

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of those Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 Admission of the Units will become effective and that dealings for normal settlement will commence at 8.00 a.m. on 26 October 2004. A copy of this document, which comprises listing particulars relating to The Berkeley Group Holdings plc which have been prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 83 of that Act.

The Units have not been marketed to and are not available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with their admission to the Official List. This document does not constitute an offer or invitation to any person to subscribe for or purchase any securities in The Berkeley Group Holdings plc.



## The Berkeley Group Holdings plc

*(Incorporated and registered in England and Wales under the Companies Act 1985,  
registered number 5172586)*

### **Introduction to the Official List**

Sponsored by  
**UBS Investment Bank**

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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 customers of UBS Limited nor for providing advice to any other person in relation to the Proposals or any other matter referred to in this document.

The date of this document is 24 August 2004.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Neither the Units, the New Ordinary Shares nor any class of the B Shares 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 on 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 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.



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### Expected timetable of principal events

Units will be issued to Berkeley Shareholders in connection with the Proposals. Completion of the Proposals is subject to a number of conditions, including approval of the Proposals by Berkeley Shareholders at the Court Meeting and the Extraordinary General Meeting which are scheduled to take place on 17 September 2004 and Court approval of the Scheme and Berkeley Holdings Reduction of Capital. The following is the expected timetable of the principal events connected with the Proposals.

	<b>2004</b>
Final ordinary dividend in respect of Ordinary Shares paid .....	9 September
Latest time for receipt of PINK Form of Proxy for the Court Meeting <sup>(i)</sup> .....	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 of Berkeley .....	10.00 a.m. on 17 September
EGM of Berkeley <sup>(ii)</sup> .....	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 Ordinary Shares <sup>(iii)</sup> .....	25 October
Scheme Record Time <sup>(iii)</sup> .....	5:00 p.m. on 25 October
Scheme Effective Date <sup>(iii)</sup> .....	26 October
Dealings in Units commence on the London Stock Exchange <sup>(iv)</sup> .....	8.00 a.m. on 26 October
Crediting of Units to CREST accounts <sup>(iv)</sup> .....	by 8:00 a.m. on 26 October
Court Hearing of the petition to confirm the Berkeley Holdings Reduction of Capital <sup>(iv)</sup> .....	10.30 a.m. on 27 October
Berkeley Holdings Reduction of Capital becomes effective <sup>(v)</sup> .....	28 October
Despatch of certificates for Units <sup>(v)</sup> .....	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 the Company <sup>(v)(vi)</sup> .....	3 December
Despatch of cheques and Redemption proceeds credited to CREST accounts in respect of the 2004 B Shares <sup>(vi)</sup> .....	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 expectations 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.**

## Directors, Company Secretary and Advisers

<b>DIRECTORS</b>	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.
<b>COMPANY SECRETARY</b>	Elizabeth Taylor
<b>SPONSOR, FINANCIAL ADVISER AND BROKER</b>	<b>UBS Limited</b> 1 Finsbury Avenue London EC2M 2PP
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	<b>PricewaterhouseCoopers LLP</b> Harman House 1 George Street Uxbridge Middlesex UB8 1QQ
<b>REGISTERED AND HEAD OFFICE</b>	Berkeley House 19 Portsmouth Road Cobham Surrey KT11 1JG
<b>LEGAL ADVISERS</b>	<b>Shearman &amp; Sterling (London) LLP</b> Broadgate West 9 Appold Street London EC2A 2AP
<b>REGISTRARS</b>	<b>Capita Registrars</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## Part 1

### Information on The Berkeley Group Holdings plc

#### 1. INTRODUCTION

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 Ordinary Share and that the board of Berkeley had concluded its strategic review of the businesses comprised in the Group.

#### Strategic Review

The outcome of this review is that Berkeley will, in future, focus on its urban regeneration business. In consequence, it intends to return up to £12 per Ordinary Share (being approximately £1.452 billion in aggregate, assuming 121 million Ordinary Shares in issue) in cash to shareholders in the period to 31 January 2011. Berkeley plans to return £5 per Ordinary Share (being approximately £605 million in aggregate) in cash in the current year and will return the balance in stages thereafter. The resulting Group will be of a size commensurate with the needs of this newly focused business.

Under the Proposals, a new listed holding company of Berkeley, The Berkeley Group Holdings plc, will be put in place through a Court approved scheme of arrangement under Section 425 of the Companies Act. Shortly after implementation of the Scheme and the Berkeley Holdings Reduction of Capital (both of which are expected to take place in October 2004) the Board intends to return £5 per Ordinary Share.

As part of the Proposals, the Remuneration Committee of the board of Berkeley has agreed more recently with the Executive Directors the terms of a new management incentive plan, the Berkeley Holdings 2004(b) LTIP, which replaces the Berkeley 2004 LTIP under which no awards have been or will be granted. In addition, steps 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 as a result of the introduction of Berkeley Holdings (which would otherwise be treated as a change of Control for the purposes of those plans). The new management incentive plan provides that, should £12 per 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 New Ordinary Shares as results in them holding fifteen per cent of the then issued ordinary share capital of the 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 Ordinary Share, Berkeley must go through a Court approved scheme of arrangement. This will result in the creation of a new listed holding company, Berkeley Holdings, which will become the new parent company of Berkeley. 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 Ordinary Share. The payment of £5 per 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 new Facility Agreement. The balance of the return of capital would be principally funded by reduction in working capital and the future earnings of the New Group.

Shareholders 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, will receive the following:

<b>for every Ordinary Share</b>	<b>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)</b>
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A summary of the rights attaching to the New Ordinary Shares and B Shares comprised in a Unit is set out in Part 5 of this document. These rights are contained in the Berkeley Holdings Articles. Under those Articles, the New Ordinary Shares and B Shares comprised within a Unit may not be transferred separately.

For every Ordinary Share held at 5.00 p.m. on 25 October 2004, Berkeley Holdings is proposing to return to Shareholders, subject to having sufficient funding and distributable reserves, up to £12 in aggregate to 31 January 2011 as follows:

<u>Class of B Share</u>	<u>Expected Record Date</u>	<u>Proceeds per share</u>	<u>Approximate aggregate proceeds<sup>(1)</sup></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>
<b>TOTAL</b>		<b>£12</b>	<b>£1.452 billion</b>

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

It is expected that payment in respect of the 2004 B Shares will be made on 3 December 2004. Payment of the Return of up to £12 per Ordinary Share is however subject to a number of conditions being satisfied. These conditions, and the dates on which payment may be made, are described in Part 4 of this document.

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.

Shortly after implementation of the Scheme, the capital of the Company will be reduced, which will result in the creation of distributable reserves which will give the Company future financial flexibility with which to redeem the B Shares.

## 2. HISTORY AND BACKGROUND

The Group was established in 1976, with the founding of Berkeley Homes in Weybridge, Surrey. It initially focused on the construction of single homes and executive developments. In its first year four homes were constructed, all of which were sold off-plan and at a profit.

From the outset Berkeley maintained a detailed focus on every development and established disciplined procedures to enable both the construction and marketing of sites to start as early as possible in the development cycle, thus reducing market risk.

As the company expanded, Berkeley established regional businesses in Kent, Hampshire, North London and Sussex. These divisions were granted a high degree of autonomy to ensure that the entrepreneurial spirit of the business was not lost as the company grew. This devolved business structure has continued to be at the heart of Berkeley's business strategy ever since.

Berkeley became renowned for the quality of its product and for its ability to match product to demand. Consequently the business grew rapidly. In December 1985 Berkeley gained a full listing on the London Stock Exchange. In less than ten years of operation Berkeley had grown from an entrepreneurial business capitalised at £50,000 to a fully listed group valued at over £67 million.

In 1989 Berkeley became convinced that the housing boom was unsustainable and began to sell its land holdings and all the houses on its books, aiming to protect its balance sheet rather than maximise short-term profits. The anticipated downturn materialised, vindicating Berkeley's strategy and putting it in a strong position when it entered a much softer land market in 1990-91.

During the early 1990s the Group continued to expand through the establishment of new divisions and the acquisition of other businesses, although no business has been acquired since 1998. Its long-standing experience in a wide range of products, combined with a structure of highly autonomous profit centres and an extended geographical reach in England, enabled the Group to undertake any type of development, whether residential, commercial or mixed-use.

## 3. STRATEGY

In 2003, Berkeley reported that it was simplifying the business and concentrating increasingly on complex mixed-use urban regeneration projects in London and Southern England. The Group had previously recognised the need to revitalise city centre areas and the need for sustainable development and to make the best use of land. It recognised the pressure on greenbelt land would encourage better use of city centre sites. This led to an

agreement in August 2003 with the executive team of The Crosby Group plc (“Crosby”). The agreement gives the executive team all the voting rights of Crosby once it has generated £450 million of operating cashflow. Until this time, Berkeley remains in control of Crosby and, therefore, will continue to consolidate Crosby as a subsidiary. Thereafter, Berkeley will retain an on-going economic interest in Crosby.

On 25 June 2004, Berkeley announced that it had concluded a strategic review, the outcome of which is that the Group will in future focus on its urban regeneration business. In consequence, Berkeley intends to return up to £12 per Ordinary Share in cash in the period to 31 January 2011. The resulting New Group will be of a size commensurate with the needs of this newly focused and distinct business.

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 its Shareholders and deliver benefits for all its stakeholders. The strategic review that the directors of Berkeley carried out, in conjunction with Berkeley’s advisers, sought to assess the best route for delivering shareholder value. This took place in the context of the board of Berkeley’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 Berkeley has decided to leave behind its traditional housebuilding heritage and focus primarily on larger scale complex regeneration. This strategy allows the return of substantial capital to Shareholders while enabling Berkeley Holdings 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 the main challenge now being to realise the value contained within the New Group’s strong land bank.

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

#### **4. ACTIVITIES**

The development of land is the core of the Group’s business, which at 30 April 2004 had net assets of £1,145 million, from which it earned profit before tax of £230.2 million. The Group employed an average of 1,261 staff during the 2003/04 financial year.

The Group’s mission is to deliver value to its customers and investors by creating high quality developments in which people want to live, work and play. The Group is a leader in the business of urban regeneration, with over 95 per cent of development taking place on brownfield land. The Group’s talented and experienced management team consistently demonstrate the vision needed to develop attractive and sustainable developments for customers, while extracting high value from the land developed by the Group.

The development of land involves a number of complex stages, from the initial acquisition, the planning, designing, marketing and building of a development. At each stage the Group undertakes detailed risk assessments, taking into account all relevant sustainability issues, and the changing nature of the market place. A wide range of stakeholders is consulted to ensure that their views and concerns are taken into account so as to find intelligent and imaginative solutions appropriate to the needs of the community. At all times the Group strives to deliver standards and quality at consistently high levels.

Many of the Group’s developments combine leading edge design whilst maintaining and renovating key elements from our architectural heritage. From highly complex developments, that combine residential, retail and leisure facilities, to key worker apartments – the Group continues to provide quality, style and sustainability.

The Group has a thorough understanding of the home building market and the financial strength to deliver its pioneering approach to land development. The Group’s management structure and highly autonomous and diverse companies allow it to take advantage of all appropriate opportunities and quickly react to the changing needs of the market.

During the last financial year, Berkeley has continued to simplify its operating structure, moving away from a traditional company structure towards a project-based model in line with the Group’s urban regeneration strategy.



This involves developing on a smaller number of sites, although the sites themselves are of a larger scale and warrant dedicated management attention. It is this strategy that has led the Group to exit the traditional housebuilding business in both the home counties (hence the closure of Thirlstone last year) and Crosby.

The benefits of this more flexible model are apparent in a fall in overhead costs during the last financial year.

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

**Berkeley Homes plc** – With over 25 years' experience of providing high-quality homes, Berkeley Homes is one of the most respected property developers in London and the South-East. Its portfolio includes contemporary apartments, traditional townhouses, conversions of period buildings and a range of mixed-use developments. It is itself split into three divisions: Berkeley Homes (Capital) plc, Berkeley Homes (Central London) plc and Berkeley Homes (Home Counties) plc.

Berkeley Homes' London properties include Royal Arsenal (Woolwich) and Chelsea Bridge Wharf (Battersea) and, in Hampshire, Gunwharf Quays (Portsmouth), Knowle Village (Fareham) and Royal Clarence Yard (Gosport). These land holdings, already in production, will underpin Berkeley's performance for a number of years.

**St George PLC** – Focused on London, St George is a leading mixed-use residential developer creating a blend of quality residential and complementary retail, commercial and leisure developments. St George became the first property developer to be granted the prestigious Queen's Award for Enterprise: Sustainable Development in 2002. St George's current land holdings include Imperial Wharf (Fulham), St George Wharf (Vauxhall), Battersea Reach (Wandsworth) and Royal Quarter (Kingston-upon-Thames).

**The Crosby Group plc** – For over 70 years, The Crosby Group has maintained its reputation as a market leader taking a leading role in the renaissance of cities outside the South-East with major developments across the Midlands and the North of England. Crosby Group's land holdings include Redbank in Manchester and Clarence Dock in Leeds.

**St James Group Limited** – St James is a joint venture between The Berkeley Group plc and Thames Water in which Berkeley has a 50 per cent interest. It has gained a formidable reputation for introducing a new level of innovation to home building in London and the South-East of England.

**St John Homes Limited** – St John Homes has been established recently to pursue urban regeneration and land development opportunities in the outer north London boroughs and the home counties to the north of London.

**Berkeley First Limited** – Berkeley First is the dedicated student and key worker accommodation specialist in The Berkeley Group plc. It delivers quality and practical accommodation for institutions ranging from universities to NHS trusts.

**Berkeley Commercial Developments Limited** – Berkeley Commercial is the Group's dedicated commercial property developer and investor. Its award-winning flagship development is Gunwharf Quays at Portsmouth Harbour, which has become the focal point for the economic renaissance of Portsmouth.

**Berkeley Community Villages Limited** – Berkeley Community Villages has been established by Berkeley to create new sustainable settlements in a way that is sensitive to existing communities and the natural environment.

## 5. SUMMARY FINANCIAL INFORMATION

The table below, the contents of which have been extracted without material adjustment from the comparative table on the Group in Part 2 of this document, summarises the trading record of the continuing activities of Berkeley, which comprises the Group, for the three years ended 30 April 2004.

Shareholders should read the whole of this document and not just rely on the summary financial information in this Part 1.

	<b>Year ended 30 April 2004 audited</b>	<b>Year ended 30 April 2003 audited</b>	<b>Year ended 30 April 2002 audited</b>
	<b>(£'000 unless stated otherwise)</b>	<b>(£'000 unless stated otherwise)</b>	<b>(£'000 unless stated otherwise)</b>
Turnover – continuing operations . . . . .	1,272,443	1,150,840	976,771
Operating profit – continuing operations . . . . .	213,280	215,664	189,450
Share in operating profit in joint ventures . . . . .	21,924	16,542	23,540
Profit on ordinary activities before taxation . . . . .	230,246	221,181	196,162
Dividends per Ordinary Share . . . . .	22.3p	19.2p	16.5p
Retained profit for the year . . . . .	135,762	129,775	114,826
Earnings per Ordinary Share – basic . . . . .	130.7p	116.0p	105.3p
Net assets . . . . .	1,145,032	1,056,156	968,215
Net assets per Ordinary Share . . . . .	946p	829p	717p

## 6. CURRENT TRADING AND PROSPECTS

Berkeley 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.

