

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

PART 3 OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985. When considering what action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please send this document and the other enclosed documents at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document should be read in conjunction with the accompanying Listing Particulars of The Berkeley Group Holdings plc, a copy of which has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of the Financial Services and Markets Act 2000.



The Berkeley Group plc

*(Incorporated and registered in England and Wales under the Companies Acts 1948 to 1976,
registered number 1454064)*

Proposed Return of up to £12 per Existing Ordinary Share

by way of a
capital reorganisation

Meetings of Berkeley Shareholders to consider the Proposals contained in this document will be held on 17 September 2004. The Court Meeting will start at 10.00 a.m. on that date and the Extraordinary General Meeting (the "EGM") at 10.15 a.m. (or as soon thereafter as the Court Meeting concludes or is adjourned). Your Board is unanimously recommending you to vote in favour of the Proposals. You should complete, sign and return your Forms of Proxy for each of the Court Meeting and the EGM to Capita Registrars at Proxy Section, P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible but in any event to arrive not later than 10.00 a.m. and 10.15 a.m. respectively on 15 September 2004.

Application has been made to the UK Listing Authority for the Units (comprising New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares) to be admitted to the Official List and to the London Stock Exchange for such Units to be admitted to trading on the market for listed securities of the London Stock Exchange, which together, under the Listing Rules of the UK Listing Authority, will constitute official listing on a stock exchange. It is expected that dealings in the Existing Ordinary Shares will continue until the close of business on 25 October 2004 and that Admission of the Units will become effective and that unconditional dealings in them will commence on 26 October 2004. No application is currently intended to be made for the Units, the New Ordinary Shares and/or the B Shares to be admitted to listing or dealing on any other exchange.

Neither the Units, the New Ordinary Shares, nor any class of the B Shares to be issued pursuant to the Scheme will be, nor are they required to be, registered with the US Securities and Exchange Commission (the "SEC") under the US Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) of that act or under the securities laws of any state of the US. Neither the SEC nor any state securities commission in the US or any other US regulatory authority has approved or disapproved of the Units, the New Ordinary Shares or any class of the B Shares or passed upon the adequacy of this document. Any representation to the contrary is a criminal offence in the US.

UBS Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for The Berkeley Group plc and The Berkeley Group Holdings plc and no-one else in connection with the Proposals and will not be responsible to anyone other than The Berkeley Group plc or The Berkeley Group Holdings plc for providing the protections afforded to its customers or for providing advice in relation to the Proposals or the contents of this document.

Expected timetable of principal events

2004

Final ordinary dividend in respect of Existing Ordinary Shares paid . . .	9 September
Latest time for receipt of PINK Form of Proxy for the Court Meeting ⁽ⁱ⁾	10.00 a.m. on 15 September
Latest time for receipt of BLUE Form of Proxy for the EGM	10.15 a.m. on 15 September
Voting Record Time for Court Meeting and EGM	6.00 p.m. on 15 September
Court Meeting	10.00 a.m. on 17 September
EGM ⁽ⁱⁱ⁾	10.15 a.m. on 17 September
Court Hearing of the petition to sanction the Scheme	10.30 a.m. on 25 October
Last day of dealings in Existing Ordinary Shares ⁽ⁱⁱⁱ⁾	25 October
Scheme Record Time ⁽ⁱⁱⁱ⁾	5.00 p.m. on 25 October
Scheme Effective Date ⁽ⁱⁱⁱ⁾	26 October
Dealings in Units commence on the London Stock Exchange ^(iv)	8.00 a.m. on 26 October
Crediting of Units to CREST accounts ^(iv)	by 8.00 a.m. on 26 October
Court Hearing of the petition to confirm the Berkeley Holdings Reduction of Capital ^(iv)	10.30 a.m. on 27 October
Berkeley Holdings Reduction of Capital becomes effective ^(v)	28 October
Despatch of certificates for Units ^(v)	by 5 November
Record Date for receiving Redemption proceeds relating to the 2004 B Shares	4.30 p.m. on 26 November
2004 B Shares redeemed by Berkeley Holdings ^{(v)(vi)}	3 December
Despatch of cheques and Redemption proceeds credited to CREST accounts in respect of the 2004 B Shares ^(vi)	3 December

Notes

- (i) If the Form of Proxy for the Court Meeting is not returned by this time, it may be handed to the Chairman of the Court Meeting at the meeting.
- (ii) To begin at the time fixed or, if later, immediately following the end, or adjournment, of the Court Meeting.
- (iii) These dates are indicative only and will depend, amongst other things, on the date on which the Court sanctions the Scheme.
- (iv) These dates are indicative only and will depend, amongst other things, on the date on which the Scheme becomes effective.
- (v) This date will depend, amongst other things, on the date on which the Scheme becomes effective and the date on which the Court confirms the Berkeley Holdings Reduction of Capital.
- (vi) The Redemption of the 2004 B Shares is subject to Court approval of the Scheme and the Berkeley Holdings Reduction of Capital.

All references to time in this document are to London time unless otherwise stated.

The dates given are based on Berkeley's current expectation and may be subject to change. In particular, certain Court dates are subject to confirmation by the Court. If the scheduled date of the Court Hearing of the petition to sanction the Scheme is changed, Berkeley will give adequate notice of the change by issuing an announcement via a Regulatory Information Service. All Shareholders have the right to attend the Court Hearing to sanction the Scheme.

CONTENTS

	<u>Page</u>
Expected timetable of principal events	1
Part 1 Letter from the Chairman of The Berkeley Group plc	3
Part 2 Voting Information	9
Part 3 Explanatory Statement from UBS Investment Bank	10
Part 4 Rights and Restrictions attaching to the Units	24
Part 5 Taxation	29
Part 6 Additional Information	31
Part 7 Scheme of Arrangement	37
Part 8 Notice of Court Meeting	42
Part 9 Notice of Extraordinary General Meeting	43
Definitions	46

Part 1

Letter from the Chairman of The Berkeley Group plc



The Berkeley Group plc

Registered Office
Berkeley House
19 Portsmouth Road
Cobham
Surrey KT11 1JG

24 August 2004

To Berkeley Shareholders and, for information only, to holders of options and awards under the Berkeley Employee Share Schemes

Dear Shareholder

On 25 June 2004, The Berkeley Group plc announced its preliminary results for the financial year ended 30 April 2004, the declaration of a proposed final dividend of 16.5 pence per Existing Ordinary Share and that the Board of Berkeley had concluded its strategic review of the businesses comprised in the Group.

This letter provides the details of the strategic review and reasons for the Return of up to £12 per Existing Ordinary Share, together with other matters including details of a new management incentive plan, the Berkeley Holdings 2004(b) LTIP. It explains why your Directors consider these Proposals to be in the best interests of Berkeley and its Shareholders as a whole.

The Proposals are subject to you, our Shareholders, approving the Scheme of Arrangement, the Berkeley Holdings Reduction of Capital and the Berkeley Holdings 2004(b) LTIP at the Court Meeting and EGM, both of which are to be held on 17 September 2004. The Proposals are also subject to Court Approval of both the Scheme of Arrangement and the Berkeley Holdings Reduction of Capital on 25 October 2004 and 27 October 2004 respectively. These and other conditions are set out in full in paragraph 5 of the letter from UBS set out in Part 3 of this document.

Strategic review

Berkeley operates a different business model to the majority of other house-builders as it concentrates mainly on highly complex, large-scale, inner-city, urban regeneration schemes on brownfield land where it can create enhanced returns for our Shareholders and deliver benefits for all our stakeholders. The strategic review that the Board of Berkeley carried out, in conjunction with the Company's advisers, sought to assess the best route for delivering shareholder value. This took place in the context of the Board's views about the outlook for achieving sustainable growth in the markets in which it operates – where there appears to be a natural size for a residential urban regenerator – and takes into account the normalisation of the housing market following a decade of boom and a number of other external factors.

The Board considered a number of strategic options including continuing to grow the business, which required further investment and additional management teams, disposing of the business or selling-off or demerging individual divisions. All were rejected as not being in the best interests of Shareholders. After careful consideration the Board has decided to leave behind Berkeley's traditional housebuilding heritage and focus primarily on larger scale complex regeneration. This strategy allows the return of substantial capital to Shareholders while enabling Berkeley to continue to buy land selectively when attractive opportunities arise in the urban regeneration market. Critically, it is a path that will retain staff to ensure the sustainability and future of the business with our main challenge now being to realise the value contained within our strong land bank.

The working capital requirement of this more focused business enables Berkeley to propose to return £12 per Existing Ordinary Share in cash in the period to 31 January 2011, a total of approximately £1.452 billion (assuming 121 million Existing Ordinary Shares in issue), while maximising the value of the continuing business. We plan to return £5 per Existing Ordinary Share in the current year.

As part of the Proposals, the Remuneration Committee of the Board of Berkeley has agreed with the Executive Directors the terms of the Berkeley Holdings 2004(b) LTIP, which replaces the Berkeley 2004 LTIP under which no awards have been granted. In addition, actions have been taken to prevent awards and options granted under the Berkeley 2000 LTIP and the Berkeley Unapproved 2000 Option Plan which are not currently exercisable from becoming exercisable prior to their due date as a result of the introduction of Berkeley Holdings as the new holding company of Berkeley (which would otherwise be treated as a change of control for the purposes of those plans). The Berkeley Holdings 2004(b) LTIP provides that, should £12 per Existing Ordinary Share be paid in cash to Shareholders by the end of January 2011, the Executive Directors together will be entitled to be issued such number of Units as results in them holding fifteen per cent of the then issued ordinary share capital of the New Company on a fully diluted basis following that issue.

Outline of the Return

In order to prepare for the Return of up to £12 per Existing Ordinary Share, Berkeley must go through a Court approved scheme of arrangement. This will result in the creation of a new listed holding company, The Berkeley Group Holdings plc (“Berkeley Holdings”), which will become the new parent company of Berkeley.

We are also proposing a Court approved reduction of capital of Berkeley Holdings. Under this proposal, the nominal value of each B Share will be reduced to 5 pence so as to create distributable reserves of approximately £1.354 billion. This is a legal and accounting adjustment and does not of itself have any direct impact on the market value of the Units but will facilitate the payment of the Return of up to £12 per Existing Ordinary Share.

A proportion of the share capital of Berkeley Holdings will be in the form of B Shares. It is through the B Shares that the Board intends to return to Shareholders up to £12 per Existing Ordinary Share. The payment of £5 per Existing Ordinary Share (being approximately £605 million in aggregate) in cash to be paid in respect of the 2004 B Shares would be funded through a combination of Berkeley’s existing cash resources and the Facility Agreement.

If you are on the register of members of Berkeley at the Scheme Record Time, which is expected to be 5.00 p.m. on 25 October 2004, as a Shareholder you will receive the following:

for every Existing Ordinary Share **one Unit (each comprising
one New Ordinary Share,
one 2004 B Share,
one 2006 B Share,
one 2008 B Share and
one 2010 B Share)**

Application has been made for the Units to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for such Units to be admitted for trading on the market for listed securities of the London Stock Exchange, in the same way as your Existing Ordinary Shares. You will own the same proportion of Berkeley Holdings in the form of your Units as you do with your Existing Ordinary Shares in Berkeley. As a result of the Scheme, your Existing Ordinary Shares will cease to exist.

For every Existing Ordinary Share which you hold at 5.00 p.m. on 25 October 2004, Berkeley Holdings is proposing to return, subject to having sufficient funding and distributable reserves, up to £12 in aggregate over the next six years as follows:

<u>Class of B Share</u>	<u>Expected Record Date</u>	<u>Proceeds per B Share</u>	<u>Approximate aggregate proceeds⁽¹⁾</u>
2004 B Share	26 November 2004	£5	£605 million
2006 B Share	29 December 2006	£2	£242 million
2008 B Share	31 December 2008	£2	£242 million
2010 B Share	31 December 2010	£3	£363 million
TOTAL		£12	£1.452 billion

(1) Assuming 121 million Existing Ordinary Shares in issue upon the Scheme becoming effective.

Payment of the Return of up to £12 per Existing Ordinary Share is subject to a number of conditions being satisfied. These are described in detail below.

Mechanics of the Return of up to £12 per Existing Ordinary Share

The Return will be achieved through the B Shares comprised within each Unit. The 2004 B Shares will be redeemed by Berkeley Holdings in consideration for the payment of £5 per 2004 B Share to the registered holder at the close of business on 26 November 2004.

The current intention is that, as regards each of the 2006 B Shares, 2008 B Shares and 2010 B Shares, the directors of Berkeley Holdings will resolve that any such class of B Shares be redeemed for an amount equal to the Proceeds per B Share, payable five Business Days following the relevant Record Date.

However, in the event that legal or commercial considerations so dictate, the directors may instead declare a one-off Special Dividend of an amount equal to the Proceeds per B Share, payable 5 Business Days following the relevant Record Date. After any such Special Dividend is declared and paid, the B Shares in question will have no further rights and will therefore be valueless. Accordingly, Berkeley Holdings would then redeem all outstanding B Shares in the relevant class for £1 in aggregate.

Payment of the Return of up to £12 per Existing Ordinary Share

No part of the Return will be paid in respect of any class of B Share unless, in accordance with the provisions of the Companies Act, the amount of Berkeley Holdings' reserves available for distribution equals or exceeds the aggregate amount payable by Berkeley Holdings in respect of that class of B Share.

In addition, payment of the Return in respect of the 2006 B Shares, the 2008 B Shares and the 2010 B Shares is subject to the directors of Berkeley Holdings resolving, in their absolute discretion, that the making of such payment is in the best interests of Berkeley Holdings taking into account Berkeley Holdings' financial position and its then working capital requirements. In particular, it is expected that the board of Berkeley Holdings will want to be satisfied, at the time those payments fall to be made, that:

- (a) the underlying businesses of the New Group have generated and will continue to generate cash sufficient to fund the payment on the relevant B Shares and the working capital requirements of the New Group; and
- (b) Berkeley will not, either before or following the making of such payments, become in breach of certain restrictions contained in the Facility Agreement (these restrictions are summarised in paragraph 6.2 of Part 3 of this document).

The payment of £5 per Existing Ordinary Share (being approximately £605 million in aggregate) in cash to be paid in respect of the 2004 B Shares will be funded through a combination of Berkeley's existing cash resources and the Facility Agreement. The balance of the return of capital would be principally funded by the reduction of working capital and from the future earnings of the New Group. The Berkeley Holdings Reduction of Capital, which is expected to be confirmed by the Court on 27 October 2004, is expected to create distributable reserves of £1.354 billion in Berkeley Holdings' books. It is expected that the payment in respect of the 2004 B Shares will be made on 3 December 2004.

Berkeley Holdings' ability to generate further distributable reserves and make payments in respect of the B Shares will therefore depend in part on the ability of its subsidiaries to pay cash dividends in the future, which will in turn depend on a number of factors, including those subsidiaries continuing to be able to build and sell high quality developments at a profit and the availability of attractive opportunities to buy land in the urban regeneration market.

If the above conditions are not satisfied in respect of the 2006 B Shares and 2008 B Shares on the expected relevant Record Date, payment in respect of those shares will be deferred for consecutive periods of six months until the later of the directors of Berkeley Holdings resolving that such payments can be made or 31 January 2011. If payment in respect of any class of B Share has not been made by 31 January 2011, no further payment will be made in respect of any of the B Shares save that Berkeley Holdings will be entitled to redeem any outstanding B Shares for £1 in aggregate. Any deferral by Berkeley Holdings will not entitle Shareholders to any additional rights.

In addition, the share premium account of Berkeley will be reduced from approximately £434 million to £110 million. The amount of the reduction, approximately £324 million, will be credited to a special reserve which will only become distributable upon all amounts owing to creditors of Berkeley at the effective date of the Scheme becoming discharged, to the extent that such creditors have not consented to the reduction of the share premium account. The amount of the special reserve will decrease, and the Company's distributable reserves will correspondingly increase, to the extent of any future share issues by Berkeley for new consideration or by way of

capitalisation of distributable reserves. The special reserve may also be used for the same purposes as if it were share premium.

Further details on the Proposals are set out in this document. The Scheme itself is set out in Part 7 of this document.

New management incentive plan

In order to align the interests of Executive Directors with Shareholders, the Remuneration Committee has decided to introduce a new management incentive plan, the Berkeley Holdings 2004(b) LTIP. Awards under this plan will be released to the Executive Directors only after Shareholders have been paid in full the Return, being £12 per Existing Ordinary Share.

The Remuneration Committee believes that this approach will incentivise the Executive Directors to concentrate equally on returning £12 per Existing Ordinary Share and on maximising the value of the more focused urban regeneration business that will comprise the residual part of the New Group. Therefore since the value of awards to the Executive Directors will be directly linked to the value of that residual part after the Return to Shareholders there should be a close alignment between the interests of the Executive Directors and the Shareholders both of whom benefit from such maximising of value.

