionally. The planning status of all sites is reviewed at both monthly divisional Board meetings and Main Board meetings. The Group works closely with local communities in respect of planning proposals and strong relationships are maintained with local authorities and planning officers.	**HIGH**	→	→	The planning process remains highly complex and time consuming with increased demands from a combination of affordable housing, the Community Infrastructure Levy, Section 106 obligations and review mechanisms. There are also further challenges in getting land ready for development once planning is secured, including utilities, remediation, easements, compulsory purchase orders and the discharge of planning conditions. These are all added impediments to increased delivery. **See pages 52 and 77**
RETAINING PEOPLE	An inability to attract, develop, motivate and retain talented employees could have an impact on the Group's ability to deliver its strategic priorities. Failure to consider the retention and succession of key management could result in a loss of knowledge and competitive advantage.	We have developed a series of commitments within Our Vision, our plan for the business, to ensure that we retain and develop the best people to support the business in the long term. This includes a talent management programme, investment in training and the implementation of health and wellbeing initiatives. Succession planning is regularly reviewed at both divisional and Main Board level. Close relationships and dialogue are maintained with key personnel. Remuneration packages are constantly benchmarked against the industry to ensure they remain competitive.	**MEDIUM**	↘	→	The motivation, retention and progression of our people remains fundamental to the delivery of our strategy. The Group continues to have a stable senior management team and despite the normal pressure of people retention, overall retention rates have again improved this year as a result of the ongoing focus on talent management, career progression opportunities, training and health and wellbeing initiatives. There has been a recent change in the marketplace this year, particularly in London, with a number of competitors reducing or exiting their London operations. **See page 40** **Key Performance indicators see pages 2 and 3** — Apprentices and training

BERKELEY ANNUAL REPORT 2018 **STRATEGIC REPORT**

HOW WE MANAGE RISK

	RISK DESCRIPTION AND IMPACT	APPROACH TO MITIGATING RISK	RESIDUAL RISK RATING	LIKELIHOOD CHANGE DURING YEAR	IMPACT CHANGE DURING YEAR	COMMENTARY
SECURING SALES	An inability to match supply to demand in terms of product, location and price could result in missed sales targets and / or high levels of completed stock which in turn could impact on the Group's ability to deliver its corporate strategy.	Detailed market demand assessments of each site are undertaken before acquisition and regularly during delivery of each scheme to ensure that supply is matched to demand in each location. Design, product type and product quality are all assessed on a site-by-site basis to ensure that they meet the target market and customer aspirations in that location. The Group has a diverse range of developments with homes available across a broad range of property prices to appeal to a wide market. The Group's ability to forward sell reduces the risk of the development cycle where possible, thereby justifying and underpinning the financial investment in each of the Group's sites. Completed stock levels are reviewed regularly.	**MEDIUM**	→	↗	Whilst transaction levels have increased this year, they are not at a level that could support growth in the medium term. The impact of changes in recent years to SDLT and buy-to-let mortgage interest deductibility is partly offset by the continued availability of mortgage finance at low interest rates, and favourable currency exchange rates. Furthermore, the Group has well-located developments which are well presented and the design and mix of homes on each development are continually reviewed to ensure these respond to market demand. Customers are at the heart of all of our decisions, and Berkeley prioritises customer service through its Our Vision commitments, with levels of service comparable to other top performing companies. We are committed to understanding their needs and consistently meeting or exceeding their expectations. **See pages 10, 26 and 54** **Key Performance indicators see pages 2 and 3** — Cash due on forward sales — Net Promoter Score
LIQUIDITY	Reduced availability of the external financing required by the Group to pursue its activities and meet its liabilities. Failure to manage working capital may constrain the growth of the business and ability to execute the business plan.	The Board approves treasury policy and senior management control day-to-day operations. Relationships with banks and cash management are coordinated centrally as a Group function. The treasury policy is intended to maintain an appropriate capital structure to manage the Group's financial risks and provide the right platform for the business to manage its operating risks. Cash flow management is central to the continued success of Berkeley, and there is a culture which prioritises an understanding of the impact of all decisions on the Group's spending commitments and hence its balance sheet, alongside weekly and monthly reviews of cash flow forecasts at operating company, divisional and Group levels.	**LOW**	→	→	The Group has £750 million of committed credit facilities maturing in November 2022 after the Group exercised the first of the two options to extend the facilities by a year. This comprises a term loan of £300 million and the revolving credit facility of £450 million. The facilities include an optional extension to November 2023. Berkeley has a strong working partnership with the six banks that provide the facilities and is key to Berkeley's approach to mitigating liquidity risk. The Group is currently financing its operations through shareholder equity, supported by over £687 million of net cash on the balance sheet.
MORTGAGE AVAILABILITY	An inability of customers to secure sufficient mortgage finance now or in the future could have a direct impact on the Group's transaction levels.	Berkeley has a broad product mix and customer base which reduces the reliance on mortgage availability across its portfolio. The Group participates in the Government's Help to Buy scheme, which provides deposit assistance to first-time buyers, and has participated in other Government schemes historically. Deposits are taken on all sales to mitigate the financial impact on the Group in the event that sales do not complete due to a lack of mortgage availability.	**MEDIUM**	→	→	In line with last year, an economic environment of continued low interest rates, combined with resilient economic performance, has supported mortgage availability, resulting in a steady risk profile. However, regulation restricting income multiples means that many potential home owners who are more than capable of affording today's cost of home ownership are unable to do so. The Group also believes that the introduction of 24-month mortgage offers is key to enable more home owners to purchase early in the development cycle, at the same time that cash buyers and investors are able to do so. **Key Performance indicators see pages 2 and 3** — Cash due on forward sales

HOW WE MANAGE RISK

	RISK DESCRIPTION AND IMPACT	APPROACH TO MITIGATING RISK	RESIDUAL RISK RATING	LIKELIHOOD CHANGE DURING YEAR	IMPACT CHANGE DURING YEAR	COMMENTARY
CLIMATE CHANGE	The effects of climate change could directly impact Berkeley's ability to deliver its product through disruptions to programme and supplies of materials. Our customers and communities could be adversely affected through overheating, water shortages or flooding. There is also an increased level of interest in disclosures on climate change management. Failure to report in line with regulations or key recommendations could expose Berkeley to penalties and reputational damage.	The Group Sustainability Team identifies strategic climate change risks and opportunities facing the business through the regular review of issues and trends, along with active collaboration with external experts. These are shared with the Chief Executive and Board Director Responsible for Sustainability. Climate change action is a key focus for Berkeley with this featuring prominently under Our Vision, with commitments to both mitigate and adapt to climate change. By taking action under our carbon emissions reduction target our sites, offices and sales suites are identifying and investing in energy efficiency measures. We are also increasingly using energy from low carbon or renewable sources. Climate change adaptation measures are considered for all new developments submitted for planning to build resilience into our homes and developments. Mitigation measures are also incorporated. We welcome the recommendations from the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and are taking action to implement these over time through the evolvement of our processes and reporting.	**MEDIUM**	→	→	We monitor the actions taken to reduce carbon emissions across our activities and report the greenhouse gas emissions for which we are responsible. In 2018, we were the first major housebuilder to become carbon positive, offsetting more emissions than we produce. We also regularly review the features incorporated into our homes and places to both mitigate and adapt to climate change. This year we have committed to produce transition plans which enable homes to operate at net zero carbon by 2030. This year, Berkeley is reporting qualitatively on the governance, strategy and risk management components of the TCFD recommendations on our website. **See pages 28, 32 and 36** **Key Performance indicators see pages 2 and 3** — Greenhouse gas emissions intensity
SUSTAINABILITY	Berkeley is aware of the environmental and social impact of the homes and places that it builds, both throughout the development process and during occupation and use by customers and the wider community. Failure to address sustainability issues could affect the Group's ability to acquire land, gain planning permission, manage sites effectively and respond to increasing customer demands for sustainable homes and communities.	The strategic direction for sustainability is set at a Group level. Our Vision includes specific commitments to enhance environmental and social sustainability considerations in the operation of our business and the delivery of our homes and places. Operational procedures and processes are regularly reviewed to ensure high standards and legal compliance are maintained. Dedicated sustainability teams are in place in each business and at Group, providing advice, monitoring performance and driving improvement.	**MEDIUM**	→	→	In these areas of continually evolving risks, the Group continues to focus on commitments and initiatives that focus on the long-term success of our business and developments, and that differentiate Berkeley. This includes ensuring that all new developments from May 2017 create a net biodiversity gain and working with our supply chain over the next two year period to develop a zero waste strategy. **See page 32**
HEALTH AND SAFETY	Berkeley's operations have a direct impact on the health and safety of its people, contractors and members of the public. A lack of adequate procedures and systems to reduce the dangers inherent in the construction process increases the risk of accidents or site-related catastrophes, including fire and flood, which could result in serious injury or loss of life leading to reputational damage, financial penalties and disruption to operations.	Berkeley considers this to be an area of critical importance. Berkeley's health and safety strategy is set by the Board. Dedicated health and safety teams are in place in each division and at Head Office. Procedures, training and reporting are all regularly reviewed to ensure high standards are maintained and comprehensive accident investigation procedures are in place. Insurance is held to cover the risks inherent in large-scale construction projects. The Group continues to implement initiatives to improve health and safety standards on-site.	**MEDIUM**	→	→	High levels of production continued during the year, with an average of approximately 12,000 people on our sites every day. Health and safety remains an operational priority for Berkeley and our Accident Incident Rate has decreased by a further 20% this year to stand at 1.42 at the year end, well below our target of 3.00 and remains one of the best in the industry. **See page 42** **Key Performance indicators see pages 2 and 3** — Accident Incident Rate

HOW WE MANAGE RISK

	RISK DESCRIPTION AND IMPACT	APPROACH TO MITIGATING RISK	RESIDUAL RISK RATING	LIKELIHOOD CHANGE DURING YEAR	IMPACT CHANGE DURING YEAR	COMMENTARY
PRODUCT QUALITY	Berkeley has a reputation for high standards of quality in its product. If the Group fails to deliver against these standards and its wider development obligations, it could be exposed to reputational damage, as well as reduced sales and increased cost.	Detailed reviews are undertaken of the product on each scheme both during the acquisition of the site and throughout the build process to ensure that product quality is maintained. Customer satisfaction surveys are undertaken on the handover of our homes, and feedback incorporated into the specification and design of subsequent schemes.	**MEDIUM**	→	→	The Group's continued focus on improving the quality of design and product, with attention to every detail in our homes, remains at the heart of our delivery. We are constantly looking at ways to meet the demands of changing lifestyles, as well as the rapidly changing levels of expectations from our customers over the digital capacity of their homes by targeting connectivity from day one for all our homes. We have also broken ground on our first modular factory in the year and this will help deliver a significant portion of construction value through offsite assembly by 2020. **See pages 30 and 52** **Key Performance indicators see pages 2 and 3** — Net Promoter Score
BUILD COST AND PROGRAMME	Build costs are affected by the availability of skilled labour and the price and availability of materials, suppliers and contractors. Declines in the availability of a skilled workforce, and changes to these prices could impact on our build programmes and the profitability of our schemes.	A procurement and programming strategy for each development is agreed by the divisional Board before site acquisition, whilst a further assessment of procurement and programming is undertaken and agreed by the divisional Board prior to the commencement of construction. Build cost reconciliations and build programme dates are presented and reviewed in detail at divisional cost review meetings each month. The Group monitors its development obligations and recognises any associated liabilities which arise. Our Vision includes ongoing commitments to promote apprenticeships and training across both our employees and our indirect workforce and the Group works closely with contractors, schools, colleges and training providers to promote the industry, reach talent and up-skill our workforce through the completion of relevant qualifications.	**MEDIUM**	→	→	Build cost increases have been between 4% and 5% this year, across both labour and materials. Pressures from skills shortages remain, with the UK construction industry facing a significant skills shortage, with more people leaving the industry than joining it. The impact of the vote to leave the EU on the ongoing supply of skilled labour is still uncertain. The numbers of apprentices on our sites has more than doubled in 24 months and is now over 800. **See pages 37 and 52** **Key Performance indicators see pages 2 and 3** — Apprentices and training
CYBER AND DATA RISK	The Group acknowledges that it places significant reliance upon the availability, accuracy and security of all of its underlying operating systems and the data contained therein. The Group could suffer significant financial and reputational damage because of the corruption, loss or theft of data, whether inadvertent or via a deliberate, targeted cyber attack.	Berkeley's systems and control procedures are designed to ensure that data confidentiality and integrity are not compromised. Our Information Security Programme focuses primarily on stopping security breaches, and ongoing monitoring and scanning are also conducted. We also work closely with our suppliers and partners to improve the understanding of security best practices. An IT Security Committee meets monthly to address all cyber security matters. The Group has achieved Cyber Essentials Plus certification and implemented a Group-wide security awareness programme, which is refreshed on a regular basis to update employees on current cyber security trends. The Group operates multiple data centres, thereby ensuring that there is no centralised risk exposure and the adequacy of the IT disaster recovery plan is regularly assessed. The Group has Cyber insurance in place to mitigate against any financial impact.	**MEDIUM**	→	→	The threat from cyber attacks remains high. The methods of attack continue to evolve and are becoming more sophisticated, with a step change in the methods and available technologies that can be used. These tools are now in the domain of smaller sized and less funded cyber criminals as well as the more advanced state sponsored organisations. With this step change in attack sophistication security companies are devising additional capabilities to deter, detect, protect and respond to threats. Technology companies continue to actively work to fix vulnerabilities before they are exposed by cyber criminals and the awareness and openness to sharing cyber incidents has meant organisations are more prepared to deal with cyber attacks.

BERKELEY ANNUAL REPORT 2018 **STRATEGIC REPORT**

Vista, Battersea

TRADING AND FINANCIAL REVIEW

TRADING PERFORMANCE

Revenue of £2,703.7 million in the year (2017: £2,723.5 million) arose primarily from the sale of new homes in London and the South East of England. This included £2,566.7 million of residential revenue (2017: £2,667.4 million), £28.4 million from the sale of ground rent assets (2017: £27.2 million) and £108.6 million of commercial revenue (2017: £28.9 million). There were no land sales in the year (2017: £nil).

3,536 new homes (2017: 3,905) were sold across London and the South East of England at an average selling price of £715,000 (2017: £675,000). The changes to the average selling price are a result of mix on the Group's developments in central London in the year.

Revenue of £108.6 million from commercial activities (2017: £28.9 million) included the sale of hotels at One Blackfriars and Royal Arsenal as well as some 254,000 sq ft of office, retail and leisure space across a number of the Group's developments including Kew Bridge Road, Goodman's Fields in Aldgate and Smithfield Square in Hornsey. The £28.9 million of revenue last year was from the sale of some 85,000 sq ft of office, retail and leisure space.

The gross margin percentage of 35.0% is in line with last year's 34.5%. This remains high due to the benefit from the significant investment in new land following the 2008/09 downturn.

Overheads of £166.5 million (2017: £183.6 million) decreased by £17.1 million in the year. This is principally due to a decrease in the charge to the income statement for the Group's share schemes. The Company cash settled the tax and National Insurance liabilities arising on the vesting of options for participants in the 2011 LTIP on 2 October 2017 in lieu of issuing shares, as was done in the prior year for the options which vested in September 2016. The lower charge arises firstly, because 13.3% of the options vested on 2 October 2017 compared to 33.3% in September 2016 and secondly, as a result of the imposition of the LTIP caps with effect from 1 May 2017.

The result is that the Group's operating margin has increased to 28.8% from 27.8% last year.

Berkeley's share of the results of joint ventures was a profit of £158.0 million (2017: £63.8 million) which reflects the stage of delivery of completions during the current financial year at 190 Strand, 375 Kensington High Street, Stanmore Place and Green Park within St Edward, and pre-development costs within St William ahead of profit delivery with three developments in production at the year end.

The Group has remained cash positive on a net basis throughout the year. Net finance costs totalled £2.7 million for the year (2017: £7.6 million) due to facility fees, interest on the £300 million term borrowing and imputed interest on land creditors which outweighed interest income on cash deposits.

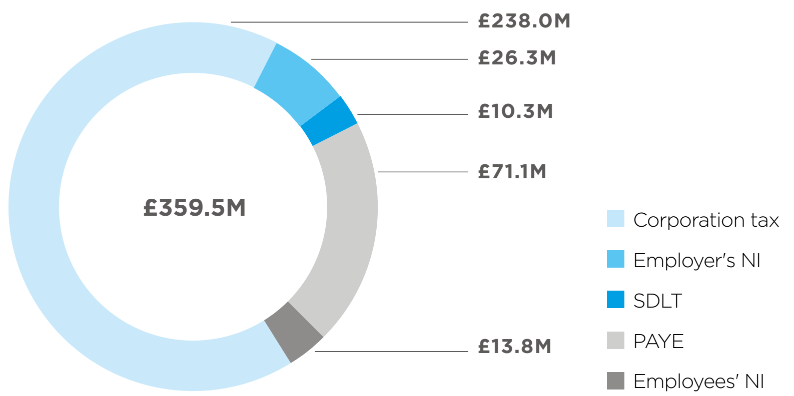
Pre-tax return on equity for the year is 39.3%, compared to 41.1% last year. Basic earnings per share have increased by 20.3% from 467.8 pence to 562.7 pence, which takes into account the issue of a further 0.35 million shares in October 2017 to satisfy the net share awards under the 2011 LTIP scheme as well as the buy-back of 4.0 million shares at a cost of £140.4 million under the Shareholder Returns Programme.

INCOME STATEMENT FOR THE YEAR ENDED	30 APRIL 2018 £'MILLION		30 APRIL 2017 £'MILLION		CHANGE £'MILLION	CHANGE %
Revenue	**2,703.7**		2,723.5		-19.8	-0.7%
Gross profit	**946.1**	**35.0%**	939.8	34.5%	+6.3	+0.7%
Operating expenses	**(166.5)**	**6.2%**	(183.6)	6.7%	+17.1	+9.3%
Operating profit	**779.6**	**28.8%**	756.2	27.8%	+23.4	+3.1%
Net finance costs	**(2.7)**		(7.6)		+4.9	
Share of joint venture results	**158.0**		63.8		+94.2	
Profit before tax	**934.9**	**34.6%**	812.4	29.8%	+122.5	+15.1%
Tax	**(172.8)**	**18.5%**	(167.3)	20.6%	-5.5	
Profit after tax	**762.1**		645.1		+117.0	+18.1%
Earnings Per Share — Basic	**562.7p**		467.8p		+94.9p	20.3%
Dividend Per Share	**108.3p**		185.0p		-76.7p	-41.5%
Pre-Tax Return on Equity	**39.3%**		41.1%		-1.8%	

TAXATION

The Group has an overall tax charge of £172.8 million for the year (2017: £167.3 million) and an effective tax rate of 18.5% (2017: 20.6%). The Group manages its tax affairs in an open and transparent manner with the tax authorities and observes all applicable rules and regulations in the countries in which it operates. Factors that may affect the Group's tax charge include changes in tax legislation and the closure of open tax matters in the ordinary course of events. The adjustments in respect of previous years reflects agreement of a number of previously open issues and tax relief claims.

Total Tax paid (year ended 30 April 2018)



For the year ended 30 April 2018, the total tax contribution to the UK Treasury was £359.5 million; split between taxes borne by Berkeley of £274.6 million (corporation tax, employer's NIC and SDLT) and taxes borne by our employees of £84.9 million (PAYE and employees' NIC). This total tax contribution does not include the indirect tax contribution paid by Berkeley's suppliers and customers. The wider indirect tax impact is set out on page 9.

ABRIDGED CASH FLOW FOR THE YEAR ENDED		30 APRIL 2018 £'MILLION		30 APRIL 2017 £'MILLION
Profit before tax		**934.9**		812.4
Decrease / (Increase) in inventory	**243.5**		(227.3)	
(Decrease) in customer deposits	**(79.9)**		(130.9)	
Other working capital movements	**2.7**		125.1	
Net reduction / (investment) in working capital		**166.3**		(233.1)
Net receipts from / (investment in) joint ventures		**(180.0)**		15.0
Tax paid		**(238.0)**		(115.6)
Other movements		**5.7**		18.5
Cash inflow before share buy-backs and dividends		**688.9**		497.2
Shareholder returns — share buy-backs		**(140.4)**		(64.5)
Shareholder returns — dividends		**(146.7)**		(254.6)
Increase / (decrease) in net cash		**401.8**		178.1
Opening net cash		**285.5**		107.4
Closing net cash		**687.3**		285.5

TRADING AND FINANCIAL REVIEW

ABRIDGED BALANCE SHEET AS AT	30 APRIL 2018 £'MILLION	MOVEMENTS £'MILLION	30 APRIL 2017 £'MILLION
Non-current assets			
— Investment in Joint Ventures	**315.0**	+180.0	135.0
— Other non-current assets	**102.0**	+2.6	99.4
Total non-current assets	**417.0**	+182.6	234.4
Inventories	**3,239.9**	-243.5	3,483.4
Debtors	**132.3**	-97.2	229.5
Deposits and on account receipts	**(895.0)**	+79.9	(974.9)
Other trade payables	**(879.7)**	+141.4	(1,021.1)
Provisions	**(81.8)**	+18.1	(99.9)
Capital employed	**1,932.7**	+81.3	1,851.4
Net cash	**687.3**	+401.8	285.5
Net assets	**2,620.0**	+483.1	2,136.9
Net asset value per share	**1,959p**	+403p	1,556p

ANALYSIS OF INVENTORY AS AT	30 APRIL 2018 £'MILLION	MOVEMENTS £'MILLION	30 APRIL 2017 £'MILLION
Land not under development	**337.7**	-76.4	414.1
Work in progress: land cost	**728.7**	-190.3	919.0
	1,066.4	-266.7	1,333.1
Work in progress: build cost	**2,051.1**	-11.6	2,062.7
Completed units	**122.4**	+34.8	87.6
Inventories	**3,239.9**	-243.5	3,483.4

LAND HOLDINGS AS AT	30 APRIL 2018	VARIANCE	30 APRIL 2017
Owned	**32,921**	-850	33,771
Contracted	**13,946**	+1,366	12,580
Plots	**46,867**	+516	46,351
Sales value	**£21,303m**	-£464m	£21,767m
Average selling price (ASP)*	**£507k**	-£13k	£520k
Average plot cost	**£61k**	-£1k	£62k
Land cost (%)	**13.3%**	+0.1%	13.2%
Gross margin	**£6,003m**	-£375m	£6,378m
GM%	**28.2%**	-1.1%	29.3%

*ASP reflects joint venture revenues at 100%

FINANCIAL POSITION

Net assets increased over the course of the year by £483.1 million, or 22.6%, to £2,620.0 million (2017: £2,136.9 million). This is after payment of £146.7 million of dividends and the £140.4 million of share buy-backs. This equates to a net asset value per share of 1,959 pence, up 25.9% from 1,556 pence at 30 April 2017, given the share buy-backs undertaken in the year.

Inventories have decreased by £243.5 million from £3,483.4 million at 30 April 2017 to £3,239.9 million at 30 April 2018. Inventories include £337.7 million of land not under development (30 April 2017: £414.1 million), £2,779.8 million of work in progress (30 April 2017: £2,981.7 million) and £122.4 million of completed stock (30 April 2017: £87.6 million).

Trade and other payables are £1,727.4 million at 30 April 2018 (30 April 2017: £1,878.4 million). These include £895.0 million of on-account receipts from customers (30 April 2017: £974.9 million) and land creditors of £105.2 million (30 April 2017: £142.9 million). Provisions of £81.8 million (30 April 2017: £99.9 million) include post completion development obligations and other provisions.

The Group ended the year with net cash of £687.3 million (30 April 2017: £285.5 million) which consists of cash holdings of £987.3 million and a £300.0 million term loan drawn under the Group's banking facilities. This is an increase of £401.8 million during the year (2017: £178.1 million) as a result of £790.9 million of cash generated from operations (2017: £769.8 million) and a net inflow of £166.3 million in working capital (2017: net outflow of £232.8 million), before tax and other net cash outflows of £268.3 million (2017: £39.8 million), share buy-backs of £140.4 million (2017: £64.5 million) and dividends of £146.7 million (2017: £254.6 million).

BANKING

The Group's financial strength is further supported by its banking facilities which total £750 million, consisting of a drawn £300 million term loan and an undrawn £450 million revolving credit facility. The Group has clarity of financing with the facilities in place to November 2022 after the Group exercised the first of two options during the year to extend the facilities by one year. The Group's cash holdings are currently placed on deposit with its relationship banks.

JOINT VENTURES

Investments accounted for using the equity method have increased from £135.0 million at 30 April 2017 to £315.0 million at 30 April 2018. Berkeley's joint ventures include St Edward, a joint venture with Prudential plc, and St William, a joint venture with National Grid plc. The increase in joint venture investments during the year reflects Berkeley's share of joint venture profits of £158.0 million and further funding into St William of £22.0 million.

In St Edward, 361 homes were sold in the year at an average selling price of £1,646,000 (2017: 251 at £1,322,000). These completions were across four developments; Stanmore Place, Kensington, 190 Strand and Green Park in Reading, with the mix weighted towards the central London developments. In total, 1,835 plots (2017: 2,152 plots) in Berkeley's land holdings relate to St Edward schemes. Stanmore Place completed in the second half of the year, whilst 190 Strand has completed since financial year end. During the second half of the year, St Edward moved its site on Millbank in Westminster into production.

In total, 7,900 plots (2017: 6,459 plots) in Berkeley's land holdings relate to St William schemes. These plots are across 14 developments, with three new developments contracted during the year. The new developments are at Bow Common, Seven Sisters Road in Highbury and Bethnal Green.

During the year sales and production continued at Prince of Wales Drive in Battersea, whilst production commenced at Elmswater in Rickmansworth, Fairwood Place in Borehamwood and at Seven Sisters Road in Highbury. In terms of planning, consents were obtained at Clarendon in Hornsey for some 1,700 homes and on small sites in Oxted and Watford. The remaining sites all remain within the planning process and these form a significant part of the Group's conditional land bank holdings. Berkeley continues to work closely with National Grid to identify sites from across its portfolio to bring through into the joint venture.

LAND

Berkeley's land bank comprises 46,867 plots (2017: 46,351 plots) at 30 April 2018. Of these land holdings, 32,921 plots (2017: 33,771 plots) are owned and included on the balance sheet of the Group or joint ventures and 13,946 plots (2017: 12,580 plots) are on contracted sites which either do not yet have a planning consent or have another conditional element such as vacant possession. The Group also holds a strategic pipeline of long-term options for in excess of 5,000 plots.

The plots in the land bank at 30 April 2018 have an estimated future gross margin of £6,003 million (2017: £6,378 million), which includes the Group's 50% share of the anticipated margin on any joint venture development.

Whilst plots in the land bank have increased during the year, the gross margin has reduced. This reflects the mix of properties sold in the year, which included a number across our high value Central London sites and the nature of new sites added to the land bank, with the majority outside London. In total, Berkeley has acquired 12 new sites in the year, including three into St William, as set out in the Joint Ventures section.

The other nine sites comprise one in central London in Oval, whilst eight are outside London. The eight sites are in locations with strong demand, including four sites in Surrey in the towns of Effingham, Camberley, Frimley Green and Staines, a site in Fleet in Hampshire, a site in Cranbrook in Kent and two in St Joseph, one in Birmingham's Gun Quarter and the other in Stratford-upon-Avon.

Berkeley has secured eight new planning consents this year, as well as a significant number of revised consents which have sought to improve the development solution for each scheme to add value and/or reduce risk, which is a key part of Berkeley's approach. The new consents include, in London, Trent Park in Cockfosters and St William's site at Clarendon in Hornsey, whilst six consents are outside London at Effingham, Birmingham, Fleet, Camberley and in St William's sites at Oxted and Watford.

The Group's land holdings at 30 April 2018 comprise some 93 sites (30 April 2017: 90 sites). Of these, 62 (67%) have an implementable planning consent and are in construction and a further 14 (15%) have at least a resolution to grant planning but the consent is not yet implementable; typically due to practical technical constraints and challenges surrounding, for example, vacant possession, CPO requirements or utilities provision. The remaining 17 sites (18%) are in the planning process, with 13 of these subject to conditional contracts which means there is low financial risk on balance sheet. This means Berkeley owns just 4 sites unconditionally which do not have planning consent.

The estimated future gross margin represents management's risk-adjusted assessment of the potential gross profit for each site, taking account of a wide range of factors, including: current sales and input prices; the political and economic backdrop; the planning regime; and other market forces; all of which could have a significant effect on the eventual outcome.

ROB PERRINS
CHIEF EXECUTIVE

20 JUNE 2018

BERKELEY ANNUAL REPORT 2018 GOVERNANCE

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GOVERNANCE

Riverlight, Vauxhall

BOARD OF DIRECTORS

CHAIRMAN AND EXECUTIVE DIRECTORS

TONY PIDGLEY
CBE N

CHAIRMAN

Date of appointment to the Board:
Co-founder of Berkeley in 1976 with Jim Farrer, Tony led the business as Group Managing Director for 33 years. On 9 September 2009 he was appointed as Group Chairman.

Committee memberships:
Chairman of the Nomination Committee.

Skills and experience:
His expertise of the property market and the wider industry is widely recognised, and has been sought out for advisory roles including the Estate Regeneration Panel, Lord Heseltine's Thames Estuary Growth Commission, with the Mayor of London on the Outer London Commission, and the Government on the disposal of public sector land.

His passion for quality in the built environment and for placemaking is the cornerstone of what makes Berkeley the company it is today.

He was awarded the CBE in 2013 for services to the housing sector and the community. He was also awarded an Honorary Doctorate of Heriot-Watt University in 2013 in recognition of his outstanding contribution to house building and achievements in sustainable urban development.

Other appointments:
President, London Chamber of Commerce and Industry

Vice President, Wildfowl & Wetlands Trust

ROB PERRINS
BSc (HONS) FCA

CHIEF EXECUTIVE

Date of appointment to the Board:
1 May 2001

Committee memberships:
None

Skills and experience:
Rob joined the Company in 1994 having qualified as a chartered accountant with Ernst & Young in 1991. He was appointed to the Group Main Board on 1 May 2001 on becoming Managing Director of Berkeley Homes plc. He became Group Finance Director on 2 November 2001, moving to his current role as Chief Executive on 9 September 2009.

In 2010 Rob launched Berkeley Group's "Our Vision" strategy with its aspiration for Berkeley to be a world-class business. Rob has 24 years' experience working in the property industry, he regularly contributes to public debates about the direction of housing policy and the property market and is a member of the Bank of England's Residential Property Forum.

Other appointments:
Council member, Aston University

Governor, Wellington College

RICHARD STEARN
BSc (HONS) FCA

GROUP FINANCE DIRECTOR

Date of appointment to the Board:
13 April 2015

Committee memberships:
None

Skills and experience:
Richard re-joined Berkeley on 13 April 2015 as Finance Director, having previously worked for the company from 2002 to 2011 as Group Financial Controller. In the intervening period, Richard spent three years at Quintain Estates and Development plc, becoming its Finance Director in July 2012. He originally trained and practiced for 12 years as a chartered accountant with PricewaterhouseCoopers.

Richard has 15 years' experience in the property and development industry. His responsibilities include oversight of the Group's finance, treasury, tax, risk management, internal audit and IT teams.

Other appointments:
None

KARL WHITEMAN
BSc (HONS)

EXECUTIVE DIRECTOR

Date of appointment to the Board:
10 September 2009

Committee memberships:
None

Skills and experience:
Karl joined Berkeley in 1996 with expertise in construction. He joined the Group Main Board on 10 September 2009 as a Divisional Executive Director. Karl is Chairman of the Berkeley (East and West Thames) division.

Karl leads on the delivery of three of the largest regeneration projects in the UK — Kidbrooke Village, Royal Arsenal Riverside and Southall Waterside. He oversees Our Vision and Health & Safety strategies across the Group.

After qualifying with a degree in Construction Management Karl started his career in Main Contracting and prior to joining Berkeley held several senior construction positions at Barratt London.

Other appointments:
None

SEAN ELLIS
BSc (HONS)

EXECUTIVE DIRECTOR

Date of appointment to the Board:
9 September 2010

Committee memberships:
None

Skills and experience:
Sean joined Berkeley in 2004 with expertise in land and planning. He joined the Group Main Board on 9 September 2010 as a Divisional Executive Director. Sean is Chairman of St James Group, Berkeley Homes (Eastern Counties) and St William (the Joint Venture with National Grid) and has overall responsibility for the performance of these three businesses.