## 7. DIVIDEND POLICY

Following the declaration of the final ordinary dividend of 16.5 pence per 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 Redemption of the B Shares.

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

## 8. THE BOARD AND CORPORATE GOVERNANCE

All of the Directors were previously directors of Berkeley. Details of the Directors and the Company Secretary of Berkeley Holdings are set out in paragraph 5.2 in Part 6 of this document.

### Corporate Governance

The Company is committed to attaining high standards of corporate governance in accordance with the principles of the Combined Code published in June 1998 (the “Combined Code”). The Combined Code was amended and a revised Code introduced for the financial years beginning on or after 1 November 2003 (the “New Code”). Berkeley is working towards compliance with the New Code.

### ***The Board and Directors***

The Board comprises eight directors including the Group Chairman, the Group Managing Director, three further Executive Directors and three Non-executive Directors. All of the Non-executive Directors are considered to be independent. The roles of Chairman and Group Managing Director are separately held and there is a clear division of responsibilities between them. The Group Chairman is responsible for the effective conduct of Board and shareholder meetings and for ensuring that each Director contributes to effective decision-making. The Group Managing Director has day-to-day executive responsibility for the running of the New Group's businesses. His role is to develop and deliver the strategy to enable the New Group to meet its objectives.

The Board has delegated certain matters to individual executives and to specific Committees of the Board. The responsibilities of the key Board Committees are described below.

### **Board Committees**

#### ***Executive Committee***

The Executive Committee reviews the financial and operating performance of all New Group divisions and companies. The Group Managing Director chairs this Committee and other members comprise the Group Chairman, Mr Roger Lewis, and Messrs. Tony Carey, Greg Fry and Rob Perrins. The Committee meets on a monthly basis.

The following three Board Committees operate within the following terms of reference:

#### ***Audit Committee***

The Audit Committee plays an important role in corporate governance by undertaking the following key responsibilities:

- Monitoring the integrity of the financial reporting of the Company, including its annual and interim reports and other formal announcements relating to financial performance.
- Reviewing the adequacy and effectiveness of the New Group's internal control and risk management systems and disclosure of statements concerning these in annual reports.
- Monitoring the effectiveness of the New Group's internal audit function.
- Overseeing the relationship with the external auditor, including appointment, removal and fees, and ensuring the auditor's independence and the effectiveness of the audit process.
- Reviewing whistle-blowing arrangements.

The Committee comprises the three independent Non-executive Directors, with Mr David Howell, as Chairman.

The Committee meets three times a year. The Committee requests the attendance of the Group Finance Director and representatives of the auditors who have open recourse to the Non-executive Directors, should they consider it necessary.

#### ***Remuneration Committee***

The Remuneration Committee is responsible for determining the Company's policy for executive remuneration and the precise terms of employment and remuneration of the Executive Directors. The Committee is chaired by Mrs Victoria Mitchell and comprises the Non-executive Directors, Messrs. Tony Palmer and David Howell. The Committee meets at least twice a year. The Group Managing Director and the Group Finance Director are invited to attend the Committee and the Committee takes into consideration their recommendations regarding the remuneration of their executive colleagues. No Director is involved in deciding his or her remuneration. The Executive Directors decide the remuneration of the Non-executive Directors.

#### ***Nomination Committee***

The Nomination Committee proposes new appointments to the Board and is also responsible for succession planning. The Committee is chaired by the Group Chairman, Mr Roger Lewis (save in the event of discussions relating to his own succession), with Mr Tony Palmer and Mrs Victoria Mitchell as independent non-executive members. The Committee meets at such times as required to carry out the duties of the Committee.

## Part 2

### Financial Information

#### 1. ACCOUNTANTS' REPORT ON THE BERKELEY GROUP HOLDINGS PLC

PricewaterhouseCoopers LLP  
Harman House  
1 George Street  
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Middlesex UB8 1QQ

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

UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP

24 August 2004

Dear Sirs

#### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 24 August 2004 (the “**Listing Particulars**”) of The Berkeley Group Holdings plc (“**Berkeley Holdings**”).

Berkeley Holdings was incorporated on 7 July 2004 as Sandnumber Limited (registered number 5172586). On 19 August 2004, it was re-registered as a public company and changed its name to The Berkeley Group Holdings plc. Berkeley Holdings has not yet commenced to trade, has prepared no financial statements for presentation to its members, and has not declared or paid a dividend.

#### **Basis of preparation**

The financial information set out below is based on the financial records of Berkeley Holdings to which no adjustment was considered necessary.

#### **Responsibility**

The financial records are the responsibility of the directors of Berkeley Holdings.

The directors of Berkeley Holdings are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of Berkeley Holdings and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### Opinion

In our opinion, the financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Berkeley Holdings as at the date stated.

### Financial information

The balance sheet of Berkeley Holdings at 24 August 2004 is as follows:

	<u>Notes</u>	<u>£</u>
Current assets		
Debtors .....		<u>50,002</u>
<b>Net assets</b> .....		<u><u>50,002</u></u>
Represented by:		
Share capital .....	2	<u>50,002</u>
<b>Shareholders' funds</b> .....		<u><u>50,002</u></u>

### Notes to the financial information

#### 1 Accounting policies

The balance sheet has been prepared under the historical cost convention in accordance with applicable accounting standards.

#### 2 Share capital

	<u>£</u>
<b>Authorised:</b>	
50,000 redeemable preference shares of £1 each .....	50,000
20,000 ordinary shares of 5 pence each .....	<u>1,000</u>
	<u><u>51,000</u></u>
<b>Allotted, issued and fully paid:</b>	
50,000 redeemable preference shares of £1 each .....	50,000
40 ordinary shares of 5 pence each .....	<u>2</u>
	<u><u>50,002</u></u>

Berkeley Holdings was incorporated with an authorised share capital of 1,000 ordinary shares of £1 each and with an issued share capital of £1. By ordinary resolution on 18 August 2004 the authorised share capital was increased to £51,000 by the creation of 50,000 redeemable preference shares of £1 each.

The redeemable preference shares are non voting (except in respect of resolutions to wind up Berkeley Holdings or vary the rights of the redeemable preference shares), carry no right to dividends and are entitled to priority repayment in full from the assets of Berkeley Holdings on a winding-up.

A second ordinary share was issued on 19 August 2004. By an ordinary resolution passed on 23 August 2004 each issued and un-issued ordinary share of £1 each in the capital of Berkeley Holdings was sub-divided into 20 ordinary shares of 5 pence each.

Immediately following the scheme of arrangement of The Berkeley Group plc (“**Berkeley**”) pursuant to which Berkeley Holdings becomes the holding company of Berkeley being sanctioned by the Court, an Extraordinary General Meeting of Berkeley Holdings will be held at which the holder of ordinary shares in Berkeley Holdings 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 of 25 pence each in the capital of Berkeley on the date such scheme of arrangement 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 of arrangement.

The redeemable preference shares are redeemable by Berkeley Holdings or the shareholder at their paid up amount. It is intended to redeem the redeemable preference shares shortly after the scheme of arrangement becoming effective. The redeemable preference shares were issued at par on 18 August 2004.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## **2. COMPARATIVE TABLE ON THE BERKELEY GROUP PLC AND ITS SUBSIDIARIES**

### **Introduction**

The financial information set out below has been extracted without material adjustment from the published audited consolidated financial statements of Berkeley for the three financial years ended 30 April 2002, 2003 and 2004.

The information in respect of share options detailed in note 16 may differ to that originally presented in the published accounts for the financial years ended 30 April 2002 and 30 April 2003. This is due to further information becoming available after signing of the accounts in respect of the number of options that had lapsed in the relevant period.

The financial information in the comparative table does not constitute statutory accounts within the meaning of section 240 of the Companies Act, but has been extracted without material adjustment from the published audited consolidated financial statements of Berkeley for the three years ended 30 April 2004. Berkeley's auditors for the year ended 30 April 2002 were PricewaterhouseCoopers, and for the two years ended 30 April 2004 were PricewaterhouseCoopers LLP both Chartered Accountants and Registered Auditors, of Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ. The auditors gave an unqualified audit report within the meaning of section 235 of the Companies Act in respect of the financial statements for each of these three years and such reports did not contain a statement under sub-section 237(2) or (3) of the Companies Act.

Statutory consolidated accounts relating to the three financial years ended 30 April 2004 have been delivered to the Registrar of Companies in England and Wales.

## Consolidated Profit and Loss Account

	Notes	For the year ended 30 April		
		2004	2003	2002
		£'000	£'000	£'000
Turnover including share of joint ventures . . . . .	2	1,396,133	1,250,165	1,085,098
Less: share of joint ventures' turnover . . . . .		<u>(123,690)</u>	<u>(99,325)</u>	<u>(108,327)</u>
Turnover – continuing operations . . . . .		1,272,443	1,150,840	976,771
Cost of sales . . . . .		<u>(965,238)</u>	<u>(835,770)</u>	<u>(700,107)</u>
Gross profit . . . . .		307,205	315,070	276,664
Net operating expenses . . . . .	4	<u>(93,925)</u>	<u>(99,406)</u>	<u>(87,214)</u>
Operating profit – continuing operations . . . . .		213,280	215,664	189,450
Share of operating profit in joint ventures . . . . .		<u>21,924</u>	<u>16,542</u>	<u>23,540</u>
Total operating profit including share of joint ventures . . . . .	2	235,204	232,206	212,990
Net interest payable . . . . .	3	<u>(4,958)</u>	<u>(11,025)</u>	<u>(16,828)</u>
Profit on ordinary activities before taxation . . . . .	4	230,246	221,181	196,162
Taxation on profit on ordinary activities . . . . .	6	<u>(67,888)</u>	<u>(66,497)</u>	<u>(59,333)</u>
Profit on ordinary activities after taxation . . . . .		162,358	154,684	136,829
Dividends . . . . .	7	<u>(26,596)</u>	<u>(24,909)</u>	<u>(22,003)</u>
Retained profit for the year . . . . .	17	<u>135,762</u>	<u>129,775</u>	<u>114,826</u>
Dividends per Ordinary Share . . . . .	7	<u>22.3p</u>	<u>19.2p</u>	<u>16.5p</u>
Earnings per Ordinary Share				
– basic . . . . .	8	130.7p	116.0p	105.3p
– diluted . . . . .	8	<u>130.0p</u>	<u>115.1p</u>	<u>105.1p</u>

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

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



## Consolidated Balance Sheet

		As at 30 April		
		2004	2003	2002
		£'000	£'000	£'000
<i>Fixed assets</i>				
Intangible assets . . . . .	9	–	–	2,359
Tangible assets . . . . .	10	13,996	18,492	19,201
Investments . . . . .	11	2,656	2,145	11
Joint ventures				
– Share of gross assets . . . . .		216,431	227,387	228,957
– Share of gross liabilities . . . . .		<u>(148,524)</u>	<u>(170,612)</u>	<u>(169,814)</u>
	11	<u>67,907</u>	<u>56,775</u>	<u>59,143</u>
		<u>84,559</u>	<u>77,412</u>	<u>80,714</u>
<i>Current assets</i>				
Stocks . . . . .	12	1,066,275	1,151,103	1,118,245
Debtors . . . . .	13	172,160	247,436	280,931
Investments . . . . .	11	–	62,047	55,514
Cash at bank and in hand . . . . .		<u>245,306</u>	<u>57,103</u>	<u>3,105</u>
		<u>1,483,741</u>	<u>1,517,689</u>	<u>1,457,795</u>
<i>Creditors (amounts falling due within one year)</i>				
Borrowings . . . . .	14	(25,120)	(153)	(46,562)
Other creditors . . . . .	15	<u>(313,569)</u>	<u>(316,573)</u>	<u>(309,106)</u>
		<u>(338,689)</u>	<u>(316,726)</u>	<u>(355,668)</u>
Net current assets . . . . .		<u>1,145,052</u>	<u>1,200,963</u>	<u>1,102,127</u>
Total assets less current liabilities . . . . .		<u>1,229,611</u>	<u>1,278,375</u>	<u>1,182,841</u>
<i>Creditors (amounts falling due after more than one year)</i>				
Borrowings . . . . .	14	(75,000)	(200,000)	(200,000)
Other creditors . . . . .	15	<u>(9,579)</u>	<u>(22,219)</u>	<u>(14,626)</u>
		<u>(84,579)</u>	<u>(222,219)</u>	<u>(214,626)</u>
Net assets . . . . .		<u>1,145,032</u>	<u>1,056,156</u>	<u>968,215</u>
<i>Capital and reserves</i>				
Share capital . . . . .	16	30,516	32,054	33,741
Share premium . . . . .	17	427,610	420,603	420,358
Capital redemption reserve . . . . .	17	3,445	1,697	–
Retained profit . . . . .	17	655,147	571,248	491,718
Joint ventures' reserves . . . . .	17	<u>27,814</u>	<u>30,554</u>	<u>22,398</u>
Equity shareholders' funds . . . . .		1,144,532	1,056,156	968,215
Equity minority interest . . . . .	23d	<u>500</u>	<u>–</u>	<u>–</u>
		<u>1,145,032</u>	<u>1,056,156</u>	<u>968,215</u>
Net assets per Ordinary Share . . . . .	8	<u>946p</u>	<u>829p</u>	<u>717p</u>

## Consolidated Cash Flow Statement

		For the year ended 30 April		
		2004	2003	2002
		£'000	£'000	£'000
	Notes			
Net cash inflow from continuing operating activities . . . . .	21	435,959	204,385	49,650
Dividends from joint ventures . . . . .		9,865	1,245	6,890
Returns on investments and servicing of finance . . . . .	21	(1,704)	(7,233)	(13,642)
Taxation . . . . .		(62,594)	(46,579)	(60,010)
Capital expenditure and financial investment . . . . .	21	(27,771)	13,744	(16,364)
Acquisitions and disposals . . . . .	21	6,781	–	(26)
Equity dividends paid . . . . .		<u>(25,414)</u>	<u>(23,321)</u>	<u>(19,604)</u>
Net cash inflow/(outflow) before financing . . . . .		335,122	142,241	(53,106)
Financing . . . . .	21	<u>(146,919)</u>	<u>(77,376)</u>	<u>56,111</u>
Increase in cash in the year . . . . .		<u>188,203</u>	<u>64,865</u>	<u>3,005</u>
		For the year ended 30 April		
		2004	2003	2002
		£'000	£'000	£'000
		<i>Reconciliation of net cash flow to movement in net cash/(debt)</i>		
Increase in cash in the year . . . . .		188,203	64,865	3,005
Cash outflow/(inflow) from decrease in debt . . . . .		<u>100,033</u>	<u>35,542</u>	<u>(7,469)</u>
Movement in net cash/(debt) in the year . . . . .		288,236	100,407	(4,464)
Opening net debt . . . . .	21	<u>(143,050)</u>	<u>(243,457)</u>	<u>(238,993)</u>
Closing net cash/(debt) . . . . .	21	<u>145,186</u>	<u>(143,050)</u>	<u>(243,457)</u>

### Reconciliation of Movements in Shareholders' Funds

	Notes	For the year ended 30 April		
		2004	2003	2002
		£'000	£'000	£'000
Profit for the year .....		162,358	154,684	136,829
Dividends .....	7	<u>(26,596)</u>	<u>(24,909)</u>	<u>(22,003)</u>
Retained earnings .....		135,762	129,775	114,826
Share buy-backs .....	17	(52,363)	(42,039)	–
New shares issued .....		7,217	255	49,158
Contribution to QUEST .....		–	(50)	(516)
Contribution on exercise of share options .....	17	<u>(2,240)</u>	<u>–</u>	<u>–</u>
Net additions to equity shareholders' funds .....		88,376	87,941	163,468
Opening equity shareholders' funds .....		<u>1,056,156</u>	<u>968,215</u>	<u>804,747</u>
Closing equity shareholders' funds .....		<u><u>1,144,532</u></u>	<u><u>1,056,156</u></u>	<u><u>968,215</u></u>

## Notes to the Accounts

### 1 Accounting policies

**Basis of accounting** The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom.

**Basis of consolidation** The consolidated accounts comprise the accounts of Berkeley and all its subsidiary undertakings. The accounting date for subsidiary undertakings is 30 April. In the case of acquisitions or disposals, the Group's result includes that proportion from or to the effective date of acquisition or disposal as appropriate.