It is therefore proposed that the Berkeley Holdings 2004(b) LTIP be adopted and the Executive Directors be awarded at no cost to them such number of Units which upon release will result in their holding together 15 per cent of the issued share capital of the New Company on a fully diluted basis following that issue which, prior to release of any awards, will represent 17.6 per cent of the issued share capital of Berkeley Holdings. Awards of Units will only be released provided that by 31 January 2011 Shareholders have been paid in full the Return, being £12 per Existing Ordinary Share. In the event of a change of Control of Berkeley Holdings prior to 31 January 2011, awards will be released which equate to up to 15 per cent of the value offered to Shareholders in excess of £12 per Existing Ordinary Share, taking into account the payments already made in respect of the B Shares and the offer price.

Until these Units are released Executive Directors shall have no rights in respect of any of the New Ordinary Shares or B Shares comprised in such Units. Following the release of such Units each Executive Director will be prohibited from disposing of the New Ordinary Shares comprised in the Units released to him prior to the first anniversary of the release of his award at which time he will be entitled to sell up to 50 per cent of them. The balance of his award of New Ordinary Shares will only be capable of being disposed of on the second anniversary of the release of his award.

The following table sets out the proposed awards under the Berkeley Holdings 2004(b) LTIP for Executive Directors which Berkeley Holdings intends to make following approval at the EGM and its subsequent adoption by Berkeley Holdings:

<u>Name</u>	<u>Percentage of issued ordinary share capital after Return of £12⁽¹⁾</u>
Tony Pidgley (Group Managing Director)	8%
Tony Carey (Divisional Executive Director)	2.5%
Greg Fry (Divisional Executive Director)	1.5%
Rob Perrins (Group Finance Director)	3%
TOTAL	15%

(1) Following enlargement on satisfaction of the Berkeley Holdings 2004(b) LTIP performance condition.

Full details of the Berkeley Holdings 2004(b) LTIP are set out in paragraph 14 of the letter from UBS set out in Part 3 of this document.

Board of Berkeley Holdings

The board of Berkeley Holdings is the same as the current Board of Berkeley.

Current trading and prospects

The Company announced its results for the year ended 30 April 2004 on 25 June 2004, stating that:

“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.”

Since the time of the announcement, Berkeley has continued to experience normal market conditions. The Board has confidence in the financial and trading prospects of the New Group for the current financial year.

Dividend Policy

Following the declaration of the final ordinary dividend of 16.5 pence per Existing Ordinary Share payable by Berkeley on 9 September 2004 to Shareholders on the register on 13 August 2004, Berkeley Holdings intends that, prior to 31 January 2011, substantially all returns to Shareholders will be by way of payments made on the B Shares.

However, subject to the Companies Act, dividends may be declared on the New Ordinary Shares at any time.

Taxation

A guide to the general tax position of Shareholders who are resident or ordinarily resident in the UK is set out in Part 5 of this document.

Approval of the Proposals

In order to be able to effect the Return of up to £12 per Existing Ordinary Share, we need shareholder approval of the Proposals at both the Court Meeting and at the EGM both of which are being convened for 17 September 2004. Notices of the Court Meeting and the EGM are set out in Parts 8 and 9 of this document.

In addition, the High Court must sanction the Scheme and confirm the Berkeley Holdings Reduction of Capital expected on 25 October and 27 October 2004 respectively.

Action to be taken

You are being asked to approve the Scheme which involves the creation of a new holding company for Berkeley in order to allow us to return up to £12 per Existing Ordinary Share to you.

There are two shareholder meetings, a Court Meeting and an EGM, which are being called for different purposes:

- The Court Meeting, which will be held at the direction of the High Court. Its purpose is to seek the approval of Berkeley Shareholders for the Scheme of Arrangement so the Court has authority to sanction the Scheme of Arrangement. At the Court Meeting, voting will be by poll and not by a show of hands. A poll means that each Shareholder (or his or her proxy) who is entitled to be present and to vote has one vote for every share which he or she holds (or represents). The Scheme must be approved at the Court Meeting by a majority in number representing three-quarters in nominal value of the Existing Ordinary Shares held by those present and voting, in person or by proxy.
- The EGM is being called immediately after the Court Meeting to enable Berkeley Shareholders to vote on the Proposals. Two resolutions are being proposed at the EGM. The first resolution authorises the Directors to implement the Scheme of Arrangement. It is a special resolution, which must be passed by three-quarters of votes cast. The second resolution seeks the approval by Shareholders of the Berkeley Holdings 2004(b) LTIP. It is an ordinary resolution and must be passed by a majority of votes cast.

The Proposals are conditional on all three resolutions being passed. This is because the Court must have authority to sanction the Scheme of Arrangement, the Directors must be authorised to implement the Proposals and the Directors regard the Berkeley Holdings 2004(b) LTIP as being essential to incentivising the Executive Directors to maximise the total return to Shareholders through a combination of both the achievement in full of the Return

of £12 per Existing Ordinary Share and maximising the value of the residual part of the New Group, following the Return being achieved.

Both meetings will be held on 17 September 2004. You are entitled, but not required, to attend the Court Meeting and the EGM. If you do not attend, you are still entitled to vote at both meetings by completing the PINK Form of Proxy for the Court Meeting and the BLUE Form of Proxy for the EGM.

It is very important that you use your vote in order that the High Court can be satisfied that the votes cast constitute a fair representation of the views of the Berkeley Shareholders.

Please ensure you complete, sign and return both Forms of Proxy to Capita Registrars at Proxy Section, P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible but, in any event, so as to be received no later than 10.00 a.m. and 10.15 a.m. on 15 September 2004 for the Court Meeting and the EGM respectively. You should return the Forms of Proxy by post (faxes will not be accepted). In the case of the Court Meeting, the PINK Form of Proxy can also be handed to the Chairman at the meeting.

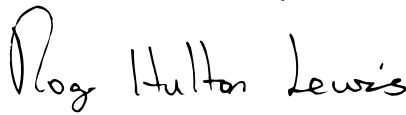
The Court Meeting and the EGM will be held on 17 September 2004 at 10.00 a.m. and 10.15 a.m. respectively at The Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB.

Recommendation

The Board of Berkeley has received financial advice from UBS Investment Bank in relation to the Proposals. In providing its financial advice, UBS Investment Bank has relied on the Board's commercial assessment of the Proposals.

The Board considers the Proposals to be in the best interests of the Shareholders as a whole. Accordingly your Board unanimously recommends you to vote in favour of the resolutions to be proposed at the Court Meeting and the EGM as the Directors intend to vote in favour in respect of their beneficial holdings, which amount in total to 2,455,247 Existing Ordinary Shares, representing approximately 2.0 per cent of the issued share capital of Berkeley.

Yours faithfully

A handwritten signature in black ink that reads "Roger Hutton Lewis". The signature is written in a cursive style with a large initial 'R'.

Roger Lewis
Chairman

Part 2

Voting Information

This section provides information for Berkeley Shareholders and participants in the Berkeley Employee Share Schemes in connection with the Court Meeting and EGM. Other “participants” (i.e. the holders of Existing Ordinary Shares in PEPs and ISAs) should consult their relevant plan managers.

1. The Meetings

Two meetings will be held on 17 September 2004:

- (a) a Court Meeting, the notice for which is set out in Part 8 of this document; and
- (b) an EGM, the notice for which is set out in Part 9 of this document.

Both meetings will be held at The Woodlands Park Hotel, Woodlands Lane, Stoke D’Abernon, Cobham, Surrey KT11 3QB. The Court Meeting will commence promptly at 10.00 a.m. and the EGM at 10.15 a.m. (or as soon thereafter as the Court Meeting concludes or is adjourned).

The Court Meeting is a meeting of Berkeley Shareholders convened by the Court as part of the procedure for approving the Proposals described in this document. Berkeley Shareholders are being asked to approve the Scheme, details of which are contained in the Explanatory Statement in Part 3 of this document.

The EGM will follow immediately after the Court Meeting. Shareholders are being asked to vote on a resolution in connection with the Scheme and the Berkeley Holdings Reduction of Capital and a second resolution approving the Berkeley Holdings 2004(b) LTIP, details of which are contained in the Explanatory Statement in Part 3.

2. Information for Berkeley Shareholders

You have the right to attend, speak and vote at the Court Meeting and the EGM (or, if you are not attending the meetings, to appoint someone else as your “proxy” to vote on your behalf) if you are on the Berkeley register at 6.00 p.m. on 15 September 2004. If either meeting is adjourned, only those on the Berkeley register at 6.00 p.m. on the day two days immediately preceding the date fixed for such adjourned meeting are entitled to attend, speak and vote or to appoint a proxy.

The number of shares you hold as at the above register deadline will determine how many votes you or your proxy will have in the event of a poll.

If you are not coming to the meetings

You may appoint a proxy – someone who will attend the meetings on your behalf and vote in the event of a poll – by completing and returning the accompanying Forms of Proxy. For your convenience the appointment of the Chairman as your proxy has already been included. Please note that your proxy is not entitled to vote on a show of hands. A proxy need not be a shareholder of the Company.

You will have been sent two Forms of Proxy, a PINK one for the Court Meeting and a BLUE one for the EGM. Before completing the Forms of Proxy, please read the explanatory notes on the forms.

Posting details

Please return your Forms of Proxy to Capita Registrars, at Proxy Section, P.O. Box 25, Beckenham, Kent BR3 4BR so as to be received not later than 10.00 a.m. on 15 September 2004 (for the Court Meeting) and 10.15 a.m. on 15 September 2004 (for the EGM) by post (faxes will not be accepted). However, in the case of the Court Meeting, the PINK form can also be handed to the Chairman at the meeting. Returning the Forms of Proxy will not prevent you from attending in person and voting at the meetings. In the event of a poll on which a Shareholder votes in person, any proxy votes lodged with the Registrars by that Shareholder will be excluded.

Joint Shareholders

All joint Shareholders may attend and speak at the meetings or appoint a proxy. If more than one joint Shareholder votes or appoints a proxy, the only vote or appointment which will count is the vote or appointment of the first Shareholder listed on the register of members.

3. Information for participants in the Berkeley Employee Share Schemes

Please note that participation in a Berkeley Employee Share Scheme does not give you the right to attend the Court Meeting or EGM.

Part 3

Explanatory Statement from UBS Investment Bank



To Berkeley Shareholders and, for information only, to holders of options and awards under the Berkeley Employee Share Schemes

24 August 2004

Dear Shareholder

Recommended proposals for the Return of up to £12 per Existing Ordinary Share

1. Introduction

Your attention is drawn to the Chairman's letter in Part 1 of this document, which outlines the reasons for the Proposals and contains the recommendation of your Board. The Chairman's letter forms part of this Explanatory Statement.

2. Description of the Scheme

The Scheme

Under this Court approved scheme of arrangement made pursuant to section 425 of the Companies Act, Berkeley Holdings will be introduced as the new holding company of Berkeley. Berkeley Holdings will acquire Berkeley in exchange for the issue by Berkeley Holdings of Units comprising New Ordinary Shares and B Shares to Berkeley Shareholders. If you are on the register of members of Berkeley at the Scheme Record Time, which is expected to be 5.00 p.m. on 25 October 2004, as a Shareholder you will receive the following:

for every Existing Ordinary Share

**one Unit (each comprising
one New Ordinary Share,
one 2004 B Share,
one 2006 B Share,
one 2008 B Share and
one 2010 B Share)**

Under the Scheme:

- (a) the Existing Ordinary Shares will be cancelled and Berkeley Shareholders at the Scheme Record Time will be allotted one New Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share, credited as fully paid, for every Existing Ordinary Share then held;
- (b) following the cancellation of the Existing Ordinary Shares, the issued share capital of Berkeley will be restored to its former nominal amount by the creation of such number of new ordinary shares of Berkeley of 25 pence each as shall be equal to the number of Existing Ordinary Shares which have been cancelled. The credit arising in the books of Berkeley as a result of the cancellation will be applied in paying up in full those new ordinary shares in Berkeley; and
- (c) the share premium account of Berkeley will be reduced from approximately £434 million to £110 million. Berkeley will undertake to the Court that the credit of approximately £324 million arising in the books of Berkeley as a result of such reduction of the share premium account will be credited to a special reserve that will only become distributable upon all amounts owing to creditors of Berkeley at the effective date of the Scheme becoming discharged, to the extent that such creditors have not consented to the reduction of share premium account. The amount of the special reserve will decrease, and the Company's distributable reserves will correspondingly increase, to the extent of any future share issues by Berkeley for new consideration or by way of capitalisation of distributable reserves. The special reserve may also be used for the same purposes as if it were share premium.

As a result, Berkeley Holdings will become the new holding company of Berkeley and the issued share capital of Berkeley Holdings will be owned by former Berkeley Shareholders.

After the Scheme the holders of Units will, as a result of their holding of New Ordinary Shares, have equivalent voting and other rights as for the Existing Ordinary Shares in all material respects. In addition, through their holding of B Shares they will be entitled to the payment of the Proceeds per B Share, as described below. Holders of Existing Ordinary Shares whose holdings are registered in CREST will automatically have their Units credited to their CREST account.

3. The Return of up to £12 per Existing Ordinary Share

What will I receive?

Each Unit comprises one New Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share. It is through the B Shares that the Board intends to return up to £12 per Existing Ordinary Share. The Return will be funded by Berkeley's own cash resources, the Facility Agreement between Berkeley, Barclays Bank plc and certain other banks, the reduction of working capital and from the future earnings of the New Group.

For every Existing Ordinary Share which you hold at 5.00 p.m. on 25 October 2004, Berkeley Holdings is proposing to return to you, subject to having sufficient funding and distributable reserves, up to £12 in aggregate over six years as follows:

<u>Class of B Share</u>	<u>Expected Record Date</u>	<u>Proceeds per B Share</u>	<u>Approximate aggregate proceeds⁽¹⁾</u>
2004 B Share	26 November 2004	£5	£605 million
2006 B Share	29 December 2006	£2	£242 million
2008 B Share	31 December 2008	£2	£242 million
2010 B Share	31 December 2010	<u>£3</u>	<u>£363 million</u>
TOTAL		£12	£1.452 billion

Note

(1) Assuming 121 million Existing Ordinary Shares in issue upon the Scheme becoming effective.

Payment of the Return of up to £12 per Existing Ordinary Share is subject to a number of conditions being satisfied. These are described in paragraph 5 below.

Mechanics of the Return of up to £12 per Existing Ordinary Share

The Return will be achieved through the B Shares comprised within each Unit. The 2004 B Shares will be redeemed by Berkeley Holdings in consideration for the payment on 3 December 2004 of £5 per 2004 B Share to the registered holder at the close of business on 26 November 2004.

The current intention is that, as regards each of the 2006 B Shares, 2008 B Shares and 2010 B Shares, the directors of Berkeley Holdings will resolve that any such class of B Shares be redeemed for an amount equal to the Proceeds per B Share, payable five Business Days following the relevant Record Date.

However, in the event that legal or commercial considerations so dictate, the directors may instead declare a one-off Special Dividend of an amount equal to the Proceeds per B Share, payable five Business Days following the relevant Record Date. After any such Special Dividend is declared and paid, the B Shares in question will have no further rights and will therefore be valueless. Accordingly, Berkeley Holdings would then redeem all outstanding B Shares in that class for £1 in aggregate.

Certificates, listing and other information

Definitive certificates in respect of the Units will be despatched to Shareholders who hold their Existing Ordinary Shares in certificated form by 5 November 2004.

Application will be made for the Units comprising New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for such Units to be admitted for trading on the London Stock Exchange's market for listed securities, with dealings expected to commence on 26 October 2004. Berkeley Holdings will apply for the Units to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Units may take place within the CREST system in respect of general market transactions.

The rights and restrictions attaching to the Units are summarised in Part 4 of this document.

4. The Berkeley Holdings Reduction of Capital

Following the Scheme becoming effective and subject to the satisfaction of certain other conditions (including the approval by Shareholders at the EGM), the Berkeley Holdings Reduction of Capital will be implemented to increase the level of reserves available to be distributed to Shareholders of Berkeley Holdings. Under the Berkeley Holdings Reduction of Capital, the capital of Berkeley Holdings will be reduced by approximately £1.354 billion by decreasing the nominal amount of each B Share comprised within a Unit issued pursuant to the Scheme to 5 pence per B Share. The Shareholders of Berkeley Holdings have already resolved, conditional on the New Ordinary Shares and B Shares comprised within the Units being issued pursuant to the Scheme, to reduce the capital paid up on the B Shares. Berkeley Shareholders will, nonetheless, be asked at the EGM to confirm this approval of the Berkeley Holdings Reduction of Capital. The Berkeley Holdings Reduction of Capital will also require the confirmation of the Court and, if so confirmed, will create a new reserve in the books of Berkeley Holdings, which will, amongst other things, be available for Berkeley Holdings to fulfil its obligations in relation to the B Shares.