Sean began his career at Beazer Homes and prior to joining Berkeley held various senior positions at Laing Homes where he was appointed Managing Director in 1999.

Other appointments:
None

JUSTIN TIBALDI

EXECUTIVE DIRECTOR

Date of appointment to the Board:
8 December 2017

Committee memberships:
None

Skills and experience:
Justin joined Berkeley in 1999 as a senior surveyor. He has held board positions as commercial and production director in the Group's London divisions for a number of years and since 2011 has been Managing Director of Berkeley Homes (Capital).

Other appointments:
None

PAUL VALLONE

EXECUTIVE DIRECTOR

Date of appointment to the Board:
8 December 2017

Committee memberships:
None

Skills and experience:
Paul joined Berkeley in 1990. He is Divisional Managing Director of Berkeley Homes (Central and West London) and has operational responsibility for the St Edward joint venture. He is also responsible for the Group's Sales and Marketing Committee and is Chairman of Berkeley's international office network.

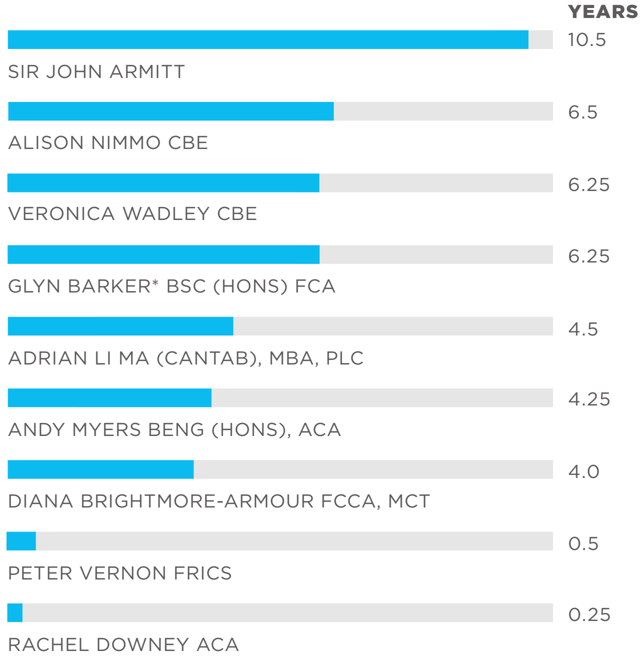
Other appointments:
None

KEY

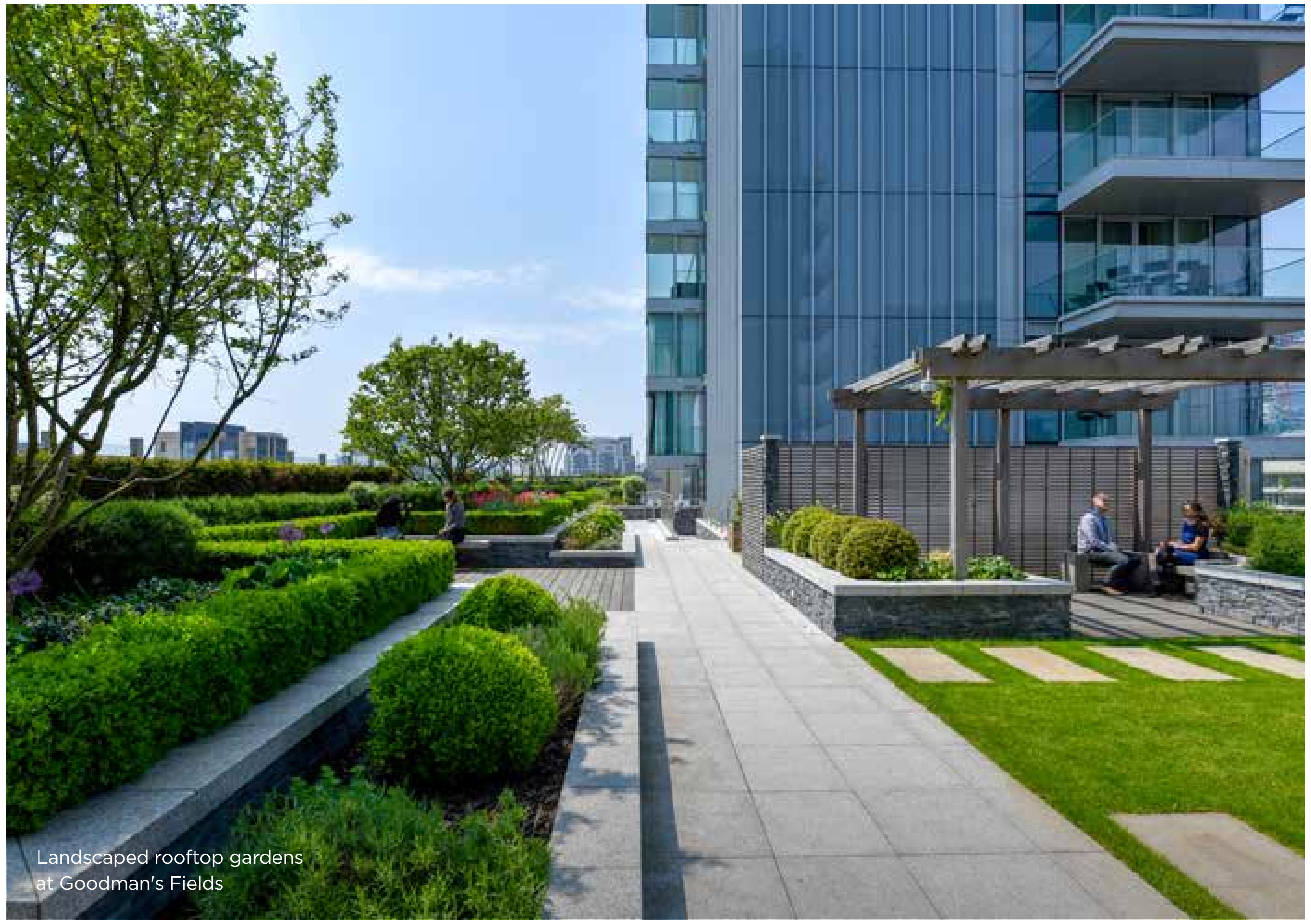
N Nomination Committee
A Audit Committee
R Remuneration Committee

NON-EXECUTIVE DIRECTORS

TENURE



*DEPUTY CHAIRMAN AND SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR



Landscaped rooftop gardens at Goodman's Fields

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

SIR JOHN ARMITT

NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
1 October 2007 Sir John served as Deputy Chairman and Senior Independent Director from 5 September 2012 to 18 April 2018.

Committee memberships:
None

Skills and experience:
Sir John is currently Chairman of National Express Group PLC, City & Guilds Group, National Infrastructure Commission and the Thames Estuary 2050 Growth Commission. He is an Independent Non-executive Director of Expo 2020. Sir John was President of the Institution of Civil Engineers (2015–2016), Chairman of the Olympic Delivery Authority (2007–2014) and Chairman of the Engineering and Physical Science Research Council (2007–2012). From 2001 to 2007, he was Chief Executive of Network Rail and its predecessor, Railtrack, and prior to that was Chairman of John Laing plc's international and civil engineering divisions. He has amassed extensive operational, commercial and technical experience throughout his career.

Sir John received a knighthood in 2012 for services to engineering and construction and was awarded the CBE in 1996 for his contribution to the rail industry.

Other appointments:
Chairman, National Express Group PLC

Chairman, City & Guilds Group

Chairman, National Infrastructure Commission

Chairman, Thames Estuary 2050 Growth Commission

Independent Non-executive Director, Expo 2020

ALISON NIMMO

CBE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
5 September 2011

Committee memberships:
Audit Committee

Skills and experience:
Alison is a Chartered Surveyor and Town Planner by training and is currently Chief Executive of The Crown Estate. Prior to joining The Crown Estate, she led the design and delivery of the London 2012 Olympic and Paralympic venues as Director of Regeneration and Design at the Olympic Delivery Authority and was the lead on sustainability and legacy for the Olympic Park. Her previous roles have included Chief Executive of Sheffield One and Project Director of Manchester Millennium Ltd.

Alison was awarded a CBE in 2004 for services to urban regeneration and is a Fellow of the Institute of Civil Engineers and the Royal Institute of British Architects. In 2014, Alison was awarded the prestigious Royal Town Planning Institute Gold Medal for recognition of her services to town planning and sustainability throughout her career.

Other appointments:
Chief Executive, The Crown Estate

Member of Imperial College's Council and Chair of its White City Syndicate Board

Trustee of the UK Green Building Council

Chair of the CBI's Economic Growth Board

VERONICA WADLEY

CBE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
3 January 2012

Committee memberships:
Nomination Committee

Skills and experience:
Veronica is a Journalist by profession; she was Editor of the Evening Standard from 2002 to 2009 and previously Deputy Editor of the Daily Mail and The Daily Telegraph. She was Chair of Arts Council, London and National Council member of Arts Council England from 2010-2018 and Senior Adviser to the Mayor of London from 2012 to 2016 during which time Veronica oversaw the delivery of youth volunteering and employment programmes and developed a new strategy for business relationships and sponsorship for the Greater London Authority.

Other appointments:
Independent Director, Times Newspapers Holdings Ltd

Member of City of London Education Board

Royal College of Music Board

Governor of Yehudi Menuhin School

Co-Founder and Trustee of London Music Fund

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

GLYN BARKER
BSc (HONS) FCA
DEPUTY CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR

Date of appointment to the Board:
3 January 2012 and as Deputy Chairman and Senior Independent Director on 18 April 2018.

Committee memberships:
Remuneration Committee (Chairman)
Audit Committee
Nomination Committee

Skills and experience:
Glyn is a Chartered Accountant and has extensive experience as a business leader and trusted adviser to FTSE 100 companies. He has a deep understanding of accounting and regulatory issues along with extensive understanding of transactional and financial services.

Glyn was appointed as a Non-executive Director of Berkeley following a 35 year career with PricewaterhouseCoopers LLP ("PwC"), where he held a number of senior posts including UK Vice Chairman, UK Managing Partner and UK Head of Assurance. He also established and ran PwC's Transactions Services business.

Other appointments:
Senior Independent Non-executive Director, Aviva plc
Independent Non-executive Director, Transocean Limited
Chairman, Irwin Mitchell Holdings Limited
Chairman, Interserve plc
Senior Advisory Partner, Novalpina Capital

ADRIAN LI
MA (CANTAB), MBA, LPC
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
2 September 2013

Committee memberships:
None

Skills and experience:
Adrian is Executive Director and Deputy Chief Executive of The Bank of East Asia, where he assists the Chief Executive with the overall management of the group. He holds a Master of Management degree from the Kellogg School of Management and an MA in Law from the University of Cambridge.

Adrian brings banking experience to the Board and provides valuable insight into the Far East property and finance markets.

Other appointments:
Executive Director and Deputy Chief Executive of The Bank of East Asia, Ltd
Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Ltd. and Tsim Sha Tsui Properties Ltd.)
Independent Non-executive Director, China State Construction International Holdings Ltd
Independent Non-executive Director, COSCO SHIPPING Ports Ltd

ANDY MYERS
BEng (HONS) ACA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
6 December 2013

Committee memberships:
Audit Committee (Chairman)
Remuneration Committee

Skills and experience:
Andy qualified as a Chartered Accountant with KPMG in 1990 and has extensive finance and commercial experience. Until recently Andy was Chief Financial Officer at McLaren Technology Group where he had responsibility for Finance, IT and Strategic Procurement.

Prior to joining McLaren in 2004, Andy held senior finance roles at Rolls Royce plc and at the BMW/Rover Group. He joined Rolls Royce Plc as Finance Director of the Combustion Business Unit in 2000 and was promoted to CFO of the Energy Sector, based in Washington DC two years later.

Other appointments:
None

BERKELEY ANNUAL REPORT 2018 **GOVERNANCE**

DIANA BRIGHTMORE-ARMOUR FCCA, MCT
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
1 May 2014

Committee memberships:
Nomination Committee

Skills and experience:
Diana is a Fellow of the Chartered Certified Accountants and a Fellow of the Association of Corporate Treasurers. She is currently the Chief Executive Officer, UK & Europe of The Australia and New Zealand Banking Group Ltd where she is responsible for oversight of the day-to-day activities of the branch, including the local execution of the Group's strategy, promoting a culture of compliance and ensuring appropriate standards of conduct and governance.

Diana was previously CEO, Corporate Banking at Lloyds Banking Group (2004-2012) and spent her early career at The Coca Cola Company. Diana has 30 years' international experience in banking, corporate finance, financial management, treasury and audit.

Other appointments:
Chief Executive Officer, UK & Europe of The Australia and New Zealand Banking Group Ltd
Member of the Board of the Association of Foreign Banks

PETER VERNON
FRICS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
6 September 2017

Committee memberships:
Remuneration Committee

Skills and experience:
Peter is Group Executive Director at Grosvenor where he has responsibility for overseeing the Group's operating companies in North America, Asia and Britain and Ireland with an active programme of real estate investment and development in 11 world cities and assets under management of over £8.5 billion. During the period 2008 to 2016, Peter was Chief Executive of Grosvenor Britain and Ireland.

Peter is also a trustee of Peabody, the Housing Association that owns and manages more than 55,000 homes across London and South East, housing over 111,000 residents.

Other appointments:
Group Executive Director, Grosvenor
Trustee of Peabody

RACHEL DOWNEY
ACA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
8 December 2017

Committee memberships:
Audit Committee

Skills and experience:
Rachel is Project Director of Manchester Life, a joint venture between Abu Dhabi United Group and Manchester City Council established in 2014 to make a significant contribution towards achieving Manchester's regeneration and residential growth ambitions.

Prior to that Rachel has managed various projects including the submission to the Government for £113 million to transform the public-housing stock in several neighbourhoods across Manchester and Salford as part of the Housing Market Renewal Pathfinder.

Rachel, a Chartered Accountant, is also currently a Trustee of the We Love Manchester Emergency Fund and the Lord Mayor of Manchester's Charity Appeal Trust.

Other appointments:
Project Director, Manchester Life
Trustee of We Love Manchester Emergency Fund
Trustee of the Lord Mayor of Manchester's Charity Appeal Trust

COMPANY SECRETARY
J S P CRANNEY FCIS

CORPORATE GOVERNANCE REPORT

Dear Shareholder

I am delighted to introduce the Corporate Governance Statement for the 2017/18 financial year. The Company is committed to maintaining a high standard of corporate governance and this section, including the Audit Committee Report, Directors' Remuneration Report and the Nomination Committee Report, details how the Company has applied the main principles and provisions of the UK Corporate Governance Code 2016 (the Code):

— Leadership
— Effectiveness
— Accountability
— Remuneration
— Relations with shareholders

The Company's business model is explained in the Strategic Report. It is the Board's view that it has been fully compliant with the Code throughout the 2017/18 financial year. A copy of the Code is available on the Financial Reporting Council's website www.frc.org.uk.

The Board has carried out a number of key governance activities this year including:

— Board succession planning, including the appointment of four new Directors;
— Reviewing the roles undertaken by our Non-executive Directors including Board Committee membership;
— Reviewing the Company's approach to Diversity and Inclusion and the Board's Diversity Policy;
— Reviewing the continued progress of the Shareholder Returns programme;
— Reviewing and approving the Company's Tax Policy;
— Reviewing the Company's risk appetite in the context of the prevailing operating environment; and
— Reviewing the Company's approach to Cyber Security and GDPR.

Each of these areas are discussed in more detail within the annual report and I look forward to hearing your views at and in advance of our 2018 AGM.

Looking forward to 2018/19, the Board will continue to monitor the Corporate Governance agenda in the UK, including any new provisions introduced in the 2018 Corporate Governance Code once published.

In closing, I would like to welcome Peter Vernon, Rachel Downey, Justin Tibaldi and Paul Vallone to the Board and thank all Board members for their service during the year. I would also like to thank Sir John Armitt for his contribution as Senior Independent Director and to welcome the appointment of Glyn Barker as the new Senior Independent Director.

A W PIDGLEY, CBE
Executive Chairman

LEADERSHIP

The Board has collective responsibility for promoting the long-term success of the Company in a safe and sustainable manner in order to create shareholder value. The Board provides leadership and sets the Company's strategic long-term objectives.

Its duties are set out in a formal schedule of matters specifically reserved for decision by the Board, which include:

— Overall management of the Group, its strategy and long-term objectives;
— Approval of corporate plans;
— Approval of all material corporate transactions;
— Changes to the Group's capital structure;
— Approval of the Group's treasury policy;
— Approval of the Group's interim and annual results, dividend policy and shareholder distributions;
— Reviewing the Group's risks and system of internal control;
— Changes to the Board and other senior executive roles;
— Corporate Governance arrangements and the Board evaluation; and
— Approval of policies in key areas including Sustainability, Health & Safety, Business Ethics, Equality, Modern Slavery and Share Dealing.

EFFECTIVENESS

Composition and Independence
At the date of this report the Board comprises sixteen Directors: the Chairman, six Executive Directors and nine independent Non-executive Directors. The biographies of these directors are set out on pages 80 to 85.

The Board has put in place the succession planning that all successful organisations require and, as explained in the Nomination Committee Report on page 93, the composition of the Board continues to be reviewed on a regular basis. During 2017/18 the Board has appointed two new Executive Directors, Justin Tibaldi and Paul Vallone, and two new Independent Non-executive Directors, Rachel Downey and Peter Vernon. Berkeley seeks to have a Board of diverse experience, contribution and skills and each of these Directors, as set out in their biographies on pages 81 and 85, brings complementary talents and experience which we believe will enhance the Board.

The Board reviews the independence of Non-executive Directors on an annual basis taking into account each individual's professional characteristics, behaviour and their contribution to unbiased and independent debate.

Conscious of the changes proposed by the 2018 Corporate Governance Code, the Board recognises that Sir John Armitt, having more than nine years' service on the Board, will no longer be considered independent. While the Board is of the view that he continues to maintain and contribute an independent view in all Board deliberations, to comply with best practice, Sir John stepped down as Senior Independent Director, as Deputy Chairman and from his committee roles on 18 April 2018 as outlined in the Nomination Committee Report on page 93. He was succeeded in the roles of Senior Independent Director and Deputy Chairman by Glyn Barker. Sir John's unrivalled experience in construction and infrastructure and his independent challenge continue to be of value to the Board.

The Non-executive Directors, led by the Senior Independent Director Glyn Barker, have the skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. Each Non-executive Director is prepared to question and to challenge management. All of the Non-executive Directors are considered to have been independent throughout the year.

Last year some shareholders raised concerns regarding the number of directorships held by Adrian Li and whether this may impact his ability to fulfil his duties as an Independent Non-executive Director of Berkeley, particularly should there be an exceptional period of Board activity at one or more of the companies on which Adrian serves as a Director. This resulted in 33.5% of votes being cast against the re-election of Adrian at the 2017 Annual General Meeting. Adrian is an active and valuable member of the Board. He attends all Board meetings and plays an active role in Board discussions. As explained in the Public Statement made in November 2017, which can be found on our website, Adrian has both legal and financial professional qualifications and brings a truly global and diverse perspective to Board discussions. In addition he provides invaluable insight into Far Eastern and emerging markets and supply chains. Adrian devotes significant time to Berkeley outside Board meetings and the Board strongly believes that he has sufficient capacity and commitment to Berkeley to fulfil his obligations to the Company both in the normal course of business and at a time of unforeseen corporate need. As noted in his biography on page 84, two of Adrian's directorships are linked under the Sino Group which is a common corporate structure in South East Asia. Adrian is based in Hong Kong and it should be noted that his appointments in Hong Kong comply with local guidelines and he is not considered overboarded.

The Executive Directors do not hold any Non-executive Director appointments or commitments required to be disclosed under the Code.

Chairman and Chief Executive
The roles of Chairman and Chief Executive are separately held and there are clear written guidelines to support the division of responsibility between them. The Chairman is responsible for the effective operation of the Board and shareholder general meetings, for overseeing strategy and for ensuring that each Director contributes to effective decision-making. The Chief Executive 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 and to develop the management team.

Tony Pidgley is Executive Chairman which we believe is the best succession model for Berkeley in order to ensure the continued long-term success of the Company. Having a strong Senior Independent Director and Deputy Chairman, first in Sir John Armitt and now in Glyn Barker, ensures that there is a balance of power at the top of the Company. The transition to this model took place in 2009 and shareholders have supported this structure ever since.

Meetings
The Board met formally four times during the year to 30 April 2018 and there were no absences. There were also three Board conference calls during the year.

In addition to the above formal meetings of the whole Board, the Non-executive Directors meet with the Chairman twice per year. The Chief Executive and 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 Chairman present, chaired by the Senior Independent Director.

Board papers and agendas are sent out in the 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.

Election and re-election of 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 addition, all Directors are subject to election by shareholders at the first opportunity after their appointment and thereafter at intervals of no more than three years.

In accordance with the requirements of the Code, all Directors offer themselves for re-election annually at the Annual General Meeting each year including at the Annual General Meeting to be held on 5 September 2018.

Induction and development
On appointment, Non-executive Directors are provided with a detailed induction programme. This covers an overview of the Group's operations and its policies, corporate responsibility and corporate affairs issues, legal matters, and the opportunity to meet with Directors and key staff and to visit the Group's sites. All new Directors are provided with training on Directors' Duties and Corporate Governance provided by external legal counsel.

Ongoing training is available to all Directors to meet their individual needs. Board members also receive guidance on regulatory matters and the corporate governance framework that the Group operates under. For example, since the year end, Directors have received training on Data Breaches in light of the new General Data Protection Regulations.

Members of the Audit and Remuneration Committees receive briefings from our auditors and remuneration advisers respectively to ensure they remain up to date with current regulations and developments.

CORPORATE GOVERNANCE REPORT

CONTINUED

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

Board evaluation

The Code requires that the Board undertakes an annual evaluation of its own performance and that of its committees and individual Directors with an externally facilitated evaluation conducted at least every three years. External reviews having been conducted in each of the last three years, the Board evaluation for 2018 was internally facilitated by the Group Solicitor in one-to-one confidential discussions with each of the Main Board Directors.

The evaluation concentrated on the performance of the Board and its Committees over the year which had been an important one for succession planning with four new Directors appointed. The two new Executive Director appointments reflect the Board's belief that Board experience is an important aspect of developing future leaders. Long-term succession planning is equally important for Non-executive Directors and the two new Non-executive appointments exhibit the right attributes to complement those of our existing Board members.

During the year, the Board has performed well. The main areas of success have been:

— in the identification and appointment of the new Non-executive Directors who had been through a thorough appointment and induction process and had both settled in well;

— the change in the Senior Independent Director and Deputy Chairman;

— the openness of the Board to debate and challenge on a wide range of matters, including strategy and innovation, demonstrating a positive and inclusive culture. The comments of the new Directors were particularly pertinent as they felt encouraged to contribute and challenge on every aspect of the matters under discussion; and

— the strong and constructive working relationship between the Executive and Non-executive Directors.

The Board identified three key areas of importance for the coming year:

— ensuring that the size of the Board, an increase of 30%, does not hamper open debate and challenge and that everyone has ample opportunity to contribute, even when the agenda is full;

— the need continually to re-assess risk in the uncertain macro environment; and

— further development on diversity and inclusion throughout the business to ensure that all persons of talent are identified and supported to bring through the next generation of leaders.

Conflicts of interest

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can only be made by non-conflicted Directors (those who have no interest in the matter being considered) and in making such a decision the Directors must act in a way they consider in good faith will be most likely to promote the Company's success.

The Company has established a procedure whereby actual and potential conflicts of interest of current and proposed roles to be undertaken by Directors of the Board with other organisations are regularly reviewed in respect of both the nature of those roles, and their time commitment, and for proper authorisation to be sought prior to the appointment of any new Director. The Board considers these procedures to be working effectively.

Insurance

The Company had in place at 30 April 2018 an appropriate policy which insures Directors against certain liabilities, including legal costs, which they may incur in carrying out their duties. This remains in place.

Board Committees

The Board has delegated certain matters to individual Executives and to the specific Committees of the Board; Audit, Remuneration and Nomination. The main three Board Committees operate within clearly defined Terms of Reference pursuant to the provisions of the Code. The Terms of Reference can be downloaded from the section dealing with Investor Relations on the Company's website. Copies are also available to shareholders on application to the Company Secretary.

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 Chief Executive, R C Perrins, chairs this Committee and other members comprise A W Pidgley CBE, S Ellis, R J Stearn, J Tibaldi, P M Vallone and K Whiteman.

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the financial reporting and accounting policies of the Company, reviewing the adequacy of internal controls and the activities of the Group's internal audit function and overseeing the relationship with the external auditor. The Audit Committee comprises four independent Non-executive Directors. The Committee is chaired by A Myers and the other members as at 30 April 2018 were A Nimmo CBE, G Barker and R Downey. V Wadley CBE also served as a member of the Committee during the year.

A Myers and G Barker are both considered to have recent and relevant experience as demonstrated by their biographies on page 84. All members of the Committee have competence relevant to the residential development sector. The Committee met formally on three occasions during the year to 30 April 2018 with no absences.

An explanation of the role and activities of the Audit Committee during the year is contained in the Audit Committee Report on pages 91 and 92.

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.

At 30 April 2018, the Committee comprised G Barker, A Myers and P Vernon who are all independent Non-executive Directors. The Committee was chaired by G Barker. Sir John Armitt served as a member of the Committee during the year.

The Committee met formally on two occasions during the year to 30 April 2018 with no absences.

No Director is involved in deciding his or her remuneration. The Executive Directors decide the remuneration of the Non-executive Directors and the Committee takes into consideration the recommendations of the Chief Executive and Finance Director regarding the remuneration of their Executive colleagues.

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 94 to 115.

Nomination Committee

The Nomination Committee ensures that the membership and composition of the Board, including the balance of skills, is appropriate, as well as giving full consideration to succession planning on a regular basis.

The Committee is chaired by the Chairman, A W Pidgley CBE, and at 30 April 2018 included G Barker, V Wadley CBE and D Brightmore-Armour who are all independent Non-executive Directors. Sir John Armitt also served as a member of the Committee during the year.

The Committee met formally on three occasions during the year to 30 April 2018 with no absences.

An explanation of the role and activities of the Nomination Committee during the year is contained in the Nomination Committee Report on page 93.

ACCOUNTABILITY

Internal control and risk management

The Board acknowledges that it has overall responsibility for ensuring that the Group's system of internal control complies with the Code and for reviewing its effectiveness, at least annually.

Internal control procedures are designed to manage rather than eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

There are ongoing processes and procedures for identifying, evaluating and managing the significant risks faced by the Group. These processes and procedures were in place from the start of the financial year to the date on which the 2018 Annual Report and Accounts were approved and accord with Principles C.2.1 and C.2.3 of the Code and with the FRC's Guidance on Risk Management, Internal Control and Related Business Reporting.

The processes are regularly reviewed by the Board and include an annual review by the Directors of the operation and effectiveness of the system of internal control as part of its year end procedures. The key features of the system of internal control include:

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 the review of risk and performance occurs at multiple levels throughout the operating companies, divisions and at a Group level.

Risk assessment

Risk reporting is embedded within ongoing management reporting throughout the Group. At operating company and divisional level, Board meeting agendas and information packs are structured around the key risks facing the businesses. These risks include health and safety, sales, production (build cost and programme), land and planning, retaining people, economic and political outlook, regulatory and site-specific matters.

In addition, there is a formalised process whereby each division produces quarterly risk and control reports that identify risks, the potential impact and the actions being taken to mitigate the risks. These risk reports are reviewed and updated quarterly.

A Group Risk Management Report is presented at each Group Board Meeting, which overlays wider strategic risks than those covered by the operations. This sets out the annual changes in the risk profile of the Group, the impact and mitigation of these risks.

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 Executives is prepared. The results of all operating units are reported monthly and compared to budget and forecast.

There is a consolidation process in place which ensures that there is an audit trail between the Group's financial reporting system and the Group's statutory financial statements.

Investment and contracting controls

The Group has clearly defined guidelines for the purchase and sale of land within the Group, which include detailed legal, 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.

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

Strong central functions, including Legal, Health & Safety and Company Secretarial, provide support and consistency to 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 Finance Director.

Internal audit

Internal auditors are in place at Group level and divisional level as appropriate, 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 employees, where Directors, management, employees and external stakeholders can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters. The policy is available to view on the Group's website.

Bribery Act and Anti-Money Laundering Regulations

The Board has responsibility for complying with the requirements of the Bribery Act 2010 and The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and is charged with overseeing the development and implementation of the Group's policies and procedures and monitoring ongoing compliance.

CORPORATE GOVERNANCE REPORT

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REMUNERATION

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 94 to 115.

RELATIONS WITH SHAREHOLDERS

The Company encourages active dialogue with its current and prospective shareholders through ongoing meetings or calls with institutional investors. During 2017/18 discussions covered topics such as performance, markets, strategy and governance. In addition to these regular meetings, Executive Directors, have spoken to several shareholders and proxy advisory agents in order to discuss their concerns regarding the re-election of Adrian Li. The Board also meets with retail shareholders at the Annual General Meeting.

Shareholders are also kept up to date with the Company's activities through the Annual Reports, Interim Results announcements and Trading Updates. In addition, the corporate website provides 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 in the Investor Relations section of the website.

The Board is kept informed of the views 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 ("AGM") on 5 September 2018 at 11:00am where the Chairman, the Chief Executive 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.

In accordance with the Code, 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 AGM.

The Company complies with the provisions of the Code relating to the disclosure of proxy votes, which, including abstentions, are declared at the AGM 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 Code regarding 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 AGM and during normal business hours at the Company's registered office.

AUDIT COMMITTEE REPORT

The Board of Directors presents its Audit Committee Report for the year ended 30 April 2018 which has been prepared on the recommendation of the Audit Committee.

The report has been prepared in accordance with the requirements of the UK Corporate Governance Code, Schedule 8 of the Large & Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, and the Listing Rules of the Financial Conduct Authority.

Details of the composition and experience of the Committee can be found in the Directors' biographies on pages 83 to 85 and details of the number of meetings of the Committee are reported on page 88 of the Corporate Governance Report.

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Committee has formal Terms of Reference which set out its role and the authority delegated to it by the Board. The Terms of Reference were reviewed and updated during 2017/18 together with the policy on the Independence of External Auditors. The key responsibilities of the Committee are as follows:

- **Financial Reporting**
  Monitoring the integrity of the financial reporting of the Company and reviewing significant financial reporting matters and accounting policies;
- **Risk Management and Internal Control**
  Reviewing the adequacy and effectiveness of the Group's risk management and internal control systems and monitoring the effectiveness of the Group's internal audit function; and
- **External Audit**
  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.

This report considers each of these responsibilities in turn, and how the Committee has discharged them during the year.

FINANCIAL REPORTING

At each of the Audit Committee meetings, the Finance Director presented, and the Committee debated, the results and business plan of the Group and any significant financial reporting judgements relevant to this.

The Committee reviewed, prior to their publication, the financial disclosures in the Group's Annual Report and Accounts, Half Year and Year end Results Announcements and the contents of Trading Updates issued during the year. The Committee's review incorporated consideration of the appropriateness of the relevant accounting policies and financial reporting estimates and judgements adopted therein.

The Committee's review of the Annual Report concentrated on whether, taken as a whole, it was fair, balanced and understandable and provided the information necessary for users of the Annual Report to assess the Group's business strategy and performance.

The views of the Group's external auditor, who was in attendance at each meeting of the Committee during the year, were taken into account in reaching its conclusions on these matters.

The significant matters considered by the Committee during the 2017/18 financial year included:

- **Carrying value of inventories and margin recognition**
  Inventories comprise work in progress, completed units and land not under development, which are held in the balance sheet at the lower of cost and net realisable value. This requires a periodic assessment by management of each of Berkeley's sites which is sensitive to assumptions in terms of future sales prices and construction costs, and recognises the inherently cyclical nature of the property market and the risks of delivery notably over the longer term sites. These assumptions are also relevant to the determination of profit recognised on properties sold. The conclusions of this assessment were reported by exception to the Committee in a financial overview paper prior to release of the Group's annual results.
- **Provisions**
  The Committee recognises that accounting for provisions relies on management judgement in estimating the quantum and timing of outflows of resources to settle any associated legal or constructive obligations. The Group holds provisions for post-completion development obligations, estate liabilities and litigation. The basis for determining these provisions was presented to the Committee for their consideration. The Committee reviewed the relevant papers and discussed the assumptions underlying this determination with management and the Group's external auditor, and concluded that it was satisfied that the assumptions adopted were appropriate. A table of movements in provisions over the period is included in note 15 to the financial statements.
- **Revenue recognition**
  The Committee recognises that the Group's accounting policy for revenue recognition, namely that properties are treated as sold and profits are recognised when contracts are exchanged and building work is physically complete, involves an element of judgement in determining the point at which building work is physically complete and the ability of the purchaser to complete. The Committee reviewed the quantum of properties not yet legally completed at each balance sheet date, in conjunction with the review undertaken by the Group's external auditor and concluded that the judgements were appropriate.

