The Berkeley Group plc

PRESS RELEASE **25th JUNE 2004**

PRELIMINARY RESULTS ANNOUNCEMENT

BERKELEY EARNINGS PER SHARE UP 12.7%

BERKELEY PRE-TAX PROFITS UP 4.1% TO £230.2 MILLION

PROPOSED RETURN OF CAPITAL OF £12.00 PER SHARE

The Berkeley Group plc ("Berkeley" or "The Group") the urban regenerator and residential property developer announces its full year results for the year ended 30th April 2004 and the results of a strategic review. Highlights of the results include:

• **Pre-Tax Profits:**	**Up 4.1% to £230.2 million**
• **Operating Margin:**	**Group housebuilding operating margins, excluding land sales, reduced to 17.6% from 18.6% as Berkeley exits non-core markets**
• **Earnings Per Share:**	**Increased by 12.7% to 130.7 pence**
• **Proposed Final Dividend:**	**16.5 pence per share, making a total dividend of 22.3 pence per share, an increase of 16.1%. (2003: total of 19.2 pence)**
• **Net Asset Value Per Share:**	**Up 14.1% to 946 pence**
• **Net Cash:**	**£288.2 million cash generated converting net debt of £143.0 million to net cash of £145.2 million.**
• **ROCE:**	**Increased to 21.4% from 19.3% last year.**
• **Land Holdings:**	**Up to 26,654 plots from 25,850 last year end.**
• **Forward Order Book:**	**Strengthened to £945.3 million (2003: £920.9 million)**
• **Share Buy-Back:**	**7.0 million (5%) shares bought back for £52 million.**

STRATEGIC REVIEW

Berkeley has concluded a strategic review, the outcome of which is that the Group will in future focus on its urban regeneration business. In consequence, it intends to return more than £1.4 billion in cash to shareholders over the next six years. Berkeley plans to return £600 million in the current year and will return the balance in stages thereafter. The resulting Group will be of a size commensurate with the needs of this newly focused and distinct business.

Summary of full year results

	April 2004	April 2003	% Differences
Turnover	£1,272.4m	£1,150.8m	+10.6%
Operating Profit	£213.3m	£215.7m	-1.1%
Joint Ventures	£21.9m	£16.5m	+32.7%
Interest	(£5.0m)	(£11.0m)	-54.5%
Profit Before Tax	£230.2m	£221.2m	+4.1%
EPS	130.7p	116.0p	+12.7%
DPS	22.3p	19.2p	+16.1%
NAVPS	946p	829p	+14.1%

Commenting on the results, Managing Director, A W Pidgley said:

"Berkeley has continued to perform ahead of my expectations, achieving record profits, generating £288 million of free cash flow, and increasing earnings per share by 12.7% and net asset value per share by 14.1%.

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

This strategy has been implemented with a sound management team and dedicated workforce which we have strengthened during the year.

Berkeley has had a clear and consistent strategy of balancing earnings per share growth, cash generation and a well-bought land bank to give security of future profits. In the half year statement, I described our increasing focus on protecting asset value and generating cash flow as opposed to concentrating primarily on the profit and loss account. Our main challenge now is to realise the value contained within our strong land bank.

I am delighted to announce today the evolution of this strategy whereby Berkeley intends to concentrate on selected large-scale urban regeneration projects, moving on from our traditional housebuilding heritage. The capital required for this more focused business enables Berkeley to propose to return £12.00 per share to shareholders in cash over the next six years to 2010, a total of over £1.4 billion, and maximising the value of the resulting Company. We plan to return £600 million in the current year. These proposals are subject to shareholder approval and further details are expected to be published in August in time for shareholders to consider and approve these proposals at the Annual General Meeting on 27th August 2004.

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

Roger Lewis, Chairman, said:-
"In terms of number of transactions, the housing market over the last 12 months is more than 15% ahead of last year when sales were affected by the war in Iraq. May 2004 has been broadly similar to last year. The return to more normal market conditions is very welcome and new launches continue to perform well.

Group housebuilding operating margins are 17.6%. Down on the 2003 level of 18.6%, this reflects aggressive selling of completed city centre schemes in Manchester, Bristol and Cardiff as set out in the half year statement as well as our withdrawal from traditional housebuilding. Berkeley is now increasingly focusing on urban regeneration and has unrivalled land holdings. These include Imperial Wharf (Fulham), St George Wharf (Vauxhall), Battersea Reach (Wandsworth) and Royal Quarter

(Kingston-upon-Thames), all within St George. Under Berkeley Homes London we have Royal Arsenal (Woolwich) and Chelsea Bridge Wharf, Crosby includes Redbank in Manchester and Clarence Dock in Leeds while Berkeley Homes Home Counties has the developments in Hampshire at Gunwharf (Portsmouth), Knowle Village (Fareham) and Royal Clarence Yard (Gosport). These land holdings, already in production, will underpin Berkeley's performance for a number of years. Together, they give us great confidence for the next stage of our strategy of returning funds to shareholders.