5. Conditions of the Proposals

5.1 Conditions of the Scheme

The implementation of the Scheme is conditional upon the following:

- (a) the approval of the Scheme by a majority in number representing 75 per cent by nominal value of the holdings of the Existing Ordinary Shares present and voting either in person or by proxy at the Court Meeting;
- (b) the passing of the special resolution to give effect to the Scheme, set out in the notice of EGM contained in Part 9 of this document;
- (c) the passing of the ordinary resolution approving the Berkeley Holdings 2004(b) LTIP, set out in the notice of EGM contained in Part 9 of this document;
- (d) the sanction of the Scheme, and the confirmation of the reduction of capital of Berkeley which comprises part of the Scheme, by the Court;
- (e) the registration by the Registrar of Companies of an office copy of the Court Order sanctioning the Scheme and confirming the reduction of capital of Berkeley; and
- (f) the grant by the UK Listing Authority of permission for the Units to be admitted to the Official List subject only to allotment, and such permission not being withdrawn prior to the Scheme Effective Date.

5.2 Conditions of the Berkeley Holdings Reduction of Capital

The Berkeley Holdings Reduction of Capital is conditional upon the following:

- (a) the passing of the special resolution to give effect to the Scheme, set out in the notice of the EGM contained in Part 9 of this document;
- (b) the passing of the ordinary resolution approving the Berkeley Holdings 2004(b) LTIP, set out in the notice of EGM contained in Part 9 of this document;
- (c) the Scheme becoming effective and being fully implemented;
- (d) the confirmation of the Berkeley Holdings Reduction of Capital by the Court; and
- (e) the registration by the Registrar of Companies of an office copy of the Court Order confirming the Berkeley Holdings Reduction of Capital.

If the Berkeley Holdings Reduction of Capital is not confirmed by the Court, Berkeley Holdings will not have sufficient distributable reserves to enable it to make payments in respect of the B Shares as contemplated by the Proposals.

5.3 Conditions to the grant of awards under the Berkeley Holdings 2004(b) LTIP

Awards will only be made under the Berkeley Holdings 2004(b) LTIP following the Scheme becoming effective. Units will only be issued or transferred to the Executive Directors under the Berkeley Holdings 2004(b) LTIP if £12 per Existing Ordinary Share is returned to Shareholders by 31 January 2011.

5.4 Payment of the Return of up to £12 per Existing Ordinary Share

No part of the Return will be paid in respect of any class of B Share unless, in accordance with the provisions of the Companies Act, the amount of Berkeley Holdings' profits available for distribution equals or exceeds the aggregate amount payable by Berkeley Holdings in respect of that class of B Share.

In addition, payment of part of the Return in respect of the 2006 B Shares, the 2008 B Shares and the 2010 B Shares is subject to the directors of Berkeley Holdings resolving, in their absolute discretion, that the making of such payment is in the best interests of Berkeley Holdings taking into account Berkeley Holdings' financial position and its working capital requirements. In particular, it is expected that the board of Berkeley Holdings will want to be satisfied, at the time those payments fall to be made, that:

- (a) the underlying businesses of the New Group have generated and will continue to generate cash sufficient to fund the payment on the relevant B Shares and the working capital requirements of the New Group; and
- (b) Berkeley Holdings will not, either before or following the making of such payments, become in breach of the restrictions under the Facility Agreement which is summarised in the following paragraph.

If the above conditions are not satisfied in respect of the 2006 B Shares and 2008 B Shares on the expected relevant Record Date, payment in respect of those shares will be deferred for consecutive periods of six months until the later of the directors of Berkeley Holdings resolving that such payments can be made or 31 January 2011. If payment in respect of any class of B Share has not been made by 31 January 2011, no further payment will be made in respect of any of the B Shares save that Berkeley Holdings will be entitled to redeem any outstanding B Shares for £1 in aggregate. Any deferral by Berkeley Holdings will not entitle Shareholders to any additional rights.

6. Financing of the Return

The payment of £5 per Existing Ordinary Share (being approximately £605 million in aggregate) in cash to be paid in respect of the 2004 B Shares will be funded through a combination of Berkeley's existing cash resources and the Facility Agreement.

The balance of the return of capital will be principally funded by the reduction of working capital and from the future earnings of the New Group. Berkeley Holdings would limit the purchase of new land to those sites which it believes offer attractive returns and are in line with its focus on urban regeneration. The Board believes that this strategy will generate cash sufficient to fund the Return and the New Group's ongoing financial obligations.

6.1 Facility Agreement

Pursuant to the Facility Agreement dated 18 August 2004, Barclays Bank plc, Lloyds Bank plc and The Royal Bank of Scotland plc (the "Lenders") agreed to make available to Berkeley, Berkeley Holdings and a subsidiary of Berkeley (the "Borrowers") £825 million syndicated term and revolving facilities (the "Facilities") for the financing of payments made in respect of the B Shares, the refinancing of certain existing facilities and general corporate purposes and working capital requirements of the New Group. The Facility Agreement is guaranteed by Berkeley Holdings, Berkeley and certain other subsidiaries (the "Guarantors").

The Facility Agreement consists of a £500 million seven year term facility (the "Term Facility"); a £175 million three year revolving facility (the "Revolving Facility"); and a £150 million 364 day revolving facility with a term out option (the "364 Facility").

The Facility Agreement will replace the Berkeley Group's existing facilities with the Lenders.

Interest is payable on advances at the rate which is the aggregate of: (i) LIBOR; (ii) mandatory costs; and (iii) the applicable margin. The applicable margin for the Term Facility is: (i) 0.6 per cent per annum for the first three years; (ii) 0.7 per cent per annum for the fourth and fifth year; and (iii) 0.9 per cent per annum for the sixth and seventh year. The applicable margin for the Revolving Facility is 0.6 per cent per annum for the term of that facility; and for the 364 Facility is 0.5 per cent per annum for the term of that facility. The margin may be

increased by 0.2 per cent per annum if Berkeley's ratio of: (i) consolidated tangible assets to consolidated net debt falls below a certain threshold; or (ii) consolidated net debt to consolidated earnings before interest, tax, depreciation and amortisation exceeds a certain threshold.

The Facility Agreement contains certain customary representations by Berkeley, as well as each Borrower and Guarantor, some of which are to be repeated on: (i) the date of delivery of any drawdown request; (ii) the first day of each interest period; (iii) the day on which any new borrower or guarantor accedes to the Facility Agreement.

Berkeley and each Borrower and Guarantor give positive and negative undertakings which include (i) financial covenants as to the ratio of (a) consolidated tangible assets to consolidated net debt, (b) consolidated net debt to consolidated earnings before interest, tax, depreciation and amortisation, (c) consolidated net debt to the total net worth of the New Group, (d) consolidated earnings before interest, tax, depreciation and amortisation to consolidated net finance charges, each of which is tested semi-annually on a twelve month historic basis, (e) consolidated tangible assets excluding joint ventures and project finance assets to consolidated net debt, (ii) restrictions on granting of security subject to standard carve-outs; (iii) restrictions on disposals and acquisitions, each subject to customary carve-outs; (iv) restrictions on the incurrence of further indebtedness subject to customary carve-outs; and (v) a restriction on the redemption of shares other than a permitted redemption, as described below.

The Facility Agreement includes certain mandatory prepayment events, including illegality and a change of control of Berkeley.

The Facility Agreement provides certain events of default upon which, if they occur and, if capable of remedy, are not remedied within specified cure periods, the Facilities may be cancelled and amounts drawn under them declared immediately due and payable. These events of default include: (i) non-payment under any finance document (which includes the security documents); (ii) breach of any other obligation which (if capable of remedy) is not remedied within fifteen Business Days for financial statements, compliance certificates, general information and certain authorisations and ten Business Days for all other defaults; (iii) cross default in relation to other financial indebtedness of the New Group subject to a threshold of £7.5 million; (iv) insolvency related events in relation to Berkeley or any member of the New Group; (v) a material adverse change, being an event or series of events which have a material adverse effect on (a) the business, operations, property or financial or other condition of the Group, (b) the ability of any Borrower or Guarantor to perform its obligations under the Facility Agreement and/or the security documents, and (c) the validity or enforceability of the Facility Agreement and/or any security document.

6.2 Restrictions on payments in respect of the B Shares

The Facility Agreement only permits payment to be made in respect of the 2006 B Shares, 2008 B Shares and 2010 B Shares if Berkeley can show that it would meet specified ratios of: (i) consolidated tangible assets to consolidated net debt; (ii) consolidated net debt to consolidated earnings before interest, tax, depreciation and amortisation; and (iii) consolidated earnings before interest, tax, depreciation and amortisation to consolidated net finance charges, on a combined historic and estimated forward-looking basis.

6.3 Loans from Berkeley to Berkeley Holdings

Berkeley will make certain loans to Berkeley Holdings in order to finance the obligations of Berkeley Holdings in relation to the B Shares. The loans will also allow Berkeley Holdings to fund stamp duty payable on the acquisition by Berkeley Holdings or its nominees of additional ordinary shares of Berkeley of 25 pence each issued too late to participate in the Scheme (for example, as a result of the exercise of options pursuant to Berkeley Employee Share Schemes). The making of such loans is to be approved within the Scheme in order to ensure compliance with section 151 of the Companies Act.

7. Timetable

The Court Hearing to sanction the Scheme is expected to be held on 25 October 2004 at 10.30 a.m. at the High Court. Shareholders will have the right to attend the Court Hearing to support or oppose the Scheme and to appear in person or be represented by Counsel. If the scheduled date of the Court Hearing to sanction the Scheme is changed, Berkeley will give adequate notice of the change by issuing an announcement via a Regulatory Information Service.

The Court Hearing to confirm the Berkeley Holdings Reduction of Capital is expected to be held on 27 October 2004. Shareholders will have the right to attend the Court Hearing to support or oppose the Berkeley Holdings Reduction of Capital and to appear in person or be represented by Counsel.

The Scheme will only become implemented in full when an office copy of the Court Order sanctioning the Scheme and confirming the related reduction of Berkeley's capital is registered by the Registrar of Companies. The Berkeley Holdings Reduction of Capital will only become effective when an office copy of the Court Order confirming the Berkeley Holdings Reduction of Capital is registered by the Registrar of Companies.

Assuming that the conditions set out above are satisfied, the Scheme is expected to become effective by 26 October 2004 and the Berkeley Holdings Reduction of Capital is expected to become effective on 28 October 2004. If the Scheme has not become effective by 10 January 2005 (or such later date as Berkeley and Berkeley Holdings may agree and the Court may allow), it will lapse and neither the Scheme nor the Berkeley Holdings Reduction of Capital will proceed; if the Berkeley Holdings Reduction of Capital has not occurred by 12 January 2005 (or such later date as Berkeley Holdings may determine), it will not proceed.

It is expected that Existing Ordinary Shares will cease to be traded on the London Stock Exchange at the close of business on 25 October 2004. It is anticipated that the Units will be admitted to the Official List and that the Units will commence trading on the London Stock Exchange at 8.00 a.m. on 26 October 2004.

8. Modifications to the Scheme

The Scheme contains a provision for Berkeley and Berkeley Holdings jointly to consent, on behalf of all concerned, to any modification of, or addition or condition to, the Scheme which the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Berkeley Shareholders unless Berkeley Shareholders were informed of any such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Berkeley Shareholders should be held. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Directors, is of such a nature or importance to require the consent of Berkeley Shareholders at a further meeting, the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

9. Financial Effects of the Berkeley Holdings Reduction of Capital

The effect of the Berkeley Holdings Reduction of Capital is to increase the distributable reserves of Berkeley Holdings.

10. Taxation

In summary, the Directors have been advised, in respect of UK-resident taxpayers, that:

- (a) A Shareholder exchanging Existing Ordinary Shares for New Ordinary Shares and B Shares should not be treated, for the purposes of UK taxation of chargeable gains, as having disposed of those Existing Ordinary Shares.
- (b) For tax purposes, an amount of capital equal to the market value of Berkeley immediately prior to the Scheme of Arrangement should be apportioned across the New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares. The basis of this apportionment currently remains subject to agreement with the Inland Revenue. Upon redemption of the 2004 B Shares, 2006 B Shares, 2008 B Shares or 2010 B Shares, that part of the Redemption proceeds not exceeding this apportioned capital will generally be treated as the proceeds of a disposal for the purposes of UK taxation of chargeable gains. To the extent that the Proceeds per B Share pursuant to a Redemption exceed the capital apportioned to that B Share, that excess will generally be taxable as if it were dividend income. A UK corporate shareholder will generally also be required to bring that excess into account in calculating any chargeable gain, notwithstanding that such excess is generally treated as a non-taxable income distribution in the hands of a UK corporate shareholder.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser. Further information on taxation is set out in Part 5 of this document.

11. Directors of Berkeley Holdings

With effect from the Scheme Effective Date, the composition of the board of Berkeley Holdings will be the same as that of the current Board of Berkeley and is set out in paragraph 1 of Part 6 of this document.

12. Directors' Interests

The interests of the Directors in the share capital of Berkeley are set out in paragraph 4 of Part 6 of this document. Directors who are participants in the Berkeley Share Option Schemes will be treated in the same manner as other participants in those schemes.

Details of Directors' service agreements are set out in paragraph 7 of Part 6 of the Listing Particulars.

The effect of the Scheme itself on the interests of the Directors does not differ from its effect on the like interests of other persons. Shareholders' attention is however drawn to the terms of the Berkeley Holdings 2004(b) LTIP described in paragraph 14 below.

13. Berkeley Employee Share Schemes

Details of the proposals to be made to all participants in the Berkeley Employee Share Schemes as a result of the Scheme are being sent to participants today. These proposals treat all participants equally regardless of their position within the Group. No proposals are being made in respect of the Berkeley 2004 Share Incentive Plan or the Berkeley 2004 LTIP as there are no subsisting rights under those plans. A general summary of the proposals is set out below.

13.1 Berkeley Share Option Schemes

Options granted under the Berkeley Share Option Schemes (other than the Berkeley Unapproved 2000 Option Plan) will, if not already exercisable, become exercisable when the Scheme has been sanctioned by the Court. Options under the Berkeley SAYE Scheme can only be exercised to the extent of savings and interest, up to the date of exercise.

Options which are not exercised will lapse within six months of the Scheme becoming effective.

Existing Ordinary Shares issued on the exercise of options granted under the Berkeley Share Option Schemes prior to the Scheme Record Time will be subject to the Scheme. Existing Ordinary Shares issued on the exercise of options under the Berkeley Share Option Schemes too late to participate in the Scheme will, if Berkeley Shareholders approve the amendments to the Berkeley Articles to be proposed at the EGM, be transferred to Berkeley Holdings on the basis of one Unit for every Existing Ordinary Share or, following a variation in the share capital of either Berkeley or Berkeley Holdings (other than the Berkeley Holdings Reduction of Capital and the redemption of the B Shares) or such other event as the directors consider fair and reasonable, on such adjusted terms as the board of Berkeley Holdings may determine.

13.2 Berkeley 2000 Option Plans

Options granted under the Berkeley 2000 Option Plans in 2000 and 2001 are already exercisable and will remain exercisable for six months following the date the Court sanctions the Scheme. Options which are not exercised within this period will lapse.

In the event of a scheme of arrangement where the majority of the persons comprising the board of the acquiring company are members of the Board, options under the Berkeley Approved 2000 Option Plan which are not already exercisable will not ordinarily become exercisable. These options will only become exercisable where participants are not offered the opportunity to exchange their options for options over shares in the acquiring company which meet the requirements of an Inland Revenue approved plan. The Inland Revenue has confirmed that as the B Shares are redeemable these requirements are not met. Options under the Berkeley Approved 2000 Plan will therefore become capable of exercise on the same terms as 2000 and 2001 grants.

Where holders of options granted under the Berkeley Unapproved 2000 Option Plan are offered the opportunity to exchange their options for options over shares in an acquiring company, the Remuneration Committee has discretion to resolve that options granted thereunder which are not already exercisable will not become exercisable by virtue of a scheme of arrangement. The Remuneration Committee has exercised this discretion in relation to the Scheme.

Holders of options granted under the Berkeley Unapproved 2000 Option Plan in 2002, 2003 and 2004 will be offered the opportunity to exchange their options on the basis of one Unit for every Existing Ordinary Share under option. For the reasons described above these options, which are not already exercisable, will not become exercisable as a result of the Scheme. As an alternative to exchanging these options, participants in the Berkeley Unapproved 2000 Option Plan will be offered the opportunity to release their options in consideration for a conditional cash compensation payment. The compensation will be equal to the difference between the volume

weighted average price of an Existing Ordinary Share over the ten Business Days prior to the Scheme becoming effective and the exercise price of the relevant option multiplied by the number of Existing Ordinary Shares under such option. The relevant amount will, however, only be paid after the released option would have become exercisable. In addition, the compensation will only be paid if the relevant individual is an employee of the New Group on the relevant date. Where the relevant individual ceases to be employed within the New Group in advance of such date for a reason which would have permitted the released option to be exercised under the rules of the Berkeley Unapproved 2000 Option Plan, the compensation will be paid on the date of cessation.