  The Committee also reviewed and debated a paper on the impact of the new IFRS 15 Revenue standard applicable to the Group from 1 May 2018. It concluded that a change in the point of revenue recognition was appropriate as IFRS 15 focuses on the point at which control of the asset rests with the customer which (taking into account the indicators of control in the standard) is considered to be legal completion. Under the previous standard, IAS 18, revenue was recognised when the significant risks and rewards of ownership had passed to the customer. The impact of this change is set out in the Accounting Policies note to the financial statements.

Audit Quality Review
During the year we were notified by KPMG LLP ("KPMG") that the Financial Reporting Council's ("FRC") Audit Quality Review ("AQR") team would review KPMG's audit of the Group's 2017 financial statements, as part of their annual inspection of audit firms. The Committee reviewed the findings of the AQR report with KPMG and the Chair of the Audit Committee met with the FRC team to discuss their

AUDIT COMMITTEE REPORT

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comments. The Committee is satisfied that the recommendations from the review (which focused on the areas of accounting estimates and judgements) have been appropriately addressed in this year's audit.

RISK ASSESSMENT AND MANAGEMENT, AND INTERNAL CONTROL

The Committee undertook its annual review of the Group's Internal Control Framework during the year. This review focused on the system of risk management and internal control in place which is explained in more detail on page 89 of the Corporate Governance Report, and covered:

- the assessment of the principal risks facing the Group;
- the key elements of the Group's control processes to mitigate these risks; and
- the operations and effectiveness of internal audit.

A paper was also presented to the Committee which summarised the Group's consideration, controls and monitoring of fraud risk across its activities.

The Committee considered any internal control recommendations raised by the Group's auditors during the course of the external audit and the Group's response to dealing with such recommendations.

A report summarising the recent activities of the Internal Audit function was presented at each of the Committee meetings during the year. These reports covered:

- a summary of the key findings arising from the most recent internal audits undertaken;
- management responses to any control weaknesses identified, the closure of any open items and any recurring themes;
- the outcome of other operational review work undertaken by the internal audit function; and
- the internal audit plan for the coming year, for debate with and the approval of the Committee.

The Committee was satisfied that the scope, extent and effectiveness of the Internal Audit function are appropriate for the Group.

EXTERNAL AUDIT

KPMG was appointed as the Company's auditor in the year ended 30 April 2014 by way of a competitive tender.

Approach

KPMG presented its audit strategy to the Audit Committee during the year. The strategy document identified its assessment of the risks and other areas of focus for the purpose of the audit, the scope of the audit work and updated the Committee on regulatory changes for the current year.

KPMG reported to the Committee at the year end, prior to the public announcement of the Company's results, in which it set out its assessment of the Company's accounting judgements and estimates in respect of these risks and any other findings arising from its work.

The external auditors have open recourse to the Non-executive Directors should they consider it necessary. There is private dialogue between the Chairman of the Audit Committee and the external auditors prior to each Audit Committee meeting and, after each meeting, the opportunity for the Committee to meet with the external auditors without the Executive Directors and management present.

Independence of the external auditors

As part of its audit strategy presentation, KPMG identified the safeguards in place within its internal processes and procedures to protect, in respect of its own role, the independence of its audit.

In order to safeguard auditor independence, the Committee has a policy on the provision of non-audit services by the external auditors. In accordance with that policy the ratio of audit fees to non-audit fees should be no greater than 0.7:1, with a target of lower than 0.5:1 in any one year and in aggregation over the previous three financial years. The ratio for the year ended 30 April 2018 was within this limit. Audit and non-audit fee disclosures are set out in note 4 of the Consolidated Financial Statements.

Any departure from this ratio will only be as a consequence of transactional work, where the Committee considers it is right for the auditors to undertake such work where the reasons for doing so are compelling, such as where:

i) it is proprietary to them;
ii) they have pre-existing knowledge and experience that precludes the use of alternative firms; or
iii) the nature of the transaction is such that the Group's auditors are the only practical appointment.

Non-audit work carried out by all accounting firms, including the auditors, is formally reported to the Audit Committee at each meeting. There is open dialogue between KPMG and the Company's senior finance team to monitor any proposed new instructions.

The Committee has concluded that the auditors are independent.

Appointment of KPMG

On completion of the audit, the Committee reviewed the performance and effectiveness of KPMG with feedback from senior management. The Committee has resolved to propose KPMG's re-appointment at the 2018 Annual General Meeting.

The Committee remains mindful of evolving best practice under the UK Corporate Governance Code 2016 and 2018 and is subject to the new requirements of the Financial Reporting Council and the European Union in determining its future approach to re-tendering the external audit appointment. The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

A MYERS
Chairman, Audit Committee
20 June 2018

NOMINATION COMMITTEE REPORT

The Board of Directors presents its Nomination Committee Report for the year ended 30 April 2018.

Details of the composition, skills and the number of meetings of the Nomination Committee are reported on page 89 of the Corporate Governance Report.

The Committee has formal Terms of Reference which set out its role and the authority delegated to it by the Board. The key responsibilities of the Committee are as follows:

- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board;
- evaluating the balance of skills, knowledge and experience on the Board; and
- leading the process for identifying and nominating candidates for Board vacancies.

Succession Planning

During the year the Committee reviewed the Board's composition to ensure that it had the correct balance of skills, experience and knowledge required for the leadership of the Group. Consideration was also given to succession planning for both Executive and Non-executive Directors. Following its review the Nomination Committee made recommendations to the Board to appoint two new Non-executive Directors, Peter Vernon and Rachel Downey, and two new Executive Directors, Justin Tibaldi and Paul Vallone. Each of these appointments was unanimously approved by the Board.

The Committee also considered Board roles and the composition of the Audit, Nomination and Remuneration Committees reflecting Sir John Armitt's tenure on the Board. Following this review the Committee recommended that Sir John step down as Senior Independent Director and Deputy Chairman and as a member of the Nomination and Remuneration Committees. The Committee considered the skills and experience of the Independent Non-executive Directors and recommended that Glyn Barker be appointed as Senior Independent Director and Deputy Chairman and as a member of the Nomination Committee. In order to best utilise the skills and experience of the new Non-executive Directors the Committee recommended that Peter Vernon be appointed as a member of the Remuneration Committee and that Rachel Downey be appointed as a member of the Audit Committee. Veronica Wadley stepped down as a member of the Audit Committee at the same time. These recommendations were unanimously supported by the Board.

The process for identifying and recommending new appointments to the Board includes a combination of discussions and consultations, in addition to formal interviews, utilising the services of independent recruitment specialists, when appropriate. The two new Executive Directors were appointed from within the Group. In respect of the Non-executive Director appointments made during the year, although discussions were held with recruitment consultants, it was decided that the best candidates were those who were known to and held in high regard by the other Non-executive Directors. Following meetings with the members of the Nomination Committee and with the Board, the appointments were approved.

Board Diversity Policy

Recognising the benefits that diversity can bring to all areas of the Group and noting the recommendations of the Hampton-Alexander and Parker reviews, Berkeley seeks to build a Board which represents a wide range of backgrounds and experience. Appointments to the Board are made on the basis of merit and capability and in the best interests of the Group.

Berkeley strives to be an equal opportunity employer and a Group-wide Equality and Diversity Policy, making it clear that it does not tolerate discrimination in any form, is in place. A copy of this policy is available on the Company's website.

A W PIDGLEY, CBE
Chairman, Nomination Committee
20 June 2018

DIRECTORS' REMUNERATION REPORT

PART A: ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder

This year's Remuneration Report is split into four parts as follows:

Part A:	**Chairman's Annual Statement** in which I have set out the decisions of the Committee during the year and the business context in which these decisions have been made.
Part B:	**Our Remuneration at a Glance** sets out the key information with regard to remuneration at Berkeley.
Part C:	**Annual Report on Remuneration** sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2017/18 financial year.
Part D:	**Summary Remuneration Policy** sets out a summary of our Remuneration Policy as approved at the 2017 EGM which took effect from 1 May 2017 onwards.

We hope that by arranging the report in this way you can navigate your way through the information in a helpful and transparent way.

CORPORATE PERFORMANCE DURING 2017/18

Berkeley has delivered strong results in what is a challenging operating environment in London and the South East, as set out elsewhere in this annual report. This is due to the disciplined execution of the Group's operating model which recognises the cyclical nature of the housing market and the high operational risk associated with the developments Berkeley undertakes, by retaining financial strength and focusing on the quality of the homes and places it creates. This financial strength allows Berkeley to invest at the right time in the cycle and these results benefit from investment made at the end of the financial crisis. Today's environment is more challenging but Berkeley remains well positioned to continue delivering sustainable risk adjusted returns for its shareholders.

The key highlights of the results for 2017/18 are:

- Net cash of £687.3 million (2017: £285.5 million) after making shareholder return payments of £287.1 million (2017: £299.0 million)
- Pre-tax return on shareholders' equity of 39.3% (2017: 41.1%)
- Net asset value increased by 22.6% to £2,620 million (2017: £2,137 million)
- Forward sales of £2.19 billion (2017: £2.74 billion)
- Future anticipated gross margin in the land bank of £6,003 million (2017: £6,378 million)
- Earnings per share increased by 20.3% to 562.7 pence (2017: 467.8 pence)

The results continue to underline the Group's strategy of balancing earnings in the near term and creating a sustainable business, delivering value to shareholders over the long term. Berkeley's Return on Equity compared with the sector over the last nine years illustrates the relative performance of the Company:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Berkeley	13.3%	15.3%	21.2%	22.4%	27.5%	35.1%	30.8%	41.1%	39.3%
Sector highest	13.3%	15.3%	21.2%	22.4%	27.5%	35.1%	30.8%	41.1%	39.3%
Sector lowest	(44.2%)	(6.2%)	(0.4%)	3.4%	3.5%	12.2%	16.0%	15.7%	11.0%
Sector average* (excluding Berkeley)	**(18.1%)**	**1.0%**	**4.8%**	**8.5%**	**11.4%**	**18.2%**	**22.3%**	**24.2%**	**23.3%**

* Sector includes Barratt Developments, Bovis Homes, Redrow, Taylor Wimpey, Bellway and Persimmon,

BERKELEY'S REMUNERATION POLICY

As shareholders will be aware, we held an Extraordinary General Meeting on 23 February 2017 to obtain approval for our new Remuneration Policy. This included the introduction of caps to Executive remuneration, as well as changes to the operation of the 2011 LTIP to ensure that the remuneration arrangements remained directly linked to the achievement of the Company's corporate strategy. Over 97% of you voted in favour of the Remuneration Policy and over 93% in favour of the changes to the 2011 LTIP. Prior to finalising the proposed amendments to the Remuneration Policy and the 2011 LTIP, the Remuneration Committee consulted with its main shareholders as well as shareholder representative bodies. A summary of our Remuneration Policy can also be found on pages 112 to 115. We will operate under the agreed Policy in 2018/19.

INCENTIVE OUTCOMES

As set out above, Berkeley has continued to deliver strong financial results as well as maintaining the financial strength of the Company in order to underpin future performance. We are committed to ensuring a strong alignment between pay and performance and as a result of the strong performance in the year, the following incentives have been earnt.

BONUS

The Executive Directors earned 100% of the maximum annual contribution under the Bonus Plan for 2017/18 following performance against stretching Return on Equity and Net Asset Value Growth targets. These performance targets ensure the Executive Directors are focused on delivering a strong ongoing return to shareholders whilst balancing the long term sustainability of the Company. In awarding the maximum contribution the Committee considered the underlying financial performance of the Company as well as the performance of the divisions and individual Directors and are satisfied that this outcome is appropriate. Further details are set out on page 101.

LTIP VESTING

Following the change in vesting schedule of the 2011 LTIP approved by shareholders at the Extraordinary General Meeting held on 16 February 2016, to ensure alignment with the new strategy, the second tranche of the 2011 LTIP vested in full on 2 October 2017 following the Company meeting its shareholder return target for the year to September 2017 of £277.7 million, via a combination of dividends and share buy-backs.

This vesting reflected the continued strong performance of the Company in the period and represents the vesting of 13.4% of the total 2011 LTIP award. Further details are set out on page 103.

IMPLEMENTATION OF THE POLICY FOR 2018/19

CHANGES TO THE BOARD

On 8 December 2017, Justin Tibaldi and Paul Vallone were appointed to the Board as Divisional Executive Directors. Details of their remuneration arrangements for 2018/19 are set out on page 107 and were disclosed in the announcement of their appointments.

On 6 September 2017 Peter Vernon was appointed to the Board as a Non-executive Director. On 8 December 2017 Rachel Downey was appointed to the Board as a Non-executive Director. Both will receive fees in line with the Company's Remuneration Policy.

PAY FAIRNESS AND EMPLOYEE REWARD

The Committee is responsible for overseeing remuneration for the most senior employees at the Company. However, we are aware of our duty to oversee remuneration principles at all levels, ensuring that pay is fair, competitive and strategically aligned for our employees. Remuneration arrangements are in place which ensure that all employees can share in the Company's success and these arrangements are discussed further on page 99.

The Committee are also aware of ongoing regulatory and corporate governance developments and will continue to monitor these over the following year.

IN CONCLUSION

The Annual Report on Remuneration together with this letter will be subject to an advisory shareholder vote at the forthcoming AGM in September 2018. The sections of this report that have been subject to audit are labelled accordingly. Details of voting at last year's Annual General Meeting, where 83.91% of those voting supported the resolution to approve the Annual Report on Remuneration, are set out on page 111 of this report.

I look forward to receiving your support for the resolution seeking approval of the Annual Report on Remuneration at our forthcoming AGM. If you have any questions on our Remuneration Policy or its implementation I am happy to discuss and can be contacted via our Company Secretary Jared Cranney.

G BARKER
Chairman, Remuneration Committee
20 June 2018

DIRECTORS' REMUNERATION REPORT

CONTINUED

PART B: OUR REMUNERATION AT A GLANCE

Ahead of the detail behind payments for 2017/18, I would like to take this opportunity to outline our remuneration philosophy, payments due to the Directors for the year and how these are linked to the Company's strategy and performance.

Our core remuneration philosophy
Berkeley's remuneration policy aims to encourage, reward and retain the current Executive Directors and ensure their actions are aligned with the Company's strategy. The core philosophies are:

BASE SALARY AND BENEFITS	The Committee sets salaries for the Executive Directors based on their experience, role, individual and corporate performance. Salaries on appointment to the Board may be set below that of the comparator group and subsequently, based on appropriate levels of individual and corporate performance, may be increased with experience gained over time.
ANNUAL PERFORMANCE-RELATED PAY	The Committee believes that shareholders' interests are best served by remuneration packages that have a large emphasis on performance-related pay which encourage the Executive Directors to focus on delivering the business strategy.
LONG TERM SUSTAINABLE PERFORMANCE	The long term incentives which now extend to 2023 have been designed to lock in the Executive team for a far longer period than is typical in most publicly listed companies. This helps to ensure that the Executive team are focused on generating long term sustainable value for shareholders, not just on meeting short term performance targets.
SUBSTANTIAL EQUITY HOLDINGS	In order to align the interests of Executive Directors and shareholders, the reward strategy is designed so that, provided performance is delivered, the Executive team become material (in relation to their overall compensation) shareholders in the Company.
REMUNERATION CAPS	The Committee is cognisant of the broader environment regarding executive remuneration and the potential concerns regarding the quantum available to Executive Directors notwithstanding the level of performance and growth which may have been achieved by the Company. The Committee considers the use of remuneration caps to be an appropriate response to these challenges.

A summary of our Remuneration Policy can be found on pages 112 to 115.

What was the remuneration of our new Executive Directors?
The RNS Announcement issued on 8 December 2017 set out the key elements of the remuneration packages for Justin Tibaldi and Paul Vallone on their appointment as Executive Directors of the Company. All elements of the remuneration are in line with the Remuneration Policy:

ELEMENT OF REMUNERATION	JUSTIN TIBALDI	PAUL VALLONE
Salary	£355,000	£355,000
Maximum Bonus Opportunity (%age of Salary)	200%	200%
2011 LTIP (options granted)	300,000	300,000
Pension Contribution (%age of Salary)	15%	15%
Benefits	Standard	Standard
LTIP Cap	£1,150,000	£1,150,000
Total Remuneration Cap	£2,400,000	£2,400,000

There are no legacy awards held by these Directors as all existing annual and deferred bonus and incentive entitlements lapsed on their appointment, other than awards under the 2011 LTIP.

What have we paid our Executives in the year?
The following table sets out the single figure of remuneration for the Executive Directors for the year.

EXECUTIVE DIRECTOR £'000	SALARY 2018	PENSION 2018	ANNUAL BONUS 2018(1)	LTIP 2018		TOTAL REMUNERATION 2018		BENEFITS 2018(6)	TOTAL 2018	TOTAL 2017
				Cap(2)	Actual(3)	Cap(4)	Actual(5)			
A W Pidgley	200	–	–	8,000	8,000	8,200	8,200	56	8,256	29,192
R C Perrins	545	92	1,635	5,500	5,500	8,000	7,772	34	7,806	27,963
R J Stearn	370	55	740	2,000	2,000	3,250	3,165	20	3,185	5,970
K Whiteman	355	53	710	2,000	2,000	3,250	3,118	24	3,142	6,173
S Ellis	355	53	781	3,750	3,750	5,000	4,939	21	4,960	12,740
J Tibaldi(7)	141	21	282	1,150	–	2,400	444	6	450	N/A
P Vallone(7)	141	21	282	1,150	–	2,400	444	7	451	N/A

Notes
1. This represents the contribution into the Bonus Plan for the level of performance achieved in the financial year. 50% of this contribution is deferred in shares or share equivalents. The actual payments made in the year are set out on page 102.
2. The LTIP Cap limits the value of the LTIP vesting in the year. This was introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM (see page 115 for further details).
3. This represents the second tranche of the 2011 LTIP that vested on 2 October 2017 at share price at £37.36 subject to the operation of the LTIP Cap (see table on page 103 for details). Where the LTIP value would have been greater without the Cap, it is the capped amount which is payable and therefore disclosed in the single figure of remuneration.
4. The Total Remuneration Cap limits the amount of total remuneration that has been earned over the financial year and is capable of being paid out. This was introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM (see page 113 for further details).
5. The Total Remuneration Cap operated for the 2017/18 financial year and where the remuneration would have been greater without the Cap, it is the capped amount which is payable and therefore disclosed in the single figure of remuneration.
6. Benefits, which are not included in calculating the remuneration cap, include a fully expensed company car or cash allowance alternative and medical insurance.
7. J Tibaldi and P Vallone became Executive Directors on 8 December 2017. The single figure includes their remuneration since joining the Board.

What is the equity exposure of our Executive Directors?
It is a core facet of Berkeley's remuneration policy that the Executive Directors acquire and hold material shareholdings in the Company, in order to align their interests with those of the Company's shareholders. The following table sets out all subsisting interests in the equity of the Company held by the Executive Directors at 30 April 2018. The number of shares of the Company in which current Executive Directors had a beneficial interest as at 30 April 2018 are set out in detail on page 104.

The table below illustrates the minimum shareholding requirements for the Executive Directors, the value of the shares they currently own and the value of share incentives held. The Company's minimum shareholding requirements are currently 400% of base salary for the Group Chairman and Group Chief Executive and 200% of base salary for other Executive Directors.

% OF SALARY	SHAREHOLDING REQUIREMENT	VALUE OF BENEFICIALLY OWNED SHARES	VALUE GAIN ON INTERESTS OVER SHARES (UNVESTED)
A W Pidgley	400%	90,541%	43,761%
R C Perrins	400%	9,565%	16,059%
R J Stearn	200%	1,422%	4,612%
K Whiteman	200%	2,967%	4,931%
S Ellis	200%	2,825%	11,094%
J Tibaldi	200%	191%	2,760%
P Vallone	200%	174%	2,760%

DIRECTORS' REMUNERATION REPORT

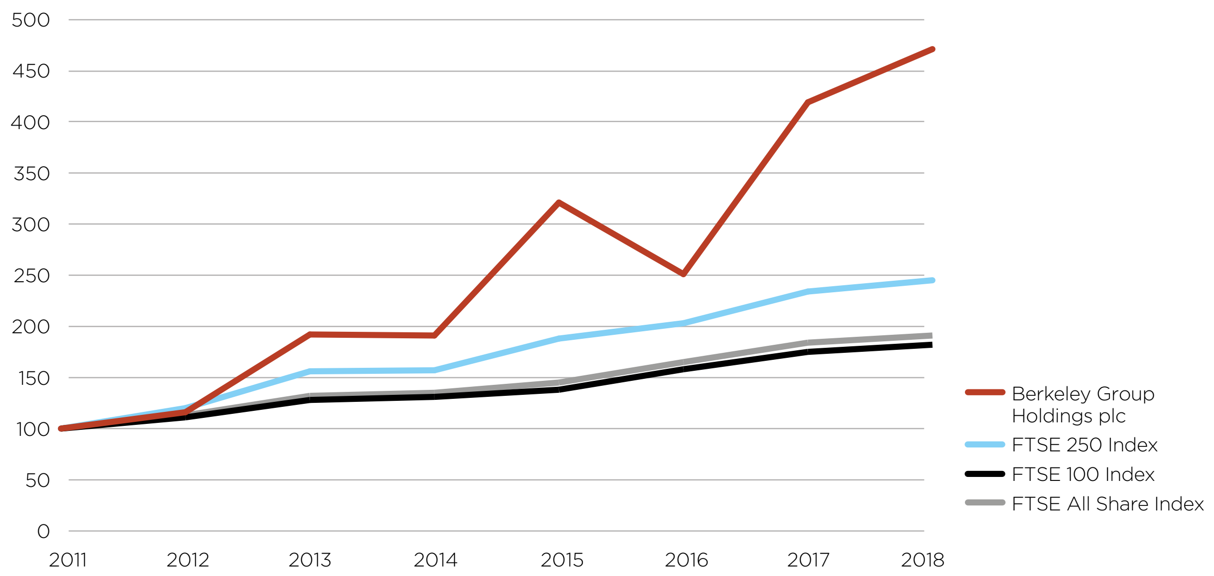
CONTINUED

All the Executive Directors exceed their minimum shareholding requirements.

Due to the large shareholdings of the Executive Directors, a relatively small change in the share price would have a material impact on their wealth. The ability for the Executive Directors to gain and lose dependent on the share price performance of the Company at a level which is material to their total remuneration is a key facet of the Company's Remuneration Policy.

How have we performed since the 2011 LTIP was introduced?
Berkeley's remuneration policy aims to encourage, reward and retain the Executives and ensure that their actions are aligned with the Company's strategy. In particular, the 2011 LTIP locks in the Executive team for at least 10 years, which is far longer than is typical in most publicly listed companies and ensures that they are focused on the long term performance of the company.

The following chart shows Berkeley's Total Shareholder Return ("TSR") performance against the FTSE 250, FTSE 100 and FTSE All Share indices since 2011.



How is our approach to incentives linked to the Company strategy?
The Company's overall strategic objective is to provide long-term sustainable risk adjusted returns to shareholders in an inherently cyclical market place. The Remuneration Committee's purpose in designing the 2011 LTIP and Bonus Plan was to ensure the incentivisation and retention of the Executive Directors to successfully meet this objective. Over the period since the introduction of these Plans the Committee has adjusted their implementation to support the operationalisation of this objective.

The following table summarises how the Plans meet the primary objective and how they have been adjusted to support the operationalisation of this objective over the period.

OBJECTIVE	BONUS PLAN	2011 LTIP
To provide long-term sustainable risk adjusted returns to shareholders in an inherently cyclical market place.	The Committee committed to setting performance conditions to ensure that, over the six year plan period, the average ROE and NAV growth targets were in the following ranges: — ROE range 20% to 25% p.a.; — NAV Growth range 0% to 5% p.a. The Plan complemented the 2011 LTIP by setting stretching ROE targets, a measure of annual profitability, underpinned by a net asset measure to ensure measured and consistent delivery of the Shareholder Returns. The Bonus Plan provides long-term alignment with shareholders and retention of participants through the deferral of part of any bonus earned each year in shares with the final payment from the Bonus Plan being six years after its introduction.	The 2011 LTIP targets significant returns to shareholders in cash over a sustained period of 10 years, whilst maximising the value of the ongoing business; creating a dynamic balance between investment in the business and cash returns. The 2011 LTIP provides long-term alignment with shareholders and the retention of participants through the use of options which may not be fully vested and exercised prior to 2023.
OPERATIONALISATION OF THIS OBJECTIVE		
Returns to shareholders enhanced resulting from performance and good market conditions following the Financial Crisis.		The Company announced in December 2015 that it was increasing the shareholder returns from £13.00 per share to £16.34 per share, reflecting the strength of the business following investment at the end of the Financial Crisis and strong subsequent London market.
Including share buy-backs as part of the returns to shareholders committed to by the Company as part of the strategy. Ensuring that returns are provided in the most value enhancing way to shareholders.		The Committee amended the 2011 LTIP so that share buy-backs would be included in the targeted levels of return to shareholders. To ensure no element of double benefit the exercise price of options is only reduced by actual dividend payments.
Provision of annual tranche payments of the return to shareholders to provide greater line of sight to when payments would be made and ensuring greater discipline on management around the timing of payments.		Following the amendment of the 2011 LTIP the options granted have been separated into individual tranches with an associated annual return target. If the annual return target is not met the options lapse.
Introduction of caps on remuneration to reflect the potential reputational issues of high levels of remuneration irrespective of the level of performance achieved.	In order to ensure a maximum level of remuneration payable to the Executive Directors in the year bonus payments are part of the remuneration subject to an annual Total Remuneration Cap.	There is a separate annual LTIP Cap which limits the value of options vesting in the year. In addition, to this LTIP Cap which applies to the Executive Directors there is an overall cap on the value of shares provided under the 2011 LTIP of £35 per share.

How do we share our success with our employees?
The Company believes in fairness throughout the organisation and sharing the Company's success with employees. The following table sets out our approach to remuneration throughout the organisation in more detail.

ELEMENT OF REMUNERATION	DETAILS
Salary	We set salaries to ensure that we remain competitive in the market and that levels are appropriate considering roles and responsibilities of individuals. We have also committed to ensuring that all our employees receive at least the voluntary Living Wage as set by the Living Wage Foundation.
Pension	We provide either a contribution to a pension arrangement or a payment in lieu of pension. The maximum pension contribution for employees is 15% of salary.
Benefits	We offer a range of benefits to our employees, including medical insurance.
Bonus	Each business operates a bonus scheme for its employees. For senior employees elements of the bonus plan are linked to the performance of the relevant Division and are deferred to ensure performance over the long term and to provide lock-in.
Medium term incentives	In addition, medium term incentive schemes are in place for all levels of staff, with currently over one third of all employees receiving awards under these schemes.

DIRECTORS' REMUNERATION REPORT

CONTINUED

PART C: ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report contains details of how the Company's remuneration policy for Directors was implemented during the financial year that ended on 30 April 2018. An advisory resolution to approve this report (including the Chairman's Statement) will be put to shareholders at the AGM in September 2018.

Single total figure of remuneration (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid in the 2017/18 financial year. The components of the single figure for 2017/18 are aligned with the calculation of the individual elements of remuneration for the purposes of the remuneration caps, which were introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM.

EXECUTIVE DIRECTOR £'000	SALARY 2018	PENSION 2018	ANNUAL BONUS 2018[1]	LTIP 2018		TOTAL REMUNERATION 2018		BENEFITS 2018[6]	TOTAL 2018
				Cap[2]	Actual[3]	Cap[4]	Actual[5]		
A W Pidgley	200	–	–	8,000	8,000	8,200	8,200	56	8,256
R C Perrins	545	92	1,635	5,500	5,500	8,000	7,772	34	7,806
R J Stearn	370	55	740	2,000	2,000	3,250	3,165	20	3,185
K Whiteman	355	53	710	2,000	2,000	3,250	3,118	24	3,142
S Ellis	355	53	781	3,750	3,750	5,000	4,939	21	4,960
J Tibaldi[7]	141	21	282	1,150	–	2,400	444	6	450
P Vallone[7]	141	21	282	1,150	–	2,400	444	7	451

Notes

1. This represents the contribution into the Bonus Plan for the level of performance achieved in the financial year. 50% of this contribution is deferred in shares or share equivalents. The actual bonus payments made in the year are set out on page 102.
2. The LTIP Cap limits the value of the LTIP vesting in the year. This was introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM (see page 115 for further details).
3. This represents the second tranche of the 2011 LTIP that vested on 2 October 2017 at share price at £37.36 subject to the operation of the LTIP Cap (see table on page 103 for details). Where the LTIP value would have been greater without the Cap, it is the capped amount which is payable and therefore disclosed in the single figure of remuneration.
4. The Total Remuneration Cap limits the amount of total remuneration that has been earned over the financial year and is capable of being paid out. This was introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM (see page 113 for further details).
5. The Total Remuneration Cap operated for the 2017/18 financial year and where the remuneration would have been greater without the Cap, it is the capped amount which is payable and therefore disclosed in the single figure of remuneration.
6. Benefits, which are not included in calculating the remuneration cap, include a fully expensed company car or cash allowance alternative and medical insurance.
7. J Tibaldi and P Vallone became Executive Directors on 8 December 2017. The single figure includes their remuneration since joining the Board.

Comparative figures for 2016/17, as disclosed in last year's Directors' Remuneration Report, are set out in the table below.

EXECUTIVE DIRECTOR (£'000)	SALARY 2017	BENEFITS 2017	ANNUAL BONUS 2017[1]	MULTI-YEAR INCENTIVE VESTING AWARDS 2017[2]	PENSIONS 2017	TOTAL 2017
A W Pidgley	**875**	53	1,312	26,803	149	29,192
R C Perrins	**530**	34	795	26,514	90	27,963
R J Stearn	**360**	19	360	5,177	54	5,970
K Whiteman	**345**	25	345	5,406	52	6,173
S Ellis	**345**	21	379	11,943	52	12,740

Notes

1. In accordance with the old Remuneration Policy, in 2016/17 the Company disclosed 50% of the contribution into the Bonus Plan for the level of performance achieved in the financial year because of the ongoing risk of performance based forfeiture of the deferred amount. Following consultation with shareholders on the new Policy and to provide greater transparency on what is actually earned in respect of the year 100% of the contribution is now disclosed under the new Policy.
2. The impact of the treatment under the old Remuneration Policy of bonus was that when the risk of performance based forfeiture was removed on the deferred amount it was disclosed in the single figure table as a multi-year incentive along with any vesting element of the 2011 LTIP. Under the new Policy because 100% of the contribution into the Bonus Plan for the level of performance achieved in the financial year is disclosed in respect of that year there will be no elements of deferred bonus disclosed as multi-year awards.

The table below sets out the single total figure of remuneration and breakdown for each Non-executive Director. Non-executive Directors do not participate in any of the Company's incentive arrangements nor do they receive benefits.

NON-EXECUTIVE DIRECTOR (£'000)	BASIC FEES		ADDITIONAL FEES[1]		TOTAL FEES	
	2018	2017	2018	2017	2018	2017
J Armitt	**116.0**	112.5	**–**	–	**116.0**	112.5
A Nimmo	**64.0**	62.0	**–**	–	**64.0**	62.0
G Barker	**64.0**	62.0	**13.0**	12.5	**77.0**	74.5
V Wadley	**64.0**	62.0	**–**	–	**64.0**	62.0
A Li	**64.0**	62.0	**–**	–	**64.0**	62.0
A Myers	**64.0**	62.0	**13.0**	12.5	**77.0**	74.5
D Brightmore-Armour	**64.0**	62.0	**–**	–	**64.0**	62.0
P Vernon[2]	**41.8**	N/A	**–**	N/A	**41.8**	N/A
R Downey[3]	**25.3**	N/A	**–**	N/A	**25.3**	N/A

Notes

1. Additional fees represent fees paid for the role of Committee Chairmanship.
2. P Vernon was appointed to Board as a Non-executive Director on 6 September 2017.
3. R Downey was appointed to Board as a Non-executive Director on 8 December 2017.