We have been very selective in our land acquisitions and I am delighted that we have again bought some very exciting urban regeneration schemes. In each case we are working closely with local authorities to secure planning. The largest such scheme agreed and exchanged in the year was the fourth phase of the Royal Arsenal site in Woolwich. This imaginative and ambitious development of the Royal Arsenal will be developed in partnership with Greenwich Council and the London Development Agency and proposes commercial, retail and leisure along with 2,000 residential homes.

The focus on urban regeneration, and maximising our principal development sites in these more uncertain market conditions has clear advantages. It will optimise shareholder value, ensure that housebuilding is cash generative, allow the repayment of £12 per share to shareholders, and help us to motivate and retain our key management teams to run these exciting sites, whilst creating a focused and specialised business fit for the long term.

The UK Housing Market

Since 2001, the housing market has gone through a number of mini cycles, as can be seen in terms of reservation levels. The first half of 2001/2 (May 2001 to October 2001) was a normal market, while the second half (November 2001 to April 2002) was unexpectedly buoyant, returning to more normal conditions in the first half of 2002/03. This gave way to weak market conditions in the second half of 2002/03, as a result of uncertainty caused by world events. The market then returned to more normal conditions through the financial year 2003/2004. In addition, reservations to investors in 2003/2004 have exceeded 50% - a reassuring demonstration of the continuing strength of the investment market.

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

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

In the Group's full year targets for 2004/05, 57% of sales are of units with selling prices under £300,000 and 87% of sales are of units under £500,000. Given that this end of the market has been performing most strongly, we should achieve these forecasts as long as we produce homes in locations where people want to live.

Proposal to focus on urban regeneration

Berkeley has adopted a totally different business model to the majority of other house-builders as we have chosen to concentrate on highly complex inner-city large-scale urban regeneration schemes on brownfield land where we can create enhanced returns. Our business model is most effective at a smaller scale. Achieving this scale, through the corporate restructuring proposals, allows Berkeley to return surplus cash flow to shareholders. During the second half of the year the Board of Berkeley has carried out a full strategic review, in conjunction with the Company's advisors, to assess the best route for delivering shareholder value in the context of the Board's views about the outlook for achieving sustainable growth in the markets in which it operates.

The Board considered a number of strategic options, including to continue to grow the business, which required further investment and new management teams, disposing of the business or selling off individual divisions. These were not considered as routes to maximise shareholder value and it is relevant that we have not disposed of Crosby in the period following the subscription of shares by the Crosby management team. The conclusion of the review is that the Board has decided on a route which returns substantial capital to shareholders while enabling Berkeley to continue to buy land selectively when attractive opportunities arise in the urban regeneration market and, critically, to retain staff to ensure the sustainability and future of the business.

As a result of this review, Berkeley is near to completing proposals to return £12.00 per share in cash to shareholders over the six year period to 2010. As part of this total return of over £1.4 billion, Berkeley intends to return £600 million before the end of calendar year 2004. This will lead to further simplification of the structure of the Group and a substantial reduction in net assets over the six year period. The return of cash has been carefully balanced with the working capital required and allowing sufficient capital to acquire selectively additional urban regeneration sites in the future, similar to, for example, Royal Arsenal, Woolwich.

The timetable for this proposal is that shareholders will be consulted in July. If shareholder response is positive, it is expected that a resolution to members will be tabled in August with the first return of cash to shareholders in October/November.

The Board believes it is appropriate in light of the proposed restructuring to review the Remuneration Policy so that it aligns management's incentives with achievement of the return of capital and maximising the value of the continuing business. We intend to consult with key shareholders in July

Results

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

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

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

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

Dividends

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

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

Trading Analysis

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

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

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

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

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

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

Joint ventures

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

Berkeley's largest joint venture company is St James, which is jointly owned with Thames Water. St James is currently developing 2,416 homes within the business, with a similar number being worked up with Thames Water on potential future sites.

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

Forward Sales

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

Land Holdings

During the year the Group (including its joint ventures) has more than replaced the number of plots used in production whilst, at the same time, generating more than £350 million from operating cash flow and working capital, after tax, dividends and interest. Berkeley now controls 26,654 plots. This compares with 25,850 plots at 30th April 2003. The land market remains highly competitive and Berkeley maintains strict investment criteria that have led the Group to withdraw from a number of opportunities.

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

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

Corporate Governance

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

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

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

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

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

Group Structure

During the year, Berkeley has continued to simplify its operating structure, moving away from a traditional company structure towards a project-based model in line with the Group's urban regeneration strategy. This involves developing on a smaller number of sites, though the sites themselves are of a larger scale and warrant dedicated management attention. It is this strategy that has led the Group to exit the traditional housebuilding business in both the Home Counties (hence the closure of Thirlstone last year) and Crosby.