13.3 Berkeley 2000 LTIP

The Remuneration Committee has amended the terms of the Berkeley 2000 LTIP so that awards of Existing Ordinary Shares and cash granted thereunder will not become capable of exercise by virtue of the Scheme. The awards shall now convert into awards of Units and cash on terms which the Remuneration Committee reasonably considers to be equivalent to the old awards. In order to effect this amendment the Remuneration Committee required the written consent of holders of awards representing at least 75 per cent of the Existing Ordinary Shares subject to subsisting awards. This consent was received. Release of the new awards will continue to be dependent on the participant, except as provided in the rules, being employed on the relevant vesting date. In accordance with the rules of the Berkeley 2000 LTIP the performance conditions have been tested to the end of the last completed financial year and have been satisfied in relation to the majority of subsisting awards (which includes those held by the Directors). On eventual release, the participants may, at the Trustee's discretion, also receive cash equal to the distributions paid on the Units comprised in their awards during the vesting period.

The Existing Ordinary Shares required to satisfy entitlements under the Berkeley 2000 LTIP are held in the Trust. The Scheme will result in the Trust holding Units in place of Existing Ordinary Shares.

13.4 Further options or awards

If the Scheme becomes effective no further options or awards will be granted under the Berkeley Employee Share Schemes and a review of possible new incentive arrangements for employees will be undertaken later this year. Any new share schemes recommended by such review will be put to Berkeley Holdings Shareholders at the annual general meeting in 2005 for their approval. In line with current practice, employees will continue to be rewarded in a meaningful way including the payment of bonuses related to the delivery of specific projects.

14. Berkeley Holdings 2004(b) LTIP

Subject to approval by Berkeley Shareholders at the EGM, Berkeley Holdings will adopt the Berkeley Holdings 2004(b) LTIP with the following terms:

Operation

The Berkeley Holdings 2004(b) LTIP will be supervised by the Remuneration Committee of the board of Berkeley Holdings (the "Committee").

Eligible employees

Any employee of Berkeley Holdings selected by the Committee, typically the Executive Directors. Non-executive directors are not eligible to participate in the Berkeley Holdings 2004(b) LTIP.

Grant of awards

Awards under the Berkeley Holdings 2004(b) LTIP ("Awards") may be granted within a 42 day period following (i) the date of its adoption; (ii) the announcement of results of the New Company for any period; or (iii) a day on which the Committee resolves that exceptional circumstances exist which justify the grant of an Award. In no circumstances shall an Award be granted during a Close Period.

It is the intention of the Committee to grant, on the adoption of the Berkeley Holdings 2004(b) LTIP, one award only to each current Executive Director.

Awards will either be conditional grants of Units or nil cost options to acquire Units. However, the Awards do not entitle participants to receive voting rights or payments in respect of the B Shares comprised within a Unit the subject of an Award or (save in the event of a change of Control of Berkeley Holdings) the value of the B Shares, and are therefore in effect rights to receive New Ordinary Shares.

No Awards shall be granted within six months of a participant's anticipated date of retirement from the New Group.

Conditions attaching to Awards

Awards are subject to a fixed period from grant during which they cannot be released, referred to as the "holding period". For Awards granted before 30 April 2005 the holding period will be a minimum of six years. The period may be shorter for new Executive Directors but shall be no less than three years.

Following expiry of the holding period, the delivery of Units pursuant to the Awards is conditional on the New Company returning £12 per Existing Ordinary Share by 31 January 2011.

Executive Directors will be encouraged to maximise the value of the residual part of the New Company over a period of up to eight years because the Units delivered will be subject to an additional two year period during which the participant may not sell or otherwise dispose of such Units (other than to meet any tax liability triggered when the Units are delivered) referred to as the "retention period". No Units delivered pursuant to an Award shall be disposed of before the first anniversary of the end of the holding period at which point 50 per cent of such Units may be disposed of with the balance only capable of disposal on the second anniversary of the end of the holding period.

Limits

The maximum number of Units which may be subject to subsisting Awards during the life of the Berkeley Holdings 2004(b) LTIP "C" shall be calculated on the date the plan is adopted as:

$$C = B - A$$

Where:-

- A** = is the issued share capital of Berkeley Holdings plus any new equity to be issued to satisfy subsisting rights capable of exercise or release under the Berkeley Employee Share Schemes on that date
- B** = A divided by 1.0 minus 0.15

Within this aggregate limit there are no individual limits. "C" therefore equates to the number of Units equal to 15 per cent of the fully diluted share capital at that date. For the avoidance of doubt as at the date of this document "C" is anticipated to be approximately 21.4 million Units assuming 121 million Existing Ordinary Shares in issue upon the Scheme becoming effective.

Delivery of Units

Awards may be satisfied by the market purchase of Units, the issue of Units or the re-issue of treasury Units.

The Units comprised in Awards will normally be delivered at the end of the applicable holding period, subject to the satisfaction of the performance requirement, and any other conditions, determined at the date of grant of the relevant Award. Delivery of Units is conditional upon the participant paying any taxes due as a result of such a release.

If the performance requirement is not satisfied by 31 January 2011, Awards shall lapse. There will be no re-testing of the performance requirement.

Allotment and transfer of Units

Units delivered will not rank for dividends payable by reference to a record date falling before the date on which the Units are delivered to the participant but will otherwise rank *pari passu* with existing Units.

Application will be made for the admission of the Units to be issued to the Official List of the UK Listing Authority and for such Units to be admitted to trading on the market for listed securities of the London Stock Exchange following the release of an Award.

Cessation of employment

If a participant ceases to be employed within the New Group prior to the expiry of the holding period, then that participant's Award will normally lapse.

If a participant's cessation of employment is the result of injury, disability, ill health, redundancy or death (but not retirement), the Committee may determine that part or all of that participant's Award may be released to the participant if the performance requirement is satisfied.

In applying this discretion the Committee shall pro-rate the number of Units subject to the Award which may be released dependent upon the proportion of the relevant holding period completed on the date of cessation. Further, the Award shall only be released if the performance requirement is satisfied.

If a participant ceases employment during the two year retention period, all the Units subject to that participant's Award shall become capable of being sold or otherwise disposed of.

Change of Control

In the event of a takeover, reconstruction, amalgamation or winding-up of the New Company the number of Units that will be delivered, shall be dependent upon the extent to which the performance requirement has been satisfied on the date of the occurrence of the event. In the event of a change of Control, takeover or amalgamation of the New Company (being the date an offer is declared wholly unconditional or the date a court sanctions a scheme of arrangement under section 425 of the Companies Act) the following formulae shall be applied to calculate the number of Units to be immediately delivered to participants:

$$\text{IF } \text{OC} + \text{RP} \text{ is greater than } \pounds 12 \text{ a Unit}$$
$$\text{THEN } \text{AR} = \frac{\text{C} \times [(\text{OC} + \text{RP}) - 12]}{\text{OC}}$$

Where:-

OC = is the offer consideration (defined as payment in money or kind or a binding obligation to make a payment in money or kind in the future) per Unit provided by any company or person obtaining Control of the New Company

RP = are the Redemptions and/or Special Dividends paid on the B Shares prior to the occurrence of the change of Control

AR = is the total number of Units subject to subsisting Awards to be delivered on the change of Control

C = is the maximum number of Units which can be subject to subsisting Awards during the life of the Berkeley Holdings 2004(b) LTIP (calculated as set out above)

Then the number of Units which will be delivered to a participant on a change of Control shall be:

$$\text{AR} \times \frac{\text{Total number of Units awarded to each participant}}{\text{C}}$$

For the avoidance of doubt the Units delivered to participants in the event of a change of Control in satisfaction of their Awards shall be entitled to receive the same offer consideration as all other Units. In the event of a merger or demerger of the New Company, the Committee may determine that all Awards may be released provided that the above change of Control provisions are applied. Alternatively, the number of Units comprised in an Award may be adjusted as the Committee in its discretion shall determine and the auditors of the New Company confirm to be fair and reasonable.

Adjustment of Awards

On a variation of the capital of the New Company, the number of Units subject to Awards may be adjusted in such manner as the Committee determines and the auditors of the New Company confirm to be fair and reasonable.

Duration

The Committee may not grant Awards under the Berkeley Holdings 2004(b) LTIP more than six years after its adoption by Berkeley Holdings.

Amendments

Amendments to the rules may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of Units that may be delivered cannot be altered to the advantage of participants without prior shareholder approval, except for minor

amendments to benefit the administration of the Berkeley Holdings 2004(b) LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the New Group.

General

Units acquired, Awards and any other rights granted pursuant to the Berkeley Holdings 2004(b) LTIP are non-pensionable.

Non-transferability of Awards

Awards are not transferable except in the case of death when they may be transferred to the participant's personal representative.

15. Articles of association

The Berkeley Holdings Articles are identical to the Berkeley Articles save that the Berkeley Holdings Articles contain:

- the rights attaching to the B Shares; and
- provisions ensuring that the New Ordinary Shares and B Shares may only be transferred as a Unit.

16. Overseas Shareholders

16.1 General

The implications of the Scheme for Overseas Shareholders may be affected by the laws of relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy himself or herself as to the full observance of the laws of any relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required and/or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

In any case where Berkeley Holdings is advised that the allotment and issue of Units comprising New Ordinary Shares and B Shares to a Berkeley Shareholder with a registered address in a jurisdiction outside the United Kingdom would or may infringe the laws of such jurisdiction, or necessitate compliance with any special requirement with which Berkeley Holdings is unable to comply, or compliance with which Berkeley Holdings regards as unduly onerous, the Scheme provides that Berkeley Holdings may determine either: (i) that the holder's entitlement to New Ordinary Shares and B Shares shall be issued to a nominee for such holder appointed by Berkeley Holdings and then sold with the net proceeds being remitted to the holder concerned; or (ii) that the holder's entitlement to New Ordinary Shares and B Shares pursuant to the Scheme shall be issued to such holder and then sold on his behalf as soon as reasonably practical at the best price which can be reasonably obtained at the time of sale, with the net proceeds of sale being remitted to the holder.

This document has been prepared for the purposes of complying with English law and the rules of the UK Listing Authority and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of the jurisdictions outside the United Kingdom.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS DOCUMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.

16.2 USA

Neither the Units, the New Ordinary Shares nor any class of the B Shares to be issued pursuant to the Scheme will be, nor are they required to be, registered with the US Securities and Exchange Commission (the "SEC") under the Securities Act, in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) of that act or under the securities laws of any state of the US. Neither the SEC nor any state securities commission in the US or any other US regulatory authority has approved or disapproved of

the Units, the New Ordinary Shares or any class of the B Shares or passed upon the adequacy of this document. Any representation to the contrary is a criminal offence in the US.

17. PEPs and ISAs

Berkeley Shareholders who hold Existing Ordinary Shares in general or single company PEPs or ISAs are advised that the Units should be qualifying investments for PEPs and should be qualifying investments for the stocks and shares components of ISAs (subject to the terms and conditions of your PEP or ISA). Your PEP and/or ISA manager will be able to provide you with further details.

Berkeley Shareholders who hold their Existing Ordinary Shares in neither a PEP nor an ISA are advised that Units which they receive will be eligible for inclusion in the stocks and shares component of an ISA.

18. Listing, settlement and dealings

Application has been made to the UK Listing Authority for up to 144.5 million Units (each comprising one New Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share) to be admitted to the Official List and to the London Stock Exchange for such Units to be admitted to trading on the market for listed securities of the London Stock Exchange. The last day of dealings in Existing Ordinary Shares is expected to be 25 October 2004. The last time for registration of transfers of Existing Ordinary Shares is expected to be at 5.00 p.m. on 25 October 2004. It is expected that dealings in Units will commence at 8.00 a.m. on 26 October 2004, the Business Day following the Scheme Record Time.

If the Scheme is implemented, it is intended that the listing of the Existing Ordinary Shares on the Official List of the UKLA and on the London Stock Exchange will be cancelled at the same time.

No application is currently intended to be made for the Units to be admitted to listing or dealing on any other exchange.

Upon all the B Shares being redeemed, the Units will only comprise New Ordinary Shares. Accordingly, following such redemption Berkeley Holdings intends to apply to the UK Listing Authority for the description of the Units on the Official List of the UK Listing Authority to be changed to ordinary shares of 5 pence each of Berkeley Holdings.

18.1 Units in certificated form

Berkeley Shareholders who hold their Existing Ordinary Shares in certificated form at the Scheme Record Time will receive certificates in respect of their holding of Units.

Such certificates will be despatched by 5 November 2004 (or within 14 days of any alternative Scheme Effective Date) to holders of the Existing Ordinary Shares who are on the register of Berkeley at the Scheme Record Time. In the case of joint holders, certificates will be despatched to the person whose name appears first in the register. Pending receipt of certificates, transfers will be certified against the register.

As from the Scheme Effective Date, existing certificates representing holdings of Existing Ordinary Shares will cease to be valid for any purpose and should be destroyed.

18.2 Units in uncertificated form

Berkeley Shareholders who hold their Existing Ordinary Shares in uncertificated form at the Scheme Record Time will receive Units in uncertificated form. It is expected that Units will be credited to the CREST account of the Berkeley Shareholder concerned on 26 October 2004.

Berkeley reserves the right to issue Units to all Berkeley Shareholders in certificated form if, for any reason, it wishes to do so.

Existing Ordinary Shares held in uncertificated form will be disabled in CREST after the Scheme Record Time.

18.3 General

Cash due to Berkeley Shareholders in respect of the Redemption of their 2004 B Shares will be paid by cheque which will be sent on 3 December 2004 to their respective addresses as appearing on the Berkeley register of members. In the case of joint Shareholders, the cheques will be made payable to the person whose name appears first on the register. Where Berkeley Shareholders hold their shares through CREST, such payment will be credited to the relevant CREST account on 3 December 2004.

All mandates relating to payment of dividends on Existing Ordinary Shares and all instructions given to Berkeley in relation to notices and other communications in force immediately prior to the Scheme Effective Time will be, unless and until revoked or varied, deemed as from the Scheme Effective Time to be valid and effective mandates or instructions to Berkeley Holdings in relation to the corresponding holdings of New Ordinary Shares. However, such mandates and instructions will not be deemed to be valid and effective mandates in relation to the B Shares.

All certificates and cheques will be sent by pre-paid first class post or airmail delivery as appropriate at the risk of the person entitled thereto.

If prior to the date when the Scheme is approved Existing Ordinary Shares are transferred by the Berkeley Shareholder to another person, then such person will become a Berkeley Shareholder and, if the Scheme is approved, will be bound by it.

19. Berkeley Shareholder Meetings

The Proposals require the approval of Berkeley Shareholders at the Court Meeting and, for its implementation, at the EGM.

The directors of Berkeley Holdings are authorised to implement the Berkeley Holdings Reduction of Capital only if Berkeley Shareholders pass the special resolution which will be proposed at the EGM to approve the same (details of which are set out in the notice of EGM at the end of this document). Accordingly, Berkeley Shareholders will not be required separately to approve the Berkeley Holdings Reduction of Capital once they have become Shareholders of Berkeley Holdings pursuant to the Scheme.

Notices of both the Court Meeting and the EGM are set out in Parts 8 and 9 respectively of this document.

19.1 Court Meeting

The Court Meeting, which is held at the direction of the Court, has been convened for 10.00 a.m. on 17 September 2004 to enable Berkeley Shareholders to consider the Scheme.

At the Court Meeting, voting will be by a poll and each Berkeley Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Existing Ordinary Share held. The Scheme must be approved at the Court Meeting by a majority in number representing 75 per cent in nominal value of the Existing Ordinary Share(s) held by those present and voting, in person or by proxy.

In order that the Court can be satisfied that the votes cast consist of a fair representation of the views of Berkeley Shareholders, it is important that as many votes as possible are cast at the Court Meeting. Voting information is set out in Part 2 of this document.

19.2 EGM

The EGM is being convened for 10.15 a.m. (or as soon thereafter as the Court Meeting has finished) on 17 September 2004 to ask Berkeley Shareholders to consider a special resolution to give effect to the Proposals and certain other matters and an ordinary resolution approving the Berkeley Holdings 2004(b) LTIP.

All holders of Existing Ordinary Shares are entitled to attend and vote at this meeting. When voting on the resolutions to be proposed at this meeting, each Shareholder who is present in person will have, on a show of hands, one vote and, on a poll, each Shareholder who is present in person or by proxy will have one vote for each share held.

The special resolution is to approve:

- the Scheme;
- the cancellation of the Existing Ordinary Shares;
- the increase in the authorised share capital of Berkeley to its former amount;
- the creation of the ordinary shares in Berkeley to be issued to Berkeley Holdings;
- the allotment of such ordinary shares in Berkeley by the Directors (including pursuant to the Scheme);
- the amendments to Berkeley's Articles;
- the Berkeley Holdings Reduction of Capital; and
- the reduction of Berkeley's share premium account from approximately £428 million to £110 million.