Additional details in respect of single total figure table (Audited)

Taxable benefits

Taxable benefits comprise a fully expensed company car or cash allowance alternative and medical insurance.

Annual Bonus

In respect of the financial year, the Executive Directors' performance was carefully reviewed by the Committee. The actual performance against the maximum targets under Bonus Plan for the performance year 2017/18 is set out below:

EXECUTIVE DIRECTOR	MAXIMUM ANNUAL BONUS (% OF SALARY)	RETURN OF EQUITY		NET ASSET VALUE GROWTH		ANNUAL BONUS CONTRIBUTION TO PLAN ACCOUNT FOR 2017/18 % OF MAXIMUM	ANNUAL BONUS CONTRIBUTION TO PLAN ACCOUNT FOR 2017/18 £'000
		Maximum Target	Actual	Maximum Target	Actual		
A W Pidgley[1]	–						–
R C Perrins	300%						1,635
R J Stearn	200%						740
K Whiteman	200%	30.0%	39.3%	5.0%	22.6%	100%	710
S Ellis	220%						781
J Tibaldi[2]	200%						710
P Vallone[2]	200%						710

Notes

1. Under the new Remuneration Policy with effect from 1 May 2017, A W Pidgley is no longer eligible to earn new contributions under the Bonus Plan. The balance of his Plan account will however continue to pay out in accordance with the terms and timings under the previous Remuneration Policy.
2. As stated in the RNS Announcement of their appointment J Tibaldi and P Vallone have participated in the Bonus Plan for the entire year. All their previous annual and deferred bonus and incentive entitlements lapsed on their appointment as Executive Directors, other than their existing awards under the Company's 2011 LTIP.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Further details of the matrix of targets against which performance has been assessed for the year ended 30 April 2018 is set out below:

PERFORMANCE REQUIREMENT MATRIX			NET ASSET VALUE GROWTH						
			<0%	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%
			0%	50%	60%	70%	80%	90%	100%
RETURN ON EQUITY	<25.0%	0%	0%	0%	0%	0%	0%	0%	0%
	25.0%	50%	0%	25%	30%	35%	40%	45%	50%
	27.0%	60%	0%	30%	36%	42%	48%	54%	60%
	29.0%	70%	0%	35%	42%	49%	56%	63%	70%
	31.0%	80%	0%	40%	48%	56%	64%	72%	80%
	33.0%	90%	0%	45%	54%	63%	72%	81%	90%
	35.0%	100%	0%	50%	60%	70%	80%	90%	100%

Notes
1. The matrix shows the percentage of each of the performance requirements for a given level of performance and the corresponding percentage of the targeted maximum annual bonus potential that could be earned for 2017/18.
2. Straight line bonus vesting between points.
3. Return on Equity (ROE) is defined as profit before tax divided by average shareholders' funds.
4. Net Asset Value Growth is defined as the annual percentage increase in the Net Asset Value.

Whilst the bonus payable for all the Executive Directors will be determined based on the satisfaction of the Group targets, divisional performance continues to be an important part of the Committee's assessment. The Committee assessed the performance of each individual division and Director for 2017/18 and determined that the bonus as calculated was reflective of performance during the period. The Committee did not use any discretion during the period to adjust bonus amounts.

Bonus earned but deferred under the Bonus Plan (Audited)
Under the Bonus Plan, the earned bonus for the year is added to each individual Director's plan account. 50% of the balance of the Plan account at the end of the financial year is released in cash and 50% deferred. See the summary of the Remuneration Policy on page 112 for details of the operation of the Bonus Plan.

EXECUTIVE DIRECTOR	A. PLAN ACCOUNT BROUGHT FORWARD	B. PLAN ACCOUNT BROUGHT FORWARD[1]	C. CONTRIBUTION INTO PLAN ACCOUNT FOR THE FINANCIAL YEAR 2017/18[2]	D. PLAN ACCOUNT BALANCE FOLLOWING CONTRIBUTION FOR FINANCIAL YEAR 2017/18	E. AMOUNT PAID FOLLOWING CONTRIBUTION FOR FINANCIAL YEAR 2017/18 (50% OF COLUMN D)	F. PLAN ACCOUNT CARRIED FORWARD	G. PLAN ACCOUNT CARRIED FORWARD[3]
	SHARES	£'000	£'000	£'000	£'000	£'000	SHARES
A W Pidgley[4]	62,781	2,624	—	2,624	(1,312)	1,312	32,227
R C Perrins	38,031	1,590	1,635	3,225	(1,612)	1,612	39,598
R J Stearn	17,225	720	740	1,460	(730)	730	17,928
K Whiteman	16,500	690	710	1,400	(700)	700	17,188
S Ellis	18,150	759	781	1,540	(770)	770	18,907
J Tibaldi[5]	—	—	710	710	(355)	355	8,718
P Vallone[5]	—	—	710	710	(355)	355	8,718
Total	**152,687**	**6,383**	**5,286**	**11,669**	**(5,834)**	**5,834**	**143,284**

Notes
1. Converted at a share price of £40.72 at 30 April 2018 plus £0.5176 dividend paid on 15 September 2017 and £0.5675 dividend paid on 23 March 2018.
2. Contribution into the plan account for the year is the amount disclosed in the single figure table for 2017/18.
3. Converted at a share price of £40.72 at 30 April 2018.
4. Under the new Remuneration Policy which took effect on 1 May 2017, A W Pidgley is no longer eligible to earn new contributions under the Bonus Plan. The balance of his Plan account will however continue to pay out in accordance with the terms and timings under the previous Remuneration Policy.
5. As stated in the RNS Announcement of their appointment J Tibaldi and P Vallone have participated in the Bonus Plan for the entire year. The 2017/18 financial year was their first year of participation and therefore there is no Plan account balance to be brought forward. All their previous annual and deferred bonus and incentive entitlements lapsed on their appointment as Executive Directors, other than their existing awards under the Company's 2011 LTIP. The amount disclosed in the single figure table reflects the amount for the period since appointment to the Board.
6. All amounts are rounded to the nearest £'000.

Long term incentives (Audited)
The second vesting of options under the 2011 LTIP occurred on 2 October 2017. The maximum level of options capable of vesting was 13.4% of the total grant provided that £277.7 million of shareholder returns had been made in the year to September 2017, through a combination of dividends and share buy-backs. This performance condition was met in full and therefore 13.4% of options vested.

The table below sets out the numbers of options over shares that vested for each Executive Director and the achievement against the conditions required for vesting taking into account the application of the LTIP Caps (see page 115 for further information on the LTIP Caps).

	OPTIONS GRANTED UNDER 2011 LTIP	PERCENTAGE OF OPTIONS CAPABLE OF VESTNG	PERFORMANCE MEASURE AND OUTCOME	OPTIONS CAPABLE OF VESTING	VALUE OF GAIN ON VESTED OPTIONS[1]	LTIP CAP (AND VALUE VESTING)[2]	NUMBER OF OPTIONS VESTED (AFTER APPLICATION OF CAP)[3]	VALUE ABOVE THE LTIP CAP[4]	BANKED OPTIONS[5]
A W Pidgley	5,000,000	13.4%	£277.7m of shareholder returns from October 2016 to 30 September 2017 — 100% achieved	670,000	19,249,100	8,000,000	278,455	11,249,100	391,545
R C Perrins	5,000,000			670,000	19,249,100	5,500,000	191,438	13,749,100	478,562
R J Stearn	954,328			127,880	3,673,991	2,000,000	69,614	1,673,991	58,266
K Whiteman	1,000,000			134,000	3,849,820	2,000,000	69,614	1,849,820	64,386
S Ellis	2,250,000			301,500	8,662,095	3,750,000	130,526	4,912,095	170,974

Notes:
1. The value of gain on the options at vesting is calculated using the closing middle market share price of £37.36 on 2 October 2017 (the date the options vested and became exercisable) less the exercise price of £8.63 per share.
2. The LTIP Cap limits the value of the LTIP vesting in the year. This was introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM (see page 115 for further details). The LTIP Cap operated for the 2017/18 financial year and where the LTIP value would have been greater without the Cap, it is the capped amount which is payable and therefore disclosed in the single figure of remuneration.
3. This is the actual number of options which vested on 2 October 2017 and can be exercised by the participants.
4. This is the value of the options above the LTIP Cap which would have vested had the Cap not operated.
5. This is the number of options representing the value above the Cap. which are banked and capable of vesting at a future vesting date.
6. Each Executive Director exercised all the options that vested on 2 October 2017. Under the rules of the Plan, after the sale of shares to pay tax, only 10% of shares are permitted to be sold each year until 30 September 2023 at which point the sale restriction falls away.
7. J Tibaldi and P Vallone became Executive Directors on 8 December 2017 and their awards under the 2011 LTIP, following their appointment, will also be subject to the LTIP cap, as set out on page 115 .

Total pension entitlements (Audited)
No Executive Directors participate in any defined benefit arrangements.

As set out in the 2017 EGM Notice from 1 May 2017, A W Pidgley no longer receives a pension contribution from the Company.

S Ellis is a member of a defined contribution scheme and received a contribution equal to 15% of salary. P Vallone is also a member of a defined contribution scheme and received an element of his pension entitlement of 15% of salary as contributions, with the remainder received by way of payments in lieu of a pension contribution from the Company.

No amounts were paid into pension arrangements in respect of R C Perrins, K Whiteman, R J Stearn and J Tibaldi during the year ended 30 April 2018, who instead received payments in lieu of a pension contribution from the Company (2017/18: percentages of salary 17%, 15%, 15%, and 15% respectively).

Payments to past Directors (Audited)
During the period the Company settled the proceedings brought by Mr Nicolas Simpkin, its former Finance Director, in the Employment Tribunal and High Court. Under the settlement Berkeley made a payment of £4.95 million to Mr Simpkin and a further payment of £4.55 million towards his legal fees and disbursements. On being dismissed by the Company, Mr Simpkin's options over 3.5 million shares in the Company lapsed. All allegations made by Mr Simpkin in the proceedings have been withdrawn.

Payments for loss of office (Audited)
None.

DIRECTORS' REMUNERATION REPORT

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Directors' shareholding and share interests (Audited)
The Company has a shareholding requirement for both Executive and Non-executive Directors, linked to base salary or net fee they receive from the Company. In the case of the Chairman and Chief Executive this is 400% of base salary, for other Executive Directors 200% of base salary and for the Non-executive Directors 100% of net fees. This should be achieved within five years of appointment for Executive Directors and three years of appointment for Non-executive Directors.

Using the Company's closing share price of £40.72 on 30 April 2018, compliance with these requirements was as follows:

EXECUTIVE DIRECTOR[1]	OBLIGATION (% BASE SALARY)	ACTUAL SHAREHOLDING AS % BASE SALARY AT 30 APRIL 2018	ACHIEVEMENT AT 30 APRIL 2018
A W Pidgley	400%	90,541%	√
R C Perrins	400%	9,565%	√
R J Stearn	200%	1,422%	√
K Whiteman	200%	2,967%	√
S Ellis	200%	2,825%	√
J Tibaldi[1]	200%	191%	n/a
P Vallone[1]	200%	174%	n/a

NON-EXECUTIVE DIRECTOR[2]	OBLIGATION (% NED NET FEES)	ACTUAL SHAREHOLDING AS % NET FEES AT 30 APRIL 2018	ACHIEVEMENT AT 30 APRIL 2018
J Armitt	100%	518%	√
A Nimmo	100%	240%	√
G Barker	100%	1,096%	√
V Wadley	100%	463%	√
A Li	100%	2,401%	√
A Myers	100%	299%	√
D Brightmore-Armour	100%	120%	√
P Vernon[2]	100%	–	n/a
R Downey[2]	100%	–	n/a

Notes
1. To be achieved within 5 years of appointment.
2. To be achieved within 3 years of appointment

The table below summarises the Directors' interests in shares at 30 April 2018.

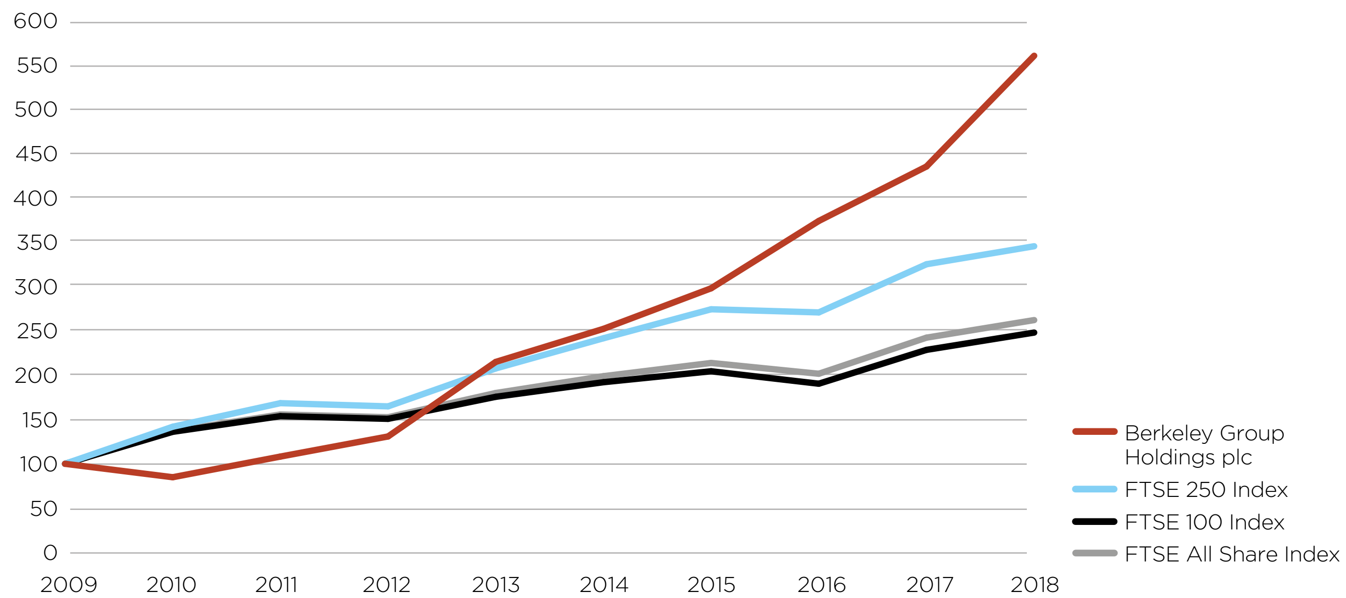
		PLAN INTERESTS — OPTIONS AND AWARDS OVER SHARES		
EXECUTIVE DIRECTOR	BENEFICIALLY OWNED SHARES[1]	2011 LTIP OPTION INTERESTS SUBJECT TO CONDITIONS[2]	OTHER AWARDS SUBJECT TO CONDITIONS[3]	TOTAL INTERESTS HELD
A W Pidgley	4,446,995	2,680,000	–	2,680,000
R C Perrins	1,280,158	2,680,000	–	2,680,000
R J Stearn	129,170	511,520	8,834	520,354
K Whiteman	258,634	536,000	–	536,000
S Ellis	246,327	1,206,000	–	1,206,000
J Tibaldi	16,654	300,000	–	300,000
P Vallone	15,210	300,000	–	300,000

		PLAN INTERESTS — OPTIONS AND AWARDS OVER SHARES		
NON-EXECUTIVE DIRECTOR	BENEFICIALLY OWNED SHARES[1]	2011 LTIP OPTION INTERESTS SUBJECT TO CONDITIONS[2]	OTHER AWARDS SUBJECT TO CONDITIONS[3]	TOTAL INTERESTS HELD
J Armitt	8,112	–	–	–
A Nimmo	2,000	–	–	–
G Barker	10,982	–	–	–
V Wadley	4,000	–	–	–
A Li	20,000	–	–	–
A Myers	3,000	–	–	–
D Brightmore-Armour	1,000	–	–	–
P Vernon[4]	–	–	–	–
R Downey[5]	–	–	–	–

Notes
1. Beneficial interests include shares held directly or indirectly by connected persons.
2. The second tranche of the 2011 LTIP awards vested and were exercised during the year by the Executive Director participants (see page 103 for details).
3. Other share awards subject to conditions relate to the buy-out shares awarded to R J Stearn on joining Berkeley on 13 April 2015 (the performance conditions on these shares had been met at the point of the buy-out). Full details were set out in the 2014/15 Directors' Remuneration Report. In the event that dealing restrictions were to apply when awards vest, the Company decided that share awards would be converted into a nil-cost option over the same number of shares on 29 April 2016. The change provides no additional benefit to R J Stearn.
4. P Vernon was appointed to Board as a Non-executive Director on 6 September 2017.
5. R Downey was appointed to Board as a Non-executive Director on 8 December 2017.

There are no vested but unexercised options. Between 30 April 2018 and the date this report was signed there were no changes to the beneficial interests shown above.

Performance and Group Chairman and Chief Executive pay over past 9 years
The graph below shows the Company's performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE 250, FTSE 100 and the FTSE All Share indices. The Company considers these the most relevant indices for total shareholder return disclosure required under these Regulations.



Notes
1. Total shareholder return ("TSR") is a measure showing the return on investing in one share of the Company over the measurement period (the return is the value of the capital gain and reinvested dividends). This calculation is then carried out for the relevant indices.

DIRECTORS' REMUNERATION REPORT

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The table below shows the remuneration of the Chairman and Chief Executive for each of the financial years shown in the graph on page 105. Given the nature of the roles of A W Pidgley and R C Perrins, the table below provides information on both individuals.

EXECUTIVE DIRECTOR	SINGLE TOTAL FIGURE OF REMUNERATION (£'000)(1)		ANNUAL BONUS PAY-OUT (AS % MAXIMUM OPPORTUNITY)(2)	MULTI-YEAR INCENTIVE VESTING AWARDS (AS % MAXIMUM OPPORTUNITY)
	A W PIDGLEY CHAIRMAN	R C PERRINS CHIEF EXECUTIVE		
2017/18	8,256	7,806	100%	100%/See Note 7
2016/17	29,192	27,963	100%	100%/See Note 6
2015/16	21,489	10,993	100%	100%/See Note 5
2014/15	23,296	12,357	100%	100%/See Note 4
2013/14	3,757	2,271	100%	
2012/13	3,638	2,198	100%	See Note 3
2011/12	2,799	1,692	100%	
2010/11	2,033	1,226	100%	n/a
2009/10	2,406	1,127	100%	n/a

Notes
1. Single figure of total remuneration for each year has been calculated in accordance with the Regulations.
2. From 2010/11 onwards the annual bonus pay-out figures represent annual Company contributions under the Bonus Plan, introduced in 2010/11 and then the new six year Bonus Plan put in place for 2015/16.
3. 2011/12, 2012/13 and 2013/14 Multi-year vesting awards represent deferred awards that were released during the year under the initial Bonus Plan. In accordance with the initial Bonus Plan rules the Company's contribution is earned based on the satisfaction of the annual performance conditions. Part of the Company contribution is provided as a deferred award. 100% of these deferred awards will be paid out unless there has been forfeiture during the deferral period and subject to continued employment at the date of release. At the year ended 30 April 2015, the last financial year of the initial Bonus Plan, there were no forfeiture events under the Bonus Plan.
4. 2014/15 Multi-year vesting represents the 2009 LTIP Part B awards that vested during the year and the deferred Bonus Plan awards as per note 3 above.
5. 2015/16 Multi-year vesting represents the 2009 LTIP Part B awards that vested during the year.
6. 2016/17 Multi-year vesting represents the 2011 LTIP first tranche that vested during the year and deferred awards that were released during the year under the Bonus Plan.
7. 2017/18 Multi-year vesting represents the 2011 LTIP second tranche that vested during the year (see table on page 103 for details) and deferred awards that were released during the year under the Bonus Plan (see table on page 102 for details).

Percentage change in Chief Executive's remuneration

The Committee has determined that for 2017/18 and on an ongoing basis it will disclose only the percentage change in the Chief Executive's pay. This follows the changes to the Chairman's remuneration as part of the Remuneration Policy approved by shareholders at the 2017 AGM where on an ongoing basis he receives fees only and payments from the legacy incentive awards he holds.

The following table compares the Chief Executive's pay (including salary, taxable benefits and annual bonus) between 2016/17 and 2017/18, with the wider employee population. The Company considers the full-time employee population, excluding the Main Board, to be an appropriate comparator group and the most stable point of comparison:

	2016/17 TO 2017/18 YEAR ON YEAR CHANGE (%)	
	R C PERRINS CHIEF EXECUTIVE	GROUP EMPLOYEES
Base salary	2.8%	4.6%
Taxable benefits	(0.2%)	(9.0%)
Annual bonus	2.8%	4.2%

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2017/18 and 2016/17 financial years compared with distributions to shareholders.

	2017/18 (£M)	2016/17 (£M)	% CHANGE
Remuneration of Group employees (including Directors)	220	194	13%
Distributions to shareholders	287	299	(4%)

Statement of implementation of Remuneration Policy for 2018/19
Executive Directors

The Remuneration Policy and its implementation for the forthcoming financial year is summarised below. As disclosed in our 2016/17 Directors' Remuneration Report, the Remuneration Committee has determined under the new Remuneration Policy that the only remuneration payable to the Chairman other than an annual fee of £200,000 will be provided through the award that was granted to him under the 2011 LTIP (provided the performance conditions are met) and the earned balance in his Bonus Plan account which will continue to pay out in line with the rules of the Plan. There will be no entitlement to other salary, pension or bonus.

Salary: In reviewing the salaries of the Executive Directors for 2018/19, the Committee has also taken account of the employment conditions and salary increases awarded to employees throughout the Group, which were on average 4.4%. The salaries for 2018/19 are set out below:

EXECUTIVE DIRECTOR	2017/18 SALARY (£'000)	2018/19 SALARY(1) (£'000)	% CHANGE	FTSE 100 — £'000		
				LOWER QUARTILE	MEDIAN	UPPER QUARTILE
A W Pidgley(2)	200	200	—	310	410	575
R C Perrins	545	545	—	793	890	1,102
R J Stearn	370	370	—	473	568	718
K Whiteman	355	355	—	426	539	699
S Ellis	355	355	—	426	539	699
J Tibaldi	355	355	—	426	539	699
P Vallone	355	355	—	426	539	699

Notes
1. The Remuneration Committee awarded the Executive Directors salary increases of 2.8% for 2018/19 but the Executives decided not to take these in recognition of the uncertainty in today's operating environment.
2. As set out in the 2017 EGM Notice, from 1 May 2017, A W Pidgley's salary for 2017/18 and ongoing was set at an annual fee of £200,000. This fee is benchmarked in the table above against fees for Non-executive Chairmen.

Benefits and Pension: The pension contributions for 2018/19 are as follows:

EXECUTIVE DIRECTOR	2018/19 PENSION CONTRIBUTION (% OF SALARY)
A W Pidgley(1)	0%
R C Perrins	17%
R J Stearn	15%
K Whiteman	15%
S Ellis	15%
J Tibaldi	15%
P Vallone	15%

Notes
1. As set out in the 2017 EGM Notice, from 1 May 2017, A W Pidgley no longer receives a pension contribution from the Company.

No changes proposed to benefits in 2018/19.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Bonus Plan: The maximum bonus opportunities for the year ending 30 April 2019, the third year of operation, are set out below. As set out in the 2017 EGM Notice, A W Pidgley will no longer be eligible to earn new contributions under the Bonus Plan going forward. The maximum bonus potential for the other Executive Directors are the same as those provided last financial year.

EXECUTIVE DIRECTOR	R C PERRINS	R J STEARN	K WHITEMAN	S ELLIS	J TIBALDI	P VALLONE
Maximum Bonus (% of salary)	300%	200%	200%	220%	200%	200%

The table below sets out the targets in respect of the forthcoming year for all Executive Directors.

Group performance condition (year ending 30 April 2019)
In line with best practice bonus targets are disclosed prospectively in full.

PERFORMANCE REQUIREMENT MATRIX			NET ASSET VALUE GROWTH						
			<0%	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%
			0%	50%	60%	70%	80%	90%	100%
RETURN ON EQUITY	<20.0%	0%	0%	0%	0%	0%	0%	0%	0%
	20.0%	50%	0%	25%	30%	35%	40%	45%	50%
	21.5%	60%	0%	30%	36%	42%	48%	54%	60%
	23.0%	70%	0%	35%	42%	49%	56%	63%	70%
	24.5%	80%	0%	40%	48%	56%	64%	72%	80%
	26.0%	90%	0%	45%	54%	63%	72%	81%	90%
	27.5%	100%	0%	50%	60%	70%	80%	90%	100%

The Committee when setting the Group performance conditions follows the approach agreed with shareholders as part of the approval of the Bonus Plan. The Committee committed to setting performance conditions to ensure that, over the six year plan period, the average ROE and NAV growth targets were in the following ranges:

— ROE range 20% to 25% p.a.;

— NAV Growth range 0% to 5% p.a.

The Committee believes that taking into account the market faced by the Company and the strategy set that the above targets are suitably challenging given the incentive opportunity that can be earned. The ROE targets reflect the Company's expectations on performance over the next period in the context of the prevailing market uncertainty and risk. The Company noted in last year's report that profitability would normalise from 2018/19, following the delivery of exceptional profits generated from investment made at the end of the Financial Crisis which has seen annualised ROE of approximately 35% over the first three years of the six year Bonus Plan. The targets set for 2018/19, at 20% to 27.5% are above the long-term average set for the Plan and reflect the beginning of this transition.

The NAV Growth condition remains the same as the Committee believes this together with the ROE condition provide the appropriate dynamic tension with the requirement to pay dividends whilst maintaining the Company's asset base.

Whilst the bonus payable for all the Executive Directors will be determined by the satisfaction of the Group targets, the divisional performance continues to be an important part of the Committee's assessment. At the discretion of the Committee the failure of a particular Division to meet its individual targets may result in a reduction to the bonus amount paid to the relevant Divisional Director.

Long term incentives: The current Executive Directors will not be granted additional options under the 2011 LTIP.

Caps on LTIP Value and Total Remuneration: For 2017/18 and onwards the Remuneration Committee has introduced remuneration caps on the value provided under the Remuneration Policy each year. The following table shows the annual LTIP Cap and the Total Remuneration Cap for each Executive Director.

EXECUTIVE DIRECTOR	LTIP CAP (1) (£'000)	OTHER ELEMENTS (SALARY, BONUS & PENSION) (£'000)	TOTAL REMUNERATION CAP (1) (£'000)
A W Pidgley(2)	8,000	200	8,200
R C Perrins	5,500	2,500	8,000
R J Stearn	2,000	1,250	3,250
K Whiteman	2,000	1,250	3,250
S Ellis	3,750	1,250	5,000
J Tibaldi	1,150	1,250	2,400
P Vallone	1,150	1,250	2,400

Notes
1. The Total Remuneration Cap covers Salary, Bonus; Pension; and LTIP options. The LTIP Cap covers the value at vesting of LTIP options and is a separate cap within the overall Total Remuneration Cap. In the operation of the LTIP Cap where shares have vested as a result of the performance conditions being met but the value is capped in a given year, the balance of the shares will be banked and carried forward. This banked balance will still be subject to continued employment but will become exercisable at the next vesting date provided the Caps are not exceeded. This process will continue until 2023 at which point any banked shares which have not become exercisable will lapse. The Remuneration Committee has extended the period over which banked shares become exercisable to 2023 to provide a longer lock-in of participants. The LTIP Cap provides an extension of two years from when the 2011 LTIP was originally due to finish in 2021.
2. From 1 May 2017, the Remuneration Committee determined under the Remuneration Policy that the only remuneration payable to the Chairman is a fixed fee of £200,000 p.a., other than the award that was granted to him under the 2011 LTIP, which will be subject to the new remuneration caps, and the earned balance in his Bonus Plan account which will continue to pay out in line with the rules of the Plan. There will be no entitlement to other salary, pension or bonus. The Remuneration Committee believes that the Chairman should primarily be rewarded through the equity incentives which reflect both the historic value he has helped create and his ongoing strategic role with the Company to ensure an alignment of his interests with shareholders.

Non-executive Directors
The following table sets out the fee rates for the Non-executive Directors in the year ended 30 April 2018 and those rates which will apply in the year ending 30 April 2019:

NON-EXECUTIVE DIRECTOR	2017/18 (£'000)	2018/19 (£'000)	% CHANGE
Deputy Chairman and SID fees	116.0	119.5	3.0%
Basic Fee (1)	64.0	66.0	3.1%
Additional fee for chairmanship of Committee	13.0	13.0	—

Notes
1. The fee for Sir John Armitt, the outgoing SID and Deputy Chairman, has been set at £80,000, reflecting his experience and pre-eminent standing in construction and infrastructure, and the value he continues to add to the Board.

DIRECTORS' REMUNERATION REPORT

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Service contracts
Details of the service contracts or letters of appointment for the current Directors are as follows:

EXECUTIVE DIRECTOR	DATE OF CONTRACT/ LETTER OF APPOINTMENT	EXPIRY DATE	NOTICE PERIOD BY COMPANY OR DIRECTOR
A W Pidgley	24 June 1994	Rolling service contract with no fixed expiry date	12 months
R C Perrins	15 July 2002	Rolling service contract with no fixed expiry date	12 months
R J Stearn	3 October 2014	Rolling service contract with no fixed expiry date	12 months
K Whiteman	15 January 1996	Rolling service contract with no fixed expiry date	12 months
S Ellis	5 May 2004	Rolling service contract with no fixed expiry date	12 months
J Tibaldi	30 June 1999	Rolling service contract with no fixed expiry date	12 months
P Vallone	25 September 1990	Rolling service contract with no fixed expiry date	12 months

NON-EXECUTIVE DIRECTOR	DATE OF CONTRACT/ LETTER OF APPOINTMENT	EXPIRY DATE	NOTICE PERIOD BY COMPANY OR DIRECTOR
J Armitt	1 October 2007	Renewable annually on 1 May	n/a
A Nimmo	5 September 2011	Renewable annually on 1 May	n/a
G Barker	3 January 2012	Renewable annually on 1 May	n/a
V Wadley	3 January 2012	Renewable annually on 1 May	n/a
A Li	2 September 2013	Renewable annually on 1 May	n/a
A Myers	6 December 2013	Renewable annually on 1 May	n/a
D Brightmore-Armour	1 May 2014	Renewable annually on 1 May	n/a
P Vernon	6 September 2017	Renewable annually on 1 May	n/a
R Downey	8 December 2017	Renewable annually on 1 May	n/a

All service contracts and letters of appointments are available for viewing at the Company's registered office. The Company's practice is to appoint the Non-executive Directors under letters of appointment, which are renewable annually on 1 May. They are subject to the provisions of the Articles of Association dealing with appointment and rotation every three years, however in accordance with the UK Corporate Governance code all Directors are subject to annual re-election.

When setting notice periods for Executive Directors, the Committee has regard to market practice and corporate governance best practice. Notice periods will not be greater than 12 months.

Consideration by the Directors of matters relating to Directors' remuneration
Members of the Committee
The Committee currently comprises of three Independent Non-executive Directors, G Barker (Chairman), A Myers and P Vernon. Sir J Armitt stood down as a member of the Committee on 18 April 2018, and P Vernon was appointed to the Committee on 18 April 2018. The members of the Committee 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 the running of the business.

DIRECTOR	NUMBER OF MEETINGS DURING FINANCIAL YEAR	NUMBER OF MEETINGS ATTENDED
G Barker	3	3
Sir J Armitt	3	3
A Myers	3	3

Role of the Committee and activities
The key responsibilities of the Committee are to:

— Determine and agree with the Board the broad policy for the remuneration of the Executive Directors. This includes salary, Bonus Plans, share options, other share based incentives and pensions;

— Determine the performance conditions for the Bonus Plan operated by the Company and approve the total annual payments made under this Plan;

— Determine all share incentive plans for approval by the Board and shareholders;

— Take into account the views of shareholders when determining plans under the Remuneration Policy;

— Ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company and that failure is not rewarded; and

— Note annually the remuneration trends and any major changes in employee benefit structures across the Company or Group.

The Committee has formal terms of reference which describes its full remit. These can be downloaded from the section dealing with Investor Relations on the Berkeley website (www.berkeleygroup.co.uk).

The Committee's activities during the 2017/18 financial year included:

MEETING	ITEMS DISCUSSED
June 2017	— Annual performance targets under the Bonus Plan — Draft Remuneration Report for the year ended 30 April 2017 — Pay review for the Group for the year ended 30 April 2017
November 2017	— Market trends and governance review
March 2018	— Executive Remuneration Benchmarking report — Operation of LTIP caps

Advisors to the Committee
In determining the Executive Directors' remuneration for the year, the Committee consulted with the Chairman, A W Pidgley, the Chief Executive, R C Perrins and the Finance Director, R J Stearn. No Director played a part in any discussion about his own remuneration.