**Goodwill** With effect from 1 April 1998, where the cost of acquiring new and additional interests in subsidiaries, joint ventures and businesses exceeds the fair value of the net assets acquired, the resulting premium on acquisition (goodwill) is capitalised and its subsequent measurement (via annual impairment reviews or an annual amortisation charge) will be determined based on the individual circumstances of each business acquired. Goodwill written off to reserves prior to 1998 is not recorded in the consolidated balance sheet. When a business is disposed of, goodwill, where applicable, is charged to the consolidated profit and loss account.

**Joint ventures** The results attributable to Berkeley's holding in joint ventures are shown separately in the consolidated profit and loss account. The amount included in the consolidated balance sheet is the Group's share of the net assets of the joint ventures plus net loans receivable. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures.

**Turnover** Turnover represents the amounts receivable from the sale of properties during the year. On traditional developments, properties are treated as sold and profits are taken when contracts are exchanged and the building work is physically complete. On complex multi-unit developments, revenue and profit are recognised on a staged basis, commencing when the building work is substantially complete, which is defined as being plastered and when contracts are exchanged.

**Tangible fixed assets** Depreciation is provided to write-off the cost of the assets over their estimated useful lives at the following annual rates:

Freehold property .....	2%
Fixtures and fittings .....	15%/20%
Motor vehicles .....	25%
Computer equipment .....	33 $\frac{1}{3}$ %

Leasehold property is amortised over the period of the lease. Computer equipment is included within fixtures and fittings.

**Stocks** Property in the course of development is valued at the lower of direct cost and net realisable value. Direct cost comprises the cost of land, raw materials and development costs but excludes indirect overheads and interest. Progress payments are deducted from work in progress.

**Deferred taxation** Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable and have not been discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted by the balance sheet dates.

**Financial instruments** From time to time the Group makes use of interest rate swaps and caps to manage its exposure to fluctuations in interest rates. Interest rate instruments are treated as hedges and the net interest payable or receivable is reflected in the profit and loss account.

**Pension costs** The expected cost of providing pensions on defined benefit schemes is recognised on a systematic basis over the period during which benefit is derived from the employees' services. Pension contributions under defined contribution schemes are charged to the profit and loss account as incurred.

**Leasing and rental agreements** Payments under rental and operating lease agreements are charged against profit in the periods in which they become due.

**Long term executive incentive schemes and plan** Provision is made to match the cost of shares provisionally allocated in respect of any year to participants under the Group's long term executive incentive schemes and plan. Similar provision is also made each year regarding the appropriate proportion of any estimated potential cash benefit which could arise, based on the probability of the relevant performance targets being met at the end of the relevant period.

## 2 Segmental information

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

	Turnover			Operating profit			Net assets		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Residential housebuilding</i>									
Group . . . . .	1,130,162	1,130,062	927,635	199,065	212,012	181,447	1,068,039	989,458	900,237
Joint ventures . . . . .	120,977	91,450	98,224	19,836	14,205	17,545	66,483	49,240	44,609
	<u>1,251,139</u>	<u>1,221,512</u>	<u>1,025,859</u>	<u>218,901</u>	<u>226,217</u>	<u>198,992</u>	<u>1,134,522</u>	<u>1,038,698</u>	<u>944,846</u>
<i>Commercial property and other activities</i>									
Group . . . . .	142,281	20,778	49,136	14,215	3,652	8,003	9,085	9,923	8,835
Joint ventures . . . . .	2,713	7,875	10,103	2,088	2,337	5,995	1,425	7,535	14,534
	<u>144,994</u>	<u>28,653</u>	<u>59,239</u>	<u>16,303</u>	<u>5,989</u>	<u>13,998</u>	<u>10,510</u>	<u>17,458</u>	<u>23,369</u>
	<u>1,396,133</u>	<u>1,250,165</u>	<u>1,085,098</u>	<u>235,204</u>	<u>232,206</u>	<u>212,990</u>	<u>1,145,032</u>	<u>1,056,156</u>	<u>968,215</u>

All turnover and profit relate to continuing activities of the Group and are derived from activities performed in the United Kingdom. Included in Group residential housebuilding turnover and operating margin in 2004 is £11,426,000 and £2,382,000 in respect of land sales (2003: £8,800,000 and £3,552,000; 2002: £59,776,000 and £20,593,000).

## 3 Net interest payable

	2004	2003	2002
	£'000	£'000	£'000
Interest receivable . . . . .	4,770	2,395	952
Interest payable on bank loans and overdrafts . . . . .	(6,207)	(10,403)	(14,717)
Interest payable – share of joint ventures . . . . .	<u>(3,521)</u>	<u>(3,017)</u>	<u>(3,063)</u>
	<u>(4,958)</u>	<u>(11,025)</u>	<u>(16,828)</u>

## 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following amounts:

	2004	2003	2002
	£'000	£'000	£'000
Depreciation . . . . .	3,085	3,147	4,122
Amortisation of goodwill . . . . .	–	2,359	2,400
Hire of plant and machinery . . . . .	3,122	9,839	7,614
Profit on sale of tangible fixed assets . . . . .	618	1,634	953
Profit on sale of fixed asset investments . . . . .	144	–	–
Operating lease costs – motor vehicles . . . . .	1,436	1,781	2,034
Operating lease costs – land and buildings . . . . .	1,989	2,075	1,394
Auditors' remuneration:			
– audit fees . . . . .	205	195	174
– audit-related services . . . . .	45	–	61
– taxation services . . . . .	430	135	44
– other services . . . . .	77	72	83

Auditors' remuneration for audit-related services in 2004 includes £25,000 in respect of the interim review (2003 and 2002: £nil) and £20,000 (2003: £nil; 2002: £61,000) in respect of advice relating to International Financial Reporting Standards and other accounting advice.

Remuneration paid to the auditors in respect of taxation services in 2004 was incurred primarily in connection with corporate activity in the year, relating to disposals, re-financing and corporate structuring.

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

Operating expenses represent administration costs.

## 5 Directors and employees

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
<i>Staff costs</i>			
Wages and salaries .....	66,748	71,064	66,126
Social security costs .....	7,536	7,318	7,505
Other pension costs .....	<u>3,467</u>	<u>3,891</u>	<u>2,781</u>
	<u>77,751</u>	<u>82,273</u>	<u>76,412</u>

The average number of persons employed by the Group in 2004 was 1,261 (2003: 1,521; 2002: 1,456), of which 1,250 (2003: 1,502; 2002: 1,435) were employed in residential housebuilding activities and the balance in commercial development activities.

### *Pensions*

There are currently four principal pension schemes in operation within the Group, the assets of which are held in separate trustee administered funds. The Berkeley Final Salary Plan is a defined benefit scheme and was closed to new entrants from 1 May 2002. The Berkeley Money Purchase Plan, the St George Scheme and the Thirlstone Homes Limited Retirement Benefits Scheme (the 'Thirlstone Scheme') are defined contribution schemes.

The Berkeley Final Salary Plan is subject to an independent actuarial valuation at least every three years. The most recent valuation was carried out as at 1 May 2001. The method adopted in the 2001 valuation was the projected unit method, which assumed a return on investment prior to and after retirement of 6.5 per cent and 5.5 per cent per annum respectively, pension increases for service before and after April 1997 of 3.0 per cent and 2.5 per cent per annum respectively and salary escalation at 3.5 per cent per annum. The market value of the Berkeley Final Salary Plan assets at 1 May 2001 was £13,956,000 and was sufficient to cover 79 per cent of the scheme's liabilities. Based on that valuation, Employer's contributions are currently paid at 15 per cent and it is proposed to maintain this level of contribution thereby reducing the deficit to zero over the expected remaining service life of existing members. In addition there is an accrual of £1,525,000 at 30 April 2004 (2003: £1,000,000; 2002: £nil) resulting from the difference in the amounts charged to the profit and loss account and the amounts paid to the scheme. A new valuation is currently being carried out as at 1 May 2004.

Contributions amounting to £1,538,000 (2003: £1,356,000; 2002: £1,111,000) were paid into the defined contribution schemes in 2004, representing the appropriate level of defined funding.

Under the transitional arrangements of FRS 17 'Retirement Benefits', the required disclosures relating to the Berkeley Final Salary Plan are set out below. The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 May 2001, and updated by the scheme actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 April 2004, 30 April 2003 and 30 April 2002. The assets of the scheme are stated at their market value at 30 April 2004, 30 April 2003 and 30 April 2002.

The major assumptions used by the actuary were:

	<u>Valuation at</u>		
	<u>Friday</u>	<u>Wednesday</u>	<u>Tuesday</u>
	<u>30 April 2004</u>	<u>30 April 2003</u>	<u>30 April 2002</u>
Rate of increase in salaries .....	4.00%	3.50%	3.75%
Rate of increase in pensions in payment .....	3.70%	2.50%	2.75%
Discount rate .....	5.70%	5.50%	6.00%
Inflation assumption .....	3.00%	2.50%	2.75%

The assets in the scheme and the expected rate of return were:

	Valuation at					
	Friday 30 April 2004		Wednesday 30 April 2003		Tuesday 30 April 2002	
	Long-term rate of return	Value £'000	Long-term rate of return	Value £'000	Long-term rate of return	Value £'000
Equities . . . . .	8.00%	14,534	7.00%	11,300	7.25%	11,490
Fixed income bonds . . . . .	5.20%	3,481	5.50%	1,890	6.00%	1,765
Property . . . . .	–	–	5.50%	771	6.50%	748
Cash . . . . .	4.40%	336	4.00%	1,005	4.00%	957
Total market value of assets		18,351		14,966		14,960
Present value of scheme liabilities . . . . .		(39,447)		(29,548)		(23,533)
Deficit in the scheme . . . . .		(21,096)		(14,582)		(8,573)
Related deferred tax asset . . .		6,329		4,374		2,572
Net pension liability . . . . .		<u>(14,767)</u>		<u>(10,208)</u>		<u>(6,001)</u>

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserves at 30 April 2004, 30 April 2003 and 30 April 2002 would be as follows:

	2004 £'000	2003 £'000	2002 £'000
Net assets excluding SSAP 24 pension liability . . . . .	1,146,557	1,056,156	968,215
Pension liability under FRS 17 . . . . .	<u>(14,767)</u>	<u>(10,208)</u>	<u>(6,001)</u>
Net assets including FRS 17 pension liability . . . . .	<u>1,131,790</u>	<u>1,045,948</u>	<u>962,214</u>
Profit and loss reserves excluding SSAP 24 pension liability . . . . .	684,486	601,802	514,116
Pension liability under FRS 17 . . . . .	<u>(14,767)</u>	<u>(10,208)</u>	<u>(6,001)</u>
Profit and loss reserves including FRS 17 pension liability . . . . .	<u>669,719</u>	<u>591,594</u>	<u>508,115</u>

The following amounts would have been recognised in the performance statements in the year to 30 April 2004 and 30 April 2003 respectively:

***Analysis of amount charged to operating profit***

	2004 £'000	2003 £'000
Current service cost . . . . .	2,233	2,050
Past service cost . . . . .	–	–
Total . . . . .	<u>2,233</u>	<u>2,050</u>

***Analysis of amount credited to other finance income***

	2004 £'000	2003 £'000
Expected return on pension scheme assets . . . . .	1,038	1,099
Interest on pension scheme liabilities . . . . .	<u>(1,627)</u>	<u>(1,479)</u>
Net return . . . . .	<u>(589)</u>	<u>(380)</u>

***Analysis of amount recognised in statement of total recognised gains and losses (STRGL)***

	2004 £'000	2003 £'000
Actual less expected return on pension scheme assets . . . . .	465	(3,152)
Experience gains and losses arising on scheme liabilities . . . . .	–	–
Changes in assumptions underlying the present value of the scheme liabilities . . . . .	<u>(5,769)</u>	<u>(2,308)</u>
Actuarial loss recognised in STRGL . . . . .	<u>(5,304)</u>	<u>(5,460)</u>

### Movements in deficit during the year

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Deficit in scheme at start of year .....	(14,582)	(8,573)
Movement in year		
Current service cost .....	(2,233)	(2,050)
Contributions .....	1,612	1,881
Past service costs .....	–	
Other finance income .....	(589)	(380)
Actuarial loss .....	<u>(5,304)</u>	<u>(5,460)</u>
Deficit in scheme at end of year .....	<u>(21,096)</u>	<u>(14,582)</u>
	<u>2004</u>	<u>2003</u>
Difference between the expected and actual return on scheme assets:		
Amount (£'000) .....	465	(3,152)
% of scheme assets .....	2.53%	(21.06)%
Experience gains and losses on scheme liabilities:		
Amount (£'000) .....	–	
% of the present value of scheme liabilities .....	0.00%	0.00%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000) .....	(5,304)	(5,460)
% of the present value of the scheme liabilities .....	(13.45)%	(18.48)%

As the Berkeley Final Salary Plan is closed to new entrants, the current service cost, under the projected unit method, will increase as the members of the scheme approach retirement.

## 6 Taxation

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Current tax			
UK corporation tax payable .....	65,040	63,421	53,800
Share of joint ventures' tax .....	5,184	4,124	6,101
Adjustments in respect of previous periods .....	<u>(481)</u>	<u>(1,400)</u>	<u>–</u>
	69,743	66,145	59,901
Deferred tax (see note 13) .....	<u>(1,855)</u>	<u>352</u>	<u>(568)</u>
	<u>67,888</u>	<u>66,497</u>	<u>59,333</u>

The current tax assessed for the year differs from the standard rate of UK corporation tax of 30% (2003: 30%; 2002: 30%). These differences are explained below:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Profit on ordinary activities before tax .....	<u>230,246</u>	<u>221,181</u>	<u>196,162</u>
Tax on profit on ordinary activities at standard UK corporation tax rate .....	69,074	66,354	58,849
Effects of:			
Expenses not deductible for tax purposes .....	1,093	1,078	1,173
Depreciation in excess of capital allowances .....	394	113	21
Lower tax rates on overseas joint ventures .....	(337)	–	(142)
Adjustments in respect of previous periods .....	<u>(481)</u>	<u>(1,400)</u>	<u>–</u>
Current tax charge .....	<u>69,743</u>	<u>66,145</u>	<u>59,901</u>



## 7 Dividends

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
<i>On Ordinary Equity Shares</i>			
Interim dividend of 5.8p in 2004 (2003: 4.8p; 2002: 4.0p) per Ordinary Share .....	7,089	6,479	5,128
Final proposed dividend in 2004 of 16.5p (2003: 14.4p; 2002: 12.5p) per Ordinary Share .....	<u>19,507</u>	<u>18,430</u>	<u>16,875</u>
	<u>26,596</u>	<u>24,909</u>	<u>22,003</u>

## 8 Earnings per Ordinary Share

Earnings per Ordinary Share in 2004 is based on the profit after taxation of £162,358,000 (2003: £154,684,000; 2002: £136,829,000) and the weighted average number of Ordinary Shares in issue during 2004 of 124,261,151 (2003: 133,404,586; 2002: 129,910,482) adjusted to exclude shares held by Berkeley to satisfy awards under its long term incentive plan. For diluted earnings per Ordinary Share, the weighted average number of shares in issue is adjusted to assume the conversion of all dilutive potential shares. The dilutive potential Ordinary Shares relate to shares granted under employee share schemes where the exercise price is less than the average market price of the Ordinary Shares during the year. The effect of the dilutive potential shares is 613,585 shares in 2004 (2003: 998,783; 2002: 315,467), giving a diluted weighted average number of shares of 124,874,736 (2003: 134,403,369; 2002: 130,225,949).