The amendments to the Berkeley Articles will ensure that any Existing Ordinary Shares issued to any person other than Berkeley Holdings (for example, pursuant to the Berkeley Share Option Schemes) after the Scheme Record Time will be automatically exchanged for Units on the basis of one Unit for each Existing Ordinary Share or, following a variation in the share capital of either the Company or Berkeley Holdings (other than the Berkeley Holdings Reduction of Capital or the Redemption of the B Shares) or such other event as the Directors consider fair and reasonable, on such adjusted terms as Berkeley Holdings may determine. This will avoid any person other than Berkeley Holdings being left with Existing Ordinary Shares after dealings in such shares have ceased on the London Stock Exchange.

The majority required for the passing of the special resolution is not less than 75 per cent of the votes cast. The ordinary resolution approving the Berkeley Holdings 2004(b) LTIP is an ordinary resolution that must be passed by a majority of votes cast.

The Proposals are conditional on the resolution proposed at the Court Meeting and the two resolutions being proposed at the EGM all being passed. This is because the Court must have authority to sanction the Scheme of Arrangement, the Directors must be authorised to implement the Proposals and the Directors regard the Berkeley Holdings 2004(b) LTIP as being essential to incentivising the Executive Directors to maximise the total return to Shareholders through a combination of both the achievement in full of the Return of £12 per Existing Ordinary Share and the creation of maximum value for the residual part of the New Group following the Return being achieved.

20. Action to be taken

Part 2 of this document provides important voting information. The Proposals are subject to the approval of Berkeley Shareholders and it is important that you use your votes at each of the Court Meeting and the EGM.

Apart from completing and returning the Forms of Proxy, Berkeley Shareholders need take no further action.

21. Further Information

Your attention is drawn to the recommendation of the Directors set out in Part 1 of this document.

The Scheme is set out in full in Part 7 of this document and additional information is set out in Part 6. Berkeley Holdings has prepared the accompanying Listing Particulars in relation to the New Ordinary Shares and B Shares comprised in the Units and has lodged them with the Registrar of Companies in England and Wales. Copies of the current memorandum and articles of association of Berkeley and Berkeley Holdings respectively can be inspected at Berkeley's registered office at Berkeley House, 19 Portsmouth Road, Cobham Surrey KT11 1JG and at the offices of Shearman & Sterling (London) LLP at Broadgate West, 9 Appold Street, London, EC2A 2AP during usual business hours from the date of this document to the date of the meetings, 17 September 2004.

Copies of the amended articles of association of Berkeley will also be available on the day of the meetings at The Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB, where the meetings are being held.

Yours faithfully,

UBS Investment Bank

Part 4

Rights and Restrictions attaching to the Units

The New Ordinary Shares and the B Shares will only be capable of being held and transferred in the form of Units and will have the following rights and be subject to the following restrictions. These are reflected in the Berkeley Holdings Articles.

1. Classes of share

Immediately following the Scheme and the Berkeley Holdings Reduction of Capital becoming effective, Berkeley Holdings will have five classes of share in issue as follows:

- (a) 2004 B Shares, each being a non-voting redeemable share in the capital of Berkeley Holdings having on issue a nominal value of £5 per share and, following the Berkeley Holdings Reduction of Capital, a nominal value of 5 pence per share and being entitled to a return of £5 per share payable five Business Days following 26 November 2004 (the “2004 Record Date”);
- (b) 2006 B Shares, each being a non-voting redeemable share in the capital of Berkeley Holdings having on issue a nominal value of £2 per share and, following the Berkeley Holdings Reduction of Capital, a nominal value of 5 pence per share and being entitled to a return of £2 per share payable five Business Days following the 2006 Record Date (as defined in paragraph 3 below);
- (c) 2008 B Shares, each being a non-voting redeemable share in the capital of Berkeley Holdings having on issue a nominal value of £1.60 per share and, following the Berkeley Holdings Reduction of Capital, a nominal value of 5 pence per share and being entitled to a return of £2 per share payable five Business Days following the 2008 Record Date (as defined below in paragraph 4 below);
- (d) 2010 B Shares, each being a non-voting redeemable share in the capital of Berkeley Holdings having on issue a nominal value per share equal to the difference between the closing price of an Existing Ordinary Share on the date the Scheme of Arrangement is sanctioned and £8.65 (being the aggregate of the nominal values of a New Ordinary Share, a 2004 B Share, a 2006 B Share and a 2008 B Share) and, following the Berkeley Holdings Reduction of Capital, a nominal value of 5 pence per share and being entitled to a return of £3 per share payable five Business Days following the 2010 Record Date (as defined in paragraph 5 below); and
- (e) New Ordinary Shares, each being a voting share in the capital of Berkeley Holdings having a nominal value of 5 pence per share and being entitled to participate in the profits of Berkeley Holdings and, subject to the rights of each class of B Share on a winding-up, being entitled to participate in the assets of Berkeley Holdings.

Immediately following the Scheme becoming effective, each class of share will have the same number of shares in issue.

2. Rights attached to the 2004 B Shares

- (a) Subject to paragraph 2(c), the 2004 B Shares shall be redeemed by Berkeley Holdings five Business Days following the 2004 Record Date for £5 per 2004 B Share.
- (b) Amounts payable by the New Company pursuant to paragraph 2(a) shall be paid to the first named holder of the 2004 B Shares as shown in the register of members in question at the close of business on the 2004 Record Date.
- (c) The 2004 B Shares shall only be redeemed pursuant to paragraph 2(a) if, in accordance with the provisions of the Companies Act, the amount of the New Company’s profits available for distribution equals or exceeds the aggregate amount payable by the New Company pursuant to paragraph 2(a) in respect of the 2004 B Shares in issue on the 2004 B Record Date.
- (d) The 2004 B Shares shall only be transferable as part of a Unit. Accordingly an instrument of transfer in respect of a 2004 B Share lodged with the New Company shall only be valid if it also transfers to the same transferee the same number of other securities that, at the time, form part of a Unit.

3. Rights attached to the 2006 B Shares

- (a) A meeting of the directors shall be held in December 2006 and, if the 2006 B Shares remain outstanding at any such time, in June and December of each following year until (and including) December 2010 to consider whether the conditions set out in paragraph 3(f) are in the directors' opinion satisfied and, if so, the directors shall, subject to the following sentence, resolve that the 2006 B Shares be redeemed by the New Company pursuant to paragraph 3(b). If at such meeting the directors resolve that legal or commercial reasons dictate that the Proceeds per B Share be distributed by way of Special Dividend rather than by Redemption, the directors shall declare a Special Dividend pursuant to paragraph 3(c). The 2006 Record Date shall be such Business Day as the directors of the New Company may determine within one calendar month of such a resolution being passed provided that the 2006 Record Date must fall at least six Business Days before 31 January 2011.
- (b) If pursuant to paragraph 3(a) the directors resolve to redeem the 2006 B Shares, the 2006 B Shares shall be redeemed by the New Company five Business Days following the 2006 Record Date for £2 per 2006 B Share.
- (c) If pursuant to paragraph 3(a) the directors resolve that a Special Dividend shall be paid, a Special Dividend of £2 per 2006 B Share shall be payable by Berkeley Holdings five Business Days following the 2006 Record Date.
- (d) Amounts payable by the New Company pursuant to paragraphs 3(b) or (c) shall be paid to the first named holder of the 2006 B Shares as shown in the register of members in question at the close of business on the 2006 Record Date.
- (e) If the directors resolve that a Special Dividend shall be paid on the 2006 B Shares, then immediately following payment of such Special Dividend, all 2006 B Shares then outstanding shall be redeemed by the New Company for £1 in aggregate, which amount shall be paid to such holder of 2006 B Shares as the New Company may in its absolute discretion determine and payment of such amount shall be good discharge of the New Company's obligation to effect payment for redemption of all such 2006 B Shares.
- (f) The 2006 B Shares shall only be redeemed pursuant to paragraphs 3(b) or (e) and the Special Dividend shall only be declared pursuant to paragraph 3(c) if: (i) in accordance with the provisions of the Companies Act, the amount of the New Company's profits available for distribution equals or exceeds the aggregate amount payable by the New Company pursuant to paragraphs 3(b), (c) and (e) (as the case may be) in respect of the 2006 B Shares in issue on the 2006 B Record Date; and (ii) the directors, in their absolute discretion, resolve that the making of such payment is in the best interests of the New Company taking into account the New Company's financial position and its working capital requirements.
- (g) The 2006 B Shares shall only be transferable as part of a Unit. Accordingly, an instrument of transfer in respect of a 2006 B Share lodged with the New Company shall only be valid if it also transfers to the same transferee the same number of other securities that, at the time, form part of a Unit.

4. Rights attached to the 2008 B Shares

- (a) A meeting of the directors shall be held in December 2008 and, if the 2008 B Shares remain outstanding at any such time, in June and December of each following year until (and including) December 2010 to consider whether the conditions set out in paragraph 4(f) are in the directors' opinion satisfied and, if so, the directors shall, subject to the following sentence, resolve that the 2008 B Shares be redeemed by the New Company pursuant to paragraph 4(b). If at such meeting the directors resolve that legal or commercial reasons dictate that the Proceeds per B Share be distributed by way of Special Dividend rather than by Redemption, the directors shall declare a Special Dividend pursuant to paragraph 4(c). The 2008 Record Date shall be such Business Day as the directors of the New Company may determine within one calendar month of such a resolution being passed provided that the 2008 Record Date must fall at least six Business Days before 31 January 2011.
- (b) If pursuant to paragraph 4(a) the directors resolve to redeem the 2008 B Shares, the 2008 B Shares shall be redeemed by the New Company five Business Days following the 2008 Record Date for £2 per 2008 B Share.

- (c) If pursuant to paragraph 4(a) the directors resolve that a Special Dividend shall be paid, a Special Dividend of £2 per 2008 B Share shall be payable by Berkeley Holdings five Business Days following the 2008 Record Date.
- (d) Amounts payable by the New Company pursuant to paragraphs 4(b) or (c) shall be paid to the first named holder of the 2008 B Shares as shown in the register of members in question at the close of business on the 2008 Record Date.
- (e) If the directors resolve that a Special Dividend shall be paid on the 2008 B Shares, then immediately following payment of such Special Dividend, all 2008 B Shares then outstanding shall be redeemed by the New Company for £1 in aggregate, which amount shall be paid to such holder of 2008 B Shares as the New Company may in its absolute discretion determine and payment of such amount shall be good discharge of the New Company's obligation to effect payment for redemption of all such 2008 B Shares.
- (f) The 2008 B Shares shall only be redeemed pursuant to paragraphs 4(b) or (e) and the Special Dividend shall only be declared pursuant to paragraph (c) if: (i) in accordance with the provisions of the Companies Act, the amount of the New Company's profits available for distribution equals or exceeds the aggregate amount payable by the New Company pursuant to paragraphs 4(b), (c) and (e) (as the case may be) in respect of the 2008 B Shares in issue on the 2008 Record Date; and (ii) the directors, in their absolute discretion, resolve that the making of such payment is in the best interests of the New Company taking into account the New Company's financial position and its working capital requirements.
- (g) The 2008 B Shares shall only be transferable as part of a Unit. Accordingly an instrument of transfer in respect of a 2008 B Share lodged with the New Company shall only be valid if it also transfers to the same transferee the same number of other securities that, at the time, form part of a Unit.

5. Rights attached to the 2010 B Shares

- (a) A meeting of the directors shall be held in December 2010 to consider whether the conditions set out in paragraph 5(f) are in the directors' opinion satisfied and, if so, the directors shall, subject to the following sentence, resolve that the 2010 B Shares be redeemed by the New Company pursuant to paragraph 5(b). If at such meeting the directors resolve that legal or commercial reasons dictate that the Proceeds per B Share be distributed by way of Special Dividend rather than by Redemption, the directors shall declare a Special Dividend pursuant to paragraph 5(c). The 2010 Record Date shall be such Business Day as the directors of the New Company may determine within one calendar month of such a resolution being passed provided that the 2010 Record Date must fall at least six Business Days before 31 January 2011.
- (b) If pursuant to paragraph 5(a) the directors resolve to redeem the 2010 B Shares, the 2010 B Shares shall be redeemed by the New Company five Business Days following the 2010 Record Date for £3 per 2010 B Share.
- (c) If pursuant to paragraph 5(a) the directors resolve that a Special Dividend shall be paid, a Special Dividend of £3 per 2010 B Share shall be payable by Berkeley Holdings five Business Days following the 2010 Record Date.
- (d) Amounts payable by the New Company pursuant to paragraphs 5(b) or (c) shall be paid to the first named holder of the 2010 B Shares as shown in the register of members in question at the close of business on the 2010 Record Date.
- (e) If the directors resolve that a Special Dividend shall be paid on the 2010 B Shares, then immediately following payment of such Special Dividend, all 2010 B Shares then outstanding shall be redeemed by the New Company for £1 in aggregate, which amount shall be paid to such holder of 2010 B Shares as the New Company may in its absolute discretion determine and payment of such amount shall be good discharge of the New Company's obligation to effect payment for redemption of all such 2010 B Shares.
- (f) The 2010 B Shares shall only be redeemed pursuant to paragraphs 5(b) or (e) and the Special Dividend shall only be declared pursuant to paragraph 5(c) if: (i) in accordance with the provisions of the Companies Act, the amount of the New Company's profits available for distribution equals or exceeds the aggregate amount payable by the New Company pursuant to paragraphs 5(b), (c) and (e) (as the case may be) in respect of the 2010 B Shares in issue on the 2010 Record Date; and (ii) the directors, in their absolute discretion, resolve that the making of such payment is in the best interests

of the New Company taking into account the New Company's financial position and its working capital requirements.

- (g) The 2010 B Shares shall only be transferable as part of a Unit. Accordingly an instrument of transfer in respect of a 2010 B Share lodged with the New Company shall only be valid if it also transfers to the same transferee the same number of other securities that, at the time, form part of a Unit.

6. Redemption of B Shares following 31 January 2011

Any B Shares outstanding after 31 January 2011 shall be redeemed by the New Company, whether or not a Special Dividend has been paid on them, at any time for £1 in aggregate, which amount shall be paid to such holder of B Shares as the New Company may, in its absolute discretion, determine and payment of such amount shall be good discharge of the New Company's obligation to effect payment for redemption of all such B Shares.

7. Capital rights on a winding-up

On a return of capital on a winding-up there shall be paid to the holders of the B Shares the sum of 5 pence in respect of each B Share held by them respectively. If, on such a winding-up, the amount available for payment is insufficient to cover in full the amounts payable on the B Shares, the holders of such shares will share rateably in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled. The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by them shall be rounded up to the nearest whole penny.

Save as provided above and in paragraphs 2, 3, 4 and 5 of this Part 4, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of Berkeley Holdings. Without prejudice to the generality of the preceding sentence, if no Special Dividend has been declared on any class of B Share prior to 31 January 2011, such class shall cease to have any further right of participation in the profits of Berkeley Holdings.

Subject to the rights of the holders of the B Shares, the holders of New Ordinary Shares shall be entitled to participate in the profits and assets of Berkeley Holdings.

8. Attendance and voting at general meetings

The holders of the B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of Berkeley Holdings or to attend, speak or vote at any such general meeting.

The holders of New Ordinary Shares shall be entitled to receive notice of any general meeting of the New Company and to attend, speak and vote at any such meeting.

9. Purchase

Subject to the provisions of the Companies Act and every other statute, Berkeley Holdings may at any time and at its sole discretion purchase Units at a price and upon such other terms and conditions as the directors of Berkeley Holdings may think fit.

10. Class rights

The rights attached to any class of B Shares may be modified, abrogated or varied only with the consent in writing of the holder of three-fourths in nominal value of the issued share of the relevant class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders.

Berkeley Holdings may, from time to time, create, allot and issue further shares, whether ranking *pari passu* with or in priority to the B Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose.

A reduction by Berkeley Holdings of the capital paid up on the B Shares shall be in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose, and Berkeley Holdings shall be authorised at any time to reduce its capital (subject to the confirmation of the Court in accordance with the Companies Act and without obtaining the consent of the holders of the B Shares).

11. Form and Transferability

The Units are not renounceable and will be freely transferable by an instrument of transfer in any usual form or in any other form which the board of Berkeley Holdings may approve. Berkeley Holdings has applied for the Units to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Units may take place within the CREST system in respect of general market transactions.

The New Ordinary Shares and B Shares shall only be transferable as part of a Unit. Accordingly an instrument of transfer in respect of a New Ordinary Share or B Share lodged with the New Company shall only be valid if it also transfers to the same transferee the same number of other securities that, at the time, form part of a Unit. The UKLA has advised that, in the event that the Berkeley Holdings Articles are amended to allow the transfer of the New Ordinary Shares or B Shares independently of the other shares which at the time comprise a Unit, the Units would no longer be eligible for listing.