PricewaterhouseCoopers LLP (PwC) are the independent remuneration advisor to the Committee. PwC also provided Berkeley with tax advisory services during the year. The Committee reviewed the nature of the other services provided by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fixed fees of £50,000 were provided to PwC during the year in respect of remuneration advice received.

Statement of Voting at General Meeting
The table below shows the binding vote approving the Directors' Remuneration Policy at the 2017 EGM and the advisory vote on the Annual Report on Remuneration at the 2017 AGM.

	VOTES FOR	%	VOTES AGAINST	%	VOTES WITHHELD
Directors' Remuneration Policy	95,192,980	97.18	2,737,132	2.79	1,774,458
Annual Report on Remuneration	81,907,253	83.91	15,701,650	16.09	19,222

The Remuneration Committee believes that with the very strong vote for the Directors Remuneration Policy there is no requirement to amend the Policy or its operation for the year ahead.

DIRECTORS' REMUNERATION REPORT

CONTINUED

PART D: REMUNERATION POLICY SUMMARY

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Directors' Remuneration Policy has been presented in this report in summary given that the Policy was approved at the 2017 EGM and it is not intended to move a similar resolution again at the 2018 AGM. The Directors' Remuneration Policy is available to view in full on the Company's website at www.berkeleygroup.co.uk/investor-information/corporate-governance.

OBJECTIVE AND LINK TO STRATEGY	KEY FEATURES	MAXIMUM OPPORTUNITY	PERFORMANCE CONDITIONS AND ASSESSMENT
EXECUTIVE DIRECTORS			
Base salary To recruit and retain Executive Directors of the appropriate calibre and experience to achieve the Company's business strategy.	An Executive Director's basic salary is set on appointment and reviewed annually (effective from 1 May each year) or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: — the Executive Director's experience and responsibilities; — the performance of the individual Executive Director and the Group; — pay and conditions throughout the Group; — general salary rises to employees; — the economic environment; and — levels of base salary for similar positions with comparable status, responsibility and skills in peers.	Typically, the base salaries of Executive Directors in post at the start of the Policy Period and who remain in the same role throughout the Policy Period will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group. The Total Remuneration Cap may apply to salary.	There are no performance conditions on salary. However, the performance of the individual and the Company are reflected in the salary they are paid. No recovery provisions apply.
Pension and benefits To provide competitive levels of retirement benefits.	The Company's policy is either to provide a contribution to a pension arrangement or provide payments in lieu of pension. Other benefits are provided to the Executive Directors including a fully expensed company car or cash allowance alternative, medical insurance and other benefits may be provided from time to time.	The maximum pension contribution allowance for Executive Directors is 20% of salary. Levels of benefits are defined by market rates.	No performance or recovery provisions apply.
Annual bonus Aligns reward to the key objectives linked to short to medium term performance whilst ensuring that there is a balance between incentivising the Executive Directors, providing a sustainable ongoing level of return to shareholders and ensuring the long term sustainability of the Company.	Under the Bonus Plan, awards are earned annually over a six year plan period, subject to stretching performance targets, which are set at the beginning of the plan year. 50% of a participant's plan account will be paid out annually for the first five years with 100% of the balance paid at the end of the sixth plan year. Malus applies up to the date of payment. Clawback applies three years post the date of payment.	The maximum bonus opportunity is 300% of salary for any plan year. In operation of the Bonus Plan the following maximums are currently applied: R C Perrins 300%; R J Stearn 200% K Whiteman 200% S Ellis 220% J Tibaldi 200% P Vallone 200% The Total Remuneration Cap may apply to new awards earned under the Bonus Plan.	An award under the Bonus Plan is subject to satisfying financial and strategic/ operational performance/ personal performance conditions and targets measured over a period of one financial year. The current performance condition is a matrix of Return on Equity (ROE) and Net Asset Value Growth (NAV). There is a risk adjustment mechanism built into the operation of the Bonus Plan. If the threshold levels of ROE or NAV are not met for any financial year during the six years of operation of the Bonus Plan up to 50% of a participant's plan account will be forfeited.

Long term Incentives No plan available for new grants during the Policy Period to current Executive Directors.	No plan available for new grants during the three year Policy Period unless, on recruitment, where a new Executive Director may be eligible to participate in the 2011 LTIP and also provided the total number of awards granted to all participants do not exceed the limits agreed with shareholders at the 2011 AGM. Further details on the operation of the 2011 LTIP are set out below this table.		
Total Remuneration Cap To achieve a balance between the need to reward and incentivise the Executive Directors to implement the Company strategy and the interests of other stakeholders in the Company.	Individual caps will limit the amount of total remuneration that has been earned over the financial year and is capable of being paid out. Individual Total Remuneration Caps are in addition to the LTIP Cap. The elements of remuneration subject to the Total Remuneration Cap are: — salary; — bonus; — pension; and — 2011 LTIP (also subject to a separate LTIP Cap). Where the total remuneration would exceed the Total Remuneration Cap the 2011 LTIP vesting will be reduced first followed by the bonus.	The Total Remuneration Caps for the Executive Directors commencing on 1 May 2017 are set out below: (see table below)	None
Shareholding requirement To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	The Committee operates a system of shareholder guidelines to encourage long term share ownership by the Executive Directors. This should be achieved within five years of appointment for Executive Directors.	400% of base salary for the Group Chairman and Chief Executive. 200% of base salary for other Executive Directors.	
NON-EXECUTIVE DIRECTORS			
To attract Non-executive Directors with the requisite skills and experience to contribute to the strategy of the Company and to review its implementation.	Each Non-executive Director receives a fee which relates to membership of the Board and additional fees are paid for Committee Chairmanship. Changes are effective from 1 May each year. Shareholding requirement for Non-executive Directors equal to 100% of net fees. Non-executive Directors do not participate in any variable remuneration or benefits/ pension arrangements.	In general fee rises will be limited to the level provided to employees of the Company as a whole.	None

	TOTAL REMUNERATION CAP P.A. (£'000'S)
A W PIDGLEY	8,200
R C PERRINS	8,000
R J STEARN	3,250
K WHITEMAN	3,250
S ELLIS	5,000
J TIBALDI	2,400
P VALLONE	2,400

DIRECTORS' REMUNERATION REPORT

CONTINUED

2011 LTIP

The following subsisting options will continue to operate on the terms and conditions set out in the 2011 LTIP rules, as approved by shareholders. Full details of the subsisting options are set out in previous years' Annual Reports on Remuneration. Options under these arrangements do not form part of the ongoing Remuneration Policy; however payments may be made in the future subject to the achievement of the relevant performance conditions.

EXECUTIVE DIRECTORS

OBJECTIVE AND LINK TO STRATEGY

To align Executive Directors' interests with those of shareholders by focusing on creating sustainable superior returns to shareholders over a ten year period.

KEY FEATURES

The 2011 LTIP is a ten year plan which directly supports the Company's corporate strategy.

The 2011 LTIP aims to make returns to shareholders in cash over a sustained period, ensuring that the Group remains at the right size and balances investment and returns to shareholders.

Options vest in annual tranches based on cumulative return targets. The exercise price of options will be £16.34 per share less an amount equal to the value of all dividends paid between the date of approval of the 2011 LTIP and 30 September 2021, provided the exercise price cannot be less than zero.

Individual caps (LTIP Caps) will limit the amount of an option that is capable of exercise. Any options that are vested but not exercisable due to the LTIP Cap, will be banked and be capable of exercise in subsequent years subject to the operation of the LTIP Cap in those years. The period over which banked options can become exercisable has been extended for an additional two years (2022 and 2023) after the end of the original performance period (2021). Any banked options which have not become exercisable by 2023 will lapse.

The total value of all options granted under the 2011 LTIP is subject to a global cap at vesting based on the following formulae: Number of shares subject to Plan x £35 per share. The value of an option for the purpose of the cap is calculated as the gain on vesting (market price of a share on vesting less the exercise price x number of shares vesting). The global cap is allocated proportionately to each vesting. Any element of unused global cap will roll forward to the next vesting.

Any shares acquired through the exercise of options under the 2011 LTIP are subject to a restriction that no more than 10% of these shares are eligible to be sold each year until 30 September 2023 at which point the sale restriction falls away. This limit is cumulative so if no shares are sold in a year that number can be sold in a subsequent year as well as the shares eligible for sale in respect of that year.

Malus applies up to the date of exercise Clawback applies two years post the date of exercise.

MAXIMUM OPPORTUNITY

No new options will be granted under the 2011 LTIP to the current Executive Directors. On recruitment, a new Executive Director will be eligible to participate in the 2011 LTIP subject to availability for new grants.

The maximum number of shares capable of being granted to all participants is 19,616,503 shares.

Options were granted to the current Executive Directors as follows:

Executive Director	Number of shares
A W Pidgley	5,000,000
R C Perrins	5,000,000
R J Stearn	954,328
K Whiteman	1,000,000
S Ellis	2,250,000
J Tibaldi	300,000
P Vallone	300,000

The following individual caps on the value of options capable of exercise will operate:

Executive Director	LTIP Cap (£'000's) (p.a.)
A W Pidgley	8,000
R C Perrins	5,500
R J Stearn	2,000
K Whiteman	2,000
S Ellis	3,750
J Tibaldi	1,150
P Vallone	1,150

Where the value of options vesting in a period (as calculated for the purposes of the single total figure of remuneration disclosure) is greater than the LTIP Cap, the options above the LTIP Cap will not become exercisable at this vesting date and will be banked. The following sets out how the LTIP Cap will operate:

1. The potential gain of the tranche of the 2011 LTIP options at the relevant date of vesting (B) is limited by the LTIP Cap (A) as set out in respect of each Executive Director in the table above. In all cases the performance conditions will have been satisfied or the tranche will lapse.
2. This potential gain (B) at the date of vesting is calculated as follows:

   Number of options capable of vesting x
   (market price of a share on the date of vesting — exercise price) = (B)
3. Where (B) is greater than (A) the excess value will be converted into a number of options by dividing it by the gain per share subject to each option calculated at the date of vesting. These options will not become exercisable at this vesting date and will be banked.
4. The number of options calculated under 3 equivalent to the excess value will be banked and subject to the following terms:
   a. There are no further performance conditions to be satisfied;
   b. They remain subject to an employment condition until they become exercisable;
   c. They will become exercisable at the next vesting date in part or in full up to the value of the LTIP Cap for that financial year taking into account options vesting in respect of that year's 2011 LTIP tranche using the above methodology. In addition;
      i. irrespective of whether the relevant tranche for that year vests (i.e. whether the performance conditions have been met for the tranche) it does not affect the potential exercise of options in the bank; and
      ii. this process will continue until all banked options have become exercisable or until 30 September 2023 at which point any banked options that have not become exercisable will lapse.

The above calculations will be performed at each vesting date for a tranche under the 2011 LTIP. It is therefore possible that options may be banked in a number of years.

PERFORMANCE CONDITIONS AND ASSESSMENT

In order for options to vest, the following levels of return (through a combination of dividends and share buy-backs) must be provided to shareholders.

Date (By)	Return (£)	Cumulative Return (£)	% of Option vesting
Sept 16	Paid	Paid	33.0% (Vested)
Sept 17	Paid	Paid	13.4% (Vested)
Sept 18	277,690,956*	555,381,912 plus £2 for each share issued or reissued in the period 1 October 2016 to the 29 September 2018	13.4%
Sept 19	277,690,956*	833,072,868 plus £2 for each share issued or reissued in the period 1 October 2016 to the 29 September 2019	13.4%
Sept 20	277,690,956*	1,110,763,824 plus £2 for each share issued or reissued in the period 1 October 2016 to the 29 September 2020	13.4%
Sept 21	277,690,956*	1,388,454,780 plus £2 for each share issued or reissued in the period 1 October 2016 to the 29 September 2021	13.4%
Sept 22	n/a	n/a	Banked balance to cap
Sept 23	n/a	n/a	Banked balance to cap

* Based on shares in issue at 2017 EGM. These have subsequently increased due to shares issued and the target has increased accordingly (£2/share for each share issued)

If the annual return payment is not made for the relevant year that tranche of the option will lapse. If in a subsequent year the cumulative returns paid reach the targeted level, the tranche for that year will vest; however, tranches where the annual return payment was not made for the relevant year will remain lapsed.

It should be noted that any new shares issued (from Treasury or as newly listed shares) increase the absolute level of cumulative return required.

The Directors Remuneration Report has been approved by the Board.
By Order of the Board

G BARKER
Chairman, Remuneration Committee
20 June 2018

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated and company financial statements for the year ended 30 April 2018.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is the UK holding company of a Group engaged in residential-led property development focusing on regeneration and mixed-use developments. The Company is incorporated and domiciled in England and Wales and is quoted on the London Stock Exchange.

The information that fulfils the requirements of the Strategic Report can be found on pages 4 to 77 of the Annual Report which provides more detailed commentaries on the business performance during the year together with the outlook for the future. In particular, information in respect of the principal financial and operating risks of the business is set out on pages 59 to 71 of the Strategic Report.

TRADING RESULTS AND DIVIDENDS

The Group's consolidated profit after taxation for the financial year was £762.1 million (2017: £645.1 million). The Group's joint ventures contributed a profit after taxation of £158.0 million (2017: £63.8 million).

An interim dividend of 51.76 pence per share was paid to shareholders on 15 September 2017 and a further interim dividend of 56.75 pence per share was paid to shareholders on 23 March 2018. A further interim dividend is proposed to be paid as part of the £139.2 million shareholder return to be provided by 30 September 2018 through a combination of dividends and share buy-backs. The amount to be paid as a dividend will be announced on 16 August 2018, taking account of any share buy-backs undertaken as part of the Shareholder Returns Programme. The dividend will be paid on 14 September 2018 to shareholders on the register on 24 August 2018.

POST BALANCE SHEET EVENT

There are no post balance sheet events that require disclosure.

SHARE CAPITAL

The Company had 140,157,183 ordinary shares in issue at 30 April 2018 (2017: 140,157,183). During the year to 30 April 2018 and in accordance with the authority provided by shareholders at the 2016 and 2017 Annual General Meetings, the Company has purchased 3,957,058 ordinary shares with a nominal value of £197,853 which equated to 2.82% of the called up share capital of the Company at the beginning of the period, excluding Treasury shares. The aggregate consideration paid for these shares was £140.4 million. As at 30 April 2018 the Company held 6,000,530 shares in Treasury. These shares have no voting rights. Authority will be sought from shareholders at the forthcoming Annual General Meeting to renew the authority given at the 2017 Annual General Meeting for a further year, permitting the Company to purchase its own shares in the market up to a limit of 10% of its issued share capital.

Movements in the Company's share capital are shown in note 17 to the consolidated financial statements.

Information on the Group's share option schemes is set out in note 5 to the consolidated financial statements. Details of the Long-Term Incentive Schemes and Long-Term Incentive Plans for key executives are set out within the Directors' Remuneration Report on pages 94 to 115.

ARTICLES OF ASSOCIATION

The Articles of Association set out the basic management and administrative structure of the Company. They regulate the internal affairs of the Company and cover such matters as the issue and transfer of shares, Board and shareholder meetings, powers and duties of Directors and borrowing powers. In accordance with the Articles of Association, Directors can be appointed or removed by shareholders in a general meeting.

The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also open to inspection at Companies House.

A special resolution to amend the existing Articles will be proposed at the Annual General Meeting to be held on 5 September 2018. Details of the proposed changes can be found in the Notice of Meeting.

DIRECTORS

The Directors of the Company and their profiles are detailed on pages 80 to 85. P Vernon was appointed as a Director on 6 September 2017 and R Downey, J Tibaldi and P M Vallone were appointed as Directors on 8 December 2017.

The Articles of Association of the Company require Directors to submit themselves for re-election every three years. In addition, all Directors are subject to election at the first opportunity after their appointment to the Board. However, in accordance with the UK Corporate Governance Code 2016 all of the Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

The Directors' interests in the share capital of the Company and its subsidiaries are shown in the Directors' Remuneration Report on pages 94 and 115. At 30 April 2018 each of the Executive Directors were deemed to have a non-beneficial interest in 443,062 (2017: 424,872) ordinary shares held by the Trustees of The Berkeley Group Employee Benefit Trust ("EBT"). The Trustee of the EBT has waived entitlement to dividends until further notice and has agreed not to vote on any shares held in the EBT at any general meeting.

There were no contracts of significance during, or at the end of, the financial year in which a Director of the Company is, or was, materially interested, other than those set out in note 24 to the consolidated 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.

DIRECTORS' INDEMNITIES

The Company's practice has always been to indemnify its Directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law. Qualifying third party indemnities, under which the Company has agreed to indemnify the Directors, were in force during the financial year and at the date of approval of the financial statements, in accordance with the Company's Articles of Association and to the maximum extent permitted by law, in respect of all costs, charges, expenses, losses and liabilities, which they may incur in or about the

execution of their duties to the Company, or any entity which is an associated company (as defined in Section 256 of the Companies Act 2006), or as a result of duties performed by the Directors on behalf of the Company or any such associated company.

SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following interests, pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules ("DGTR"), as at 30 April 2018:

	Number of ordinary shares held(i)	% of voting rights(i)	Nature of holdings
First Eagle Investment Management LLC (ii)	13,621,578	10.15	Indirect
BlackRock Inc.	11,698,607	8.72	Indirect
A W Pidgley, CBE	4,446,995	3.32	Direct

(i) The number of ordinary shares held and percentage of voting rights is as stated by the shareholder at the time of notification.

(ii) First Eagle Global Fund have notified the Company that they hold 6,719,082 ordinary shares which is 5.01% of voting rights. This holding is included in the indirect interests of 10.15% held by First Eagle Investment Management LLC.

Between 30 April 2018 and 19 June 2018 the Company has also been notified of the following interests, pursuant to Rule 5 of the DGTR:

	Number of ordinary shares held	% of voting rights(i)	Nature of holdings
First Eagle Investment Management LLC (ii)	13,338,990	9.94	Indirect

(i) The number of ordinary shares held and percentage of voting rights held is as stated by the shareholder at the time of notification.

(ii) First Eagle Global Fund have notified the Company that they hold 6,602,948 ordinary shares which is 4.92% of voting rights. This holding is included in the indirect interests of 9.94% held by First Eagle Investment Management LLC.

DONATIONS

The Group made no political donations (2017: £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. Following periodic reviews (the most recent in September 2010) the policy is now an Equality and Diversity Policy with the aim of ensuring that all employees, potential employees and other individuals receive equal treatment (including access to employment, training and opportunity for promotion) regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex and sexual orientation.

All disclosures concerning diversity of the Group's Directors, senior management and employees (as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) are contained within the Strategic Report on page 41.

The Group has implemented Human Rights, Modern Slavery and Child Labour policies in support of human rights which is implicit in all of its pre-existing corporate policies and procedures. The Group believes these policies to be effective in promoting and protecting human rights by establishing clear ethical standards for ourselves and our expectations for those external parties who work with the Group or on our behalf.

SUSTAINABILITY

The Group is committed to being a responsible and sustainable business which thinks about the long-term and creates positive environmental, social and economic impacts. These aspects are considered in the Group's approach to managing its operational activities and in the homes and places it develops.

The Group has an integrated strategy for the business; Our Vision. Sustainability is a key element of the Group's strategy with a number of commitments directly relating to material sustainability topics such as climate change. Information on Our Vision can be found within the Strategic Report and on the Group's website.

The Directors have ultimate responsibility for sustainability within the Group. The Sustainability Leadership Team, which meets monthly to set strategic direction and review performance, consists of the Chief Executive, the Board Director Responsible for Sustainability and the Group Sustainability Team. Dedicated operational practitioners work throughout the business to ensure sustainability is incorporated into daily activities.

GREENHOUSE GAS EMISSIONS

	2018	2017
Scope 1 (tCO_2e)	2,553 A	2,272
Scope 2 (tCO_2e)	7,402 A	9,984
Scope 3 (tCO_2e)	14,326 A	11,447
Total (tCO_2e)	24,281 A	23,703
Emissions intensity (tCO_2e/person)	2.15	1.76

2018 (A) information has been subject to limited assurance by PricewaterhouseCoopers LLP. For further details of the assurance provided in 2018 and prior years, see the independent assurance reports found at berkeleygroup.co.uk/sustainability/reports-and-case-studies.

The Group has reported on greenhouse gas emissions for which it is responsible, as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The emissions disclosed are aligned to the Group's financial reporting year, are considered material to its business and have the following parameters:

Scope 1 – direct emissions relating to office, sales and development site activities; and travel (business and other travel where expensed) in company owned vehicles;

Scope 2 – indirect emissions from electricity and heat consumed for office, sales and development site activities;

Scope 3 – other indirect emissions relating to office, sales and development site activities; travel (business and other travel where expensed) in company leased and employee owned vehicles; business air travel; transmission and distribution losses of purchased electricity and heat; and upstream emissions.

Emissions include 50% of those resulting from the Group's joint ventures on the basis of its equity share.

The intensity ratio has been calculated using the number of Berkeley employees and the number of contractors working on our sites. It is the average figure for the year and includes 50% of employees and contractors working in offices or on development sites of Berkeley's joint ventures.

The UK Government Environmental Reporting Guidelines 2013, UK Government

DIRECTORS' REPORT

CONTINUED

GHG Conversion Factors for Company Reporting and International Energy Agency emission factors have been used to calculate and report the Group's greenhouse gas emissions.

The Directors confirm that reported greenhouse gas emissions have been prepared in accordance with the Group's established reporting criteria, are free from material misstatement and have been presented in a manner that provides relevant, reliable, comparable and understandable information.

Note that emissions reported outside of this Directors' Report are based on the Group's operational reporting boundary. They include 100% joint venture emissions and exclude emissions from Southall Waterside. 2017 data has also been revised based on more accurate data now being available for energy consumption within the period. Further details on our reporting boundaries, our established reporting criteria and the methodology adopted for the overall calculations can be found at berkeleygroup.co.uk/sustainability/reports-and-case-studies.

TAKEOVER DIRECTIVE – AGREEMENTS

Pursuant to the Companies Act 2006, the Company is required to disclose whether there are any significant agreements that take effect, alter or terminate upon a change of control.

Change of control provisions are included as standard in many types of commercial agreements, notably bank facility agreements and joint venture shareholder agreements, for the protection of both parties. Such standard terms are included in Berkeley's bank facility agreement which contains provisions that give the banks certain rights upon a change of control of the Company. Similarly, in certain circumstances, a change of control of either National Grid or Berkeley may give the other joint venture partner the ability to sell its interest in the joint venture.

In addition, the Company's share schemes contain provisions which take effect upon change of control. These do not entitle the participants to a greater interest in the shares of the Company than that created by the initial grant of the award. The Company does not have any arrangements with any Director that provide compensation for loss of office or employment resulting from a takeover.

INDEPENDENT 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 Section 418 of the Companies Act 2006.

A resolution to re-appoint KPMG 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 5 September 2018. The Notice of Meeting, which is contained in a separate letter from the Chairman accompanying this report, includes a commentary on the business to be transacted at the Annual General Meeting.

SHARE CAPITAL STRUCTURE

The Company is compliant with DGTR 7.2.6. and the information relating to the Company's share capital structure is included in the Directors' Report on page 116.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors, whose names and functions are listed on pages 80 to 85 confirm that, to the best of each person's knowledge:

a. the Group financial statements, which have been prepared in accordance with IFRS's as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

b. the Strategic Report, together with the Directors' Report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces, including those that would threaten its business model, future performance, solvency or liquidity; and

c. the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial performance and position, business model and strategy.

GOING CONCERN

The Group's business activities together with the factors likely to affect its future development performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are all described in the Trading and Financial Review on pages 74 to 77.

The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group, including the return of £2.2 billion to shareholders by September 2021, and compared this to the level of committed loan facilities and cash resources over the medium term. In making this assessment consideration has been given to the uncertainty inherent in future financial forecasts and where applicable reasonable sensitivities have been applied to the key factors affecting the financial performance of the Group.

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board

J S P CRANNEY
Company Secretary

The Berkeley Group Holdings plc
Registered number: 5172586
20 June 2018

3

FINANCIALS

Taplow Riverside

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BERKELEY GROUP HOLDINGS PLC ONLY

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1) Our opinion is unmodified

We have audited the financial statements of The Berkeley Group Holdings plc ("the Group") for the year ended 30 April 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in Note 1 and C.1.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2018 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

— the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Directors on 27 November 2013. The period of total uninterrupted engagement is for the five financial years ended 30 April 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£35.0m (2017: £30.0m) 3.7% (2017: 3.7%) of group profit before tax	
Coverage	93% (2017: 92%) of group profit before tax	
Risks of material misstatement		**vs 2017**
Recuring risks	Carrying value of inventories and profit recognition	◀ ▶
	Revenue recognition	◀ ▶
	Provisions	◀ ▶
	Carrying value of investments	◀ ▶

2) Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Compliance with Laws and Regulations is no longer considered a significant risk. However, we continue to perform procedures over Compliance with Laws and Regulations and report on this in Section 7, respective responsibilities, of our audit report.

	The risk	Our response

Carrying value of inventories and profit recognition
(£3,239.9 million; 2017: £3,483.4 million)
Refer to page 91 (Audit Committee Report), note 1 on page 135 (accounting policy) and note 11 page 144 (financial disclosures).
	Forecast-based assessment
	The Group recognises profit on each sale by reference to the overall site margin, which is the forecast profit percentage for a site that may comprise multiple phases and can last a number of years. The recognition of profit is therefore dependent on the Group's estimate of future selling prices and build costs including an allowance for risk. Further estimation uncertainty and exposure to cyclicality exists within the long term sites.
	Forecasts are dependent on market conditions, which can be difficult to predict and be influenced by political and economic factors including, but not limited to, the uncertainty surrounding the UK's exit from the European Union.
	Inventory represents the capitalised site costs to date less amounts expensed on sales by reference to the above forecasts. It is held at the lower of cost and net realisable value, the latter also being based on the forecast for the site. As such inappropriate assumptions in these forecasts can impact the assessment of the carrying value of inventories.
		Our procedures included:
		— **Control observation:** We inspected the minutes, and attended a selection of the Group's build cost review meetings. This included assessing whether the appropriate individuals attended the meetings, and assessing that the forecast costs for developments were discussed and the valuations updated as appropriate.
		— We inspected whole site forecasts on a sample basis and challenged the inputs and assumptions by:
		  — **Tests of detail:** Agreed a sample of forecast costs to purchase contracts, supplier agreements or tenders, and agreeing a sample of costs incurred in the year to invoice and/or payment, including checking that they were allocated to the appropriate site.
		  — **Recalculation:** Recalculated the costs of sales amount recognised on units taken to sale in the current year based upon the unit sales price and gross margin percentages.
		  — **Benchmarking assumptions:** Assessed, based on the risks highlighted by the Group's build cost review meetings and industry cost indices, the appropriateness of allowances made for cost increases and longer term development risks as well as contingencies.
		  — **Our sector experience:** Used the team's experience, supported as appropriate by the firm's property experts to consider the appropriateness of the forecast assumptions. Compared forecast sales prices against recent prices achieved in the local market, historical salesprices, and considered factors that may influence the achievable price on future sales.
		— **Sensitivity analysis:** We evaluated the impact of varying changes in sales prices and costs on the forecast margin and considered whether this indicated a risk of impairment of the inventory balance and alternative basis of profit recognition in the year.
		— **Assessing transparency:** We considered the adequacy of the Group's disclosures in note 1 to the financial statements regarding the degree of judgement and estimation involved in arriving at the forecast, resultant profit and carrying value of inventory.
		Our results
		— We considered the carrying value of inventories to be acceptable. We considered the profit recognised in the year to be acceptable (2017: Acceptable).

Revenue recognition Refer to page 91 (Audit Committee Report), note 1 on page 135 (accounting policy).	**Revenue recognised for units before legal completion:** It is the Group's policy to recognise revenue on residential property units when contracts are exchanged and the building work is physically complete. The legal completion of the sale, being the point at which the balance of the sale is paid for and title transfers, remains dependent on the receipt of final payment. The recognition of revenue is generally before legal completion, and as such is potentially more subjective than recognising at this latter point. There is a risk that the unit is not physically complete or that the buyer is unable to subsequently complete the purchase, as in either of these cases the revenue should not have been recognised.	Our procedures included: — **Control observation:** Tested controls over property sales which included: — inspecting documentation evidencing internal approval of physical inspection and confirmation of build complete status and third party certifications. — For a sample of sales recorded where the final payment was not yet received, we performed the following: — **Site visits:** Physically visited sites at the balance sheet date to observe build completion status. — **Control observation:** Inspected the internal sign-off sheets to check whether sales had gone through the Group's approval process for those sites not visited. — **Tests of detail:** Where sales were not legally completed at year end, we inspected post-year end bank statements for payments from buyers. Where significant amounts were still outstanding we considered other information, such as correspondence with the buyer, in evaluating the recoverability of amounts and appropriateness of related revenue recognition. — **Assessing transparency:** We have also considered the adequacy of the Group's disclosures in note 1 to the financial statements in respect of the judgements taken in recognising revenue for residential property units prior to legal completion and the proposed change to the revenue recognition policy on adoption of IFRS 15 to recognise revenue at legal completion. **Our results** — We considered the amount of revenue recognised to be acceptable (2017: Acceptable).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BERKELEY GROUP HOLDINGS PLC ONLY

CONTINUED

2) Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Provisions (£81.8 million; 2017: £99.9 million) Refer to page 91 (Audit Committee Report), note 1 on page 135 (accounting policy) and note 15 on page 145 (financial disclosures).	**Subjective estimate** The Group holds provisions in respect of claims and construction related liabilities that have arisen, or that prior claims experience indicates may arise, in respect of remediation of defects subsequent to the completion of certain developments, as well as in relation to other matters of litigation including legal disputes. The identification and estimate of amounts for provisions is judgemental by its nature and there is a risk that the estimate is incorrect and the provision is materially misstated.	Our procedures included: — **Internal enquiry:** We enquired of Group and divisional Directors, and inspected board minutes for claims arising. — **Tests of detail:** For significant known issues and claims, when a provision has been made, we inspected the calculation of the provision held and considered internal cost assessments and third party evidence, where available. — **Benchmarking assumptions:** For claims that past events indicated may arise, we evaluated risk assessments performed in respect of known issues, settled issues and considered any differences in the development portfolio over time, such as increasing complexity of construction, in assessing the calculation of the provision. — **Enquiry of lawyers:** In respect of open matters of litigation, we held discussions with the Group's legal counsel and reviewed relevant correspondence to assess the provisions recorded. — **Assessing transparency:** We assessed whether the Group's disclosures in note 1 and note 15 to the financial statements sufficiently present the potential exposure of provisions and contingent liabilities. **Our results** — We considered the carrying value of provisions to be acceptable (2017: Acceptable).
Carrying value of investments (£1,417.6 million; 2017: £1,413.9 million) Refer to note C1 on page 158 (accounting policy) and note C5 on page 160 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent Company's investments in subsidiaries represents 95.4% (2017: 98.5%) of the Company's total assets. Their recoverability is not a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: — **Tests of detail:** Compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making. **Our results** — We found the carrying amount of the investment in subsidiaries to be acceptable (2017: Acceptable).

3) Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £35.0 million (2017: £30.0 million), determined with reference to a benchmark of Group profit before taxation of £934.9 million (2017: Group profit before taxation of £812.4 million), of which it represents 3.7% (2017: 3.7%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.75 million (2017: £1.5 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Materiality for the parent Company financial statements as a whole was set at £31.5 million (2017: £27.0 million), determined with reference to a benchmark of company total assets of £1,439.0 million (2017: £1,435.3 million), of which it represents 2.2% (2017: 1.9%).