Net assets per Ordinary Share is calculated based on net assets at the end of the year divided by the number of Ordinary Shares in issue at the end of 2004 of 120,984,992 (2003: 127,425,071; 2002: 134,963,049). This excludes shares held by Berkeley to satisfy awards under its long term incentive plan.

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

## 9 Intangible assets – Goodwill

	<u>£'000</u>
<i>Cost</i>	
At 1 May 2001, 30 April 2002, 30 April 2003 and 30 April 2004 .....	<u>11,359</u>
<i>Amortisation</i>	
At 1 May 2001 .....	6,600
Charge for the year ended 30 April 2002 .....	<u>2,400</u>
At 30 April 2002 .....	9,000
Charge for the year ended 30 April 2003 .....	<u>2,359</u>
At 30 April 2003 and 30 April 2004 .....	<u>11,359</u>
<i>Net book value</i>	
At 1 May 2001 .....	4,759
At 30 April 2002 .....	<u>2,359</u>
At 30 April 2003 and 30 April 2004 .....	<u>–</u>

The goodwill arose on the acquisition of Thirlstone plc (formerly The Thirlstone Group Limited) in August 1998 and was amortised on a straight line basis over five years. From 1 February 2003, Thirlstone plc was integrated into Berkeley Homes plc, at which point all remaining goodwill was written off.

## 10 Tangible assets

	Freehold property	Short leasehold property	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At 1 May 2001 .....	15,306	220	10,893	7,560	33,979
Additions .....	485	7	1,373	1,743	3,608
Disposals .....	(1,253)	–	(927)	(2,585)	(4,765)
At 30 April 2002 .....	14,538	227	11,339	6,718	32,822
Additions .....	2,861	316	1,392	1,324	5,893
Disposals .....	(3,548)	(14)	(771)	(2,402)	(6,735)
At 30 April 2003 .....	13,851	529	11,960	5,640	31,980
Additions .....	50	7	1,666	1,119	2,842
Disposals .....	(3,821)	(216)	(630)	(2,345)	(7,012)
At 30 April 2004 .....	10,080	320	12,996	4,414	27,810
<i>Depreciation</i>					
At 1 May 2001 .....	711	117	7,808	3,615	12,251
Charge for the year ended 30 April 2002 .....	670	37	1,663	1,752	4,122
Disposals .....	(169)	–	(771)	(1,812)	(2,752)
At 30 April 2002 .....	1,212	154	8,700	3,555	13,621
Charge for the year ended 30 April 2003 .....	217	82	1,406	1,442	3,147
Disposals .....	(684)	(10)	(674)	(1,912)	(3,280)
At 30 April 2003 .....	745	226	9,432	3,085	13,488
Charge for the year ended 30 April 2004 .....	174	310	1,442	1,159	3,085
Disposals .....	(264)	(216)	(535)	(1,744)	(2,759)
At 30 April 2004 .....	655	320	10,339	2,500	13,814
<i>Net book value</i>					
At 1 May 2001 .....	14,595	103	3,085	3,945	21,728
At 30 April 2002 .....	13,326	73	2,639	3,163	19,201
At 30 April 2003 .....	13,106	303	2,528	2,555	18,492
At 30 April 2004 .....	9,425	–	2,657	1,914	13,996

## 11 Investments

	2004	2003	2002
	£'000	£'000	£'000
<b>Fixed assets</b>			
Joint ventures .....	67,907	56,775	59,143
Listed investments .....	–	5	11
Investment in own shares .....	2,656	2,140	–
	<u>70,563</u>	<u>58,920</u>	<u>59,154</u>
<b>Current assets</b>			
Other investments .....	–	62,047	55,514
	<u>–</u>	<u>62,047</u>	<u>55,514</u>

Details of the principal subsidiaries and joint ventures are provided in Note 24 to the accounts.

### ***Listed investments***

The market value of the listed investments for the Group at 30 April 2004 was £nil (2003: £5,117; 2002: £nil).

### ***Investment in own shares***

During 2004, Berkeley acquired 275,000 of its own shares (2003: 724,299; 2002: nil) to satisfy awards granted under The Berkeley Group plc 2000 Long Term Incentive Plan at a cost of £2,128,613 (2003: £4,312,395; 2002: nil). The cost of these shares is charged to the profit and loss account over the performance period to which the awards relate and the carrying value of the shares reduced accordingly. During 2004, £1,112,000 (2003: £1,530,945; 2002: nil) was charged to the profit and loss account. A further £501,194 (2003: £641,450; 2002: nil) was transferred from accruals in respect of prior year charges on awards for which the shares were not purchased until the year under review. £177,757 of dividends in relation to 2004 on shares held by Berkeley were waived. The market value of own shares held at 30 April 2004 was £10,557,707.

At 30 April 2004 Berkeley had fully provided for shares to the value of £115,905 (2003: £534,000; 2002: £2,267,000) which are held in trust for certain Directors and senior management with regard to the long term incentive schemes.

### ***Current asset investment***

The current asset investment related to the Group's interest in the Gunwharf Quays limited partnership, from which it retired on 29 November 2003.

With the substantial completion of the retail and leisure development phase, Land Securities plc took full control of this element with Berkeley focusing on regenerating and developing the next phases of Gunwharf Quays in partnership with Portsmouth Council.

As a result of its retirement from the limited partnership, the Group has substantially realised the value of this commercial phase of the Gunwharf Quays development, generating turnover and cash of £98,795,000 in total for 2004.

### ***Investment in joint ventures***

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Unlisted shares at cost . . . . .	181	726	727
Loans . . . . .	39,912	25,495	36,018
Share of post-acquisition reserves . . . . .	<u>27,814</u>	<u>30,554</u>	<u>22,398</u>
	<u>67,907</u>	<u>56,775</u>	<u>59,143</u>

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

	<u>£'000</u>
At 1 May 2001 .....	36,069
Retained profit for the year .....	14,376
Purchase of shares .....	26
Disposal of shares .....	(100)
Dividends received .....	(6,890)
Net increase in loans .....	<u>15,662</u>
At 30 April 2002 .....	59,143
Retained profit for the year .....	8,156
Disposal of shares .....	(1)
Net decrease in loans .....	<u>(10,523)</u>
At 30 April 2003 .....	56,775
Retained profit for the year .....	3,354
Transfer of a Joint Venture to a Subsidiary .....	(6,094)
Disposal of shares .....	(545)
Net increase in loans .....	<u>14,417</u>
At 30 April 2004 .....	<u><u>67,907</u></u>

During 2004, the Group disposed of its shares in Berkeley Chelsfield Limited and Fitness First Berkeley Limited.

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Fixed assets .....	650	8,995	16,295
Current assets .....	215,781	218,392	212,662
Liabilities falling due within one year .....	(147,343)	(165,316)	(158,181)
Liabilities falling due after more than one year .....	(1,181)	(5,296)	(11,633)
	<u>67,907</u>	<u>56,775</u>	<u>59,143</u>

## 12 Stocks

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Work in progress .....	1,132,063	1,226,011	1,189,221
Less progress payments .....	<u>(65,788)</u>	<u>(74,908)</u>	<u>(70,976)</u>
	<u>1,066,275</u>	<u>1,151,103</u>	<u>1,118,245</u>

## 13 Debtors

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
<i>Amounts falling due within one year</i>			
Trade debtors .....	156,433	228,994	266,877
Other debtors .....	12,924	15,664	11,542
Prepayments and accrued income .....	<u>2,803</u>	<u>2,778</u>	<u>2,512</u>
	<u>172,160</u>	<u>247,436</u>	<u>280,931</u>

Other debtors include deferred tax assets of £2,831,000 in 2004 (2003: £976,000; 2002: £1,328,000) arising from depreciation in excess of capital allowances and short term timing differences.

## 14 Borrowings

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
<i>Amounts falling due within one year</i>			
Bank loans and overdrafts . . . . .	25,000	–	46,367
Unsecured loan stock . . . . .	<u>120</u>	<u>153</u>	<u>195</u>
	<u>25,120</u>	<u>153</u>	<u>46,562</u>
<i>Amounts falling due after more than one year</i>			
Bank loans . . . . .	<u>75,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>100,120</u>	<u>200,153</u>	<u>246,562</u>

Bank loans and overdrafts are unsecured with interest rates linked to LIBOR.

Unsecured loan stock is repayable on three months' notice being given to Berkeley.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Borrowings are repayable as follows:			
Within one year or on demand . . . . .	25,120	153	46,562
Between one and two years . . . . .	25,000	–	–
Between two and five years . . . . .	<u>50,000</u>	<u>200,000</u>	<u>200,000</u>
	<u>100,120</u>	<u>200,153</u>	<u>246,562</u>

## 15 Other creditors

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
<i>Amounts falling due within one year</i>			
Trade creditors . . . . .	223,462	221,176	244,520
Loans from joint ventures . . . . .	1,139	14,401	6,068
Proposed dividend . . . . .	19,645	18,463	16,875
Corporation tax . . . . .	35,827	33,862	19,237
Other taxes and social security . . . . .	3,061	2,750	4,361
Accruals and deferred income . . . . .	<u>30,435</u>	<u>25,921</u>	<u>18,045</u>
	<u>313,569</u>	<u>316,573</u>	<u>309,106</u>
<i>Amounts falling due after more than one year</i>			
Trade creditors . . . . .	<u>9,579</u>	<u>22,219</u>	<u>14,626</u>
	<u>9,579</u>	<u>22,219</u>	<u>14,626</u>

## 16 Share capital

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	No. '000	No. '000	No. '000	£'000	£'000	£'000
<i>Authorised Ordinary Shares of 25p each</i>						
At 1 May and 30 April . . . . .	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>46,250</u>	<u>46,250</u>	<u>46,250</u>
<i>Issued and fully paid Ordinary Shares of 25p each</i>						
At 1 May . . . . .	128,214	134,963	128,091	32,054	33,741	32,023
Share buy-backs . . . . .	(6,993)	(6,787)	–	(1,748)	(1,697)	–
Share options exercised . . . . .	841	38	472	210	10	118
Share placing . . . . .	–	–	6,400	–	–	1,600
At 30 April . . . . .	<u>122,062</u>	<u>128,214</u>	<u>134,963</u>	<u>30,516</u>	<u>32,054</u>	<u>33,741</u>

During 2004, within the 10 per cent limit authorised by shareholders at the 2003 (2002) Annual General Meeting, Berkeley completed the purchase of 6,993,318 (2003: 6,786,559; 2002: nil) of its shares for cancellation, at an average cost of £7.44 (2003: £6.14; 2002: £nil) per share, for a total cost, net of expenses, of £51,998,948 (2003: £41,700,248; 2002: £nil). This represents 6 per cent (2003: 5 per cent) of the called-up share capital of Berkeley at the start of the year. The total nominal value of the shares purchased of £1,748,330 (2003: £1,696,640; 2002:

£nil) has been credited to the capital redemption reserve (see note 17). Subsequent to the 2004 year end, Berkeley purchased a further 2,094,261 shares for cancellation, at an average cost of £9.80, for a total cost, net of expenses, of £20,523,758. Taking account of these purchases, but not the purchases of 1,250,000 shares completed in 2004 in the period prior to the 2003 AGM, 3.9 per cent of the 10 per cent authority given at the 2003 Annual General Meeting remains available to Berkeley at the date of this report.

On 22 January 2002, Berkeley issued 6,400,000 Ordinary Shares of 25p each for cash at a price of 735p, raising proceeds of £47,040,000 before expenses of £842,000.

Berkeley has granted options to subscribe for Ordinary Shares under The Berkeley Group Executive Share Option Scheme (the '1984 Scheme') since 17 August 1984, The Berkeley Group plc 1994 SAYE Share Option Scheme (the 'SAYE Scheme') since 24 January 1995, The Berkeley Group plc 1994 Executive Share Option Scheme (the '1994 Scheme') since 6 August 1997, The Berkeley Group plc Executive Share Option Scheme 1996 (the '1996 Scheme') since 11 October 1996, The Berkeley Group plc 2000 Approved Share Option Plan (the '2000 Approved Plan') and The Berkeley Group plc 2000 Share Option Plan (the '2000 Plan') since 5 October 2000. As at each of the year ends the aggregate of options remaining exercisable are as shown in the table below.

Options under the 1984 Scheme are normally exercisable between three and ten years from the date of grant. During 2004, 8,628 options were exercised at prices between 365.2p and 367.7p. No options were granted and no shares lapsed. During 2003 and 2002, there were no share option exercises, no options were granted and no options lapsed. No further options will be granted under this scheme.

Options under the SAYE Scheme are normally exercisable within a six-month period on the expiry of three or five years from the commencement of the sharesave contract. Options in respect of 73,598 shares were granted during 2004, 101,430 options lapsed and 69,600 options were exercised at prices between 376.0p and 636.6p. During 2003, options in respect of 110,794 shares were granted, 76,671 lapsed and 28,634 were exercised at prices between 376.0p and 607.7p. During 2002, options in respect of 140,538 shares were granted, 71,550 options lapsed and 106,115 options were exercised at prices between 265.0p and 636.6p.

Options under the 1994 Scheme are normally exercisable between three and ten years from the date of grant. During 2004 no options were granted, 64,273 options lapsed and there were exercises of 315,981 options at prices between 554.0p and 764.0p. During 2003 no options were granted, 85,683 options lapsed and there were exercises of 5,550 options at a price of 558.8p. During 2002, no options were granted, 202,014 options lapsed and there were exercises of 197,782 options at prices between 427.5p and 643.4p.

Options under the 1996 Scheme are normally exercisable between three and ten years from the date of grant. Exercise of these options is conditional upon meeting a defined earnings per Ordinary Share criterion over a three-year period. During 2004, no options were granted, 61,767 options lapsed and 318,970 options were exercised at prices of between 427.5p and 764.0p. During 2003, no options were granted, 74,813 options lapsed and 4,200 were exercised at a price of 557.5p. During 2002, no options were granted, 130,191 options lapsed and 167,663 options were exercised at prices between 427.5p and 640.2p.

Options under the 2000 Approved Plan are normally exercisable between three and ten years from the date of grant. Exercise of these options is conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. During 2004, options in respect of 153,934 shares were granted, 273,392 options lapsed and 24,191 options were exercised at prices of between 576.5p and 712.5p. During 2003, options in respect of 400,288 shares were granted, 126,908 options lapsed and no options were exercised. During 2002, options in respect of 462,498 shares were granted, 118,930 options lapsed and no options were exercised.