The benefits of this more flexible model are apparent in a fall in overhead costs, down from £99.4 million last year to £93.9 million.

At the year end, the Group had ten divisions and 26 operating companies, six of which are single site companies. In the year ended 30th April 2004, the Group recorded sales from more than 130 sites. In the current year this will fall to approximately 100.

Crosby Group

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

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

Our People

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

Current trading and prospects

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

For further information:

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The Berkeley Group plc

Consolidated profit and loss account (Unaudited)

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

The Group has no recognised gains or losses other than the profits set out above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historic cost equivalents.

The Berkeley Group plc

Consolidated balance sheet (Unaudited)

As at 30 April	2004 £'000	2003 £'000
Fixed assets		
Tangible assets	13,996	18,492
Investments	2,656	2,145
Joint ventures		
- Share of gross assets	216,431	227,387
- Share of gross liabilities	(148,524)	(170,612)
	67,907	56,775
	84,559	77,412
Current Assets		
Stocks	1,066,275	1,151,103
Debtors	172,160	247,436
Investments	-	62,047
Cash at bank and in hand	245,306	57,103
	1,483,741	1,517,689
Creditors (amounts falling due within one year)		
Borrowings	(25,120)	(153)
Other creditors	(313,569)	(316,573)
	(338,689)	(316,726)
Net current assets	1,145,052	1,200,963
Total assets less current liabilities	1,229,611	1,278,375
Creditors (amounts falling due after more than one year)		
Borrowings	(75,000)	(200,000)
Other creditors	(9,579)	(22,219)
	(84,579)	(222,219)
Net assets	1,145,032	1,056,156
Capital and reserves		
Share capital	30,516	32,054
Share premium	427,610	420,603
Capital redemption reserve	3,445	1,697
Retained profit	655,147	571,248
Joint ventures' reserves	27,814	30,554
Equity shareholders' funds	1,144,532	1,056,156
Equity minority interest	500	-
	1,145,032	1,056,156
Net assets per Ordinary Share	946p	829p

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Consolidated cashflow statement (Unaudited)

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

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

Reconciliation of operating profit to operating cash flows	**2004 £'000**	**2003 £'000**
Operating profit	213,280	215,664
Goodwill amortised	-	2,359
Depreciation	3,085	3,147
Profit on sale of tangible fixed assets	(618)	(1,634)
Profit on sale of fixed asset investments	(144)	-
Stocks – decrease/(increase)	84,828	(32,858)
Debtors – decrease	77,131	32,898
Investments – decrease/(increase)	62,047	(6,533)
Creditors – decrease	(3,650)	(8,658)
Net cash inflow from continuing operating activities	435,959	204,385

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Reconciliation of movements in shareholders' funds

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

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Notes

1. Segmental information

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

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

All turnover and profit relate to continuing activities of the Group and are derived from activities performed in the United Kingdom. Included in Group residential housebuilding turnover and operating margin is £11,426,000 and £2,382,000 in respect of land sales (2003: £8,800,000 and £3,552,000).

2. Net interest payable

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

3. Taxation

	2004	**2003**
	£'000	**£'000**
Current tax		
UK corporation tax payable at 30% (2003: 30%)	(65,040)	(63,421)
Share of joint ventures' tax	(5,184)	(4,124)
Adjustments in respect of previous periods	481	1,400
	(69,743)	(66,145)
Deferred tax	1,855	(352)
	(67,888)	(66,497)

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Notes (continued)

4. Earnings per Ordinary Share

Earnings per Ordinary Share is based on the profit after taxation of £162,358,000 (2003: £154,684,000) and the weighted average number of Ordinary Shares in issue during the year of 124,261,151 (2003: 133,404,586). For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume the conversion of all dilutive potential shares. The dilutive potential Ordinary Shares relate to shares granted under employee share schemes where the exercise price is less than the average market price of the Ordinary Shares during the year. The effect of the dilutive potential shares is 613,585 shares (2003: 998,783), giving a diluted weighted average number of shares of 124,874,736 (2003: 134,403,369).

Net assets per Ordinary Share is calculated based on net assets at the end of the year divided by the number of Ordinary Shares in issue at the end of the year of 120,984,992 (2003: 127,425,071). This excludes shares held by the Company to satisfy awards under its long term incentive plan.

Return on Capital Employed (ROCE) is calculated based on profit before interest and tax divided by the average shareholders' funds plus net debt.

5. The unaudited financial information for the year ended 30 April 2004 summarised above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, but has been agreed with the Company's auditors. The abridged financial information relating to the year ended 30 April 2003 is an extract from the statutory accounts, which have been delivered to the Registrar of Companies. The report of the auditors on these financial statements was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

6. The statutory accounts for the year ended 30 April 2004 will be sent by mail to shareholders in July 2004 and filed in due course with the Registrar of Companies. Copies will be available for inspection at the Company's Registered Office, Berkeley House, 19 Portsmouth Road, Cobham, Surrey KT11 1JG.