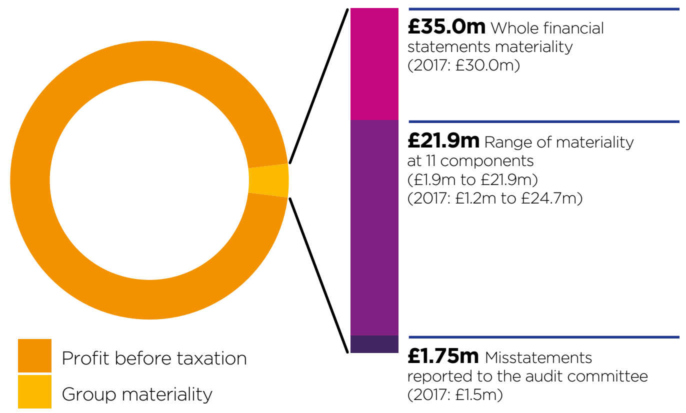
Of the Group's 18 (2017: 18) components, we subjected 11 (2017: 11) to full scope audits for group purposes and 7 (2017: 5) to specified risk-focused procedures, all performed by the group team. The latter components were not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

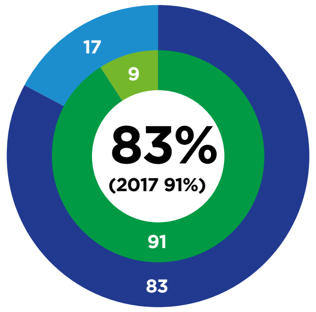
There are no residual components in 2018. For the residual components in 2017, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatements within these.

Profit before taxation
£934.9m (2017: £812.4m)

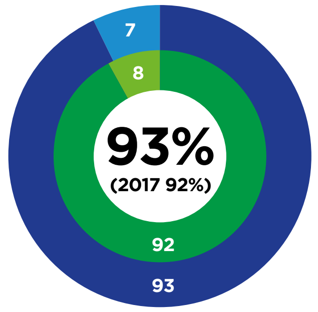
Group materiality
£35.0m (2017: £30.0m)



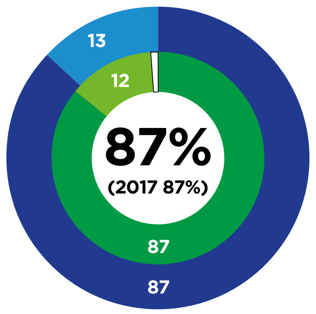
Group revenue



Group profit before tax



Group total assets



Full scope for group audit purposes 2018
Specified risk-focused audit procedures 2018
Full scope for group audit purposes 2017
Specified risk-focused audit procedures 2017
Residual components

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BERKELEY GROUP HOLDINGS PLC ONLY

CONTINUED

4.We have nothing to report on going concern
We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in notes 1 and C.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 119 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5.We have nothing to report on the other information in the Annual Report
The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 60 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Report disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Report has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6.We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 119, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery, anti-money laundering and sanctions checking. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications on non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8.The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Sean McCallion (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
20 June 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April	NOTES	2018 £M	2017 £M
Revenue		**2,703.7**	2,723.5
Cost of sales		**(1,757.6)**	(1,783.7)
Gross profit		**946.1**	939.8
Net operating expenses		**(166.5)**	(183.6)
Operating profit		**779.6**	756.2
Finance income	3	**6.6**	2.1
Finance costs	3	**(9.3)**	(9.7)
Share of results of joint ventures using the equity method	10	**158.0**	63.8
Profit before taxation for the year	2, 4	**934.9**	812.4
Income tax expense	6	**(172.8)**	(167.3)
Profit after taxation for the year		**762.1**	645.1
Earnings per ordinary share:			
Basic	7	**562.7p**	467.8p
Diluted	7	**550.2p**	451.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April	NOTES	2018 £M	2017 £M
Profit after taxation for the year		**762.1**	645.1
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit asset/liability	5	**(0.6)**	(0.6)
Deferred tax on remeasurements of the net defined benefit asset/liability	6	**0.1**	0.1
Total items that will not be reclassified to profit or loss		**(0.5)**	(0.5)
Other comprehensive expense for the year		**(0.5)**	(0.5)
Total comprehensive income for the year		**761.6**	644.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April	NOTES	2018 £M	2017 £M
ASSETS			
Non-current assets			
Intangible assets	8	**17.2**	17.2
Property, plant and equipment	9	**25.9**	22.8
Investments in joint ventures	10	**315.0**	135.0
Deferred tax assets	16	**58.9**	59.4
		417.0	234.4
Current assets			
Inventories	11	**3,239.9**	3,483.4
Trade and other receivables	12	**132.3**	229.5
Cash and cash equivalents	13, 22	**987.3**	585.5
		4,359.5	4,298.4
Total assets		**4,776.5**	4,532.8
LIABILITIES			
Non-current liabilities			
Borrowings	22	**(300.0)**	(300.0)
Trade and other payables	14	**(62.6)**	(69.2)
Provisions for other liabilities and charges	15	**(68.0)**	(73.0)
		(430.6)	(442.2)
Current liabilities			
Trade and other payables	14	**(1,664.8)**	(1,809.2)
Current tax liabilities		**(47.3)**	(117.6)
Provisions for other liabilities and charges	15	**(13.8)**	(26.9)
		(1,725.9)	(1,953.7)
Total liabilities		**(2,156.5)**	(2,395.9)
Total net assets		**2,620.0**	2,136.9
EQUITY			
Shareholders' equity			
Share capital	17	**7.0**	7.0
Share premium	17	**49.8**	49.8
Capital redemption reserve	18	**24.5**	24.5
Other reserve	18	**(961.3)**	(961.3)
Retained earnings	18	**3,500.0**	3,016.9
Total equity		**2,620.0**	2,136.9

The financial statements on pages 128 to 155 were approved by the Board of Directors on 20 June 2018 and were signed on its behalf by:

R J STEARN
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTES	SHARE CAPITAL £M	SHARE PREMIUM £M	CAPITAL REDEMPTION RESERVE £M	OTHER RESERVE £M	RETAINED EARNINGS £M	TOTAL £M
At 1 May 2017		7.0	49.8	24.5	(961.3)	3,016.9	2,136.9
Profit after taxation for the year		–	–	–	–	762.1	762.1
Other comprehensive expense for the year		–	–	–	–	(0.5)	(0.5)
Total comprehensive income for the year		–	–	–	–	761.6	761.6
Purchase of ordinary shares	17	–	–	–	–	(140.4)	(140.4)
Transactions with shareholders:							
Credit in respect of employee share schemes	5	–	–	–	–	4.2	4.2
Deferred tax in respect of employee share schemes	6	–	–	–	–	4.4	4.4
Dividends to equity holders of the Company	19	–	–	–	–	(146.7)	(146.7)
At 30 April 2018		**7.0**	**49.8**	**24.5**	**(961.3)**	**3,500.0**	**2,620.0**

	NOTES	SHARE CAPITAL £M	SHARE PREMIUM £M	CAPITAL REDEMPTION RESERVE £M	OTHER RESERVE £M	RETAINED EARNINGS £M	TOTAL £M
At 1 May 2016		6.9	49.8	24.5	(961.3)	2,692.9	1,812.8
Profit after taxation for the year		–	–	–	–	645.1	645.1
Other comprehensive expense for the year		–	–	–	–	(0.5)	(0.5)
Total comprehensive income for the year		–	–	–	–	644.6	644.6
Issue of ordinary shares	17	0.1	–	–	–	–	0.1
Purchase of ordinary shares	17	–	–	–	–	(64.5)	(64.5)
Transactions with shareholders:							
Charge in respect of employee share schemes	5	–	–	–	–	(1.3)	(1.3)
Deferred tax in respect of employee share schemes	6	–	–	–	–	(0.2)	(0.2)
Dividends to equity holders of the Company	19	–	–	–	–	(254.6)	(254.6)
At 30 April 2017		7.0	49.8	24.5	(961.3)	3,016.9	2,136.9

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April	NOTES	2018 £M	2017 £M
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	22	**957.2**	537.0
Interest received		**4.9**	1.9
Interest paid		**(7.5)**	(2.7)
Income tax paid		**(238.0)**	(115.6)
Net cash flow from operating activities		**716.6**	420.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(6.1)**	(2.8)
Dividends from investments	10	**–**	70.0
Proceeds on disposal of property, plant and equipment		**0.4**	0.5
Movements in loans with joint ventures	10	**(22.0)**	8.8
Net cash flow from investing activities		**(27.7)**	76.5
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		**–**	0.1
Purchase of own shares		**(140.4)**	(64.5)
Increase in borrowings		**–**	300.0
Dividends paid to Company's shareholders	19	**(146.7)**	(254.6)
Net cash flow from financing activities		**(287.1)**	(19.0)
Net increase in cash and cash equivalents		**401.8**	478.1
Cash and cash equivalents at the start of the financial year		**585.5**	107.4
Cash and cash equivalents at the end of the financial year	13, 22	**987.3**	585.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General Information
The Berkeley Group Holdings plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG. The Company and its subsidiaries (together the "Group") are engaged in residential-led, mixed-use property development. Further information about the nature of the Group's operations and its principal activities are set out in the Directors' Report on page 116.

Basis of preparation
These Consolidated Financial Statements have been prepared in accordance with European Union endorsed International Financial Reporting Standards ("IFRSs"), IFRS-IC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention and on the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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 135.

The following new standards, amendments to standards and interpretations ("Standards") are applicable to the Group and are mandatory for the first time for the financial year which began on 1 May 2017: Amendments to IAS 7 'Statement of Cash Flows - Changes in Liabilities arising from Financing Activities' and Amendment to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'. These Standards have not had a material impact on the results of the Company for the year ended 30 April 2018.

The following new standards, amendments to standards and interpretations ("New Standards") have been issued, but are not yet effective for the financial year ended 30 April 2018 and have not been adopted early:

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective from 1 January 2018. The Group does not presently hold any complex financial instruments. Accordingly, the principal area of consideration for IFRS 9 is the new provision approach it introduces to bad debt provisions. Given the adoption of a legal competition basis of revenue recognition under IFRS 15 as described below no material bad debt provisions are currently anticipated by the Group, and thus it is expected that the new standard will not have a material impact on the Group's reported results.

IFRS 15, 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts', setting out new revenue recognition criteria particularly with regard to performance obligations and assessment of when control of goods or services passes to the customer. The standard is effective for periods beginning on or after 1 January 2018 and will be implemented by the Group from 1 May 2018.

Currently, under IAS 18, revenue and profit on the sale of units is recognised when substantially all the risks and rewards of ownership have transferred to the customer. As set out in the Accounting Estimates and Judgements, this occurs when the unit is physically complete and there is an exchanged contract in place, with the customer able to proceed to legal completion.

Under IFRS 15, revenue and profit on the sale of units will be recognised at the point control of the unit is passed to the customer which, based on the indicators in the standard as well as industry practices and interpretations, has been determined as the point of legal completion. The impact of this change is limited only to those contracts which have not legally completed at the financial year end.

The comparative results to be included in the 2019 financial statements will be re-stated using the full retrospective transition method, under which it is expected that:

— Net assets of the Group as at 1 May 2017 will reduce by £62 million.
— Profit after tax for the year ended 30 April 2018 will increase by £33 million. This consists of an increase in revenue of £137 million, an increase in operating profit of £37 million, an increase in profit from joint ventures of £5 million and an increase in tax expense of £9 million.
— Net assets of the Group as at 30 April 2018 will reduce by £29 million.

IFRS 16 'Leases' replaces IAS 17 'Leases' and is effective from 1 January 2019. The new standard requires all assets held by the Group under lease agreements of greater than 12 months in duration to be recognised as assets within the balance sheet, unless they are considered to be of low value. Similarly, the present value of future payments to be made under those lease agreements must be recognised as a liability. It is expected that the implementation of the standard will increase both the assets and liabilities of the Group however the impact on net assets is still being considered and is not expected to be material.

Amendment to IFRS 2 'Share-based Payments', Amendment to IFRS 4 'Insurance Contracts' regarding the implementation of IFRS 9 'Financial Instruments', and Annual Improvements 2014-2016, all effective from 1 January 2018, are not expected to have a significant impact on the Group's financial statements.

Annual Improvements 2015-2017, Amendment to IAS 28 'Investments in Associates and Joint Ventures', IFRIC 23 'Uncertainty over Income Tax Treatments', and Amendments to IAS 19, 'Employee Benefits' on Plan Amendment, Curtailment or Settlement', all effective from 1 January 2019, are not expected to have a significant impact on the Group's financial statements.

Going Concern
The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group and compared this to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to the uncertainty inherent in future financial forecasts and where applicable, reasonable sensitivities have been applied to the key factors affecting the financial performance of the Group. The Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis of accounting in preparing its Consolidated Financial Statements.

Basis of consolidation
(a) Subsidiaries

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.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration substantive rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Acquisition-related costs are expensed as incurred.

(b) Joint ventures
Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Segmental reporting
Operating segments are identified in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group determines its reportable segments having regard to permitted aggregation criteria with the principal condition being that the operating segments should have similar economic characteristics.

The Group is predominantly engaged in residential-led, mixed-use property development, comprising residential revenue, revenue from land sales and commercial revenue.

For the purposes of determining its operating segments, the chief operating decision-maker has been identified as the Executive Committee of the Board.

This committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

The Group has determined that its operating segments are the management teams that report into the Executive Committee of the Board. These management teams are all engaged in residential-led, mixed-use development in the United Kingdom and, having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

Revenue
Revenue represents the amounts receivable from the sale of properties, and ground rent assets during the year and other income directly associated with property development. Properties are treated as sold and profits are recognised when contracts are exchanged and the building work is physically complete. Ground rent assets are treated as sold when contracts are exchanged, all material conditions precedent to the sale have been satisfied and the risks and rewards of ownership have transferred to the purchaser. See Accounting estimates and judgements on page 135 for further disclosures on revenue recognition.

Expenditure
Expenditure recorded in inventory is expensed through cost of sales at the time of the related property sale. The amount of cost related to each property includes its share of the overall site costs including, where relevant, its share of forecast costs to complete. Net operating 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. See Accounting estimates and judgements on page 135 for further disclosures on cost recognition.

Taxation
The taxation expense represents the sum of the current tax 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 substantively enacted, by the reporting 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. 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.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets
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 and impairment reviews performed where an impairment indicator exists, with any impairment losses recognised immediately in the income statement. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1 ACCOUNTING POLICIES CONTINUED

Property, plant and equipment
Property, plant and equipment is carried at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 buildings	2%	Fixtures and fittings	15%/20%
Motor vehicles	25%	Computer equipment	33 1/3%

Freehold property disclosed in the notes to the Consolidated Financial Statements consists of both freehold land and freehold buildings. No depreciation is provided on freehold land. 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 assets' 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net operating expenses in the income statement.

Inventories
Property in the course of development and completed units are 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. 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 cost. Where such land is purchased on deferred settlement terms, and the cost 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 are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within net operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against net operating expense in the income statement.

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 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, sold 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 and other payables on normal terms are not interest bearing and are stated at their nominal value which is considered to be their fair 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.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle that obligation, and the amount has been reliably estimated. See Accounting estimates and judgements on page 135 for further disclosures on recognition of provisions.

Deposits
New property deposits and on account contract receipts are held within current trade and other payables.

Employee benefits
(a) Pensions
The Group accounts for pensions under IAS 19 "Employee benefits". The Group has both defined benefit and defined contribution plans. The defined benefit plan was closed to future accrual with effect from 1 April 2007.

For the defined benefit scheme, the obligations are measured using the projected unit method. 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 set annually on the basis of actuarial valuations of the scheme and financing costs are recognised in the period in which they arise. Actuarial gains and losses are recognised

immediately in the statement of comprehensive income. In accordance with IAS 19 the Group does not recognise on the statement of financial position any surplus in the scheme.

Pension contributions under defined contribution schemes are charged to the income statement as they fall due.

(b) Share-based payments

Equity settled
Where the Company operates equity settled, share-based compensation plans, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, taking into account only service and non-market conditions.
At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash settled
The cost of cash settled transactions is recognised as an expense over the vesting period measured by reference to the fair value of the corresponding liability which is recognised on the balance sheet. The liability is remeasured at fair value at each balance sheet date until settlement with changes in fair value recognised in the income statement.

Dividends
Dividend distributions to shareholders are recognised as a liability in the period in which the dividends are appropriately authorised and approved for payout and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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

Accounting estimates and judgements
Management applies 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; in particular due to the need to take account of future direct input costs, sales prices and the need to allocate site-wide costs on an appropriate basis to reflect the overall level of development risk, including planning risk. The Group has established internal controls designed to effectively assess and centrally review inventory carrying values and ensure the appropriateness of the estimates made. These assessments and allocations evolve over the life of the development in line with the risk profile, and accordingly the margin recognised reflects these evolving estimates. Similarly, these estimates impact the carrying value of inventory at each reporting date as this is a function of costs incurred in the year and the allocation of inventory to costs of sales on each property sold.

In addition, the Group has consistently applied its approach to margin recognition in relation to the Group's particularly complex, long term regeneration developments where certain whole-site costs are accelerated to the early stages of the development to reflect the greater uncertainty and the evolution of risk over the life of such developments. These developments, where the development life cycle is typically greater than ten years, are considered to be particularly susceptible to potential downward shifts in profitability due to the cyclical nature of the property market and its impact on both revenue and costs. As such, the inherent estimation uncertainty is increased.

A fundamental principle of the Group's accounting policy is to reduce the possibility of recognising margin in the early stages of a development that could subsequently reverse. As such, for these long term sites with greatest estimation uncertainty, a greater proportion of whole-site costs are recognised during the earlier stages of the development up to a point of inflection when such developments are deemed to be sufficiently de-risked. Subsequent to this inflection point, and should the uncertainties have not materialised, margin would increase as the visibility over projected revenue and costs across the development improves.

For the year ended 30 April 2018, had the gross margin recognised on these long term sites, in the early stages prior to the point of inflection, differed by 10%, the impact on profit before tax would have been £7.4 million. As with all judgements involving estimation over a long term horizon, the outcome of future events may affect the eventual accounting outcome.

(b) Provisions
The Group makes assumptions to determine the timing and its best estimate of the quantum of its construction and other liabilities for which provisions are held.

(c) Revenue recognition
Berkeley recognises revenue and profit on development property sales at the point of physical completion, where there are contracts exchanged and the customer is able to proceed to legal completion. This differs from many other housebuilders who recognise revenue and profit on legal completion. The Directors believe that Berkeley's basis of accounting is appropriate for the circumstances of its business and that it is in accordance with International Financial Reporting Standards as adopted by the EU, but note that its approach results in the recognition of both revenue and profits earlier than the legal completion methodology. Reaching a view as to whether revenue should be recognised requires judgement. These judgements are complemented by external certifications in assessing whether the properties sold meet the criteria for recognition in respect of physical completion. The customers' ability to complete the purchase is also considered at the point of revenue recognition.

Berkeley's accounting policy removes absolute reliance on the date of legal completion, which Berkeley believes is a significant contributing factor to many of the customer service issues within the wider industry, without materially altering the financial reporting risk. Adopting an alternative 'legal completion' basis for the current year would be equivalent to the expected IFRS 15 adjustment disclosed in the Basis of Preparation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2 SEGMENTAL DISCLOSURE

For the purposes of determining its operating segments, the chief operating decision-maker has been identified as the Executive Committee of the Board. This committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

The Group has determined that its operating segments are the management teams that report into the Executive Committee of the Board. These management teams are all engaged in residential-led, mixed-use development in the United Kingdom and, having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

For the purpose of monitoring segment performance and allocating resources between segments all assets are considered to be attributable to residential-led mixed-use development.

3 NET FINANCE COSTS

	2018 £M	2017 £M
Finance income	**6.6**	2.1
Finance costs:		
Interest payable on bank loans and non-utilisation fees	**(7.5)**	(3.9)
Amortisation of facility fees	**(1.8)**	(1.5)
Other finance costs	**—**	(4.3)
	(9.3)	(9.7)
Net finance costs	**(2.7)**	(7.6)

Finance income predominantly represents interest earned on cash deposits.

Other finance costs represent imputed interest on taxation and on land purchased on deferred settlement terms.

4 PROFIT BEFORE TAXATION

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

	2018 £M	2017 £M
Staff costs (note 5)	**279.3**	270.3
Depreciation of property, plant and equipment (note 9)	**2.7**	2.8
Profit on sale of property, plant and equipment	**—**	(0.2)
Operating lease costs	**3.4**	2.7
Fees paid and payable to the Company's current auditor for the audit of the Parent Company	**0.5**	0.5
Fees paid and payable to the Company's current auditor for other services:		
— Audit of the Company's subsidiaries	**0.1**	0.1
— Audit related assurance services	**0.1**	0.1
— Taxation advisory services	**—**	0.1

The value of inventories expensed and included in the cost of sales is £1,603.2 million (2017: £1,625.7 million).

In addition to the above services, the Group's current auditor has been asked to act as auditor to The Berkeley Final Salary Plan. The appointment of auditors to the Group's pension scheme and the fees paid in respect of the audit are agreed by the trustees of the scheme, who act independently of the management of the Group. The fees paid to the Group's auditors for audit services to the pension scheme during the year were £8,500 (2017: £8,500).

Fees paid in the year to the Group's current auditor for audit-related assurance services relate to the interim review.

5 DIRECTORS AND EMPLOYEES

Profit before taxation is stated after charging the following amounts:

	2018 £M	2017 £M
Staff costs		
Wages and salaries	**208.1**	194.4
Social security costs	**31.3**	20.1
Share-based payments — Equity settled	**15.6**	39.0
Share-based payments — Cash settled	**17.3**	10.6
Pension costs	**7.0**	6.2
	279.3	270.3

The average monthly number of persons employed by the Group during the year was 2,617 (2017: 2,443).

Key Management compensation
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 as included in the Income Statement during the year are as follows:

	2018 £M	2017 £M
Directors' remuneration	**2.4**	2.9
Amount charged under long term incentive schemes	**19.4**	41.0
Company contributions to the defined contribution pension schemes	**0.1**	0.1
	21.9	44.0

The Directors' Remuneration Report includes disclosure of the gains made by Directors on the exercise of share options during the year, which was £21.3 million (2017: £83.8 million) in aggregate. In 2018 the value of the gain made by Directors on the exercise of share options is limited by the LTIP cap, which was introduced as part of the Remuneration Policy approved by shareholders at the 2017 EGM (see page 109 for further details).

The Company reports that, during the year, it settled the proceedings brought by Mr Nicolas Simpkin, its former Finance Director, in the Employment Tribunal and High Court. Under the settlement Berkeley made a payment of £4.95 million to Mr Simpkin and a further payment of £4.55 million towards his legal fees and disbursements. On being dismissed by the Company, Mr Simpkin's options over 3.5 million shares in the Company lapsed. All allegations made by Mr Simpkin in the proceedings have been withdrawn.

Equity settled share based payments
The Group operates one (2017: one) equity settled share-based payment scheme. The charge to the income statement in respect of share-based payments in the year relating to grants of share options awarded under the 2011 Long Term Incentive Plan was £14.8 million (2017: £40.6 million). The charge to the income statement attributable to key management is £13.1 million (2017: £35.0 million). The credit to the reserves during the year in respect of employee share schemes was £4.2 million (2017: £1.3 million charge), resulting from the non-cash IFRS 2 charge for the year, as reflected in the cash flow statement, adjusted for the reclassification of reserves on the decision to cash settle the part of the award relating to taxes which vested during the year.

There were 44,319 exercisable share options at the end of the year (2017: 24,789). During the year 2,042,825 options vested under the 2011 Long Term Incentive Plan (2017: 5,740,438).

2011 Long Term Incentive Plan
The Company announced in June 2011 as part of a strategic review of the business a long term plan to return approximately £1.7 billion to shareholders over the next 10 years. In December 2015, a revision to the plan was proposed to return an additional £0.5 billion to shareholders.

A long term remuneration plan was proposed to support this strategy, the 2011 Long Term Incentive Plan ("2011 LTIP"), which was approved by shareholders at the Annual General Meeting on 5 September 2011 followed by amendments at the Annual General Meeting on 16 February 2016 and the Extraordinary General Meeting on 23 February 2017. The key features of the 2011 LTIP are:

- if the Company returns £2.3 billion to shareholders over a ten year period via a series of dividend payments and share buy-backs (£16.34 per share) by the milestone dates referred to below, participants will be entitled to exercise options and receive a number of ordinary shares in the capital of the Company at the end of each period.
- the maximum number of shares capable of being earned by all participants was 19,616,503 shares, being 13% of the fully diluted share capital of the Company at the date of approval of the plan. During the year, the introduction of individual participant caps was approved by shareholders.
- the exercise price of options granted under the 2011 LTIP will be £16.34 per share less an amount equal to the value of all dividends, paid between the date of approval of the 2011 LTIP and vesting dates, beginning in September 2016 with five annual vestings thereafter, provided the exercise price cannot be less than zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

5 DIRECTORS AND EMPLOYEES CONTINUED

The cumulative distributions required by the plan on or before the relative milestone dates are set out below:

	CUMULATIVE DISTRIBUTIONS
30 September 2016	£6.34 per share
30 September 2017	£8.34 per share
30 September 2018	£10.34 per share
30 September 2019	£12.34 per share
30 September 2020	£14.34 per share
30 September 2021	£16.34 per share

The fair value of the options granted during that year, determined using the current market pricing model, was £3.17 for options which then vest on 30 September 2021. The inputs into the current market option pricing model were:

	INPUTS
Grant date	5 September 2011
Vesting date	30 September 2021
Share price at grant date (p)	1,236
Exercise price (p)	nil
Discount rate	6.3%

As a result of modifications in 2017, which introduced individual participant caps and extended the service period by a further two years, there was a decrease in the fair value cost of the options. This has been considered a non-beneficial modification for accounting purposes, and accordingly there has been no impact on the accounting treatment applied.

The discount rate was determined by calculating the Group's expected cost of capital over the vesting period at the grant date.

During the year 533,000 new additional options were granted (2017: none) and no options lapsed (2017: 1,250,557 lapsed on departure of one employee). As at 30 April 2018 there were 8,677,955 options outstanding (2017: 10,187,780).

Cash settled share based payments
Bonus Banking Plan
Under the Bonus Banking Plan, detailed in the Directors' Remuneration Report on page 112, 50% of the balance on the plan account at the end of the financial year is deferred in notional shares in the Company. The notional shares will be settled in cash each year excluding the year ending 30 April 2021 when the scheme will fully vest and at which point 50% of the remaining balance at that date will be settled in equity, and 50% in cash. Accordingly the plan is accounted for as cash settled, with only the proportion expected to vest in shares at the end of the plan accounted for as equity settled. This amount is not of significant quantum to warrant individual disclosure.

The liability has been accrued over the vesting period. The income statement is charged with an estimate for the vesting of notional shares awarded subject to service and non-market performance conditions. The charge for 2018 was £6.3 million (2017: £6.0 million), all of which related to key management.

The total carrying amount of liabilities for the Bonus Banking Plan at the end of the year was £7.0 million (2017: £6.8 million), recorded in accruals and deferred income.

Senior Management share appreciation rights
Certain key members of senior management have been awarded cash bonuses deferred in notional shares in the Company. The notional shares have a contractual life of five years after the bonus is allocated, and are settled in cash subject to continued employment by the Company and individual and divisional performance criteria.

The liability is accrued over the vesting period. The income statement is charged with an estimate for the vesting of notional shares awarded subject to service and non-market performance conditions. The charge for 2018 was £11.9 million (2017: £3.1 million).

The total carrying amount of liabilities for share appreciation rights at the end of the year was £38.8 million (2017: £30.3 million), recorded in accruals and deferred income.

Pensions
During the year, two principal pension schemes were in place for employees (2017: two). The Berkeley Group plc Group Personal Pension Plan and the St George PLC Group Personal Pension Plan are defined contribution schemes. The assets of these schemes were held in separate trustee administered funds.

The Berkeley Final Salary Plan is a defined benefit scheme which was closed to future accrual with effect from 1 April 2007.

Defined contribution plan
Contributions amounting to £5.8 million (2017: £5.3 million) were paid into the defined contribution schemes during the year.

Defined benefit plan
As at 30 April 2018, the Group operated one defined benefit pension scheme which was closed to future accrual with effect from 1 April 2007. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 312 past employees. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The Berkeley Final Salary Plan is subject to an independent actuarial valuation at least every three years. The most recently finalised valuation was carried out as at 1 May 2016 and finalised in July 2017. The method adopted in the 2016 valuation was the projected unit credit method, which assumed a return on investment both prior to and after retirement of 4.10% per annum and pension increases of 3.25% per annum. The market value of the Berkeley Final Salary Plan assets as at 1 May 2016 was £18.4 million and covered 96% of the scheme's liabilities. Following the finalisation of the 2016 valuation, the Group agreed with the Trustees of the Scheme to make additional contributions to the Scheme of £0.8 million over a fifteen month period (1 May 2016 to 31 July 2017) to address the Scheme's deficit after which required contributions were reduced to zero. Notwithstanding this the Group made additional voluntary contributions of £0.6 million during the year (2017: £0.6 million).

The Group considers it does not have the unconditional right to a refund of an asset surplus in the plan and thus the asset ceiling applies.

For the purposes of IAS 19, the 2016 valuation was updated for 30 April 2018.

The most significant risks to which the plan exposes the group are:

Inflation risk: A rise in inflation rates will lead to higher plan liabilities as a large proportion of the defined benefit obligation is indexed in line with price inflation. This effect will be limited due to caps on inflationary increases to protect the plan against extreme inflation.

Interest rate risk: A decrease in corporate bond yields would result in an increase to plan liabilities although this effect would be partially offset by an increase in the value of the plan's bond holdings.

Mortality risk: An increase in life expectancy would result in an increase to plan liabilities as a significant proportion of the Pension Schemes' obligations are to provide benefits for the life of the member.

The amounts recognised in the statement of financial position are determined as follows:

	2018 £M	2017 £M
Present value of defined benefit obligations	**(19.4)**	(20.5)
Fair value of plan assets	**21.5**	21.0
Net surplus in the plan	**2.1**	0.5
Effect of the asset ceiling	**(2.1)**	(0.5)
Net amount recognised on the statement of financial position	**–**	–

Movement in net defined benefit asset:

	DEFINED BENEFIT OBLIGATION		FAIR VALUE PLAN ASSETS		NET DEFINED BENEFIT ASSET	
	2018 £M	2017 £M	2018 £M	2017 £M	2018 £M	2017 £M
Balance at 1 May	**(20.5)**	(15.9)	**21.0**	18.1	**0.5**	2.2
Included in income statement						
Net interest	**(0.5)**	(0.6)	**0.5**	0.6	**–**	–
Included in other comprehensive income						
Remeasurements:						
Actuarial gain/(loss) arising from:						
– demographic assumptions	**0.3**	(0.6)	**–**	–	**0.3**	(0.6)
– financial assumptions	**0.5**	(3.7)	**–**	–	**0.5**	(3.7)
– experience adjustments	**–**	(0.3)	**–**	–	**–**	(0.3)
Return on plan assets	**–**	–	**0.2**	2.3	**0.2**	2.3
Other						
Contributions by the employer	**–**	–	**0.6**	0.6	**0.6**	0.6
Benefits paid out	**0.8**	0.6	**(0.8)**	(0.6)	**–**	–
Balance at 30 April	**(19.4)**	**(20.5)**	**21.5**	**21.0**	**2.1**	**0.5**

Cumulative actuarial gains and losses recognised in equity:

	2018 £M	2017 £M
Cumulative amounts of losses recognised in the statement of comprehensive income at 1 May	**(6.7)**	(6.1)
Net actuarial gains/(losses) recognised in the year	**1.0**	(2.3)
Change in the effect of the asset ceiling	**(1.6)**	1.7
Cumulative amounts of losses recognised in the statement of comprehensive income at 30 April	**(7.3)**	(6.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 DIRECTORS AND EMPLOYEES CONTINUED

The fair value of the assets were as follows:

	30 APRIL 2018 LONG TERM VALUE £M	30 APRIL 2017 LONG TERM VALUE £M
UK Equities	**1.0**	0.9
Global Equities	**4.8**	4.3
Emerging Market Equities	**1.8**	1.5
High Yield Bonds	**2.0**	1.9
Diversified Growth Fund	**5.0**	4.9
Government Bonds (over 15 years)	**1.1**	1.1
Government Bonds (5 to 15 years)	**1.9**	1.9
Index Linked Gilts (over 5 years)	**2.3**	2.4
Corporate Bonds	**1.5**	1.4
Cash	**0.1**	0.7
Fair value of plan assets	**21.5**	21.0

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA- rated. All other plan assets are not quoted in an active market.