Part 5

Taxation

The following comments are intended as a general guide only and are based on relevant UK legislation, case law and published Inland Revenue practice as at the date of this document, which are subject to change. Save where otherwise provided, these comments deal only with the position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes, who are the beneficial owners of their New Ordinary Shares and B Shares and who hold their New Ordinary Shares and B Shares as a capital investment. They do not deal with the position of certain classes of Shareholders, such as dealers in securities.

If you are resident or otherwise taxable outside the United Kingdom, you should consult your own professional advisers on the possible application of taxation laws in your country of residence.

Reconstruction

Subject to the following paragraphs, the cancellation of your Existing Ordinary Shares, and the issue to you of the New Ordinary Shares and B Shares comprised in Units should be treated as a reconstruction for the purposes of UK taxation of chargeable gains. Accordingly, for those purposes you should not be treated as making a disposal of the Existing Ordinary Shares as a result of the cancellation, and the New Ordinary Shares and B Shares comprised in Units issued to you should be treated as the same asset (and as having been acquired at the same time) as the cancelled Existing Ordinary Shares. Berkeley is currently in the process of agreeing with the Inland Revenue the basis for apportionment of holders' existing base costs in the Existing Ordinary Shares between the New Ordinary Shares and B Shares comprising the Units. When such agreement has been reached you will be notified of the agreed basis of apportionment.

You should be aware that if you alone, or together with persons connected with you, hold more than 5 per cent of, or of any class of, the shares or debentures of Berkeley, you will be eligible for the above treatment only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax or corporation tax.

Redemption of your B Shares

Berkeley has been advised by its tax advisers and leading tax counsel that the expected tax treatment of your B Shares is as described in the rest of this section below.

Upon Redemption of any class of your B Shares, the Redemption payment made to you by Berkeley Holdings in this respect will be treated partly or wholly as a payment of capital, with any remainder being treated as an income distribution which is taxable in a similar manner to a dividend.

The total amount of capital for these purposes will be established by the market value of Berkeley immediately prior to the Scheme of Arrangement, and will equal the total nominal value of the New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares at issue. Berkeley is currently discussing with the Inland Revenue the correct basis of apportionment of this total amount of capital across the New Ordinary Shares and 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares.

We shall notify you when we have confirmed with the Inland Revenue the basis of apportionment of capital between the New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares.

Taxation of chargeable gains

For the purposes of UK taxation of chargeable gains, a Redemption of B Shares held by a holder resident or ordinarily resident for tax purposes in the United Kingdom may, depending on the holder's circumstances, give rise to a chargeable gain or an allowable loss. Any such gain will be subject to an indexation allowance in respect of periods of ownership up to April 1998 and taper relief thereafter in the case of an individual holder; or subject to an indexation allowance in respect of a corporate holder.

If you are an individual, the Redemption of your B Shares by Berkeley Holdings should be treated as a disposal of those shares by you for the purposes of UK taxation of chargeable gains. Any gain or loss on such a disposal will be determined by comparing the amount of the Redemption payment treated as a payment of capital (see above) to the base cost of those shares, this base cost being a proportion of the original base cost of your Existing

Ordinary Shares. As outlined under “Reconstruction” above, Berkeley is currently in the process of agreeing with the Inland Revenue the apportionment of base cost between the New Ordinary Shares and the B Shares comprised within the Units.

For corporate holders, the whole of the Redemption price for their B Shares paid by Berkeley Holdings will be taken into account in calculating any chargeable gain, notwithstanding that any amount in excess of the nominal value at issue of the B Shares is also treated as a non-taxable income distribution (see “Taxation of income” below).

UK-exempt approved pension funds will generally not be subject to tax on any chargeable gains realised.

If you are not resident or ordinarily resident in the United Kingdom (and you do not carry on business in the United Kingdom through a branch, agency or permanent establishment to which the B Shares are attributable), you will generally not be subject to tax on any chargeable gain realised.

Taxation of income

If you are a UK-resident individual holder, you will be entitled to a tax credit equal to one-ninth of the amount of the income distribution. You will be taxable on the aggregate of the amount of the income distribution and the related tax credit, which will be regarded as the top slice of your income. The tax credit will, however, satisfy in full your resultant tax liability if you are liable to income tax at the lower or basic rate. If you are liable to income tax at the higher rate the tax rate applicable to the aggregate of the amount of the income distribution and related tax credit will be 32.5 per cent, giving an effective tax rate of 25 per cent of the amount of the income distribution. There will be no repayment to you of the tax credit or any part of it in any circumstances.

A corporate holder of B Shares that is resident for tax purposes in the United Kingdom will generally not be taxable on the amount of the income distribution but will also not be entitled to the repayment of any tax credit with respect to that income distribution.

UK-exempt approved pension funds and charities will not be liable to income tax or corporation tax on an income distribution and will not be entitled to claim a refund of all or part of the tax credit in respect of that income distribution.

Section 703 of the Income and Corporation Taxes Act 1988 (“ICTA”)

You should be aware of an anti-avoidance provision, section 703 ICTA, which the Inland Revenue may apply where they have reason to believe that a person obtains a tax advantage in consequence of a “transaction in securities”. Were the Inland Revenue successfully to apply section 703 ICTA to Redemption proceeds, the general effect would be to tax all or an increased part of such proceeds as dividend income. However, in the opinion of Berkeley and its taxation advisers (including leading tax counsel, from whom an opinion has been obtained), section 703 ICTA should not apply to Shareholders in respect of your Redemption proceeds.

Stamp duty and stamp duty reserve tax (“SDRT”)

No liability to stamp duty or SDRT will generally arise on the allotment and issue of New Ordinary Shares and B Shares comprised in Units by Berkeley Holdings. Nor will any liability to stamp duty or SDRT generally arise on any subsequent Redemption of the B Shares by Berkeley Holdings.

Shareholders who hold their Existing Ordinary Shares in PEPs and ISAs

If you hold your Existing Ordinary Shares in a PEP or ISA you should note that New Ordinary Shares and B Shares comprised in Units should qualify for inclusion in PEPs and ISAs.

If you are in any doubt as to your tax position or if you require more detailed information than that outlined above, you should consult an appropriate professional adviser immediately.

Part 6

Additional Information

1. General information on Berkeley

1.1 Berkeley was incorporated and registered in England and Wales on 15 October 1979 under the Companies Acts 1948 to 1976 as a company with registered number 1454064.

1.2 The registered office of Berkeley is Berkeley House, 19 Portsmouth Road, Cobham, Surrey KT11 1JG.

1.3 The directors of Berkeley are:

Roger Lewis	Group Chairman
Tony Pidgley	Group Managing Director
Tony Carey	Executive Director
Greg Fry	Executive Director
Rob Perrins	Group Finance Director
David Howell	Non-executive Director
Victoria Mitchell	Non-executive Director
Tony Palmer	Non-executive Director (Senior Independent Director)

all of Berkeley House, 19 Portsmouth Road, Cobham, Surrey KT11 1JG.

1.4 PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH are the auditors of Berkeley. PricewaterhouseCoopers audited the financial statements of Berkeley for the year ended 30 April 2002, PricewaterhouseCoopers LLP audited the financial statements of Berkeley for the years ended 30 April 2003 and 30 April 2004. The reports in respect of the financial statements for each of the three years to 30 April 2004 were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

2. Share capital of Berkeley

2.1 As at 22 August 2004 (the latest practicable date prior to the publication of this document), the authorised and issued share capital of Berkeley was as follows:

<u>Class</u>	<u>Authorised</u>		<u>Issued and paid</u>	
	<u>Number</u>	<u>Nominal value</u>	<u>Number</u>	<u>Nominal value</u>
	<u>'000</u>	<u>£'000</u>	<u>'000</u>	<u>£'000</u>
Ordinary Shares	185,000	46,250	120,316	30,079

2.2 As at 22 August 2004, the latest practicable date prior to the publication of this document, the following options to subscribe for Existing Ordinary Shares were outstanding:

<u>Scheme</u>	<u>Date of grant</u>	<u>Number of Existing Ordinary Shares</u>	<u>Option price (pence)</u>
SAYE	20/01/00	11,212	607.7
SAYE	24/01/01	16,854	636.6
SAYE	25/01/02	68,078	611.1
SAYE	23/01/03	66,068	599.5
SAYE	16/01/04	68,546	791.7
1996 Exec	06/08/97	9,978	640.2
1996 Exec	19/01/00	22,020	650.0
1996 Exec	08/08/00	45	551.0
1994 Exec	06/08/97	4,201	643.4
1994 Exec	18/08/98	3,000	558.8
1994 Exec	19/01/00	7,590	655.8
1994 Exec	08/08/00	4,955	554.0
2000 (App)	19/07/01	15,885	698.0
2000 (App)	25/07/02	179,545	560.5
2000 (App)	30/04/03	4,803	624.5
2000 (App)	21/07/03	122,283	762.5
2000 (Unapp)	21/12/00	10,000	712.5
2000 (Unapp)	19/07/01	20,075	698.0
2000 (Unapp)	25/07/02	199,455	560.5
2000 (Unapp)	30/04/03	200,678	624.5
2000 (Unapp)	21/07/03	273,217	762.5
2000 (Unapp)	19/04/04	158,646	945.5
Total		1,467,134	

2.3 As part of the implementation of the Proposals, following the cancellation of the Existing Ordinary Shares, the issued share capital of Berkeley will be restored to its former nominal amount by the creation of such number of new ordinary shares of Berkeley of 25 pence each as shall be equal to the number of Existing Ordinary Shares which have been cancelled. The credit arising in the books of Berkeley as a result of the cancellation will be applied in paying up in full those new ordinary shares in Berkeley. The new ordinary shares of Berkeley will be issued to Berkeley Holdings which will, as a result, become the holding company of Berkeley and the New Group. In addition, as part of the Scheme, the share premium account of Berkeley will be reduced from approximately £434 million to £110 million. Berkeley will undertake to the Court that the credit arising in the books of Berkeley as a result of such cancellation will be credited to a special reserve that will only become distributable upon all amounts owing to creditors of Berkeley at the effective date of the Scheme becoming discharged, to the extent that such creditors have not consented to the reduction of the share premium account. The amount of the special reserve will also decrease, and the Company's distributable reserves will correspondingly increase, to the extent of any future share issues by Berkeley for new consideration or by way of capitalisation of distributable reserves. The special reserve may also be used for the same purposes as if it were a share premium account.

3. Share capital of Berkeley Holdings

On the Scheme and Berkeley Holdings Reduction of Capital becoming effective, it is expected that the authorised and issued share capital of Berkeley Holdings will be as follows:

<u>Class</u>	<u>Authorised</u>		<u>Issued and paid</u>	
	<u>Number</u>	<u>Nominal value</u>	<u>Number</u>	<u>Nominal value</u>
New Ordinary Shares	185,000,000	5p	120,315,580	5p
2004 B Shares	185,000,000	5p	120,315,580	5p
2006 B Shares	185,000,000	5p	120,315,580	5p
2008 B Shares	185,000,000	5p	120,315,580	5p
2010 B Shares	185,000,000	5p	120,315,580	5p

The above information assumes that no further Existing Ordinary Shares are issued by Berkeley following 22 August 2004, the latest practicable date prior to publication of this document.

4. Directors' and other interests

4.1 Assuming that no further Existing Ordinary Shares have been purchased or issued after 22 August 2004 (the latest practicable date prior to the publication of this document) in accordance with the rights granted under the Berkeley Share Option Schemes, the Directors will have the following interests (all of which are beneficial unless otherwise specified) in Units, on the Scheme becoming effective, by virtue of the effect of the Scheme on their holdings of Existing Ordinary Shares:

<u>Director</u>	<u>Number of Existing Ordinary Shares</u>	<u>Number of Units</u>	<u>Percentage of issued share capital</u>
Roger Lewis	272,000	272,000	0.226
Tony Pidgley ⁽¹⁾	1,996,598	1,996,598	1.659
Tony Carey	183,765	183,765	0.153
Greg Fry	100,099	100,099	0.083
Rob Perrins	27,300	27,300	0.023
David Howell	–	–	–
Victoria Mitchell	1,250	1,250	0.001
Tony Palmer	5,000	5,000	0.004

(1) Mr Pidgley also has a non-beneficial interest in 19,183 shares held through a trust.

The interests of the Directors amount in total to 2,586,012 Existing Ordinary Shares representing approximately 2.15 per cent of the issued share capital of Berkeley as at 22 August 2004, the latest practicable date prior to the publication of this document.

4.2 In addition to their having an interest in 2,586,012 Existing Ordinary Shares as at 22 August 2004 the Directors are also interested in Existing Ordinary Shares as a result of their participation in the Berkeley Employee Share Schemes. These interests were as follows:

<u>Director</u>	<u>Scheme</u>	<u>Date of Grant</u>	<u>Number of Existing Ordinary Shares</u>	<u>Exercise Price (pence)</u>	<u>Normal Expiry Date for Options/Share Vesting Date for LTIP Awards</u>
Roger Lewis	SAYE	23/01/03	1,576	599.5	31/08/06
Tony Pidgley	SAYE	16/01/04	2,002	791.7	31/08/09
	2000 (App)	30/04/03	4,803	624.5	29/04/13
	2000 (Unapp)	30/04/03	200,678	624.5	29/04/13
	2000 (Unapp)	19/04/04	158,646	945.5	18/04/14
	2000 LTIP	21/12/00	84,211	–	21/12/04
	2000 LTIP	7/08/01	82,701	–	7/08/05
	2000 LTIP	19/08/02	97,744	–	19/08/06
	2000 LTIP	22/07/03	98,361	–	22/07/07
Tony Carey	SAYE	24/01/01	2,650	636.6	31/08/06
	2000 LTIP	21/12/00	38,596	–	21/12/04
	2000 LTIP	7/08/01	48,242	–	7/08/05
	2000 LTIP	19/08/02	57,894	–	19/08/06
	2000 LTIP	22/07/03	53,115	–	22/07/07
Greg Fry	SAYE	16/01/01	466	791.7	31/08/07
	2000 LTIP	7/08/01	25,844	–	7/08/05
	2000 LTIP	19/08/02	31,015	–	19/08/06
	2000 LTIP	22/07/03	28,525	–	22/07/07
Rob Perrins	1996 Exec	06/08/97	3,676	640.2	05/08/07
	1996 Exec	19/01/00	10,000	650.0	18/01/10
	SAYE	25/01/02	1,554	611.1	31/08/05
	2000 LTIP	21/12/00	7,894	–	21/12/04
	2000 LTIP	7/08/01	13,783	–	7/08/05
	2000 LTIP	19/08/02	28,195	–	19/08/06
	2000 LTIP	22/07/03	31,967	–	22/07/07

Participants in the 2000 LTIP also receive a cash element as part of their awards which is equivalent in value to the market value of the share element at the date of grant.

4.3 The interests of the Directors in the share capital are set out in paragraph 4.1 above. Directors who are participants in the Berkeley Employee Share Schemes will be treated in the same manner as other participants in those schemes. The Directors intend to exercise their options granted under the Berkeley Share Option Schemes which are already exercisable or which become exercisable as a result of the Scheme. In relation to options granted under the Berkeley Unapproved 2000 Option Plan which are not and will not become exercisable as a result of the Scheme the Directors intend to release their options in consideration for a conditional compensation payment. The compensation will be equal to the difference between the volume weighted average price of an Existing Ordinary Share over the ten Business Days prior to the Scheme becoming effective and the exercise price of the relevant option multiplied by the number of Existing Ordinary Shares under such option. The relevant amount will be delivered in cash and paid after the released option would have become exercisable. The compensation will only be paid if the relevant Director is an employee of the New Group on the relevant date. Where the Director ceases to be employed within the New Group in advance of such date for a reason which would have permitted the released option to be exercised under the rules of the Berkeley Unapproved 2000 Option Plan the compensation will be paid on the date of cessation. In relation to their participation in the Berkeley 2000 LTIP the Directors will, under the rules of that plan (as amended), not be able to exercise their awards by virtue of the Scheme. The awards of Existing Ordinary Shares and cash will be converted into awards of Units and cash on terms which the Remuneration Committee reasonably considers to be equivalent to the old awards. Release of the new awards will continue to be dependent on the participant, except as provided in the rules, being employed on the relevant vesting date. In accordance with the rules of the Berkeley 2000 LTIP the performance conditions have been tested to the end of the last completed financial year and have been satisfied in relation to the majority of subsisting awards (which includes those held by the Directors). On eventual release,

the Directors may, at the Trustee's discretion, also receive cash equal to the distributions paid on their Units during the vesting period.

4.4 In addition to the above, the Directors are also within the class of beneficiaries of the Trust (which provides shares under the Berkeley 2000 LTIP) and, as such, are interested in all its Existing Ordinary Shares which amount to 1,077,317 Existing Ordinary Shares as at 22 August 2004 (the latest practicable date prior to publication of this document).