Options under the 2000 Plan are normally exercisable between three and ten years from the date of grant. Exercise of these options is conditional upon meeting defined performance targets based on the increase in earnings per Ordinary Share over a three-year period. During 2004, options in respect of 500,712 shares were granted, 181,658 options lapsed and 103,785 options were exercised at prices between 576.5p and 712.5p. During 2003, options in respect of 581,693 shares were granted, 109,339 options lapsed and no options were exercised. During 2002, options in respect of 360,255 shares were granted, 103,823 options lapsed, and no options were exercised.

<u>Date of grant</u>	<u>Scheme</u>	Options remaining exercisable at 1 May 2001	Options remaining exercisable at 30 April 2002	Options remaining exercisable at 30 April 2003	Options remaining exercisable at 30 April 2004	Option price
02/07/93	1984 Scheme	2,157	2,157	2,157	–	367.7p
11/07/94	1984 Scheme	6,471	6,471	6,471	–	365.2p
24/01/95	SAYE Scheme	10,491	–	–	–	265.0p
31/01/96	SAYE Scheme	1,718	1,547	967	–	403.2p
17/01/97	SAYE Scheme	16,279	2,500	–	–	496.3p
19/01/98	SAYE Scheme	15,122	10,632	130	–	528.7p
25/01/99	SAYE Scheme	74,604	64,708	38,500	–	376.0p
20/01/00	SAYE Scheme	63,930	61,221	30,277	11,434	607.7p
24/01/01	SAYE Scheme	71,406	72,383	57,037	20,738	636.6p
25/01/02	SAYE Scheme	–	135,432	117,226	76,898	611.1p
23/01/03	SAYE Scheme	–	–	109,775	76,118	599.5p
16/01/04	SAYE Scheme	–	–	–	71,292	791.7p
11/10/96	1996 Scheme	71,406	39,894	34,138	–	574.5p
06/08/97	1996 Scheme	92,953	77,724	45,688	9,978	640.2p
18/08/98	1996 Scheme	181,350	60,750	51,050	–	557.5p
19/01/99	1994 Scheme	23,500	–	–	–	427.5p
19/01/99	1996 Scheme	68,500	41,000	41,000	–	427.5p
05/07/99	1996 Scheme	47,000	14,500	14,500	6,250	764.0p
19/01/00	1996 Scheme	259,150	200,650	181,120	30,250	650.0p
08/08/00	1996 Scheme	89,874	77,861	65,870	6,151	551.0p
06/08/97	1994 Scheme	116,044	55,135	37,281	4,201	643.4p
18/08/98	1994 Scheme	246,150	82,250	69,350	6,250	558.8p
05/07/99	1994 Scheme	18,000	10,500	9,500	3,750	764.0p
19/01/00	1994 Scheme	275,100	199,600	162,630	21,650	655.8p
08/08/00	1994 Scheme	248,126	179,639	157,130	19,786	554.0p
05/10/00	2000 Approved Plan	38,718	28,718	23,718	–	576.5p
21/12/00	2000 Approved Plan	41,244	25,608	17,790	8,317	712.5p
19/07/01	2000 Approved Plan	–	369,204	305,285	182,065	698.0p
25/07/02	2000 Approved Plan	–	–	345,314	217,137	560.5p
30/04/03	2000 Approved Plan	–	–	4,803	4,803	624.5p
21/07/03	2000 Approved Plan	–	–	–	140,939	762.5p
05/10/00	2000 Plan	110,282	85,282	81,282	5,000	576.5p
21/12/00	2000 Plan	144,756	136,392	114,210	51,707	712.5p
19/07/01	2000 Plan	–	289,796	246,968	186,638	698.0p
25/07/02	2000 Plan	–	–	340,686	267,863	560.5p
30/04/03	2000 Plan	–	–	200,678	200,678	624.5p
21/07/03	2000 Plan	–	–	–	328,561	762.5p
19/04/04	2000 Plan	–	–	–	158,646	945.5p
Total		<u>2,334,331</u>	<u>2,331,554</u>	<u>2,912,531</u>	<u>2,117,100</u>	

## 17 Reserves

	Share premium	Capital redemption reserve	Retained profit	Joint ventures' reserves	Total
	£'000	£'000	£'000	£'000	£'000
At 1 May 2001 .....	372,918	–	384,894	14,912	772,724
Retained profit .....	–	–	100,450	14,376	114,826
Dividends received from joint ventures .....	–	–	6,890	(6,890)	–
Premium on shares issued during the year ....	47,440	–	–	–	47,440
Contribution to QUEST .....	–	–	(516)	–	(516)
At 30 April 2002 .....	420,358	–	491,718	22,398	934,474
Retained profit .....	–	–	120,374	9,401	129,775
Dividends received from joint ventures .....	–	–	1,245	(1,245)	–
Share buy-backs .....	–	1,697	(42,039)	–	(40,342)
Premium on shares issued during the year ....	245	–	–	–	245
Contribution to QUEST .....	–	–	(50)	–	(50)
At 30 April 2003 .....	420,603	1,697	571,248	30,554	1,024,102
Retained profit .....	–	–	122,543	13,219	135,762
Dividends received from joint ventures .....	–	–	9,865	(9,865)	–
Transfer of a joint venture to a subsidiary ....	–	–	6,094	(6,094)	–
Share buy-backs .....	–	1,748	(52,363)	–	(50,615)
Shares issued on exercise of share options ....	7,007	–	(2,240)	–	4,767
At 30 April 2004 .....	<u>427,610</u>	<u>3,445</u>	<u>655,147</u>	<u>27,814</u>	<u>1,114,016</u>

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

The cumulative amount of goodwill written off directly against the Group's reserves amounts to £4,363,000 in 2004 (2003 and 2002: £4,363,000).

In February 2002, the Group established a QUEST to acquire Ordinary Shares in Berkeley to satisfy existing and future options granted under Berkeley's share option schemes. During 2004, 841,155 (2003: 37,855; 2002: 144,476) new Ordinary Shares were issued to scheme participants for a total consideration of £7,217,223 (2003: £258,000; 2002: £1,149,000) based on the market price on the date of issue. £4,977,005 (2003: £208,000; 2002: £633,000) was received from scheme participants with the balance contributed by the employing subsidiary companies, shown as a reduction in retained profit. The shares were all transferred by the QUEST to participants in the schemes in satisfaction of their options and no shares were held in the QUEST at 30 April 2004.

## 18 Contingent liabilities

Berkeley has guaranteed bank facilities of £5,000,000 at 30 April 2004 (2003 and 2002: £23,000,000) in joint ventures.

The Group has guaranteed road and performance agreements in the ordinary course of business of £46,304,000 at 30 April 2004 (2003: £37,859,000; 2002: £34,274,000).

## 19 Capital commitments

The Group has no capital commitments at 30 April 2004 (2003 and 2002: £nil).



## 20 Operating leases

The Group has annual commitments under non-cancellable operating leases as set out below:

	Land and buildings			Motor vehicles		
	2004	2003	2002	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases which expire:						
Within one year . . . . .	121	12	10	145	201	169
Between one and five years . . . . .	2,010	1,151	1,120	748	1,047	1,024
After five years . . . . .	705	619	619	–	–	–
	<u>2,836</u>	<u>1,782</u>	<u>1,749</u>	<u>893</u>	<u>1,248</u>	<u>1,193</u>

## 21 Notes to the cash flow statement

	2004	2003	2002
	£'000	£'000	£'000
<i>Reconciliation of operating profit to operating cash flows</i>			
Operating profit . . . . .	213,280	215,664	189,450
Goodwill amortised . . . . .	–	2,359	2,400
Depreciation . . . . .	3,085	3,147	4,122
Profit on sale of tangible fixed assets . . . . .	(618)	(1,634)	(953)
Profit on sale of fixed asset investments . . . . .	(144)	–	–
Stocks – decrease/(increase) . . . . .	84,828	(32,858)	(137,927)
Debtors – decrease/(increase) . . . . .	77,131	32,898	(44,812)
Investments – decrease/(increase) . . . . .	62,047	(6,533)	(18,734)
Creditors – (decrease)/increase . . . . .	<u>(3,650)</u>	<u>(8,658)</u>	<u>56,104</u>
Net cash inflow from continuing operating activities . . . . .	<u>435,959</u>	<u>204,385</u>	<u>49,650</u>
<i>Returns on investments and servicing of finance</i>			
Interest received . . . . .	4,307	2,640	891
Interest paid . . . . .	<u>(6,011)</u>	<u>(9,873)</u>	<u>(14,533)</u>
Net cash outflow from returns on investments and servicing of finance . . . . .	<u>(1,704)</u>	<u>(7,233)</u>	<u>(13,642)</u>
<i>Capital expenditure and financial investment</i>			
Purchase of tangible fixed assets . . . . .	(2,842)	(5,893)	(3,608)
Sale of tangible fixed assets . . . . .	4,871	5,089	2,966
Movements on loans with joint ventures . . . . .	(27,679)	18,856	(15,712)
Purchase of fixed asset investments . . . . .	(2,129)	(4,308)	(10)
Sale of fixed asset investments . . . . .	8	–	–
Net cash (outflow)/inflow from capital expenditure and financial investment . . . . .	<u>(27,771)</u>	<u>13,744</u>	<u>(16,364)</u>
<i>Acquisitions and disposals</i>			
Acquisition of group companies . . . . .	(9,164)	–	–
Net cash acquired with subsidiary undertakings . . . . .	15,258	–	–
Investment in joint ventures . . . . .	–	–	(26)
Disposal of joint ventures . . . . .	687	–	–
Net cash inflow/(outflow) from acquisitions and disposals . . . . .	<u>6,781</u>	<u>–</u>	<u>(26)</u>
<i>Financing</i>			
Cost of share buy-backs . . . . .	(52,363)	(42,039)	–
Net proceeds from share placing . . . . .	–	–	46,198
Share options exercised . . . . .	4,977	205	2,444
Issue of shares by Group companies to minority shareholders . . . . .	500	–	–
Repayment of loan stock . . . . .	(33)	(42)	(31)
(Decrease)/increase in bank loans . . . . .	<u>(100,000)</u>	<u>(35,500)</u>	<u>7,500</u>
Net cash (outflow)/inflow from financing . . . . .	<u>(146,919)</u>	<u>(77,376)</u>	<u>56,111</u>

	At 1 May 2001	Cash flow	At 30 April 2002	Cash flow	At 30 April 2003	Cash flow	At 30 April 2004
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Analysis of net (debt)/cash</i>							
Cash at bank and deposits repayable on demand . . . .	163	2,942	3,105	53,998	57,103	188,203	245,306
Bank overdrafts . . . . .	(10,930)	63	(10,867)	10,867	–	–	–
Cash . . . . .	(10,767)	3,005	(7,762)	64,865	57,103	188,203	245,306
Loan stock . . . . .	(226)	31	(195)	42	(153)	33	(120)
Bank loans due within one year . . . . .	(128,000)	92,500	(35,500)	35,500	–	(25,000)	(25,000)
Bank loans due after one year . . . . .	(100,000)	(100,000)	(200,000)	–	(200,000)	125,000	(75,000)
	<u>(238,993)</u>	<u>(4,464)</u>	<u>(243,457)</u>	<u>100,407</u>	<u>(143,050)</u>	<u>288,236</u>	<u>145,186</u>

## 22 Treasury policy and financial instruments

The Board approves treasury policy and senior management control day-to-day operations. The objectives are to manage financial risk, to ensure sufficient liquidity is maintained to meet foreseeable needs, and to invest cash assets safely and profitably. It is the Group's policy that no trading in financial instruments shall be undertaken.

The Group finances its operations by a combination of retained profits and net borrowings. The Group's financial instruments comprise cash at bank and in hand, bank loans and overdrafts, loan stock, fixed asset investments, debtors and creditors.

From time to time the Group uses derivative instruments when commercially appropriate to manage cash flow risk by altering the interest rates on investments and funding so that the resulting exposure gives greater certainty of future costs. The main types of instruments used from time to time are interest swaps and caps. During 2004 and as at 30 April 2004 the Group held no such instruments (2003 and 2002: nil). All of the operations carried out by the Group are in sterling and hence the Group has no exposure to currency risk.

Short-term debtors and creditors have been excluded from all of the following disclosures.

### *Financial liabilities*

The Group's financial liabilities are as follows:

	2004	2003	2002
	£'000	£'000	£'000
Bank overdrafts . . . . .	–	–	10,867
Unsecured loan stock . . . . .	120	153	195
Bank loans due within one year . . . . .	25,000	–	35,500
Bank loans due after one year . . . . .	75,000	200,000	200,000
Other creditors due after one year . . . . .	9,579	22,219	14,626
	<u>109,699</u>	<u>222,372</u>	<u>261,188</u>

During 2004, £100 million of bank loans due after one year were converted to a three year revolving facility which was undrawn at the year end.

The exposure of the Group's financial liabilities to interest rates is as follows:

	2004	2003	2002
	£'000	£'000	£'000
Fixed rate . . . . .	–	–	51,000
Floating rate . . . . .	100,120	200,153	195,562
Non-interest bearing . . . . .	9,579	22,219	14,626
	<u>109,699</u>	<u>222,372</u>	<u>261,188</u>

The Group held no fixed rate financial liabilities at 30 April 2004 (2003: nil). At 30 April 2002, the fixed rate financial liabilities had a weighted average interest rate of 4.43% and were fixed for an average of five days. The floating rate financial liabilities are linked to interest rates related to LIBOR. For financial liabilities which have no interest payable, the weighted average period to maturity at 30 April 2004 is 22 months (2003 and 2002: 15 months).

The maturity profile of the financial liabilities is as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Within one year or on demand . . . . .	25,120	153	46,562
Between one and two years . . . . .	32,082	22,219	14,626
Between two and five years . . . . .	<u>52,497</u>	<u>200,000</u>	<u>200,000</u>
	<u>109,699</u>	<u>222,372</u>	<u>261,188</u>

**Financial assets**

The Group's financial assets are as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	£'000	£'000	£'000
Fixed asset listed investments . . . . .	–	5	11
Current asset investment . . . . .	–	62,047	55,514
Cash at bank and in hand . . . . .	<u>245,306</u>	<u>57,103</u>	<u>3,105</u>
	<u>245,306</u>	<u>119,155</u>	<u>58,630</u>

Cash at bank and in hand is at floating rates linked to interest rates related to LIBOR.

**Undrawn committed borrowing facilities**

The Group has undrawn committed borrowing facilities of £405,686,000 at 30 April 2004 (2003: £311,905,000; 2002: £296,922,000) which are floating rate and expire within one year.

**Fair value of financial instruments**

Fair values have been calculated by discounting expected future cash flows at prevailing interest rates and yields, as appropriate, at the year end. There are no material differences between the book value and the fair value of the Group's financial assets and liabilities except for other creditors due after one year with a fair value of £8,941,771 at 30 April 2004 (2003: £21,032,415; 2002: £13,318,000) compared to a book value of £9,579,088 (2003: £22,218,900; 2002: £14,626,000).