History of asset values

	30 APRIL 2018 £M	30 APRIL 2017 £M	30 APRIL 2016 £M	30 APRIL 2015 £M	30 APRIL 2014 £M
Fair value of plan assets	**21.5**	21.0	18.1	18.1	16.0
Present value of defined benefit obligations	**(19.4)**	(20.5)	(15.9)	(16.6)	(14.8)
Net surplus in the plan	**2.1**	0.5	2.2	1.5	1.2

Actuarial assumptions
The major assumptions used by the actuary for the 30 April 2018 valuation were:

Valuation at:	30 APRIL 2018	30 APRIL 2017
Discount rate	**2.60%**	2.60%
Inflation assumption (RPI)	**3.40%**	3.60%
Inflation assumption (CPI)	**2.50%**	2.70%
Rate of increase in pensions in payment post-97 (Pre-97 receive 3% p.a. increases)	**3.40%**	3.60%

The mortality assumptions are the standard S2PA CMI_2017_X [1.0%] (2017: S2PA CMI_2015_X [1.0%]) base table for males and females, both adjusted for each individual's year of birth to allow for future improvements in mortality rates. The life expectancy of male and female pensioners (now aged 65) retiring at age 65 on the balance sheet date is 21.8 years and 23.7 years respectively (2017: 22.0 and 24.0 years). The life expectancy of male and female deferred pensioners (now aged 45) retiring at age 65 after the balance sheet date is 22.8 years and 24.9 years respectively (2017: aged 45, 23.3 and 25.5 years).

Sensitivity analysis
The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased as a result of a change in the respective assumptions.

	CHANGE IN ASSUMPTION	CHANGE IN DEFINED BENEFIT OBLIGATION
Discount rate	-0.25% p.a	+4.0%
Rate of inflation	+0.25% p.a	+2.8%
Rate of mortality	+1 year	+3.7%

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. In practice, changes in some of the assumptions are correlated and so each assumption change is unlikely to occur in isolation, as shown above.

Funding
The Group expects to pay £0.6 million in contributions to its defined benefit plan in the year ending 30 April 2019, albeit it has no obligation to do so.

6 TAXATION

The tax charge for the year is as follows:

	2018 £M	2017 £M
Current tax		
UK corporation tax payable	**(177.8)**	(162.4)
Adjustments in respect of previous years	**9.4**	1.8
	(168.4)	(160.6)
Deferred tax		
Deferred tax movements	**(1.8)**	(1.7)
Adjustments in respect of previous years	**(2.6)**	(5.0)
	(4.4)	(6.7)
	(172.8)	(167.3)

Tax on items recognised directly in other comprehensive income is as follows:

	2018 £M	2017 £M
Deferred tax on remeasurements of the net defined benefit asset/liability (note 16)	**0.1**	0.1

Tax on items recognised directly in equity is as follows:

	2018 £M	2017 £M
Deferred tax in respect of employee share schemes (note 16)	**4.4**	(0.2)
Current tax in respect of employee share schemes (note 16)	**(0.6)**	(5.6)
	3.8	(5.8)

The tax charge assessed for the year differs from the standard rate of UK corporation tax of 19.0% (2017: 19.92%).

The differences are explained below:

	2018 £M	2017 £M
Profit before tax	**934.9**	812.4
Tax on profit at standard UK corporation tax rate	**177.6**	161.8
Effects of:		
Expenses not deductible for tax purposes	**0.6**	0.9
Tax effect of share of results of joint ventures	**(0.2)**	0.1
Adjustments in respect of previous years	**(6.8)**	3.2
Effect of change in rate in tax (note 16)	**1.2**	1.2
Other	**0.4**	0.1
Tax charge	**172.8**	167.3

Corporation tax is calculated at 19.0% of the estimated assessable profit for the year.

The Group manages its tax affairs in an open and transparent manner with the tax authorities and observes all applicable rules and regulations in the countries in which it operates. Factors that may affect the Group's tax charge in future periods include changes in tax legislation and the closure of open tax matters in the ordinary course of events. The adjustments in respect of previous years reflects the agreement of a number of previously open issues and tax relief claims.

Changes to UK corporation tax rates were substantially enacted as part of Finance Act (2015) (No2) on 18 November 2015 and the Finance Act 2016 on 15 September 2016. These changes include reductions to the main rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and are based on when these assets are expected to be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated as profit for the financial year attributable to shareholders of the Group divided by the weighted average number of shares in issue during the year.

	2018	2017
Profit attributable to shareholders (£m)	**762.1**	645.1
Weighted average number of shares (m)	**135.4**	137.9
Basic earnings per ordinary share (p)	**562.7**	467.8

For diluted earnings per ordinary share, the weighted average number of shares in issue is adjusted to assume the conversion of all potentially dilutive ordinary shares. At 30 April 2018, the Group had two (2017: two) categories of potentially dilutive ordinary shares: 10.4 million (2017: 11.4 million) share options under the 2011 LTIP and 21,000 (2017: 12,000) share options under the Bonus Banking Plan.

A calculation is performed to determine the number of shares that could have been acquired at fair value based on the aggregate of the exercise price of each share option and the fair value of future services to be supplied to the Group which is the unamortised share-based payments charge. The difference between the number of shares that could have been acquired at fair value and the total number of options is used in the diluted earnings per share calculation.

	2018	2017
Profit used to determine diluted EPS (£m)	**762.1**	645.1
Weighted average number of shares (m)	**135.4**	137.9
Adjustments for:		
Share options — 2011 LTIP (m)	**3.1**	5.0
Shares used to determine diluted EPS (m)	**138.5**	142.9
Diluted earnings per ordinary share (p)	**550.2p**	451.4p

8 INTANGIBLE ASSETS

	GOODWILL £M
Cost	
At 1 May 2017 and 30 April 2018	**17.2**
Accumulated impairment	
At 1 May 2017 and at 30 April 2018	**—**
Net book value	
At 1 May 2017 and at 30 April 2018	**17.2**

Cost	
At 1 May 2016 and 30 April 2017	17.2
Accumulated impairment	
At 1 May 2016 and at 30 April 2017	—
Net book value	
At 1 May 2016 and at 30 April 2017	17.2

The goodwill balance relates solely to the acquisition of the 50% of the ordinary share capital of St James Group Limited, completed on 7 November 2006 that was not already owned by the Group. The goodwill balance is tested annually for impairment. The recoverable amount has been determined on the basis of the value in use of the business using the current five year pre-tax forecasts. Key assumptions are as follows:

(i) Cash flows beyond a five year period are not extrapolated; and

(ii) A pre-tax discount rate of 7.91% (2017: 8.36%) based on the Group's weighted average cost of capital.

The Directors have identified no reasonably possible change in a key assumption which would give rise to an impairment charge.

9 PROPERTY, PLANT AND EQUIPMENT

	PROPERTY, PLANT AND EQUIPMENT			
	FREEHOLD PROPERTY £M	FIXTURES AND FITTINGS £M	MOTOR VEHICLES £M	TOTAL £M
Cost				
At 1 May 2017	17.4	12.1	3.7	33.2
Additions	4.1	1.4	0.6	6.1
Disposals	–	(0.9)	(0.9)	(1.8)
At 30 April 2018	**21.5**	**12.6**	**3.4**	**37.5**
Accumulated Depreciation				
At 1 May 2017	1.2	7.5	1.7	10.4
Charge for the year	0.3	1.9	0.5	2.7
Disposals	–	(0.9)	(0.6)	(1.5)
At 30 April 2018	**1.5**	**8.5**	**1.6**	**11.6**
Net book value				
At 1 May 2017	16.2	4.6	2.0	22.8
At 30 April 2018	**20.0**	**4.1**	**1.8**	**25.9**
Cost				
At 1 May 2016	17.4	10.0	4.5	31.9
Additions	–	2.6	0.2	2.8
Disposals	–	(0.5)	(1.0)	(1.5)
At 30 April 2017	17.4	12.1	3.7	33.2
Accumulated Depreciation				
At 1 May 2016	1.1	5.6	1.7	8.4
Charge for the year	0.1	2.2	0.5	2.8
Disposals	–	(0.3)	(0.5)	(0.8)
At 30 April 2017	1.2	7.5	1.7	10.4
Net book value				
At 1 May 2016	16.3	4.4	2.8	23.5
At 30 April 2017	16.2	4.6	2.0	22.8

10 INVESTMENTS IN JOINT VENTURES

	2018 £M	2017 £M
Unlisted shares at cost	**11.0**	11.0
Loans	**92.3**	70.3
Share of post-acquisition reserves	**211.8**	53.8
Elimination of profit on transfer of inventory to joint ventures	**(0.1)**	(0.1)
	315.0	135.0

Details of the joint ventures are provided in notes 24 and 25.

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

	2018 £M	2017 £M
At 1 May	**135.0**	150.0
Profit after tax for the year	**158.0**	63.8
Dividends from investments	**—**	(70.0)
Net increase/(decrease) in loans to joint ventures	**22.0**	(8.8)
At 30 April	**315.0**	135.0

Net increase/(decrease) in loans to joint ventures includes movements in unlisted shares at cost. The current year movement includes no non-cash movement (2017: no non-cash movement).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 INVESTMENTS CONTINUED

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

2018	ST EDWARD £M	ST WILLIAM £M	OTHER £M	TOTAL £M
Cash and cash equivalents	285.1	8.1	0.1	293.3
Other current assets	91.1	151.0	–	242.1
Current assets	376.2	159.1	0.1	535.4
Current liabilities	(79.9)	(66.5)	–	(146.4)
Non-current financial liabilities	(49.5)	(24.5)	–	(74.0)
	246.8	68.1	0.1	315.0
Revenue	314.6	–	–	314.6
Costs	(143.3)	(12.6)	–	(155.9)
Operating profit	171.3	(12.6)	–	158.7
Interest (charges)/income	1.5	(1.9)	–	(0.4)
Profit before taxation	172.8	(14.5)	–	158.3
Tax charge	(0.3)	–	–	(0.3)
Share of post tax profit of joint ventures	172.5	(14.5)	–	158.0

2017	ST EDWARD £M	ST WILLIAM £M	OTHER £M	TOTAL £M
Cash and cash equivalents	129.9	1.2	0.1	131.2
Other current assets	126.7	107.3	–	234.0
Current assets	256.6	108.5	0.1	365.2
Current liabilities	(131.2)	(36.0)	–	(167.2)
Non-current liabilities	(51.0)	(12.0)	–	(63.0)
	74.4	60.5	0.1	135.0
Revenue	168.7	–	–	168.7
Costs	(94.7)	(7.7)	–	(102.4)
Operating profit	74.0	(7.7)	–	66.3
Interest charges	(1.4)	(0.9)	–	(2.3)
Profit before taxation	72.6	(8.6)	–	64.0
Tax charge	(0.2)	–	–	(0.2)
Share of post tax profit of joint ventures	72.4	(8.6)	–	63.8

11 INVENTORIES

	2018 £M	2017 £M
Land not under development	337.7	414.1
Work in progress	2,779.8	2,981.7
Completed units	122.4	87.6
	3,239.9	3,483.4

12 TRADE AND OTHER RECEIVABLES

	2018 £M	2017 £M
Trade receivables	107.9	186.1
Other receivables	13.3	32.6
Prepayments and accrued income	11.1	10.8
	132.3	229.5

Further disclosures relating to trade receivables are set out in note 23.

13 CASH AND CASH EQUIVALENTS

	2018 £M	2017 £M
Cash and cash equivalents	987.3	585.5

14 TRADE AND OTHER PAYABLES

	2018 £M	2017 £M
Current		
Trade payables	(589.3)	(647.0)
Deposits and on account contract receipts	(895.0)	(974.9)
Loans from joint ventures	–	(0.1)
Other taxes and social security	(48.6)	(49.8)
Accruals and deferred income	(131.9)	(137.4)
	(1,664.8)	(1,809.2)
Non-current		
Trade payables	(62.6)	(69.2)
Total trade and other payables	(1,727.4)	(1,878.4)

All amounts included above are unsecured. The total of £48.6 million (2017: £49.8 million) for other taxes and social security includes £14.7 million (2017: £14.6 million) for Employer's National Insurance provision in respect of share-based payments.

Further disclosures relating to current trade and non-current trade payables are set out in note 23.

15 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	POST-COMPLETION DEVELOPMENT PROVISIONS	OTHER PROVISIONS	TOTAL £M
At 1 May 2017	(80.1)	(19.8)	(99.9)
Utilised	11.6	9.6	21.2
Released	26.1	3.7	29.8
Charged to the income statement	(31.8)	(1.1)	(32.9)
At 30 April 2018	**(74.2)**	**(7.6)**	**(81.8)**

	POST-COMPLETION DEVELOPMENT PROVISIONS	OTHER PROVISIONS	TOTAL £M
At 1 May 2016	(73.4)	(15.1)	(88.5)
Utilised	1.3	1.6	2.9
Released	24.8	1.7	26.5
Charged to the income statement	(32.8)	(8.0)	(40.8)
At 30 April 2017	(80.1)	(19.8)	(99.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

15 PROVISIONS FOR OTHER LIABILITIES AND CHARGES CONTINUED

Analysis of total provisions:

	2018 £M	2017 £M
Non-current	**68.0**	73.0
Current	**13.8**	26.9
Total	**81.8**	99.9

Provisions for other liabilities and charges primarily relate to provisions for a best estimate of certain post-completion development obligations in respect of the construction of the Group's portfolio of complex mixed-use developments which are expected to be incurred in the ordinary course of business, based on historic experience of the Group's sites and current site-specific risks, but which are uncertain in terms of timing and quantum. The Group continually reviews its utilisation of this provision and, in recognition that the risk of post-completion development obligations reduces over time, releases any unutilised provision to the income statement on a systematic basis across the five years following post-completion.

In addition, the Group holds other provisions for onerous leases on properties leased by the Group and for the Group's exposure to specific estate liabilities on historic sites developed by the Group, as well as litigation. These are not individually significant in terms of quantum to warrant separate disclosure and the timing of the utilisation of the other provisions is uncertain.

16 DEFERRED TAX

The movement on the deferred tax account is as follows:

	ACCELERATED CAPITAL ALLOWANCES £M	RETIREMENT BENEFIT OBLIGATIONS £M	SHORT TERM TIMING DIFFERENCES £M	TOTAL £M
At 1 May 2017	0.8	0.1	58.5	59.4
Adjustments in respect of previous years	–	–	(2.6)	(2.6)
(Charged) to the income statement in year	–	(0.1)	(0.5)	(0.6)
Adjustment in respect of change of tax rate from 20% to 19%/17% (note 6)	(0.1)	–	(1.1)	(1.2)
Charged to income statement in the year	(0.1)	(0.1)	(1.6)	(1.8)
Credited to equity at 19%/17%	–	0.1	4.4	4.5
Realisation of deferred tax asset on vesting of employee share scheme	–	–	(0.6)	(0.6)
Credited to equity in year (note 6)	–	0.1	3.8	3.9
At 30 April 2018	**0.7**	**0.1**	**58.1**	**58.9**

	ACCELERATED CAPITAL ALLOWANCES £M	RETIREMENT BENEFIT OBLIGATIONS £M	SHORT TERM TIMING DIFFERENCES £M	TOTAL £M
At 1 May 2016	0.8	0.1	71.0	71.9
Adjustments in respect of previous years	–	–	(5.0)	(5.0)
Credited/(charged) to the income statement in year	0.1	(0.1)	(0.6)	(0.6)
Adjustment in respect of change of tax rate from 20% to 19%/17% (note 6)	(0.1)	–	(1.1)	(1.2)
Charged to income statement in the year	–	(0.1)	(1.7)	(1.8)
Credited/(charged) to equity at 19%/17%	–	0.1	(0.2)	(0.1)
Realisation of deferred tax asset on vesting of employee share scheme	–	–	(5.6)	(5.6)
Credited/(charged) to equity in year (note 6)	–	0.1	(5.8)	(5.7)
At 30 April 2017	0.8	0.1	58.5	59.4

Other short term timing differences primarily relates to deferred tax assets held in relation to long term incentive schemes and bonuses.

Deferred tax is calculated in full on temporary differences at the tax rates that are expected to apply for the period when the asset is realised and the liability is settled using a tax rate of 19/17% as appropriate (2017: 19/17%). There is no unprovided deferred tax (2017: nil) at the balance sheet date.

All deferred tax assets are available for offset against deferred tax liabilities and hence the net deferred tax asset at 30 April 2018 is £58.9 million (2017: £59.4 million).

Deferred tax assets of £45.6 million (2017: £44.7 million) are expected to be recovered after more than one year.

The deferred tax credited to equity during the year was as follows:

	2018 £M	2017 £M
Deferred tax on remeasurements of the net defined benefit asset/liability (note 6)	**0.1**	0.1
Deferred tax in respect of employee share schemes (note 6)	**3.8**	(5.8)
Movement in the year	**3.9**	(5.7)
Cumulative deferred tax credited to equity at 1 May	**21.0**	26.7
Cumulative deferred tax credited to equity at 30 April	**24.9**	21.0

17 SHARE CAPITAL AND SHARE PREMIUM

The movements on allotted and fully paid share capital for the Company in the year were as follows:

	ORDINARY SHARES		SHARE CAPITAL		SHARE PREMIUM	
	2018 NO '000	2017 NO '000	2018 £M	2017 £M	2018 £M	2017 £M
Issued						
At start of year	**140,157**	138,257	**7.0**	6.9	**49.8**	49.8
Issued in year	**–**	1,900	**–**	0.1	**–**	–
At end of year	**140,157**	140,157	**7.0**	7.0	**49.8**	49.8

Each ordinary share of 5p is a voting share in the capital of the Company, is entitled to participate in the profits of the Company and on a winding-up is entitled to participate in the assets of the Company.

On 28 September 2017, 0.4 million ordinary shares (2017: 1.9 million) were allotted and issued to the Employee Benefit Trust.

On 2 October 2017, 0.4 million ordinary shares (2017: 1.8 million) were transferred from the Employee Benefit Trust to Executive Directors to satisfy the exercise of options under the 2011 Long Term Incentive Plan.

At 30 April 2018 there were 0.4 million shares held in trust (2017: 0.4 million) by the Employee Benefit Trust. The market value of these shares at 30 April 2018 was £18.0 million (2017: £13.8 million).

During the 2018 financial year, shares were repurchased for a total consideration of £140.4 million, excluding transaction costs (2017: £64.5 million). These shares have not been cancelled.

At 30 April 2018 there were 6.0 million (2017: 2.4 million) treasury shares held by the Group. The market value of the shares at 30 April 2018 was £244.3 million (2017: £78.8 million).

18 RESERVES

The movement in reserves is set out in the Consolidated Statement of Changes in Equity on page 130.

Capital redemption reserve
The capital redemption reserve was created to maintain the capital of the Company following the redemption of the B Shares associated with the Scheme of Arrangement created in 2004 which completed on 10 September 2009 with the re-designation of the unissued B shares as ordinary shares.

Other reserve
The other reserve of negative £961.3 million (2017: negative £961.3 million) 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.

Retained earnings
On 28 September 2017 the Company issued and transferred to the Company's Employee Benefit Trust 0.4 million ordinary shares (2017: 1.9 million ordinary shares). On 2 October 2017 0.4 million ordinary shares were transferred from the Employee Benefit Trust to Executive Directors to satisfy the exercise of options under the 2011 Long Term Incentive Plan (2017: 1.8 million ordinary shares).

19 DIVIDENDS PER SHARE

The dividends paid in 2018 were a total of £146.7 million, being £76.3 million in March 2018 (56.75 pence per share) and £70.4 million in September 2017 (51.76 pence per share) (2017: £254.6 million being £117.7 million in March 2017, 85.24 pence per share and £136.9 million in September 2016, 100 pence per share).

20 CONTINGENT LIABILITIES

Certain companies within the Group have given performance and other trade guarantees on behalf of other members of the Group in the ordinary course of business. The Group has performance agreements in the ordinary course of business of £16.9 million which are guaranteed by third parties (2017: £12.6 million). The Group considers that the likelihood of an outflow of cash under these agreements is low and that no provision is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 OPERATING LEASES — MINIMUM LEASE PAYMENTS

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

	2018 £M	2017 £M
Amounts due:		
Within one year	**2.7**	2.5
Between one and five years	**5.0**	5.2
After five years	**1.2**	1.6
	8.9	9.3

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit after taxation for the year to cash generated from operations:

	2018 £M	2017 £M
Profit after taxation for the year	**762.1**	645.1
Adjustments for:		
— Taxation	**172.8**	167.3
— Depreciation	**2.7**	2.8
— Profit on sale of property, plant and equipment	**—**	0.2
— Finance income	**(6.6)**	(2.1)
— Finance costs	**9.3**	9.7
— Share of results of joint ventures after tax	**(158.0)**	(63.8)
— Non-cash charge in respect of share-based payments	**8.6**	10.9
Changes in working capital:		
— Decrease/(increase) in inventories	**243.5**	(227.3)
— Decrease/(increase) in trade and other receivables	**97.0**	(18.4)
— (Decrease)/increase in trade and other payables	**(173.6)**	13.2
— Decrease in employee benefit obligations	**(0.6)**	(0.6)
Cash generated from operations	**957.2**	537.0

Reconciliation of net cash flow to net cash:

	2018 £M	2017 £M
Net increase in cash and cash equivalents, including bank overdraft	**401.8**	478.1
Net cash inflow from increase in borrowings	**—**	(300.0)
Movement in net cash in the year	**401.8**	178.1
Opening net cash	**285.5**	107.4
Closing net cash	**687.3**	285.5

Net cash:

As at 30 April	2018 £M	2017 £M
Cash and cash equivalents	**987.3**	585.5
Borrowings	**(300.0)**	(300.0)
Net cash	**687.3**	285.5

23 CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group finances its operations by a combination of shareholders' funds, working capital and, where appropriate, borrowings. The Group's objective when managing capital is to maintain an appropriate capital structure in the business to allow management to focus on creating sustainable long term value for its shareholders, with flexibility to take advantage of opportunities as they arise in the short and medium term. This allows the Group to take advantage of prevailing market conditions by investing in land opportunistically and work in progress at the right point in the cycle and deliver returns to shareholders through dividends or share buy backs. In 2012 the Group put in place a long term strategic plan to see £13 per share returned to shareholders over the following 10 years. This plan was revised in December 2015 and the return to shareholders increased to £16.34 per share. This plan, reported in more detail in the Strategic Report on page 11, ensures there is sufficient working capital retained in the business to continue investing selectively in new land opportunities as they arise.

The Group monitors capital levels principally by monitoring net cash/debt levels, cash flow forecasts and return on average capital employed. The Group considers capital employed to be net assets adjusted for net cash/debt. Capital employed at 30 April 2018 was £1,932.7 million (2017: £1,851.4 million). The increase in capital employed in the year of £81.3 million reflects an increase in net assets during the year (2017: £146.0 million).

The Group's financial instruments comprise financial assets being: trade receivables and cash and cash equivalents and financial liabilities being: bank loans, trade payables, deposits and on account receipts, loans from joint ventures and accruals. Cash and cash equivalents and borrowings are the principal financial instruments used to finance the business. The other financial instruments highlighted arise in the ordinary course of business.

As all of the operations carried out by the Group are in sterling there is no direct currency risk, and therefore the Group's main financial risks are primarily:

— liquidity risk — the risk that suitable funding for the Group's activities may not be available;

— market interest rate risk — the risk that Group financing activities are adversely affected by fluctuation in market interest rates; and

— credit risk — the risk that a counterparty will default on their contractual obligations resulting in a loss to the Group.

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

	2018 £M	2017 £M
Current		
Trade receivables	**107.9**	186.1
Cash and cash equivalents	**987.3**	585.5
Total financial assets	**1,095.2**	771.6

Trade receivables and available-for-sale financial assets are non-interest bearing. Of the current trade receivables balance of £107.9 million (30 April 2017: £186.1 million), £97.5 million (30 April 2017: £159.1 million) was not past due, with £8.3 million being 0–30 days past due (30 April 2017: £18.3 million, 0–30 days past due) and £2.1 million being over 30 days past due (30 April 2017: £8.7 million, over 30 days past due).

Cash and cash equivalents are short term deposits held at either floating rates linked to LIBOR or fixed rates.

There are currently no group's assets that are measured at fair value.

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

	2018 £M	2017 £M
Current		
Trade payables	**(589.3)**	(647.0)
Loans from joint ventures	**—**	(0.1)
Accruals and deferred income	**(131.9)**	(137.4)
	(721.2)	(784.5)
Non-current		
Trade payables	**(62.6)**	(69.2)
Borrowings	**(300.0)**	(300.0)
	(362.6)	(369.2)
Total financial liabilities	**(1,083.8)**	(1,153.7)

All amounts included above are unsecured.

Current bank loans have term expiry dates within twelve months of the balance sheet date and are held at floating interest rates linked to LIBOR. Trade payables and other current liabilities are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

The maturity profile of the Group's non-current financial liabilities, all of which are held at amortised cost, is as follows:

	2018 £M	2017 £M
In more than one year but not more than two years	**(15.2)**	(8.0)
In more than two years but not more than five years	**(322.9)**	(338.4)
In more than five years	**(24.5)**	(22.8)
	(362.6)	(369.2)

The carrying amounts of the Group's financial assets and financial liabilities approximate their fair value.

Current trade receivables and 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 and have a short period to maturity (less than one year).

Non-current trade payables comprise long term land payables, which are held at their discounted present value (calculated by discounting expected future cash flows at prevailing interest rates and yields as appropriate) and borrowings. The discount rate applied reflects the nominal, risk-free pre-tax rate at the balance sheet date, applied to the maturity profile of the individual land creditors within the total. At 30 April 2018 a rate of 0.84% was applied (2017: 0.21%). Non-current loans approximate to fair value as they are held at variable market interest rates linked to LIBOR.

Liquidity risk
This is the risk that suitable funding for the Group's activities may not be available. Group management addresses this risk through review of rolling cash flow forecasts throughout the year to assess and monitor the current and forecast availability of funding, and to ensure sufficient headroom against facility limits and compliance with banking covenants. The committed borrowing facilities are set out below.

The contractual undiscounted maturity profile of the Group's financial liabilities, included at their carrying value in the preceding tables, is as follows:

	2018 £M	2017 £M
In less than one year	**(721.3)**	(784.5)
In more than one year but not more than two years	**(15.4)**	(8.1)
In more than two years but not more than five years	**(323.5)**	(338.6)
In more than five years	**(26.5)**	(23.3)
	(1,086.7)	(1,154.5)

Market interest rate risk
The Group's cash and cash equivalents and bank loans expose the Group to cash flow interest rate risk.

The Group's rolling cash flow forecasts incorporate appropriate interest assumptions, and management carefully assesses expected activity levels and associated funding requirements in the prevailing and forecast interest rate environment to ensure that this risk is managed.

If interest rates on the Group's cash/debt balances had been 50 basis points higher throughout the year ended 30 April 2018, profit after tax for the year would have been £1.2 million higher (2017: £1.1 million higher). This calculation is based on the monthly closing net cash/debt balance throughout the year. A 50 basis point increase in interest rate represents management's assessment of a reasonably possible change for the year ended 30 April 2018.

Credit risk
The Group's exposure to credit risk encompasses the financial assets being: trade receivables and cash and cash equivalents.

Trade receivables are spread across a wide number of customers, with no significant concentration of credit risk in one area. There has been no impairment of trade receivables during the year (2017: £nil), nor are there any material provisions held against trade receivables (2017: £nil), and £10.4 million trade receivables are past their due date (2017: £27.0 million).

The credit risk on cash and cash equivalents is limited because counterparties are leading international banks with long term A credit-ratings assigned by international credit agencies.

Committed borrowing facilities
The Group has committed borrowing facilities as follows:

	2018 AVAILABLE £M	2018 DRAWN £M	2018 UNDRAWN £M	2018 TERMINATION £M	2017 AVAILABLE £M	2017 DRAWN £M	2017 UNDRAWN £M	2017 TERMINATION £M
Term Loan	**300**	**(300)**	**—**	**Nov-22**	300	(300)	—	Nov-21
Revolving credit facility	**450**	**—**	**450**	**Nov-22**	450	—	450	Nov-21
	750	**(300)**	**450**		750	(300)	450	

The Group's committed banking facilities currently total £750 million and expire in November 2022, after the Group exercised the first of two options to extend the facilities by a year. One option remains to extend the facilities by a further year until 2023.

At 30 April 2018 the total drawn down balance of the facility was £300.0 million (2017: £300.0 million). In addition, at 30 April 2018 there were bank bonds in issue of £5.0 million (2017: £5.0 million).

The committed facilities are secured by debentures provided by certain Group holding companies over their assets. The facility agreement contains financial covenants, which is normal for such agreements, with all of which the Group is in compliance.

24 RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions:

Transactions with Directors
In terms of new transactions in the 2018 financial year:

i) During the year, Mr A W Pidgley paid £73,317 (2017: £44,794) and Mr R C Perrins paid £14,577 (2017: £32,289) to the Group in connection with works carried out at their respective homes at commercial rates in accordance with the relevant policies of the Group. In the prior financial year Mr S Ellis paid £92,732 to the Group. There were no balances outstanding at the year end.

Director property purchases previously disclosed, which have all received shareholder approval, include:

- Ms D Brightmore Armour — purchase of an apartment at 190 Strand for £2,985,000 in 2014 along with a storage room at the property for £101,200 in 2015. During the financial year, Ms Brightmore-Armour legally completed on the purchase of both the apartment and storage room. All contractual amounts have been paid to the Group.
- Mr S Ellis — purchase of an apartment at 190 Strand for £2,285,000 in February 2017. During the financial year, Mr S Ellis legally completed on the purchase of the apartment. All contractual amounts have been paid to the Group.
- Mr K Whiteman — purchase of an apartment at Royal Arsenal Riverside for £650,000 in 2016. During the year Mr Whiteman paid £971 in respect of enhancements to specification. As at 30 April 2018 all contractual amounts due have been paid to the Group and the property was still under construction.

Berkeley Homes plc has an agreement with Langham Homes, a company controlled by Mr T K Pidgley who is the son of the Group's Chairman, under which Langham Homes will be paid a fee for a land introduction on an arm's length basis. No payments have been made under this agreement in the year (2017: nil) and there were no outstanding balances at the year end (2017: nil). Langham Homes has not introduced any new land to the Group in the year. In the event that any further land purchases are agreed, further fees may be payable to Langham Homes in future years.

Transactions with joint ventures
During the financial period there were no transactions with joint ventures other than movements in loans, there were no dividends received from joint ventures in the period (2017: £70,000,000). The outstanding loan balances with joint ventures at 30 April 2018 total £102,700,000 (30 April 2017: £80,700,000).

In 2009 inventory was sold to St Edward Homes Limited for £17,411,000 being the share of the transaction attributable to the other venturer in the joint venture. At 30 April 2018 no amounts were outstanding in respect of this transaction (30 April 2017: £736,000 included in trade receivables).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 SUBSIDIARIES AND JOINT VENTURES

(a) Subsidiaries

In accordance with section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation, the registered address and the effective percentage of equity owned, as at 30 April 2018 is disclosed below. The Berkeley Group plc is the only direct subsidiary of The Berkeley Group Holdings plc and is an intermediate holding company. All wholly-owned and partly owned subsidiaries are included in the consolidation and all associated undertakings are included in the Group's financial statements.

All of the companies listed below are incorporated in England and Wales have their registered office address at Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG and the principal activity is residential-led mixed-use development and ancillary activities. All of the companies are wholly owned by the Group and unless otherwise indicated, all of the companies have ordinary share capital.