4.5 The above interests (all of which are beneficial unless otherwise specified) of the Directors in Existing Ordinary Shares which (a) have been notified by each Director to Berkeley pursuant to section 324 or section 328 of the Companies Act before 22 August 2004 (the latest practicable date prior to the publication of this document), or (b) are required pursuant to section 325 of the Companies Act to be entered into the register of directors' interests maintained under that section, or (c) are interests of a connected person of a Director which would, if the connected person were a director, be required to be disclosed under (a) and (b), and the existence of which is known to or could with reasonable diligence be ascertained by that Director.

4.6 Save as set out above, no Director (nor any person connected with them) has any interests (beneficial or non-beneficial) in the share capital of the Company. Save as set out above, no Director (nor any person connected with them) holds an interest in any other securities of the Group.

4.7 In so far as is known to Berkeley, (a) no person (other than a director and other than Berkeley itself by virtue of it holding treasury shares) is directly or indirectly interested in 3 per cent or more of Berkeley's share capital and (b) no person (other than a director and other than Berkeley Holdings itself by virtue of it holding treasury shares) will be directly or indirectly interested in 3 per cent or more of the Units or of Berkeley Holdings' share capital upon the Scheme becoming effective (in each case calculated exclusive of treasury shares) other than:

	<u>Current holding of Existing Ordinary Shares</u>	<u>Per cent of issued Existing Ordinary Shares</u>	<u>Number of Units</u>	<u>Per cent of issued share capital of Berkeley Holdings</u>
Saad Investments Company Limited & Mr. Al- Sanea	15,103,438	12.6	15,103,438	12.6
M&G Investment Management Ltd	5,810,400	4.8	5,810,400	4.8
Orbis Investment Management Ltd.	5,311,079	4.4	5,311,079	4.4
Legal & General Investment Management Ltd.	3,909,281	3.3	3,909,281	3.3
Barclays PLC	3,620,762	3.0	3,620,762	3.0

The above table has been prepared as at 22 August 2004 (the last practicable date prior to the publication of this document) and assuming that no further Existing Ordinary Shares have been issued after that date, whether pursuant to the exercise of options or otherwise.

4.8 The total emoluments receivable by each of the Directors will not be varied as a result of the Scheme.

5. Consent

UBS has given and not withdrawn its written consent to the issue of this document and the references to its name in the form and context in which it is included.

6. No significant change

There has been no significant change in the financial or trading position of the Group which has occurred since 30 April 2004, the date to which Berkeley prepared its last consolidated audited financial statements.

7. Working capital

The Company is of the opinion that, on the basis of the Proposals becoming effective, the working capital available to the Company and the New Group is sufficient for its present requirements, that is for at least twelve months from the date of publication of this document.

8. Documents available for inspection

Copies of the following documents may be inspected at the offices of Shearman & Sterling (London) LLP, Broadgate West, 9 Appold Street, London EC2A 2AP, during usual business hours on any weekday (Saturdays, Sunday and public holidays excepted), until the Scheme is completed or lapses and will also be available for inspection at the Court Meeting and the EGM:

- (a) the memorandum and articles of association of Berkeley in their current form;
- (b) the memorandum and articles of association of Berkeley Holdings;
- (c) the audited consolidated accounts of Berkeley for the financial periods ended 30 April 2004, 30 April 2003 and 30 April 2002;
- (d) the rules of the Berkeley Employee Share Schemes and the trust deed of the Trust;
- (e) the rules of the Berkeley Holdings 2004(b) LTIP;
- (f) the Listing Particulars of Berkeley Holdings;
- (g) the written consent of UBS referred to in paragraph 5 of this Part 6;
- (h) the Scheme; and
- (i) this document.

Part 7

Scheme of Arrangement

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 4741 of 2004

IN THE MATTER OF
THE BERKELEY GROUP PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT

(under section 425 of the Companies Act 1985)

between

THE BERKELEY GROUP PLC

and

THE HOLDERS OF ITS SCHEME SHARES

(as each is hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

- “2004 B Shares” means 2004 B Shares having the rights set out in the Articles of Association of Berkeley Holdings;
- “2006 B Shares” means 2006 B Shares having the rights set out in the Articles of Association of Berkeley Holdings;
- “2008 B Shares” means 2008 B Shares having the rights set out in the Articles of Association of Berkeley Holdings;
- “2010 B Shares” means 2010 B Shares having the rights set out in the Articles of Association of Berkeley Holdings;
- “B Shares” means the 2004 B Shares, the 2006 B Shares, the 2008 B Shares and the 2010 B Shares;
- “Berkeley Holdings” means The Berkeley Group Holdings plc, a public company incorporated in England and Wales with registered number 5172586;
- “Berkeley Holdings Ordinary Shares” means ordinary shares of 5 pence each nominal amount in the capital of Berkeley Holdings;
- “Berkeley Holdings Shareholder” means a holder of Berkeley Holdings Ordinary Shares and/or B Shares as appropriate;
- “Business Day” means any day on which banks are generally open in England and Wales other than a Saturday or Sunday or public holiday;

“Company”	means The Berkeley Group plc, a public company incorporated in England and Wales with registered number 1454064;
“Court”	means the High Court of Justice in England and Wales;
“Court Meeting”	means the meeting of holders of Ordinary Shares convened by order of the Court pursuant to section 425 of the Companies Act 1985 for 17 September 2004 to consider and, if thought fit, approve this Scheme;
“CREST”	means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo Limited in accordance with the Uncertificated Securities Regulations 2001;
“holder”	includes any person entitled by transmission;
“Members”	means members of the Company on the register of members at any relevant date;
“Ordinary Shares”	means ordinary shares of 25 pence each nominal amount in the capital of the Company;
“Scheme”	means this Scheme of Arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court;
“Scheme Effective Date”	means the date at which this Scheme becomes effective in accordance with clause 7 of this Scheme;
“Scheme Record Date”	means the Business Day immediately preceding the Scheme Effective Date;
“Scheme Record Time”	means close of business on the Scheme Record Date;
“Scheme Shareholder”	means a holder of Scheme Shares;
“Scheme Shares”	means: (i) all the Ordinary Shares in issue at the date of this Scheme; (ii) all (if any) additional Ordinary Shares in issue at the record time for voting at the Court Meeting of the holders of Ordinary Shares at which this Scheme is approved; (iii) all (if any) further Ordinary Shares which may be in issue immediately prior to the confirmation by the Court of the reduction of capital provided for by clause 1 of this Scheme in respect of which the original or any subsequent holders shall be bound or shall have agreed in writing by such time to be bound by this Scheme;
“Shareholder”	means a holder of Ordinary Shares in the Company;
“Uncertificated” or “in uncertificated form”	means recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001, may be transferred by means of CREST; and
“Unit”	means a unit comprising one Berkeley Holdings Ordinary Share and, prior to their redemption, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share.

- (B) The authorised share capital of the Company as at the date of this Scheme is 46,250,000 divided into 185,000,000 Ordinary Shares. 120,315,580 of the Ordinary Shares have been issued and are fully paid and the remaining shares are unissued.
- (C) Berkeley Holdings was incorporated as a private limited company on 7 July 2004 under the name Sandnumber Limited. On 19 August 2004, it was re-registered as a public company and changed its name to The Berkeley Group Holdings plc. The authorised share capital of Berkeley Holdings at the date of this Scheme is £51,000 divided into 50,000 redeemable preference shares of £1 each nominal amount and 20,000 Berkeley Holdings Ordinary Shares, of which forty Berkeley Holdings Ordinary Shares and the redeemable preference shares have been issued and are fully paid. All other shares are unissued.
- (D) Immediately following the Scheme being sanctioned by the Court, an Extraordinary General Meeting of Berkeley Holdings will be held at which the two holders of Berkeley Holdings Ordinary Shares will pass resolutions increasing the share capital of Berkeley Holdings so as to create 184,980,000 Ordinary Shares of

5 pence each, 185,000,000 2004 B Shares of £5 each, 185,000,000 2006 B Shares of £2 each, 185,000,000 2008 B Shares of £1.60 each, and 185,000,000 2010 B Shares of a nominal value equal to the difference between the closing price of an Ordinary Share on the date the Scheme is sanctioned and £8.65 (being the aggregate of the nominal values of an Ordinary Share, a 2004 B Share, a 2006 B Share and a 2008 B Share) and authorising the directors of Berkeley Holdings to issue such shares pursuant to the Scheme. Following the issue of such shares, Berkeley Holdings will seek the confirmation of the Court of a reduction of the nominal value of each B Share to 5 pence.

- (E) Berkeley Holdings has agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme, to consent thereto and to undertake to be bound thereby and to execute or procure to be executed all such documents, and to do or procure to be done all such acts and things, as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME

Cancellation of Scheme Shares

1. (A) The issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares.
- (B) Forthwith and contingently upon the reduction of capital referred to in sub-clause (A) of this clause 1 taking effect:
- (i) the authorised share capital of the Company shall be increased by the creation of such number of Ordinary Shares as shall be equal to the aggregate number of Scheme Shares cancelled pursuant to sub-clause (A) above; and
 - (ii) the Company shall apply such part of the credit arising in its books of account as a result of the cancellation of the Scheme Shares as is necessary in paying up, in full at par, the Ordinary Shares created pursuant to sub-clause (B)(i) above to be allotted and issued to Berkeley Holdings and/or its nominee or nominees.

Berkeley Holdings Units

2. (A) In consideration of the cancellation of the Scheme Shares and the issue of the Ordinary Shares to Berkeley Holdings and/or its nominee or nominees pursuant to clause 1 of this Scheme, Berkeley Holdings shall, subject to the remaining provisions of this clause, allot and issue (credited as fully paid) one Berkeley Holdings Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share, to the Scheme Shareholders on the following basis:

for every Ordinary Share	one Berkeley Holdings Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share
--------------------------	---

held as at the Scheme Record Time and so in proportion for any other number of Scheme Shares held.

- (B) The shares in Berkeley Holdings to be issued pursuant to sub-clause (A) of this clause 2 shall rank in full for all dividends or distributions made, paid or declared after the Scheme Effective Date on the share capital of Berkeley Holdings.
- (C) The provisions of sub-clause (A) of this clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Scheme Shareholder with a registered address in a jurisdiction outside the United Kingdom (an "Overseas Shareholder"), Berkeley Holdings is advised that the allotment and issue of its shares pursuant to this clause 2 would or might infringe the laws of such jurisdiction or would or might require Berkeley Holdings to obtain or observe any governmental or other consent or any registration, filing or other formality with which Berkeley Holdings is unable to comply, or compliance with which Berkeley Holdings regards as unduly onerous, Berkeley Holdings may in its sole discretion either:
- (i) determine that no shares in Berkeley Holdings shall be allotted and issued to such Overseas Shareholder under clause 2 but instead that such shares shall be allotted and issued to a nominee appointed by Berkeley Holdings as trustee for such Overseas Shareholder, on terms that they

shall, as soon as practicable following the Scheme Record Time, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such Overseas Shareholder by sending a cheque or warrant to such Overseas Shareholder in accordance with the provisions of clause 3 below. In the absence of bad faith or wilful default, none of the Company, Berkeley Holdings or any broker or agent of either of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; or

- (ii) determine that such shares in Berkeley Holdings shall be sold, in which event the shares in Berkeley Holdings shall be issued to such Overseas Shareholder and Berkeley Holdings shall appoint a person to act pursuant to this sub-clause 2(C)(ii) and such person shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which Berkeley Holdings has made such a determination shall, as soon as practicable following the Scheme Record Time, be sold in the form of Units at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) shall be paid to such Overseas Shareholder by sending a cheque or warrant to such Overseas Shareholder in accordance with the provisions of clause 3 below. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Overseas Shareholder to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of the Company, Berkeley Holdings or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

Certificates and Payment

- 3. (A) Not later than five (5) Business Days after the Scheme Record Time, Berkeley Holdings shall allot and issue all shares in Berkeley Holdings which it is required to allot and issue to give effect to this Scheme and not later than fifteen (15) Business Days after the Scheme Record Time, Berkeley Holdings shall send by post to the allottees pursuant to sub-clause 2(A) of this Scheme certificates in respect of the Units, provided that, where Scheme Shares are held in uncertificated form, Berkeley Holdings will procure that CRESTCo Limited is instructed to credit to the appropriate stock account in CREST of the Scheme Shareholder concerned such shareholder's entitlement to the Units.
- (B) Not later than five (5) Business Days following the sale of any relevant Units pursuant to clause 2(C) of this Scheme, the nominee or such person appointed to act under clause 2(C)(ii) shall account for the cash consideration payable under clause 2(C) by sending a cheque and/or warrant to the holder of Scheme Shares concerned in accordance with the remaining provisions of this clause.
- (C) All certificates required to be sent by Berkeley Holdings pursuant to sub-clause 3(A) and all cheques or warrants required to be sent pursuant to sub-clause 3(B) of this Scheme shall be sent through the post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of the Company at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register of such joint holding) or in accordance with any special instructions regarding communications.
- (D) None of the Company, Berkeley Holdings or any broker or agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this clause 3 which shall be sent at the risk of the persons entitled thereto.
- (E) All cheques and warrants shall be made payable to the holder of, in the case of joint holders, to the first named of such holders of the Scheme Shares concerned and the encashment of any such cheque or warrant shall be a complete discharge to Berkeley Holdings for the moneys represented thereby.
- (F) This clause 3 shall be subject to any prohibition or condition imposed by law.

Certificates representing Scheme Shares and CREST

4. With effect from the reduction of capital provided for under clause 1(A) of this Scheme becoming effective:
 - (A) all certificates representing holdings of Scheme Shares shall cease to be valid in respect of such holdings and the holders of such shares shall be bound at the request of the Company to deliver such certificates for cancellation to the Company or to any person appointed by the Company to receive the same; and
 - (B) CRESTCo Limited shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form.

Mandates

5. Each mandate in force at the Scheme Record Time relating to the payment of dividends on Scheme Shares and each instruction then in force as to notices and other communications shall, unless and until varied or revoked, be deemed as from the Scheme Record Time to be a valid and effective mandate or instruction to Berkeley Holdings in relation to the corresponding Berkeley Holdings Ordinary Share to be allotted and issued pursuant to this Scheme.

Scheme Effective Date

6. This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under section 425 of the Companies Act 1985 and confirming the reduction of capital proposed under this Scheme shall have been duly delivered to the Registrar of Companies for registration and registered by him.
7. Unless this Scheme shall have become effective on or before 10 January 2005 or such later date, if any, as the Company and Berkeley Holdings may agree and the Court may allow, it shall never become effective.

Modification

8. The Company and Berkeley Holdings may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

Financial assistance

9. (A) The Company shall be authorised and permitted following this Scheme becoming effective to enter into an agreement with Berkeley Holdings and, pursuant thereto, to make a loan or loans to Berkeley Holdings of up to £950 million, or such lesser sum as the Directors of the Company may consider to be necessary, to enable Berkeley Holdings to redeem B Shares in issue from time to time and/or to pay stamp duty payable on the acquisition of Ordinary Shares by Berkeley Holdings or its nominees after the Scheme Effective Date and/or for other purposes.
- (B) The Company shall be authorised and permitted following this Scheme becoming effective to pay all costs incurred by Berkeley Holdings, the Company or any of the Company's subsidiaries in connection with the Scheme, the issue of shares by Berkeley Holdings and the Company in connection with the Scheme.

Dated 24 August 2004

Part 8

Notice of Court Meeting

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 4741 of 2004

Registrar Rawson

**IN THE MATTER OF
THE BERKELEY GROUP PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985**

NOTICE IS HEREBY GIVEN that by an Order dated the 19 August 2004 made in the above matters the Court has directed a meeting (the "Court Meeting") to be convened of the holders of the ordinary shares of 25 pence each (the "Shareholders") in the capital of The Berkeley Group plc (the "Company") for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the Scheme Shareholders (as defined in the said Scheme of Arrangement) and that such meeting will be held at The Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB on 17 September 2004 at 10.00 a.m. at which time and place all such Shareholders are requested to attend.

A copy of the said Scheme of Arrangement and the Explanatory Statement required to be furnished pursuant to section 426 of the Companies Act 1985 are incorporated in the document of which this Notice forms part.

The Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A PINK form of proxy for use in connection with the Court Meeting is enclosed herewith.

It is requested that forms of proxy be lodged with the Registrars of the Company, Capita Registrars, at Proxy Section, P.O. Box 25, Beckenham, Kent BR3 4BR no later than 10.00 a.m. on 15 September 2004 but, if forms are not so lodged, they may be handed to the Chairman at the Court Meeting.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names appear in the register of members of the Company in respect of the joint holding.

Entitlement to attend and vote at the Court Meeting or any adjournment thereof, and the number of votes which may be cast at such meeting, will be determined by reference to the register of members at 6.00 p.m. on 15 September 2004. If the Court Meeting is adjourned, entitlement to attend and vote will be determined by reference to the register of members of the Company at 6.00 p.m. on the day two days immediately preceding the date fixed for such adjourned meeting.