**23 Related party transactions**

The Group has entered into the following related party transactions:

- a) Proceeds from transfer of land to joint ventures £nil in 2004 (2003: £nil; 2002: £3,000,000).
- b) Charges made for goods and services supplied to joint ventures £2,737,000 in 2004 (2003: £3,619,000; 2002: £2,078,000).
- c) Proceeds from sale of development to limited partnership in 2003: £11,302,000 (2002: £36,389,000). See note 11 for disclosures in respect of the limited partnership for 2004.
- d) On 28 August 2003, Berkeley announced that it had entered into an agreement whereby the Crosby Executive Team led by Geoff Hutchinson subscribed for new shares in The Crosby Group plc (Crosby). Broadly, these shares are entitled to 50.01 per cent of the economic and voting rights of Crosby after the generation of £450 million of operating cashflow. Until this time, Berkeley will remain in control of Crosby and therefore will continue to consolidate Crosby as a subsidiary. Thereafter, Berkeley will retain 49.99 per cent of the shareholding.

Geoff Hutchinson was a Main Board Director of Berkeley until his resignation on 27 August 2003, the day prior to the announcement of the transaction. The full Crosby Executive team comprises Geoff Hutchinson, Richard Starkey, Andrew Brady, Andrew Jinks and Keith Pepperdine, all of whom are directors of companies within the Crosby Group.

The transaction was approved unanimously by the Main Board (other than Geoff Hutchinson who did not participate in the Board's discussion in view of his interest in the acquisition).

To effect this transaction, the Executive Team subscribed for B shares in Crosby for a consideration of £500,000, funded by a loan, on commercial terms, from Berkeley. This is reflected as a minority interest in the balance sheet for the year ended 30 April 2004. These shares carry dividend and voting rights if Crosby makes agreed milestone payments to Berkeley every six months and generates overall £450 million of operating cashflow within seven years. Unless both of these requirements are met the B shares will receive no dividends or voting rights and, consequently, Berkeley will not cede control.

This £450 million will be realised from the capital employed in Crosby which at 30 April 2003 was £253.7 million and comprised an inter-company loan of £215.9 million and shareholders funds of £37.8 million. Until this time, Berkeley will remain in control of Crosby and, therefore, it will continue to be consolidated.

Upon completion of the principal terms and conditions of the transaction control will pass to the Executive Team and Crosby will then cease to be consolidated and Berkeley will instead equity account for its shareholding.

It has also been agreed between the parties that, in addition to the conditions above, economic or voting control will not pass unless the gross assets of Crosby at the time control passes are less than £75 million and the net assets are less than £50 million.

On his resignation from the Board of The Berkeley Group plc, Geoff Hutchinson entered into a new service agreement with Crosby and remains its Chairman. He has ceased to benefit from Berkeley's Long Term Incentive Plan. Under this service agreement, Geoff Hutchinson and the Executive Team will receive £2.3 million if Crosby is acquired by a third party within 364 days from 28 August 2003. This payment is contingent on Geoff Hutchinson not joining the acquiring company and therefore leaving Berkeley and Crosby. If Crosby is not acquired within the 364 day period these sums do not become payable.

- e) In the two years ended 30 April 2003, three Directors of Berkeley used the Group's own build scheme, having previously received the Board's approval. This is a scheme whereby eligible employees may enter into a contract with Berkeley to build or substantially renovate their own house. There was no activity under these approvals during 2004. The information set out below provides details of the activity carried out in the prior year.

Mr A W Pidgley, a Director of Berkeley, had entered into an arrangement with Thirlstone Homes (Western) Limited, to carry out renovations at his home. During 2003, £63,000 (2002: £166,000) was paid to Thirlstone Homes (Western) Limited in relation to this transaction. There was no balance outstanding at 30 April 2003.

Mr G Hutchinson, a Director of Berkeley, had entered into an arrangement with Crosby Homes Limited, to carry out refurbishment and landscaping works at his home. The total cost of the work was £114,000 and has been paid for in full. During 2003, £22,000 (2002: £92,000) was paid to Crosby Homes Limited in relation to this transaction. There was no balance outstanding at 30 April 2003.

Mr T Farrow, who was a Director of Berkeley until his resignation on 31 May 2003, entered into an arrangement with St James Group Limited to carry out refurbishment works at his home. The total cost of the work carried out in 2003, of £25,500 was paid in full during 2003 to St James Group Limited in relation to this arrangement.

## 24 Subsidiaries, joint ventures and limited partnership

The Group had the following principal subsidiary undertakings as at 30 April 2004, which are registered and operate in England and Wales (except where stated in italics) and which are all 100 per cent owned:

### *Residential housebuilding*

Berkeley Community Villages Limited	Berkeley Homes (East Thames) Limited <sup>(1)</sup>
Berkeley First Limited <sup>(1)</sup>	Berkeley Homes (Eastern) Limited <sup>(1)</sup>
Berkeley Homes plc	Berkeley Homes (Festival Development) Limited <sup>(1)</sup>
Berkeley Homes (Capital) plc <sup>(1)</sup>	Berkeley Homes (Festival Waterfront Company) Limited <sup>(1)</sup>
Berkeley Homes (Central and West London) plc <sup>(1)</sup>	Berkeley Homes (Hampshire) Limited <sup>(1)</sup>
Berkeley Homes (Central London) Limited <sup>(1)</sup>	

Berkeley Homes (Home Counties) plc <sup>(1)</sup>	St David Limited <sup>(3)</sup>
Berkeley Homes (North East London) Limited <sup>(1)</sup>	St George PLC
Berkeley Homes (Oxford & Chiltern) Limited <sup>(1)</sup>	St George Central London Limited <sup>(4)</sup>
Berkeley Homes (South East London) Limited <sup>(1)</sup>	St George North London Limited <sup>(4)</sup>
Berkeley Homes (Southern) Limited <sup>(1)</sup>	St George South London Limited <sup>(4)</sup>
Berkeley Homes (West London) Limited <sup>(1)</sup>	St George West London Limited <sup>(4)</sup>
Berkeley Partnership Homes Limited <sup>(1)</sup>	St George Battersea Reach Limited <sup>(5)</sup>
Berkeley Strategic Land Limited	St John Homes Limited
Crosby Homes Limited <sup>(2)</sup>	The Berkeley Clarence Dock Company Limited <sup>(2)</sup>
Crosby Homes (Special Projects) Limited <sup>(3)</sup>	The Beaufort Homes Development Group Limited
Crosby Homes (North West) Limited <sup>(2)</sup>	The Crosby Group plc
Crosby Homes Special Projects (NW) Limited <sup>(2)</sup>	Thirlstone Homes Limited <sup>(1)</sup>
Crosby Homes (Yorkshire) Limited <sup>(2)</sup>	Thirlstone Homes (Western) Limited <sup>(1)</sup>
Crosby Homes (East Midlands) Limited <sup>(2)</sup>	West Kent Cold Storage Company Limited <sup>(5)</sup>
Exchange Place No. 2 Limited <sup>(5)</sup>	

(1) Agency companies of Berkeley Homes plc

(2) Agency companies of The Crosby Group plc

(3) Agency companies of The Beaufort Homes Development Group plc

(4) Agency companies of St George PLC

(5) The substance of the acquisition of these companies was the purchase of land for development and not of a business, and as such, fair value accounting and the calculation of goodwill is not required.

### ***Commercial property and other activities***

Berkeley Commercial Developments Limited† Berkeley Festival Development Limited† Berkeley Portsmouth Harbour Limited†  
The Berkeley Festival Waterfront Company Limited† Berkeley Eastoak Investments Limited (*Jersey*)†

† Direct subsidiaries of the parent Company

The Group has interests in the following joint ventures which are registered and operate in England and Wales (except where stated in italics) and which are all 50 per cent owned, except where stated:

	<u>Accounting date</u>	<u>Principal activity</u>
<i>Joint ventures</i>		
Argent St George Limited . . . . .	31 December	Mixed-use
Berkeley Breamore (Oceana) Limited . . . . .	30 April	Commercial property
Berkeley Gemini Limited . . . . .	30 April	Mixed-use
Berkeley Mansford Limited . . . . .	31 March	Commercial property
Berkeley Sutton Limited . . . . .	30 April	Residential housebuilding
Crosby: ASK Limited . . . . .	31 March	Commercial property
Crosby Peel Limited . . . . .	31 March	Residential housebuilding
Crosby Seddon Developments Limited . . . . .	30 April	Residential housebuilding
Hungate (York) Regeneration Limited (33.3%) . . . . .	30 April	Mixed-use
Ician Developments Limited . . . . .	30 April	Residential housebuilding
Saad Berkeley Investment Properties Limited ( <i>Jersey</i> ) . . . . .	30 April	Commercial property
Saad Berkeley Limited . . . . .	30 April	Residential housebuilding
St James Group Limited . . . . .	31 December	Residential housebuilding
Thirlstone Centros Miller Limited . . . . .	31 December	Residential housebuilding
UB Developments Limited . . . . .	30 April	Residential housebuilding

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

## Part 3

### 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 Ordinary Shares, and the issue to you of 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 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 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 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.

#### Chargeable gains on disposal of New Ordinary Shares or B Shares

For the purposes of UK taxation of chargeable gains, a disposal or part disposal of New Ordinary Shares or B Shares (including a Redemption of B Shares) by a holder of New Ordinary Shares or B Shares 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. The taxation of chargeable gains in respect of a Redemption of your B Shares is discussed in greater detail below.

#### 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.

The total amount of capital on the New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares 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.

Upon Redemption of a particular B Share, that part of the Redemption proceeds exceeding the capital apportioned to the B Share in question will be treated as an income distribution taxed in a similar manner to a dividend, as described below.

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.



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 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 comprising 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 below).

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

The Directors currently intend to pay the Proceeds per B Share by way of Redemption. However, if commercial or legal considerations dictate that the Proceeds per B Share in respect of the 2006 B Shares, 2008 B Shares and 2010 B Shares be paid by way of Special Dividend, you would not receive any Redemption proceeds on the Redemption of such B Shares and would therefore recognise a capital loss. This is subject to the provisions of Section 30 of the Taxation of Chargeable Gains Act 1992, which could apply in these circumstances to a corporate holder who would otherwise have incurred a capital loss, with the effect that this capital loss is disallowed by the Inland Revenue.

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 New Ordinary Shares or B Shares are attributable), you will generally not be subject to tax on any chargeable gain realised.

### **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 some 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 in respect of your Redemption proceeds.

### **Dividends (including any Special Dividends)**

Under current UK tax legislation, no amounts in respect of tax will be withheld at source from dividends (including any Special Dividend in the event that these are dictated by legal or commercial considerations) paid to you by Berkeley Holdings.

If you are an individual resident for tax purposes in the United Kingdom, and you receive a dividend, then you will be entitled to a tax credit equal to one-ninth of the amount of the dividend. You will be taxable on the aggregate of the dividend 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 dividend and related tax credit will be 32.5 per cent, giving an effective tax rate of 25 per cent of the net cash dividend received. There will be no repayment to you of the tax credit or any part of it in any circumstances.

A corporate holder of New Ordinary Shares or B Shares that is resident for tax purposes in the United Kingdom and receives a dividend paid by Berkeley Holdings will not be taxable on the receipt of that dividend but will also not be entitled to the repayment of any tax credit with respect to that dividend.

UK-exempt approved pension funds and charities will not be liable to income tax or corporation tax on dividends received by them from Berkeley Holdings and will not be entitled to claim a refund of all or part of the tax credits in respect of those dividends.

### **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.

Transfers on sale of New Ordinary Shares and B Shares comprised in Units will generally be subject to UK stamp duty at the rate of 0.5 per cent of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer New Ordinary Shares and B Shares comprised in Units will normally give rise to a charge to SDRT at a rate of 0.5 per cent of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the condition is satisfied) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is generally payable by the purchaser.

Paperless transfers of New Ordinary Shares and B Shares comprised in Units within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration payable under the relevant agreement to transfer shares. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of New Ordinary Shares and B Shares comprised in Units into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

### **Shareholders who hold their Ordinary Shares in PEPs and ISAs**

If you hold your 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 4

### Further information relating to the Scheme and the Berkeley Holdings Reduction of Capital

#### 1. DESCRIPTION OF THE PROPOSALS

The Return of up to £12 per Unit and the establishment of a new holding company for the Group entails a number of steps.

##### 1.1 The Scheme

Under the 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. The Scheme is subject to certain conditions, including the approval of Berkeley Shareholders and the approval of the Court.

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. Shareholders who 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, will receive the following:

<b>For every Ordinary Share</b>	<b>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)</b>
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Under the Scheme:

- (a) the 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 one Ordinary Share then held;
- (b) following the cancellation of the 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 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 Berkeley'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 be also 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 the Company will be owned by the 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 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 Ordinary Shares whose holdings are registered in CREST will automatically have their Units credited to their CREST account.

##### 1.2 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 the Company. Under the Berkeley Holdings Reduction of Capital, the capital of the Company 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 the Company 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 to confirm their 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 the Company to fulfil its obligations in relation to the B Shares.

### 1.3 The Return of up to £12 per Ordinary Share

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 Ordinary Share. The Return will be funded by Berkeley's own cash resources, the Facility Agreement, the reduction of working capital and the future earnings of the Group.

For every Ordinary Share held at 5.00 p.m. on 25 October 2004, Berkeley Holdings is proposing to return to Shareholders, subject to having sufficient funding and distributable reserves, up to £12 in aggregate in the period to 31 January 2011 as follows:

<u>Class of B Share</u>	<u>Expected Record Date</u>	<u>Proceeds per B Share</u>	<u>Approximate aggregate proceeds<sup>(1)</sup></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
<b>TOTAL</b>		<b>£12</b>	<b>£1.452 billion</b>

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

Payment of the Return of up to £12 per Ordinary Share is subject to a number of conditions being satisfied. These are described in paragraph 1.4 below.

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 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.

### 1.4 Conditions of the Proposals

#### *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 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 at the EGM;
- (c) the passing of the ordinary resolution approving the Berkeley Holdings 2004(b) LTIP at the EGM;
- (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.

#### ***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;
- (b) the passing of the ordinary resolution approving the Berkeley Holdings 2004(b) LTIP at the EGM;
- (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.

#### ***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 Ordinary Share is returned to Shareholders by 31 January 2011.

#### ***Payment of the Return of up to £12 per 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 summarised in paragraph 1.5 below.

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.

### **1.5 Financing of the Return**

The payment of £5 per 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.

### ***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 venture 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.

### ***Restrictions on Redemptions and Special Dividends on 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.

## **2. ADMISSION AND DEALINGS**

Application has been made to the UK Listing Authority for up to 144.5 million Units 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 Ordinary Shares is expected to be 25 October 2004. The last time for registration of Ordinary Shares is expected to be at 5.00 p.m. on 25 October 2004. Admission of the Units to the Official List of the UK Listing Authority will become effective and dealings in the Units are expected to commence on the London Stock Exchange at 8.00 a.m. on 26 October 2004, the Business Day following the Scheme Record 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 Ordinary Shares, accordingly, 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 Berkeley Holdings.

Units can be held in certificated or uncertificated form. On the Scheme Effective Date, share certificates for the Ordinary Shares will cease to be valid and, with respect to the Ordinary Shares held in uncertificated form, CRESTCo will be instructed to cancel the entitlements of the relevant Berkeley Shareholders with respect to those Ordinary Shares. The last date for registration of transfers of Ordinary Shares is expected to be 25 October 2004.

It is expected that certificates for Units will be posted by 5 November 2004 (or within 14 days of any alternative Scheme Effective Date).