Agents of Berkeley Commercial Developments Limited

Ely Business Park Limited

Agents of Berkeley (Central London) Limited

Chelsea Bridge Wharf (Block A) Limited
Chelsea Bridge Wharf (Block B) Limited
Chelsea Bridge Wharf (Block P) Limited
Chelsea Bridge Wharf (C North) Limited
Chelsea Bridge Wharf (C South) Limited

Agents of Berkeley Homes (Hampshire) Limited

Berkeley Homes (South Western House No.1) Limited

Agents of Berkeley Homes plc

Berkeley (Canalside) Limited
Berkeley Build Limited
Berkeley Forty-Five Limited[i]
Berkeley Forty-Four plc
Berkeley Homes (Barn Elms) Limited
Berkeley Homes (Capital) plc
Berkeley Homes (Central & West London) plc
Berkeley Homes (Central London) Limited
Berkeley Homes (Chiltern) Limited
Berkeley Homes (East Anglia) Limited
Berkeley Homes (East Kent) Limited
Berkeley Homes (East Thames) Limited
Berkeley Homes (Eastern Counties) Limited
Berkeley Homes (Eastern) Limited
Berkeley Homes (Festival Waterfront Company) Limited
Berkeley Homes (Hampshire) Limited
Berkeley Homes (Home Counties) plc
Berkeley Homes (North East London) Limited
Berkeley Homes (Oxford & Chiltern) Limited
Berkeley Homes (South East London) Limited
Berkeley Homes (South London) Limited
Berkeley Homes (Southern) Limited
Berkeley Homes (Surrey) Limited
Berkeley Homes (Thames Gateway) Limited
Berkeley Homes (Thames Valley) Limited
Berkeley Homes (Three Valleys) Limited
Berkeley Homes (Urban Developments) Limited
Berkeley Homes (Urban Living) Limited
Berkeley Homes (Urban Renaissance) Limited
Berkeley Homes (West London) Limited
Berkeley Homes (Western) Limited
Berkeley Homes (West Thames) Limited
Berkeley Ninety-One Limited
Berkeley Partnership Homes Limited
Berkeley Seven Limited
Berkeley STE Limited
Berkeley SW Management Limited
Berkeley Urban Renaissance Limited
Clare Homes Limited
Lisa Estates (St Albans) Limited
PEL Investments Limited
St John Homes Limited
St Joseph Homes Limited
Stanmore Relocations Limited
Tabard Square (Building C) Limited

Agents of Berkeley Twenty Limited

Thirlstone Homes (Western) Limited
Thirlstone Homes Limited

Agents of St George Central London Limited

Castle Court Putney Wharf Limited
Imperial Wharf (Block C) Limited
Imperial Wharf (Block J) Limited
Imperial Wharf (Riverside Tower) Residential Limited

Agents of St George plc

St George Central London Limited
St George City Limited
St George Developments Limited
St George Kings Cross Limited
St George North London Limited
St George South and Central London Limited
St George South London Limited
St George West London Limited

Agents of St George South London Limited

Battersea Reach Estate Company Limited
Kensington Westside No. 2 Limited
Putney Wharf Estate Limited
Riverside West (Block C) Commercial Limited
Riverside West (Block C) Residential Limited
Riverside West (Block D) Commercial Limited
Riverside West (Block D) Residential Limited
Riverside West Car Park Limited
St George Wharf (Block B) Limited
St George Wharf (Block C) Limited
St George Wharf (Block D) Commercial Limited
St George Wharf Car Park Limited

Agents of St John Homes Limited

Berkeley Sixty-Six Limited

Non-Agency Companies[v]

Ancestral Homes Limited
Berkeley (Inner-City Partnerships) Limited
Berkeley (SQP) Limited
Berkeley (Virginia Water) Limited[i]
Berkeley Affordable Homes Limited
Berkeley Asset MSA Limited
Berkeley College Homes Limited
Berkeley Commercial Developments Limited
Berkeley Commercial Investments Limited
Berkeley Commercial Limited
Berkeley Community Villages Limited
Berkeley Construction Limited
Berkeley Developments Limited[i]
Berkeley Eighteen Limited
Berkeley Eighty Limited
Berkeley Eighty-One Limited
Berkeley Eighty-Three Limited
Berkeley Eighty-Two Limited
Berkeley Enterprises Limited
Berkeley Festival Development Limited
Berkeley Festival Hotels Limited
Berkeley Festival Investments Limited
Berkeley Festival Limited
Berkeley Fifty Limited
Berkeley Fifty-Eight Limited
Berkeley Fifty-Five Limited
Berkeley Fifty-Four Limited
Berkeley Fifty-Nine Limited
Berkeley Fifty-One Limited
Berkeley Fifty-Seven Limited
Berkeley Fifty-Three Limited
Berkeley Fifty-Two Limited
Berkeley First Limited
Berkeley Five Limited
Berkeley Forty Limited
Berkeley Forty-Eight Limited
Berkeley Forty-Nine Limited
Berkeley Forty-Seven Limited
Berkeley Forty-Six Limited

Berkeley Forty-Three Limited
Berkeley Forty-Two Limited
Berkeley Fourteen Limited
Berkeley Group Pension Trustees Limited
Berkeley Group Services Limited
Berkeley Group SIP Trustee Limited
Berkeley Guarantee One Limited
Berkeley Homes (Carmelite) Limited
Berkeley Homes (Chertsey) Limited
Berkeley Homes (City & East London) Limited
Berkeley Homes (City) Limited
Berkeley Homes (Dorset) Limited
Berkeley Homes (East London) Limited
Berkeley Homes (Essex) Limited
Berkeley Homes (Fleet) Limited[i]
Berkeley Homes (Greater London) Limited
Berkeley Homes Group Limited
Berkeley Homes (Hertfordshire & Cambridgeshire) Limited
Berkeley Homes (Kent) Limited
Berkeley Homes (North Western) Limited[i]
Berkeley Homes (PCL) Limited
Berkeley Homes plc[iii]
Berkeley Homes (South) Limited
Berkeley Homes (Southall) Limited
Berkeley Homes (Stanmore) Limited
Berkeley London Residential Limited
Berkeley Manhattan Limited
Berkeley Modular Limited
Berkeley Ninety-Eight Limited
Berkeley Ninety-Five Limited
Berkeley Ninety-Four Limited
Berkeley Ninety-Nine Limited
Berkeley Ninety-Seven Limited
Berkeley Ninety-Six Limited
Berkeley Number Four Limited
Berkeley Number Seven Limited
Berkeley Number Six Limited
Berkeley One Hundred and Eight Limited
Berkeley One Hundred and Eighteen Limited
Berkeley One Hundred and Eighty-Eight Limited
Berkeley One Hundred and Eighty-Five Limited
Berkeley One Hundred and Eighty Limited
Berkeley One Hundred and Eighty-Nine Limited
Berkeley One Hundred and Eighty-One Limited
Berkeley One Hundred and Eighty-Seven Limited
Berkeley One Hundred and Eighty-Two Limited
Berkeley One Hundred and Fifteen Limited
Berkeley One Hundred and Fifty-Eight Limited
Berkeley One Hundred and Fifty-Five Limited
Berkeley One Hundred and Fifty-Four Limited
Berkeley One Hundred and Fifty Limited
Berkeley One Hundred and Fifty-Nine Limited
Berkeley One Hundred and Fifty-One Limited
Berkeley One Hundred and Fifty-Seven Limited
Berkeley One Hundred and Fifty-Six Limited
Berkeley One Hundred and Fifty-Three Limited
Berkeley One Hundred and Fifty-Two Limited
Berkeley One Hundred and Five Limited
Berkeley One Hundred and Forty-Eight Limited
Berkeley One Hundred and Forty-Five Limited
Berkeley One Hundred and Forty-Four Limited
Berkeley One Hundred and Forty Limited
Berkeley One Hundred and Forty-Nine Limited
Berkeley One Hundred and Forty-One Limited
Berkeley One Hundred and Forty-Seven Limited
Berkeley One Hundred and Forty-Six Limited
Berkeley One Hundred and Four Limited
Berkeley One Hundred and Nine Limited
Berkeley One Hundred and Ninety-Eight Limited
Berkeley One Hundred and Ninety-Five Limited
Berkeley One Hundred and Ninety-Four Limited
Berkeley One Hundred and Ninety Limited
Berkeley One Hundred and Ninety-Nine Limited
Berkeley One Hundred and Ninety-Seven Limited
Berkeley One Hundred and Ninety-Six Limited
Berkeley One Hundred and Ninety-Three Limited
Berkeley One Hundred and Ninety-Two Limited
Berkeley One Hundred and One Limited
Berkeley One Hundred and Seven Limited
Berkeley One Hundred and Seventeen Limited
Berkeley One Hundred and Seventy-Eight Limited
Berkeley One Hundred and Seventy-Five Limited
Berkeley One Hundred and Seventy-Four Limited
Berkeley One Hundred and Seventy Limited
Berkeley One Hundred and Seventy-Nine Limited
Berkeley One Hundred and Seventy-One Limited
Berkeley One Hundred and Seventy-Seven Limited
Berkeley One Hundred and Seventy-Six Limited
Berkeley One Hundred and Seventy-Three Limited
Berkeley One Hundred and Seventy-Two Limited
Berkeley One Hundred and Six Limited
Berkeley One Hundred and Sixteen Limited
Berkeley One Hundred and Sixty-Five Limited
Berkeley One Hundred and Sixty-Four Limited
Berkeley One Hundred and Sixty-One Limited
Berkeley One Hundred and Sixty-Six Limited
Berkeley One Hundred and Sixty-Three Limited
Berkeley One Hundred and Thirteen Limited
Berkeley One Hundred and Thirty-Eight Limited
Berkeley One Hundred and Thirty-Five Limited
Berkeley One Hundred and Thirty-Four Limited
Berkeley One Hundred and Thirty Limited
Berkeley One Hundred and Thirty-Nine Limited
Berkeley One Hundred and Thirty-One Limited
Berkeley One Hundred and Thirty-Seven Limited
Berkeley One Hundred and Thirty-Six Limited
Berkeley One Hundred and Thirty-Three Limited
Berkeley One Hundred and Thirty-Two Limited
Berkeley One Hundred and Three Limited
Berkeley One Hundred and Twenty-Eight Limited
Berkeley One Hundred and Twenty-Five Limited
Berkeley One Hundred and Twenty-Four Limited
Berkeley One Hundred and Twenty Limited
Berkeley One Hundred and Twenty-Nine Limited
Berkeley One Hundred and Twenty-One Limited
Berkeley One Hundred and Twenty-Seven Limited
Berkeley One Hundred and Twenty-Six Limited
Berkeley One Hundred and Twenty-Three Limited
Berkeley One Hundred and Twenty-Two Limited
Berkeley One Hundred and Two Limited
Berkeley Portsmouth Harbour Limited
Berkeley Portsmouth Waterfront Limited
Berkeley Properties Limited[i]
Berkeley Residential Limited[i]
Berkeley Ryewood Limited
Berkeley Seventy Limited
Berkeley Seventy-Four Limited
Berkeley Seventy-Nine Limited
Berkeley Seventy-One PLC[ii]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 SUBSIDIARIES AND JOINT VENTURES CONTINUED

Berkeley Seventy-Seven Limited
Berkeley Seventy-Six Limited
Berkeley Seventy-Three Limited
Berkeley Seventy-Two Limited
Berkeley Sixty Limited
Berkeley Sixty-Eight Limited
Berkeley Sixty-Five Limited
Berkeley Sixty-Four Limited
Berkeley Sixty-Nine Limited
Berkeley Sixty-One Limited
Berkeley Special Projects Limited
Berkeley Strategic Land Limited(ii)
Berkeley Sustainable Communities Limited
Berkeley Thirty-Eight Limited
Berkeley Thirty-Nine Limited
Berkeley Thirty-Three Limited
Berkeley Three Limited
Berkeley Twenty Limited
Berkeley Twenty-Eight Limited
Berkeley Twenty-Four Limited
Berkeley Twenty-Nine Limited
Berkeley Twenty-Seven Limited
Berkeley Twenty-Three Limited
Berkeley Twenty-Two Limited
Berkeley Two Hundred and Eight Limited
Berkeley Two Hundred and Eighteen Limited
Berkeley Two Hundred and Eleven Limited
Berkeley Two Hundred and Five Limited
Berkeley Two Hundred and Fourteen Limited
Berkeley Two Hundred and Nine Limited
Berkeley Two Hundred and Nineteen Limited
Berkeley Two Hundred and One Limited(i)
Berkeley Two Hundred and Seven Limited
Berkeley Two Hundred and Seventeen Limited
Berkeley Two Hundred and Six Limited
Berkeley Two Hundred and Sixteen Limited
Berkeley Two Hundred and Ten Limited
Berkeley Two Hundred and Thirteen Limited
Berkeley Two Hundred and Thirty Limited
Berkeley Two Hundred and Three Limited
Berkeley Two Hundred and Twelve Limited
Berkeley Two Hundred and Twenty Limited
Berkeley Two Hundred and Twenty-Eight Limited
Berkeley Two Hundred and Twenty-Five Limited
Berkeley Two Hundred and Twenty-Four Limited
Berkeley Two Hundred and Twenty-Nine Limited
Berkeley Two Hundred and Twenty-One Limited
Berkeley Two Hundred and Twenty-Seven Limited
Berkeley Two Hundred and Twenty-Six Limited
Berkeley Two Hundred and Twenty-Three Limited
Berkeley Two Hundred and Twenty-Two Limited
Berkeley Two Hundred and Two Limited
Berkeley Two Hundred Limited
Berkeley Ventures Limited
BH (City Forum) Limited
Boardcable Limited
Bromyard House (Car Park) Limited
Bromyard House (Freehold) Limited
Bromyard House (North) Limited
Bromyard House Limited
BWW Management Limited
Charco 143 Limited(i)
Chelsea Bridge Wharf (Management Company) Limited
Chelsea Bridge Wharf Car Park Limited
Community Housing Action Limited
Community Villages Limited
CPWGCO 1 Limited
Drummond Road (Number 1) Limited
Drummond Road (Number 2) Limited
Exchange Place No 2 Limited
Fishguard Bridge Limited
Fishguard Tunnel Limited
Great Woodcote Park Management Limited
Hertfordshire Homes Limited
Historic Homes Limited
Kentdean Limited
One Tower Bridge Limited
One Tower Bridge Partnership (unregistered)+
Quod Erat Demonstrandum Properties Limited
Retirement Homes Limited
Royal Clarence Yard (Marina) Limited
Royal Clarence Yard (Phase A) Limited
Royal Clarence Yard (Phase B) Limited
Royal Clarence Yard (Phase C) Limited
Royal Clarence Yard (Phase E) Limited
Royal Clarence Yard (Phase G) Management Company Limited
Royal Clarence Yard (Phase H) Limited
Royal Clarence Yard (Phase I) Limited
Royal Clarence Yard (Phase K) Management Company Limited
Royal Clarence Yard Estate Limited
Sandgates Developments Limited
Sitesecure Limited
SJC (Highgate) Limited
South Quay Plaza Management Ltd (62.5%)(vi)
St Edward Homes Number Five Limited
St Edward Homes Number Four Limited
St Edward Homes Number One Limited
St Edward Homes Number Three Limited
St Edward Homes Number Two Limited
St Edward Limited
St George (Crawford Street) Limited
St George (Queenstown Place) Limited
St George Blackfriars Limited
St George Commercial Limited
St George Ealing Limited
St George Eastern Limited
St George Inner Cities Limited
St George Investments Limited
St George London Limited
St George Northfields Limited
St George Partnerships Limited
St George plc(iv)
St George Project Management Limited
St George Properties Limited
St George Real Estate Limited
St George Regeneration Limited
St George Southern Limited
St George Western Limited
St George Wharf Hotel Limited
St George's Hill Property Company Limited
St James Group Limited
St James Homes (Grosvenor Dock) Limited
St James Homes Limited
Tabard Square (Building A) Limited
Tabard Square (Building B) Limited
Tabard Square (Car Park) Limited
TBG (1) 2009 Limited
TBG (3) 2009 Limited
TBG (4) Limited
TBG (5) LLP
The Berkeley Festival Waterfront Company Limited
The Berkeley Group plc
The Millennium Festival Leisure Company Limited
The Oxford Gateway Development Company Limited
The Tower, One St George Wharf Limited
Thirlstone (JLP) Limited
Thirlstone Commercial Limited
Thirlstone plc
Woodside Road Limited

(i) A Ordinary and B Ordinary shares
(ii) Ordinary and Preference shares
(iii) Ordinary and Deferred shares
(iv) Ordinary, Deferred and Preference shares
(v) List contains companies that are a principle to agency agreements but are not agents themselves
(vi) Registered office is 83 The Avenue, Sunbury-on-Thames, Middlesex, TW16 5HZ
\+ Principal place of business is 19 Portsmouth Road, Cobham, Surrey, KT11 1JG

	COUNTRY OF INCORPORATION	REGISTERED OFFICE
Aragon Investments Limited	Jersey	28 Esplanade, Jersey, JE2 3QA
Berkeley (Carnwath Road) Limited	Isle of Man	First Floor, Jubilee Buildings, Victoria Street, Douglas, IM1 2SH, Isle of Man
Berkeley (Hong Kong) Limited	Hong Kong	3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Berkeley Homes Special Contracts plc(1)(i)	Scotland	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
Berkeley Investments (IOM) Limited	Isle of Man	First Floor, Jubilee Buildings, Victoria Street, Douglas, IM1 2SH, Isle of Man
Berkeley Property Investments Limited	Jersey	28 Esplanade, Jersey, JE2 3QA
Berkeley Residential (Singapore) Limited	Singapore	3 Anson Road, #27-01 Springleaf Tower, Singapore, 079909
Berkeley Whitehart Investments Limited	Jersey	Kleinwort Benson House, P0 Box 76 Wests Centre, St Helier, Jersey, JE4 8PQ
BRP Investments No. 1 Limited	Jersey	28 Esplanade, Jersey, JE2 3QA
BRP Investments No. 2 Limited	Jersey	28 Esplanade, Jersey, JE2 3QA
Comiston Properties Limited	Bahamas	Shirlaw House, PO Box SS-19084, Shirley Street, Nassau, Bahamas
Real Star Investments Limited(2)	Jersey	28 Esplanade, Jersey, JE2 3QA
Silverdale One Limited	Jersey	28 Esplanade, Jersey, JE2 3QA
St George Battersea Reach Limited	Jersey	PO Box 521, 9 Burrard Street, St Helier, Jersey, JE4 5UE
TBG (Jersey) 2009 Limited	Jersey	44 Esplanade, St Helier, Jersey, JE4 9WG

(1) Agency companies of Berkeley Homes plc
(2) Agency companies of St James Group Limited
(i) Ordinary, A Deferred and B Deferred shares

(b) Joint Ventures
At 30 April 2018 the Group had an interest in the following joint ventures which have been equity accounted to 30 April and have an accounting date of 30 April unless otherwise indicated. All of the companies listed below are incorporated in England and Wales have their registered office address at Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG and the principal activity is residential-led mixed-use development and ancillary activities. All of the companies are 50% owned by the Group and unless otherwise indicated, all of the companies have ordinary share capital:

Berkeley Breamore (Oceana) Limited(ii)	St William Eleven Limited*
Berkeley Carlton Holdings Limited(i)	St William Five Limited*
Berkeley Sutton Limited(ii)	St William Fifteen Limited*
Community Housing Initiatives Limited**	St William Four Limited*
Diniwe One Limited	St William Fourteen Limited*
Diniwe Two Limited	St William Nine Limited*
SEH Manager Limited	St William One Limited*
SEH Nominee Limited	St William Seven Limited*
SES Manager Limited(iii)	St William Six Limited*
SES Nominee Limited	St William Sixteen Limited*
St Edward Homes Limited(iv)	St William Ten Limited*
St Edward Homes Partnership Freeholds Limited	St William Thirteen Limited*
St Edward Strand Partnership Freeholds Limited	St William Three Limited*
St George Little Britain (No 1) Limited(ii)	St William Twelve Limited*
St George Little Britain (No 2) Limited(ii)	St William Two Limited*
St Katharine Homes LLP	The St Edward Homes Partnership (unregistered)+
STKM Limited	The St Edward (Strand) Partnership (unregistered)+
Strand Property Unit Trust (unregistered)+	Thirlstone Centros Miller Limited(ii)
St William Homes LLP*	U B Developments Limited(ii)
St William Eight Limited*	

(i) A Ordinary shares
(ii) B Ordinary shares
(iii) A Ordinary and B Ordinary shares
(iv) A Ordinary, C Preference and D Preference shares

* Accounting date of 31 March
** Accounting date of 31 December
\+ Principal place of business is 28 Esplanade, Jersey, JE2 3QA

COMPANY BALANCE SHEET

As at 30 April	NOTES	2018 £M	2017 £M
Fixed assets			
Investments	C5	**1,417.6**	1,413.9
		1,417.6	1,413.9
Current assets			
Debtors	C6	**67.2**	20.5
Cash at bank and in hand		**0.9**	0.9
		68.1	21.4
Current liabilities			
Creditors (amounts falling due within one year)	C7	**(746.8)**	(718.9)
Net current liabilities		**(678.7)**	(697.5)
Total assets less current liabilities and net assets		**738.9**	716.4
Capital and reserves			
Called-up share capital	C8	**7.0**	7.0
Share premium account		**49.8**	49.8
Capital redemption reserve		**24.5**	24.5
Profit and loss account		**657.6**	635.1
Total shareholders' funds		**738.9**	716.4

The financial statements on pages 156 to 161 were approved by the Board of Directors on 20 June 2018 and were signed on its behalf by:

R J STEARN
Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	NOTES	CALLED-UP SHARE CAPITAL £M	SHARE PREMIUM £M	CAPITAL REDEMPTION RESERVE £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
At 1 May 2017		7.0	49.8	24.5	635.1	716.4
Profit after taxation for the year		–	–	–	299.9	299.9
Purchase of ordinary shares	C8	–	–	–	(140.4)	(140.4)
Transactions with shareholders:						
Credit in respect of employee share schemes		–	–	–	8.8	8.8
Deferred tax in respect of employee share schemes		–	–	–	0.9	0.9
Dividends to equity holders of the Company	C9	–	–	–	(146.7)	(146.7)
At 30 April 2018		**7.0**	**49.8**	**24.5**	**657.6**	**738.9**

	NOTES	CALLED-UP SHARE CAPITAL £M	SHARE PREMIUM £M	CAPITAL REDEMPTION RESERVE £M	PROFIT AND LOSS ACCOUNT £M	TOTAL £M
At 1 May 2016		6.9	49.8	24.5	725.2	806.4
Profit after taxation for the year		–	–	–	228.5	228.5
Issue of ordinary shares	C8	0.1	–	–	–	0.1
Purchase of ordinary shares	C8	–	–	–	(64.5)	(64.5)
Transactions with shareholders:						
Charge in respect of employee share schemes		–	–	–	(0.1)	(0.1)
Deferred tax in respect of employee share schemes		–	–	–	0.6	0.6
Dividends to equity holders of the Company	C9	–	–	–	(254.6)	(254.6)
At 30 April 2017		7.0	49.8	24.5	635.1	716.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1 ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and, as set out below, where advantage of FRS 101 reduced disclosure exemptions has been taken.

The accounting policies adopted for the Parent Company, The Berkeley Group Holdings plc, are otherwise consistent with those used for the Group which are set out on pages 132 to 136.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

— Cash Flow Statement and related notes;

— Disclosures in respect of transactions with wholly owned subsidiaries;

— Disclosures in respect of capital management;

— The effects of new but not yet effective IFRSs;

— Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; and

— Disclosures in respect of the compensation of Key Management Personnel.

The principal activity of The Berkeley Group Holdings plc ("the Company") is to act as a holding company.

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

Going concern
The Group's business activities together with the factors likely to affect its future development performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are all described in the Trading and Financial Review on pages 74 to 77.

The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group, including the return of £2.2 billion to shareholders by 2021, and compared this to the level of committed loan facilities and cash resources over the medium term. In making this assessment consideration has been given to the uncertainty inherent in future financial forecasts and where applicable reasonable sensitivities have been applied to the key factors affecting the financial performance of the Group.

Based on the financial performance of the Group, the Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future, notwithstanding its net current liability position of £678.7 million (2017: £697.5 million). For this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Pensions
Pension contributions under defined contribution schemes are charged to the income statement as they fall due.

Investments
Investments in subsidiary undertakings are included in the balance sheet at cost less provision for any impairment.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Share-based payments
The Company operates one equity settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. Amounts recognised in respect of executive Directors of the Company's subsidiaries are recognised as an addition to the cost of the investment.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Dividends
Dividend distributions to shareholders are recognised as a liability in the period in which the dividends are appropriately authorised and approved for payout and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Creditors
Creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

C2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2018 £M	2017 £M
Auditors' remuneration — audit fees	**0.1**	0.1

No disclosure of other non-audit services has been made as this is included within note 4 of the consolidated financial statements.

C3 DIRECTORS AND EMPLOYEES

	2018 £M	2017 £M
Staff costs		
Wages and salaries	**2.5**	2.6
Social security costs	**3.3**	(1.2)
Share-based payments — Equity settled	**9.8**	27.5
Share-based payments — Cash settled	**3.6**	4.8
	19.2	33.7

The average monthly number of persons employed by the company during the year was 10, all of whom are Directors (2017: 10).

Directors
Details of Directors' emoluments are set out in the Remuneration Report on pages 94 to 115.

Pensions
During the year, the Company participated in one of the Group's pension schemes, The Berkeley Group plc Group Personal Pension Plan. Further details on this scheme are set out in note 5 of the Consolidated Financial Statements. Contributions amounting to £nil (2017: £nil) were paid into the defined contribution scheme during the year.

Share-based payments
The charge to the income statement in respect of equity settled share-based payments in the year, relating to grants of shares; share options and notional shares awarded under the 2011 Long Term Incentive Plan was £9.8 million (2017: £27.5 million). The charge to the income statement in respect of cash settled share-based payments under the Bonus Banking Plan was £3.6 million (2017: £4.8 million). The credit to the reserves during the year in respect of employee share schemes was £8.8 million (2017: £0.1 million charge) which includes the corresponding entry to the cost of investment of £3.7 million detailed in note C5. The offsetting entry within reserves results from the non-cash IFRS 2 charge for the year adjusted for the reclassification of reserves on the decision to cash settle the part of the award relating to taxes which vested during the year. Further information on the Company's share incentive schemes are included in the Remuneration Report on pages 94 to 115 as well as note 5 to the Consolidated Financial Statements.

C4 THE BERKELEY GROUP HOLDINGS PLC PROFIT AND LOSS ACCOUNT

The profit for the year in the Company is £299.9 million (2017: profit of £228.5 million).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

C5 INVESTMENTS

	2018 £M	2017 £M
Investments in shares of subsidiary undertaking at cost at 1 May	**1,413.9**	1,412.7
Additions	**3.7**	1.2
Investment in shares of subsidiary undertaking at cost at 30 April	**1,417.6**	1,413.9

Additions in the year relate to company contributions to The Berkeley Group plc for employee services to be settled through the issue of shares on the vesting of the Berkeley Group Holdings plc 2011 Long Term Incentive Plan awards for the benefit of executive Directors of its subsidiaries.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of subsidiaries are given within note 25 of the Consolidated Financial Statements.

C6 DEBTORS

	2018 £M	2017 £M
Current		
Amounts owed from subsidiary undertakings	**48.5**	–
Deferred tax	**18.7**	20.5
	67.2	20.5

All amounts owed from subsidiary undertakings are unsecured, bear no interest and are payable on demand

The movements on the deferred tax asset are as follows:

	2018 £M	2017 £M
At 1 May	**20.5**	26.8
Deferred tax in respect of employee share schemes credited to reserves	**(1.4)**	(2.5)
Realisation of deferred tax asset on vesting of employee share scheme	**(0.4)**	(3.8)
At 30 April	**18.7**	20.5

Deferred tax is calculated in full on temporary differences at the tax rates that are expected to apply for the period when the asset is realised and the liability is settled using a tax rate of 19/17% as appropriate (2017: 19/17%). Accordingly, all temporary differences have been calculated. There is no unprovided deferred tax (2017: £nil) at the balance sheet date.

The deferred tax asset of £18.7 million relates to short term timing differences (2017: £20.5 million).

C7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £M	2017 £M
Amounts owed to subsidiary undertakings	**(731.1)**	(702.9)
Other taxation and social security	**(10.3)**	(10.3)
Accruals and deferred income	**(5.4)**	(5.7)
	(746.8)	(718.9)

All amounts included above are unsecured. The interest rate on £731.1 million (2017: £676.0 million) of the balance owed to subsidiary undertakings is 4.0% (2017: 4.0%), with no fixed repayment date. At 30 April 2018 all other amounts owed to subsidiary undertakings are at floating rates linked to LIBOR and have no fixed repayment date.

C8 CALLED-UP SHARE CAPITAL

Each ordinary share of 5p is a voting share in the capital of the Company, is entitled to participate in the profits of the Company and on a winding-up is entitled to participate in the assets of the Company.

The movements on allotted and fully paid share capital for the Company in the year were as follows:

	ORDINARY SHARES		SHARE CAPITAL		SHARE PREMIUM	
	2018 NO '000	2017 NO '000	2018 £M	2017 £M	2018 £M	2017 £M
Issued						
At start of year	**140,157**	138,257	**7.0**	6.9	**49.8**	49.8
Issued in year	**–**	1,900	**–**	0.1	**–**	–
At end of year	**140,157**	140,157	**7.0**	7.0	**49.8**	49.8

On 28 September 2017, 0.4 million ordinary shares were allotted and issued to the Employee Benefit Trust (2017: 1.9 million).

On 2 October 2017, 0.4 million ordinary shares (2017: 1.8 million) were transferred from the Employee Benefit Trust to Executive Directors to satisfy the exercise of options under the 2011 Long Term Incentive Plan.

At 30 April 2018 there were 0.4m shares held in the Employee Benefit Trust (2017: 0.4m). The market value of these shares at 30 April 2018 was £18.0 million (2017: £13.8 million).

During the 2018 financial year, shares were repurchased for a total consideration of £140.4 million, excluding transaction costs (2017: £64.5 million). These shares have not been cancelled.

At 30 April 2018 there were 6.0 million (2017: 2.4 million) treasury shares held by the Company. The market value of the shares at 30 April 2018 was £244.3 million (2017: £78.8 million).

The movements in the year are disclosed in note 18 and note 19 of the Consolidated Financial Statements.

C9 DIVIDENDS PER SHARE

The dividends paid in 2018 were a total of £146.7 million, £76.3 million in March 2018 (56.75 pence per share) and £70.4 million in September 2017 (51.76 pence per share) (2017: £254.6 million being £117.7 million in March 2017, 85.24 pence per share, and £136.9 million in September 2016, 100 pence per share).

C10 RELATED PARTY TRANSACTIONS

The Company has not undertaken related party transactions during the year with entities that are not wholly owned subsidiaries of The Berkeley Group Holdings plc. Transactions with wholly owned members of The Berkeley Group Holdings plc are exempt under FRS 101 with reduced disclosure.

FIVE YEAR SUMMARY

Years ended 30 April	2018 £M	2017 £M	2016 £M	2015 £M	2014 £M
Income statement					
Revenue from operations	**2,703.7**	2,723.5	2,047.5	2,020.2	1,620.6
Operating profit	**779.6**	756.2	501.9	524.1	374.8
Share of results of joint ventures	**158.0**	63.8	36.5	28.3	12.1
Net finance costs	**(2.7)**	(7.6)	(7.5)	(12.7)	(6.9)
Profit before taxation	**934.9**	812.4	530.9	539.7	380.0
Taxation	**(172.8)**	(167.3)	(126.8)	(116.2)	(87.1)
Profit after taxation	**762.1**	645.1	404.1	423.5	292.9
Basic earnings per ordinary share	**562.7p**	467.8p	295.8p	313.0p	221.8p
Statement of financial position					
Capital employed	**1,932.7**	1,851.4	1,705.4	1,207.0	1,312.1
Net cash	**687.3**	285.5	107.4	430.9	129.2
Net assets	**2,620.0**	2,136.9	1,812.8	1,637.9	1,441.3
Net assets per share attributable to shareholders(1)	**1,959p**	1,556p	1,314p	1,199p	1,066p
Ratios and statistics					
Return on capital employed(2)	**41.2%**	42.5%	34.5%	41.6%	29.9%
Return on equity after tax(3)	**32.0%**	32.7%	23.4%	27.5%	21.2%
Return on equity before tax(4)	**39.3%**	41.1%	30.8%	35.1%	27.5%
Units sold(5)	**3,536**	3,905	3,776	3,355	3,742

(1) Net assets attributable to shareholders divided by the number of shares in issue excluding shares held in treasury and shares held by the employee benefit trust.

(2) Calculated as profit before interest and taxation (including joint venture profit before tax) divided by the average net assets adjusted for (debt)/cash.

(3) Calculated as profit after taxation attributable to shareholders as a percentage of the average of opening and closing shareholders' funds.

(4) Calculated as profit before taxation attributable to shareholders as a percentage of the average of opening and closing shareholders' funds.

(5) The number of units completed and taken to sales in the year excluding joint ventures.

FINANCIAL DIARY

Annual General Meeting and Trading Update	5 September 2018
Half year end	31 October 2018
Interim Results Announcement for the six months ending 31 October 2018	December 2018
Trading Update	March 2019
Year end	30 April 2019
Announcement of Results for the year ending 30 April 2019	June 2019
Publication of 2019 Annual Report	August 2019

REGISTERED OFFICE AND ADVISORS

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Corporate broker and financial advisor
UBS Investment Bank

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

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Herbert Smith Freehills LLP

Bankers
Barclays Bank plc
HSBC UK Bank plc
Lloyds Bank plc
Santander UK plc
Svenska Handelsbanken AB (Publ)
National Westminster Bank plc

Auditors
KPMG LLP

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