By the said Order, the Court has appointed Roger Lewis or, failing him, Robert Perrins to act as Chairman of the Court Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 24 August 2004

SHEARMAN & STERLING (LONDON) LLP
Broadgate West
9 Appold Street
London EC2A 2AP
Solicitors for the Company

Part 9

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of The Berkeley Group plc (the "Company") will be held at The Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB on 17 September 2004 at 10.15 a.m. (or as soon thereafter as the meeting of the holders of the ordinary shares of 25 pence in the capital of the Company convened by the High Court of Justice in England and Wales for the same place and date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as a special resolution and Resolution 2 will be proposed as an ordinary resolution:

SPECIAL RESOLUTION

1. That, subject to Resolution 2 set out in this notice of Extraordinary General Meeting being passed:

- (A) the Scheme of Arrangement dated 24 August 2004 between the Company and the Scheme Shareholders (as defined in the Scheme) in its original form or with or subject to any modification, addition or condition approved or imposed by the Court (the "Scheme") be approved and the Directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (B) for the purpose of giving effect to the Scheme in its original form or with or subject to any modification, addition or condition approved or imposed by the Court:
- (i) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);
 - (ii) forthwith and contingently upon the said reduction of capital taking effect:
 - (a) the authorised share capital of the Company shall be increased by the creation of such number of new ordinary shares of 25 pence each in the capital of the Company (the "new ordinary shares") as shall be equal to the aggregate nominal amount of Scheme Shares cancelled pursuant to sub-paragraph (B)(i) of this resolution; and
 - (b) the Company shall apply part of the credit arising in its books of account as a result of the reduction of capital the Scheme Shares in paying up, in full at par, the new ordinary shares created pursuant to sub-paragraph (B)(ii)(a) of this resolution and shall allot and issue the same, credited as fully paid, to The Berkeley Group Holdings plc and/or its nominee or nominees; and
 - (c) the Directors of the Company be and they are hereby generally and unconditionally authorised, for the purposes of section 80 of the Companies Act 1985, to allot the new ordinary shares referred to in sub-paragraph (B)(ii)(a) of this resolution provided that (i) the maximum number of shares which may be allotted hereunder is 122,000,000, (ii) this authority shall expire on 30 June 2005, and (iii) this authority shall be in addition to any subsisting authority conferred on the Directors of the Company pursuant to the said section 80;
- (C) the share premium account of the Company be reduced to £110,000,000;
- (D) with effect from the passing of this resolution the Articles of Association of the Company be and are hereby amended by the renumbering of Article 3 as Article 3(A) and by the adoption and inclusion of the following new Article as Article 3(B):

"Scheme of Arrangement"

- 3(B) (a) In this Article, the "Scheme" means the scheme of arrangement of the Company dated 24 August 2004 under section 425 of the Companies Act 1985, between the Company and the holders of the Scheme Shares, in its original form or with or subject to any modification, addition or condition approved or imposed by the Court. Expressions defined in the Scheme shall have the same meaning in this Article.
- (b) Notwithstanding any other provision of these Articles, if the Company issues any ordinary shares after the time at which this Article becomes effective and prior to the confirmation by the Court of the reduction of capital provided for under the Scheme, such shares shall be allotted

and issued subject to the terms of the Scheme and the holders of such shares shall be bound by the Scheme accordingly.

- (c) Subject to paragraph (e) of this Article, if any ordinary shares are issued to any person (a “new member”) after the Scheme has become effective they will, provided that Berkeley Holdings is a member of the Company, be immediately transferred to Berkeley Holdings and/or its nominee(s) in consideration of and conditional on the issue to the new member of an equal number of Berkeley Holdings Ordinary Shares and B Shares of each class as are at the time comprised within a Unit as those transferred.
 - (d) The shares in the capital of Berkeley Holdings issued pursuant to paragraph (c) of this Article shall be credited as fully paid and shall rank equally in all respects with all other shares comprised in Units in issue at the time and be subject to the Memorandum and Articles of Association of Berkeley Holdings.
 - (e) The number of shares in the capital of Berkeley Holdings to be allotted and issued under paragraph (c) of this Article may be adjusted by the Directors following any variation in the share capital of either the Company or Berkeley Holdings (other than the reduction of capital of Berkeley Holdings referred to in recital (D) to the Scheme and the redemption of the B Shares) or such other event as the Directors consider fair and reasonable on such adjusted terms as the board of Berkeley Holdings may determine provided that no such adjustment may be made unless the auditors have confirmed in writing to the Directors that, in their opinion, such adjustment is fair and reasonable.
 - (f) No fraction of a share in the capital of Berkeley Holdings shall be allotted pursuant to this Article, but the entitlement of each member who would otherwise have been entitled to a fraction of such a share shall be rounded down to the nearest whole number. Any fractions of such a share may be aggregated and sold in the market on behalf of the Shareholders.
 - (g) To give effect to any transfer required by this Article, the Company may appoint any person to execute and deliver as transferor a form or instructions of transfer on behalf of the new member in favour of Berkeley Holdings and/or its nominee(s) and to agree for and on behalf of the new member to become a member of Berkeley Holdings. Pending the registration of Berkeley Holdings as the holder of any shares in the Company, Berkeley Holdings shall be empowered to appoint a person to act as attorney on behalf of the new member in accordance with such directions as Berkeley Holdings may give in relation to any dealings with or disposal of such shares (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and, if a person is so appointed to act as attorney, the new member shall not be entitled to exercise any rights attaching thereto except:
 - (i) to the extent that the person appointed to act as attorney fails to act in accordance with the directions of Berkeley Holdings; and
 - (ii) in accordance with the directions of Berkeley Holdings.”
- (E) the proposed reduction of capital of The Berkeley Group Holdings plc approved at an extraordinary general meeting of The Berkeley Group Holdings plc to implement the Berkeley Holdings Reduction of Capital (as described in Part 2 of the document containing the Explanatory Statement sent out with the Scheme pursuant to the provisions of Section 426 of the Companies Act 1985) be approved.

ORDINARY RESOLUTION

2. That, subject to the Scheme of Arrangement referred to in Resolution 1 set out in this notice of Extraordinary Generally Meeting becoming effective:

The Berkeley Group Holdings plc 2004(b) Long Term Incentive Plan, the main terms of which are described on pages 17 to 19 of the circular to the Company’s shareholders dated 24 August 2004 and a copy of the rules of which have been produced to this meeting and initialled for the purpose of identification by the Chairman, be and is hereby approved for adoption by The Berkeley Group Holdings plc and that the

directors of The Berkeley Group Holdings plc be and are hereby authorised to do all acts and things necessary or expedient to carry the same into effect.

By Order of the Board
E Taylor FCIS
Secretary
24 August 2004

Registered Office:
Berkeley House
19 Portsmouth Road
Cobham
Surrey KT11 1JG

-
1. A member of the Company entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend (and on a poll to vote) instead of him or her. Forms of proxy need to be deposited with Capita Registrars at Proxy Section, P.O. Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.
 2. A BLUE Form of Proxy is enclosed with this document. Instructions for use are shown on the form.
 3. Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 15 September 2004 or, in the event that this meeting is adjourned, in the register of members at 6.00 p.m. on the day two days immediately preceding the date fixed for such adjourned meeting, will be entitled to vote, or to appoint a proxy or proxies to vote on their behalf, at this meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of members after 6.00 p.m. on 15 September, or, in the event that this meeting is adjourned, in the register of members at 6.00 p.m. on the day two days immediately preceding the date fixed for such adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Definitions

The following definitions shall apply to other words and phrases used in this document except where the context requires otherwise, and except in Parts 7, 8 and 9 of this document which contain separate definitions.

“Admission”	admission of the Units to (i) the Official List and (ii) trading on the London Stock Exchange’s markets for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” dated March 2004 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities;
“B Shares”	the 2004 B Shares, the 2006 B Shares, the 2008 B Shares and the 2010 B Shares;
“2004 B Shares”	the 2004 B Shares in the capital of Berkeley Holdings and having on issue a nominal value of £5 each and, following the Berkeley Holdings Reduction of Capital becoming effective, a nominal value of 5 pence each, carrying the rights and restrictions summarised in Part 4;
“2006 B Shares”	the 2006 B Shares in the capital of Berkeley Holdings and having on issue a nominal value of £2 each and, following the Berkeley Holdings Reduction of Capital becoming effective, a nominal value of 5 pence each, carrying the rights and restrictions summarised in Part 4;
“2008 B Shares”	the 2008 B Shares in the capital of Berkeley Holdings and having on issue a nominal value of £1.60 each and, following the Berkeley Holdings Reduction of Capital becoming effective, a nominal value of 5 pence each, carrying the rights and restrictions summarised in Part 4;
“2010 B Shares”	the 2010 B Shares in the capital of Berkeley Holdings and each having on issue a nominal value of an amount to be determined in the manner set out in paragraph 1(d) of Part 4 and, following the Berkeley Holdings Reduction of Capital becoming effective, a nominal value of 5 pence each, carrying the rights and restrictions summarised in Part 4;
“Berkeley” or the “Company”	The Berkeley Group plc, incorporated and registered in England and Wales under the Companies Acts 1948 to 1976 with registered number 1454064;
“Berkeley 2000 LTIP”	The Berkeley Group plc 2000 Long Term Incentive Plan;
“Berkeley 2004 LTIP”	The Berkeley Group plc 2004 Long Term Incentive Plan;
“Berkeley 2000 Option Plans”	the Berkeley Unapproved 2000 Option Plan and the Berkeley Approved 2000 Option Plan;
“Berkeley 2004 Share Incentive Plan”	The Berkeley Group plc 2004 Share Incentive Plan;
“Berkeley Approved 2000 Option Plan”	The Berkeley Group plc 2000 Approved Share Option Plan;
“Berkeley Articles”	the articles of association in the form proposed to be adopted by Shareholders at the Annual General Meeting of Berkeley convened for 27 August 2004;
“Berkeley Employee Share Schemes”	the Berkeley Share Option Schemes, the Berkeley 2000 LTIP, the Berkeley 2004 LTIP and the Berkeley 2004 Share Incentive Plan;

“Berkeley Holdings” or the “New Company”	The Berkeley Group Holdings plc, the parent company of the New Group following the Scheme becoming effective;
“Berkeley Holdings 2004(b) LTIP”	The Berkeley Group Holdings plc 2004(b) Long Term Incentive Plan
“Berkeley Holdings Articles”	the articles of association of Berkeley Holdings upon the Scheme becoming effective;
“Berkeley Holdings Reduction of Capital”	the proposed reduction of capital of Berkeley Holdings under section 135 of the Companies Act described in Part 3 of this document;
“Berkeley Holdings Shareholder(s)”	a holder(s) of Units;
“Berkeley SAYE Scheme”	The Berkeley Group plc 1994 SAYE Share Option Scheme;
“Berkeley Shareholder”	a holder of Existing Ordinary Shares;
“Berkeley Share Option Schemes”	the Berkeley SAYE Scheme, The Berkeley Group plc 1994 Executive Option Scheme; The Berkeley Group plc Executive Share Option Scheme 1996 and the Berkeley 2000 Option Plans;
“Berkeley Unapproved 2000 Option Plan”	The Berkeley Group plc 2000 Share Option Plan;
“Board” or “Directors”	the directors of Berkeley, whose names are set out on page 31 of this document;
“Business Day”	a day (excluding Saturday or Sunday or public holidays in England and Wales) on which banks generally are open for business in the City of London for the transaction of normal banking business;
“certificated” or “in certificated form”	recorded on the relevant register as being held in certificated form and title to which may be transferred by means of a stock transfer form;
“Close Period”	any time when employees of the Company are prohibited from dealing in securities either by the Model Code (contained in the appendix to Chapter 16 of the Listing Rules) or otherwise;
“Companies Act”	the Companies Act 1985, as amended;
“Control”	has the meaning given to that word by section 840 of the Income and Corporation Taxes Act 1988;
“Court”	the High Court of Justice in England and Wales;
“Court Hearing”	the hearing of the petition to sanction the Scheme; or the hearing of the petition to confirm the Berkeley Holdings Reduction of Capital as the context requires;
“Court Meeting”	the meeting of Berkeley Shareholders convened by order of the Court for 17 September 2004, notice of which is set out in Part 8 of this document and any adjournment of that meeting;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo in accordance with the Regulations;
“CREST Shareholders”	Shareholders holding in uncertificated form in CREST;
“CRESTCo”	CRESTCo Limited, the operator of CREST;
“EGM”	the Extraordinary General Meeting of Berkeley, notice of which is set out in Part 9 of this document and any adjournment of that meeting;

“Existing Ordinary Shares”	ordinary shares with a nominal value of 25 pence each in the share capital of Berkeley which if held at the Scheme Record Time will entitle the holder to participate in the Scheme;
“Explanatory Statement”	the statement contained in Part 3 of this document in compliance with section 426 of the Act;
“Facility Agreement”	a £825 million secured term and revolving facilities agreement entered into on 18 August 2004 between The Berkeley Group plc as initial borrower; certain subsidiaries as guarantors, Barclays Capital plc as arranger; Barclays Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc as original lenders; Barclays Bank plc as facility agent; and Barclays Bank plc as trustee, described in paragraph 6.1 of Part 3;
“Form of Proxy”	the PINK Form of Proxy for use at the Court Meeting or the BLUE Form of Proxy for use at the EGM and “Forms of Proxy” shall mean both of them;
“Group”	Berkeley and its subsidiary undertakings, before the Scheme Effective Date;
“holder”	a registered holder and includes any person(s) entitled by transmission;
“ISAs”	individual savings accounts;
“Listing Particulars”	the listing particulars relating to Berkeley Holdings dated 24 August 2004;
“Listing Rules”	the rules and regulations made by the UK Listing Authority pursuant to section 74 of the Financial Services and Markets Act 2000 as amended from time to time;
“London Stock Exchange”	the London Stock Exchange plc or any recognised investment exchange for the purposes of the Financial Services and Markets Act 2000 which may take over the function of the London Stock Exchange plc;
“New Group”	Berkeley Holdings and its subsidiary undertakings on and after the Scheme Effective Date;
“New Ordinary Shares”	the ordinary shares of 5 pence each in Berkeley Holdings to be allotted and issued pursuant to the Scheme;
“Official List”	the Official List of the UK Listing Authority;
“Option holders”	holders of options to acquire ordinary shares under the Berkeley Share Option Schemes;
“Overseas Shareholders”	shareholders resident in, or citizens of, jurisdictions outside of the UK;
“PEPs”	personal equity plans;
“Proceeds per B Share”	in relation to the 2004 B Shares, the sum of £5 per share; in relation to the 2006 B Shares and the 2008 B Shares, the sum £2 per share; and, in relation to the 2010 B Shares, the sum of £3 per share;
“Proposals”	the proposed Return of up to £12 per Existing Ordinary Share to be achieved via the Scheme, the Berkeley Holdings Reduction of Capital and the Berkeley Holdings 2004(b) LTIP and the related proposals referred to in the notice of EGM set out in Part 9 of this document;
“Record Date”	the 2004 Record Date, the 2006 Record Date, the 2008 Record Date and the 2010 Record Date, as those terms are defined in Part 4;
“Redemption”	the redemption of the B Shares in consideration for the payment of the Proceeds per B Share as described in paragraph 2, 3, 4 or 5 of Part 4 as the case may be;
“Registrars” or “Capita Registrars”	Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;

“Regulations”	the Uncertificated Securities Regulations 2001 (SI 1995 No. 2001/3755);
“Return of up to £12 per Existing Ordinary Share” or “Return”	the proposed return of up to £12 per Existing Ordinary Share to Shareholders, subject to Shareholder approval and Court sanction;
“Scheme” or “Scheme of Arrangement”	the scheme of arrangement under section 425 of the Companies Act between Berkeley and holders of Existing Ordinary Shares including any modification, addition or condition approved or imposed by the Court, details of which are set out in Part 7 of this document in its original form;
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms;
“Scheme Record Time”	5.00 p.m. on the business day immediately preceding the Scheme Effective Date;
“Securities Act”	the US Securities Act of 1933, as amended;
“Shareholders”	holders of Existing Ordinary Shares and/or New Ordinary Shares and B Shares as the context may require;
“Special Dividend”	the special interim dividend which may be declared by the Directors of Berkeley Holdings on any of the 2006 B Shares, 2008 B Shares and 2010 B Shares, as described in Part 4;
“Trust”	The Berkeley Group Employee Benefit Trust settled under a trust deed between Berkeley and the Trustee dated 16 July 1996;
“Trustee”	Orbis Trustees Jersey Limited;
“UBS” or “UBS Investment Bank”	UBS Limited;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in the exercise of its functioning in respect of the admission to the Official List otherwise than in accordance with Part VI of the Financial Services and Markets Act 2000;
“uncertificated” or “in uncertificated form”	when used in relation to shares or Units (as the case may be), recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“Unit”	means a unit comprising one New Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share to be admitted to the Official List of the UK Listing Authority and to the market for listed securities of the London Stock Exchange; and
“US” or “United States”	the United States of America, its territories and possessions.