Pending the despatch of certificates for Units, transfers of New Ordinary Shares, 2004 B Shares, 2006 B Shares, 2008 B Shares and 2010 B Shares, comprised in Units, in certificated form will be certified against the share registers of the Company. Temporary documents of title have not been, and will not be, issued in respect of the Units.

It is expected that the Units will be credited to CREST accounts on 26 October 2004.

All documents, certificates, cheques or other communications sent by or to Shareholders will be sent at their own risk and may be sent by post.

All mandates relating to payment of dividends on Ordinary Shares and all instructions given to Berkeley in relation to notices and other communications in force immediately prior to the Scheme Record Time will be, unless and until revoked or varied, deemed as from the Scheme Effective Date to be valid and effective mandates or instructions to the Company in relation to the corresponding holdings of New Ordinary Shares.

## **3. OVERSEAS SHAREHOLDERS**

The implications of the Scheme for Overseas Shareholders may be affected by the laws of the 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 the Company 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 the Company is unable to comply, or compliance with which the Company regards as unduly onerous, the Scheme provides that the Company 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 the Company 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 jurisdictions outside the United Kingdom.

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.

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.**



## Part 5

### 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 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 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 Company’s profits available for distribution equals or exceeds the aggregate amount payable by the 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 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 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 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 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 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 Company for £1 in aggregate, which amount shall be paid to such holder of 2006 B Shares as the Company may in its absolute discretion determine and payment of such amount shall be good discharge of the 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 Company's profits available for distribution equals or exceeds the aggregate amount payable by the 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 Company taking into account the 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 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 shall be redeemed by the 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 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 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 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 Company for £1 in aggregate, which amount shall be paid to such holder of 2008 B Shares as the 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 Company's profits available for distribution equals or exceeds the aggregate amount payable by the Company pursuant to paragraphs 4(b), (c) and (e) (as the case may be) in respect of the 2008 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 Company taking into account the 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 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 shall be redeemed by the 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 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 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 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 Company for £1 in aggregate, which amount shall be paid to such holder of 2010 B Shares as the Company may in its absolute discretion determine and payment of such amount shall be good discharge of the 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 Company's profits available for distribution equals or exceeds the aggregate amount payable by the 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 Company taking into account the 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 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 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 Company may, in its absolute discretion, determine and payment of such amount shall be good discharge of the 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 5, 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 will 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 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 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 6

### Additional Information

#### 1. INTRODUCTION

The Directors of the Company, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of those Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. INCORPORATION AND ACTIVITY OF THE BERKELEY GROUP HOLDINGS PLC

2.1 The Company was incorporated and registered in England and Wales on 7 July 2004 under the Companies Act as a private company limited by shares with registered number 5172586 and with the name Sandnumber Limited. On 19 August 2004 it re-registered as a public limited company and changed its name to The Berkeley Group Holdings plc.

2.2 The registered and head office of the Company is at Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG.

2.3 The Company has not traded nor prepared any accounts since its incorporation. PricewaterhouseCoopers LLP, whose address is Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ are the auditors of the Company and have been the only auditors of the Company since its incorporation.

2.4 PricewaterhouseCoopers LLP 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.

#### 3. SHARE CAPITAL OF THE BERKELEY GROUP HOLDINGS PLC

3.1 On incorporation the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each. Of such shares, one ordinary share was taken by the subscriber to the memorandum of association, Instant Companies Limited.

3.2 On 18 August 2004:

- (a) the transfer of the subscriber share to Mr R Perrins of Berkeley was approved and registered and the share was paid up in full in cash;
- (b) the authorised share capital was increased from £1,000 to £51,000 by the creation of 50,000 redeemable preference shares (“Redeemable Shares”) of £1 each; and
- (c) the 50,000 Redeemable Shares were created and issued in order to enable the Company to re-register as a public limited company. Following completion of the Scheme, the Redeemable Shares will continue to be held by the holder thereof, but will carry no rights to vote. Any Redeemable Shares issued may be redeemed by the Company by notice to the holder thereof and upon any redemption the shares will be cancelled and the Company will pay to the holder thereof the amount paid up on such shares. The Company intends to redeem the Redeemable Shares as soon as reasonably practicable after the Scheme Effective Date for an amount equal to the amount paid up on such shares.

3.3 On 19 August 2004, one ordinary share of £1 was issued and allotted to Mr G Fry. By resolutions passed on 23 August 2004:

- (a) each issued and un-issued ordinary share of £1 each in the capital of the Company was sub-divided into 20 ordinary shares of 5 pence each; and
- (b) the Berkeley Holdings Articles (as summarised in paragraph 4 of this Part 6) were adopted.

3.4 Accordingly, two Directors of Berkeley currently hold 40 New Ordinary Shares of 5 pence each. These shares are held on trust for Berkeley shareholders from time to time. Following the Scheme becoming effective, these shares will be transferred to the Company for no consideration.

3.5 Accordingly, as at the date of this document, the authorised and issued share capital of the Company is, and immediately prior to completion of the Scheme it will be, as follows:

<b>Class</b>	<b>Authorised</b>		<b>Issued and paid up</b>	
	<b>Number</b>	<b>Nominal Value</b>	<b>Number</b>	<b>Nominal Value</b>
New Ordinary Shares	20,000	£1,000	40	£2
Redeemable Shares	50,000	£50,000	50,000	£50,000

3.6 On 23 August 2004, a special resolution was passed that, subject to and conditional upon the New Ordinary Shares and B Shares to be issued by the Company pursuant to the Scheme having been registered in the name of the persons entitled thereto, the share capital of the Company be reduced (i) by reducing the nominal value of each B Share to 5 pence and (ii) by reducing the nominal value of each unissued B Share to 5 pence.

3.7 The holders of New Ordinary Shares have undertaken that, immediately following the Court sanctioning the Scheme of Arrangement, they will consent to an Extraordinary General Meeting of the Company being held at short notice at which they will pass resolutions to the following effect:

- (a) that the authorised share capital of the Company be increased by the creation of 184,980,000 New 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);
- (b) that, subject to and upon the Berkeley Holdings Reduction of Capital being confirmed by the Court and the Redeemable Shares in the capital of the Company being redeemed, new articles of association be adopted, such articles being identical to the Berkeley Holdings Articles save for the deletion of references to the Redeemable Shares and the inclusion of a clause setting out the capital of the Company following the confirmation of the Berkeley Holdings Reduction of Capital and the redemption of the Redeemable Shares;
- (c) that the Directors are generally and unconditionally authorised in accordance with section 80 of the Companies Act to allot relevant securities (within the meaning of that section):
  - (i) up to an aggregate of 122 million Units as required for the purposes of the Scheme such authority to expire on 26 October 2005 save that the Company, pursuant to the authority granted by that resolution, may enter into a contract to allot relevant securities which would or might be completed wholly or partly after such expiry;
  - (ii) such number of Units to the extent required for the purpose of satisfying Awards made under the Berkeley Holdings 2004 (b) LTIP, such authority to expire five years following the date of the resolution save that the Company, pursuant to the authority granted by that resolution, may enter into a contract to allot relevant securities which would or might be completed wholly or partly after such expiry; and
  - (iii) up to an aggregate of 42,133,801 Units (representing the aggregate of approximately one-third of the expected issued share capital of the Company immediately following completion of the Scheme and the Berkeley Holdings Reduction of Capital and the number of Units which may be issued upon the exercise of options granted under the Berkeley Employee Share Schemes) on such terms as the Directors think fit, such authority to expire on 26 October 2005 or, if later the conclusion of the next annual general meeting of the Company, save that the Company, pursuant to the authority granted by that resolution, may enter into a contract to allot relevant securities which would or might be completed wholly or partly after such expiry;
- (d) that the Directors are generally empowered (pursuant to section 95 of the Companies Act) (i) to allot equity securities (as defined in section 94(2) of the Companies Act) or (ii) to sell relevant shares (as defined in section 94(5) of the Companies Act) out of treasury for cash as if section 89(1) of the Companies Act did not apply to such allotment or sale (A) in connection with the section 80 authority referred to in paragraph 3.7(c)(ii) above; and (B) in connection with the section 80 authority referred to in paragraph 3.7(c)(iii) above:
  - (i) pursuant to an offer to holders of Units in the capital of the Company in proportion (as nearly as practicable) to their existing holdings of Units but subject to such exclusions or other

arrangements in relation to fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of a regulatory body; and

- (ii) up to an aggregate 6,100,000 Units (representing approximately 5 per cent of the expected issued share capital of the Company immediately following implementation of the Scheme), but so that the Company, pursuant to the power granted by that resolution, may enter into a contract to allot equity securities which would or might be completed wholly or partly after the expiry of such power;
- (e) conditional upon the Reduction of Capital becoming effective, the Company be and is hereby generally and unconditionally authorised for the purposes of Section 166 of the Companies Act to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act) of Units subject to the following restrictions and provisions:
  - (i) the maximum number of Units hereby authorised to be purchased is 12,100,000 Units (representing approximately 10 per cent of the expected issued share capital of the Company immediately following completion of the Scheme and the Berkeley Holdings Reduction of Capital);
  - (ii) the minimum price which may be paid for a Unit is 25 pence (exclusive of expenses);
  - (iii) the maximum price which may be paid for a Unit and for each share comprised in a Unit is an amount (exclusive of expenses) being not more than 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five Business Days immediately preceding the day on which the Ordinary Share is contracted to be purchased;
  - (iv) unless previously revoked or varied, this authority to expire on 26 October 2005 or, if later, the conclusion of the Annual General Meeting of the Company to be held in 2005; and
  - (v) the Company may make a contract to purchase Units under this authority before the expiry of such authority, and may make a purchase of Units pursuant to any such contract which purchase or contract would or might be executed wholly or partly after the expiration of such authority.

3.8 Save as disclosed in this paragraph 3, at the date of this document:

- (a) there has been no issue of shares or loan capital of the Company since its incorporation; and
- (b) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.9 At the date of this document the Company has no subsidiaries and, accordingly, there has been no material issue of share or loan capital by any subsidiary undertaking of the Company for cash or other consideration.

3.10 The Units will, when issued, be in registered form and will be capable of being held in uncertificated form. No temporary documents of title have been or will be issued in respect of the Units.

3.11 The Units have not been marketed and are not available in whole or in part to the public otherwise than pursuant to the Scheme.

3.12 No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of the Company.

3.13 The Redeemable Preference Shares will not be listed or traded and will carry no rights to vote (other than at any meeting of its class).

3.14 Under the Scheme, the Company will issue New Ordinary Shares and B Shares, credited as fully paid, to the Scheme Shareholders on the basis of one New Ordinary Share, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share for every Ordinary Share held at the Scheme Record Time. It is proposed then to redeem the Redeemable Preference Shares. Accordingly, the proposed authorised, issued and fully-paid share capital of the Company as it will be immediately following Admission (on the basis that the



Redeemable Preference Shares have been redeemed and that all options in Berkeley exercisable on or before the Scheme Record Time have been exercised) will be as follows:

<u>Class</u>	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Nominal Value</u>	<u>Number</u>	<u>Nominal Value</u>
New Ordinary Shares	185,000,000	£0.05	120,413,329	£0.05
2004 B Shares	185,000,000	£5.00	120,413,329	£5.00
2006 B Shares	185,000,000	£2.00	120,413,329	£2.00
2008 B Shares	185,000,000	£1.60	120,413,329	£1.60
2010 B Shares	185,000,000	£2.85 <sup>(1)</sup>	120,413,329	£2.85 <sup>(1)</sup>

(1) The nominal value of each 2010 B Share will be equal to the difference between the closing price of an 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). The above table assumes, for illustrative purposes, that the closing price of an Ordinary Share on the date the Scheme of Arrangement is sanctioned is £11.50.

3.15 Immediately following the Berkeley Holdings Reduction of Capital becoming effective, the proposed authorised, issued and fully paid share capital of the Company (on the basis that the Redeemable Preference Shares have been redeemed, that all options in Berkeley exercisable on or before the Scheme Record Time have been exercised and the closing price of an Ordinary Share on the date the Scheme of Arrangement is sanctioned is £11.50) will be as follows:

<u>Class</u>	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Nominal Value</u>	<u>Number</u>	<u>Nominal Value</u>
New Ordinary Shares	185,000,000	5p	120,413,329	5p
2004 B Shares	185,000,000	5p	120,413,329	5p
2006 B Shares	185,000,000	5p	120,413,329	5p
2008 B Shares	185,000,000	5p	120,413,329	5p
2010 B Shares	185,000,000	5p	120,413,329	5p

3.16 At 22 August 2004, on the basis that all options in Berkeley exercisable on or before the Scheme Record Time have been exercised the Group will have 1,369,385 outstanding options granted under the Berkeley Share Option Schemes and the Berkeley 2000 LTIP. Berkeley will not grant any further options or awards under the Berkeley Share Option Schemes.

#### **4. SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE BERKELEY GROUP HOLDINGS PLC**

##### **4.1 Memorandum of Association**

The principal objects of Berkeley Holdings (the “Company”) are to carry on the business of a holding company and to carry on any other activity in connection with the objects. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address as specified in paragraph 18 below.

##### **4.2 Articles of Association**

The articles of association of the Company (in this paragraph 4, the “articles”) were adopted on 23 August 2004 and contain (amongst others) provisions to the following effect. References to the “statutes” are to the Companies Act and every other Act for the time being in force relating to companies and affecting the Company.

##### ***Share Rights***

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

The rights and restrictions attached to the Units are summarised in Part 5 of this document.

### ***Redeemable Shares***

The holders of Redeemable Preference Shares (the “Redeemable Shares”) shall be entitled, in priority to the holders of any other class of share in the Company’s share capital, to receive out of the profits of the Company available for distribution and resolved under the articles to be distributed in respect of each financial year of the Company a fixed non-cumulative preferential dividend (the “Redeemable Dividend”) at the rate of 0.0000001 per cent per annum on the amount for the time being paid up or credited as paid up on each Redeemable Share held by them respectively.

The Redeemable Dividend shall accrue pro rata on the basis of a 365 day year and shall, to the extent the Company has profits available for distribution and has resolved to do so in its articles, be payable annually in arrear on 31 January (or if such date is not a Business Day on the next following Business Day) in each year in respect of the year ending on that date. The first such payment shall be made on 31 January 2005 in respect of the period from the date of issue of the Redeemable Shares concerned until 31 January 2005. The Redeemable Dividend shall be paid to the holders of the Redeemable Shares whose names appear on the register two Business Days before the relevant dividend payment date.

On a distribution of assets of the Company among its members on a winding-up or other return of capital (other than a redemption or purchase by the Company of its own shares), the holders of the Redeemable Shares shall be entitled, in priority to any holder of any other class of shares, to receive an amount equal to the aggregate of the capital paid up on each Redeemable Share together with a sum equal to any arrear of any declared but unpaid Redeemable Dividend payable on such share calculated up to and including the date of the commencement of the winding-up or (in any other case) the date of the return of capital.

Save as provided above, the holders of the Redeemable Shares shall not be entitled to any participation in the profits or assets of the Company.

A holder of Redeemable Shares shall be entitled to receive notice of and to attend any general meeting of the Company but shall not have the right to vote in respect of its holding of Redeemable Shares subject to the following exceptions:

- (a) if at the date of notice of the meeting payment of any part of any Redeemable Dividend is to that holder for whatever reason in arrear for more than six months, that holder shall be entitled to attend, speak and vote on any resolution at such meeting or any adjournment of it; or
- (b) if it is proposed at the meeting to consider any resolution approving the purchase by the Company of its own shares, a reduction in the capital of, or the winding-up of the Company, holders of Redeemable Shares shall be entitled to attend such a meeting and to speak and vote only on such resolution or any motion for adjournment of the meeting before such resolution is voted on; or
- (c) if it is proposed at the meeting to consider any resolution which abrogates or varies or otherwise directly affects the special rights and privileges attaching to the Redeemable Shares, holders of Redeemable Shares shall have the right to attend such a meeting and to speak and vote only on such resolution or any motion for adjournment of the meeting before such resolution is voted on.

### ***Voting Rights of Members***

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.

On a poll votes may be given personally or by proxy and a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

### ***Dividends and Other Distributions***

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Subject to the provisions of the statutes, the Directors may:

- (a) from time to time pay such interim dividends as they think fit; and
- (b) also pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.

If the Directors act in good faith, they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the statutes.

Subject to the rights of persons, if any, entitled to shares with any priority, preference or special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purpose of the articles as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.

The Directors may deduct from any dividend or other monies payable to any member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to shares of the Company.

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder or otherwise by operation of law) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Any general meeting declaring a dividend may, upon the recommendation of the Directors, direct payment of such dividend wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other body corporate, and the Directors shall give effect to such direction.

All dividends and other distributions shall be paid (subject to any lien of the Company) to those members whose names shall be on the Register at the date at which such dividend shall be declared or at such other time and/or date as the Company by ordinary resolution or the Directors may determine.

The Company may pay any dividend or other monies payable in cash in respect of shares by direct debit, bank or other funds transfer system (subject always, in the case of uncertificated shares, to the facilities and requirements of the relevant system concerned, where payment is to be made by means of such system), or by cheque, dividend warrant or money order and may remit the same by post directed to the registered address of the holder or person entitled thereto (or, in the case of joint holders or of two or more persons entitled thereto, to the registered address of the person whose name stands first in the Register), or to such person and to such address as the holder or joint holders or person or persons may in writing direct, and the Company shall not be responsible for any loss of any such cheque, warrant or order nor for any loss in the course of any such transfer or where it has acted on any such directions.

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other monies payable on or in respect of a share shall bear interest against the Company.

All dividends or other sums payable on or in respect of any share (including amounts payable on redemption) which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years or more after becoming due for payment shall be forfeited and shall revert to the Company. The payment of any unclaimed dividend or other sum payable by the Company on or in respect of any share into a separate account shall not constitute the Company a trustee thereof.

### ***Variation of Rights***

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may, subject to the provisions of the statutes, whether or not the Company is being wound-up, be modified, abrogated or varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the B Shares, and such creation, allotment or issue of 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 the Company 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 the Company 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).

#### ***Form and Transfer of Units***

- (a) The Units are in registered form.
- (b) The Ordinary Shares and B Shares shall only be transferable as part of a Unit. Each Unit will comprise an Ordinary Share and:
  - (i) prior to their redemption in accordance with the articles, a 2004 B Share;
  - (ii) prior to their redemption in accordance with the articles, a 2006 B Share;
  - (iii) prior to their redemption in accordance with the articles, a 2008 B Share; and
  - (iv) prior to their redemption in accordance with the articles, a 2010 B Share.
- (c) A transfer of any share shall only be valid if it also transfers to the same transferee the same number of shares of each class that, at the time of the transfer, form part of a Unit.
- (d) These provisions shall apply to any redemption or purchase by the Company of shares of a class that is, at the time of such redemption or purchase, comprised within a Unit (whether or not made for valuable consideration) save where all shares of the same class are contemporaneously redeemed or otherwise acquired by the Company.
- (e) All transfers of uncertificated Units shall be made in accordance with and be subject to the provisions of the Regulations and the facilities and requirements of the relevant system and, subject thereto, in accordance with any arrangements made by the Directors pursuant to the articles.
- (f) All transfers of certificated Units shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve.
- (g) The instrument of transfer of any certificated Unit in the Company shall be signed by or on behalf of the transferor (and, in the case of a Unit which is not fully paid, shall also be signed by or on behalf of the transferee). In relation to the transfer of any Unit (whether a certificated or an uncertificated Unit) the transferor shall be deemed to remain the holder of the Unit until the name of the transferee is entered in the Register in respect thereof.
- (h) The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any Unit, which is not in respect of fully-paid New Ordinary Shares or B Shares, (whether certificated or uncertificated) provided that, where any such Units, comprising New Ordinary Shares and B Shares, are admitted to the Official List of the UK Listing Authority, such discretion may not be exercised in a way which prevents dealings in the Units of the relevant class or classes from taking place on an open or proper basis. The Directors may likewise refuse to register any transfer of a Unit (whether certificated or uncertificated), whether fully-paid or not, in favour of more than four persons jointly. Any discretion to refuse to register any transfer of a share that is of a class that, at the relevant time, is comprised within a Unit, must be exercised by the Directors in a like manner in respect of all such shares.

In relation to a Unit in certificated form, the Directors may decline to recognise any instrument of transfer unless:

- (a) the instrument of transfer is left at the Office, or at such other place as the Directors may from time to time determine, accompanied by the certificate(s) of the Units to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (b) the instrument of transfer complies with the provisions of the articles.

#### ***Alteration of Capital***

The Company may from time to time by ordinary resolution increase its share capital by such sum, to be divided into shares of such amount, as the ordinary resolution shall prescribe. All new shares shall be subject to the

provisions of the articles with reference to allotment, payment of calls, forfeiture, lien, transfer and transmission and otherwise.

The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger nominal value than its existing shares;
- (b) sub-divide all or any of its share capital into shares of smaller nominal value, provided that:
  - (i) in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
  - (ii) the ordinary resolution whereby any share is sub-divided may determine that as between the resulting shares one or more of such shares may be given any preference or advantage or be subject to any restriction as regards dividend, capital, voting or otherwise over the others or any other of such shares;
- (c) cancel any shares which, at the date of the passing of the ordinary resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

### ***Directors***

(a) *Appointment of Directors*

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting of the Company and is then eligible for election by shareholders but is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

(b) *Regular submission of Directors for re-election*

At every annual general meeting, there shall retire from office any Director who shall have been a Director at each of the preceding two annual general meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting. A retiring Director shall be eligible for re-appointment. A Director retiring at a meeting shall, if he is not re-appointed at such meeting, retain office until the meeting appoints someone in his place, or if it does not do so, until the conclusion of such meeting.

(c) *Removal of Directors by ordinary resolution*

The Company may by ordinary resolution of which special notice has been given in accordance with the statutes remove any Director before the expiration of his period of office.

(d) *Remuneration of Directors*

The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum (excluding amounts payable under any other provision of the articles) of £250,000 or such larger amount as the Company may by ordinary resolution determine) and such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

(e) *Pensions and gratuities for Directors*

The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits (whether or not similar to the foregoing) to (or to any person in respect of) any persons who are or have at any time been Directors of or employed by or in the service of the Company or of any body corporate which is or was a subsidiary undertaking or a parent undertaking of the Company or another subsidiary undertaking of a parent undertaking of the Company or otherwise associated with the Company or any such body corporate, or a predecessor in business of the Company or any such body corporate, and to the wives, widows, children and other relatives and dependants of any such persons and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds (whether contributory or non-contributory) for the benefit of such persons or any of them or any class of them, and so that any Director or former Director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance or other benefit (whether under any such trust, fund or scheme or otherwise).

(f) *Permitted interests of Directors*

Subject to the provisions of the statutes, a Director may hold any other office or place of profit under the Company, except that of Auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Any such remuneration shall be in addition to any remuneration provided for by any other provisions in the article.

No Director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity or as a seller, buyer or otherwise. Subject to the provisions of the statutes and save as therein provided no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but he shall declare the nature of his interest in accordance with the statutes.

A Director of the Company may be or continue as or become a director or other officer, servant or member of, or otherwise interested in, any body corporate promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received or receivable by him as a director or other officer, servant or member of, or from his interest in, such other body corporate.

(g) *Restrictions on voting*

A Director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Companies Act) is to his knowledge a material interest otherwise than by virtue of interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (iv) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he or any person connected with him (within the meaning of section 346 of the Companies Act) is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons so connected with him do not to his knowledge hold an interest (within the meaning of sections 198 to 211 of the Companies Act) in one per cent or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
- (v) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or advantage not generally accorded to the employees to whom the scheme relates; and
- (vi) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of any Directors or for the benefit of persons including Directors.

A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

(h) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and, subject to the provisions of the statutes to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the New Group and for the time being owing to persons outside the New Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed a sum equal to two and a half times the aggregate of:

- (i) the amount paid up on the issued share capital of the Company; and
- (ii) the total of the capital and revenue reserves of the New Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss account) in each case, whether or not such amounts are available for distribution;

(i) *Removal of Directors by ordinary resolution*

The Company may by ordinary resolution, of which special notice has been given in accordance with the provisions of the statutes, remove any Director before the expiration of his period of office notwithstanding anything in the articles or in any agreement between the Company and such Director. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.

## 5. DIRECTORS AND COMPANY SECRETARY OF THE COMPANY

5.1 The business address of each of the Directors and Company Secretary is Berkeley House, 19 Portsmouth Road, Cobham, Surrey KT11 1JG. Their full names and functions within the New Group are as set out below.

5.2 Brief histories of the Directors and Company Secretary are as follows:

### **Roger St. John Hulton Lewis FCA – Chairman, Age 57**

Appointed Group Chairman on 1 February 1999. He joined Berkeley in 1991 and was appointed a Group Main Board Director in early 1992.

**Anthony William Pidgley – Managing Director, Age 57**

Co-founder of Berkeley in 1976 with Jim Farrer. He is the Group Managing Director.

**Antony Carey BSc FRICS – Director, Age 56**

Joined St George PLC in 1987 and was appointed Managing Director of that division in 1990. He joined the Group Main Board in 1993.

**Gregory John Fry ACA – Director, Age 47**

Joined Berkeley in 1982 and has been a director of St George PLC from its inception in 1986. He is currently Chairman of the Division's four principal operating companies. He was appointed to the Group Main Board with effect from 1 May 1996.

**Robert Charles Grenville Perrins BSc (Hons) ACA – Group Finance Director, Age 39**

Joined Berkeley in 1994 having qualified as a chartered accountant with Ernst & Young in 1991. He was appointed to the Group Main Board on 1 May 2001 on becoming Managing Director of Berkeley Homes plc, before moving to his current role as Group Finance Director on 2 November 2001.

**David Howell – Non-executive Director, Age 55**

Appointed a Non-executive Director on 24 February 2004. He is currently the Chief Financial Officer and a Main Board Director of lastminute.com plc. He was previously Group Finance Director of First Choice Holidays plc from 1998 to 2001 and has served as a Non-executive Director at Nestor Healthcare Group plc from 2000 to 2003.

**Victoria Maureen Mitchell – Non-executive Director, Age 53**

Appointed a Non-executive Director on 1 May 2002. Formerly an Executive Director of Savills plc, she is now a Consultant Director of FPD Savills Limited, a member of ING REIM Residential Property Fund Advisory Board, a Non-executive Director of The Golding Group (South Africa), and Development Securities plc.

**Horace Anthony Palmer FRICS FCIQB – Non-executive Director, Age 67**

Appointed a Non-executive Director on 1 January 1998, having retired as Chief Executive of Taylor Woodrow plc. He is currently Chairman of Galliford Try and Pilkington's Tiles Group.

**Elizabeth Taylor FCIS – Company Secretary, Age 40**

Appointed Company Secretary on 1 February 2004. She was previously Deputy Company Secretary of Spectris plc from 2002 to 2004. Prior to this, from 1995 up to 2002, she held the position of Company Secretary at Asprey plc, the UK division of Tempus Group plc and Bentalls plc.

5.3 The details of those companies and partnerships outside the New Group of which the Directors are currently directors or partners, or have been directors or partners at any time during the previous five years prior to the date of this document, are as follows:

<u>Name of Director</u>	<u>Current directorships and partnerships</u>	<u>Previous directorships and partnerships</u>
R St J H Lewis	St Aubyns School Trust Limited	B & C A Investments Limited (Jersey); B & C A Trading Limited (Jersey); BAS Trustees Limited; Hilgrove (David House) Limited; Beaupre Estates Limited
V M Mitchell	FPD Savills Limited; Development Securities plc; The Golding Group (South Africa)	Fastcrop plc; Clea Limited; Savills plc; Urban Villages Forum
D Howell	lastminute.com plc; Online Travel Corporation plc	First Choice Holidays plc; Nestor Healthcare Group plc
H A Palmer	Galliford Try plc; Englemere Limited, Pilkingtons Tiles Group plc	Parker Plant Limited; Foundation for the Built Environment; HSB Engineering Insurance Limited; Monocon Holdings Limited; Saint-Gobain Building Distribution Limited, Monocon International Refractories Limited; Parker Plant International Limited; The Palmer Consultancy Limited; High-point Rendel Group plc

5.4 At the date of this document none of the Directors of the Company:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been bankrupt or entered into an individual voluntary arrangement;
- (c) was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (d) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; and
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of the company.

## **6. DIRECTORS' AND OTHER INTERESTS IN BERKELEY HOLDINGS**

6.1 Assuming that no further 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 Ordinary Shares:

<b>Director</b>	<b>Number of Ordinary Shares</b>	<b>Per cent of issued Ordinary Shares</b>	<b>Number of Units<sup>(2)</sup></b>	<b>Per cent of issued share capital of Berkeley Holdings<sup>(2)</sup></b>
Roger Lewis	272,000	0.226	273,576	0.227
Tony Pidgley <sup>(1)</sup>	1,996,598	1.659	2,003,403	1.665
Tony Carey	183,765	0.153	186,415	0.155
Greg Fry	100,099	0.083	100,565	0.084
Rob Perrins	27,300	0.023	42,530	0.035
David Howell	–	–	–	–
Victoria Mitchell	1,250	0.001	1,250	0.001
Tony Palmer	5,000	0.004	5,000	0.004

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

(2) These figures assume the Directors exercise all options currently exercisable and the options which become exercisable by virtue of the Scheme (which will not include awards under the LTIP and options granted under the Berkeley Unapproved 2000 Option Plan granted in 2002, 2003 and 2004).

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

6.2 In addition to their having an interest in 2,586,012 Ordinary Shares as detailed in paragraph 6.1 above, the Directors also have interests in Ordinary Shares as at the date referred to in paragraph 6.1 above as a result of their participation in the Berkeley Employee Share Schemes. These interests were as follows:

<b>Director</b>	<b>Scheme</b>	<b>Date of Grant</b>	<b>Number of Ordinary Shares</b>	<b>Exercise Price (pence)</b>	<b>Normal Expiry Date for Options/Share Vesting Date for LTIP Awards</b>
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.

6.3 The interests of the Directors in the share capital are set out in paragraph 6.1 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 average of the volume weighted average price for an 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 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 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.

6.4 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 Ordinary Shares which amount to 1,077,317 as at 22 August 2004 (the latest practicable date prior to publication of this document).

6.5 The above interests (all of which are beneficial unless otherwise specified) of the Directors in 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 of Berkeley, 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.

6.6 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 New Group.

6.7 In so far as is known to the Company, (a) no person (other than a Director and other than Berkeley Holdings 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:

<b>Name</b>	<b>Current holding of Ordinary Shares</b>	<b>Per cent of issued Ordinary Shares</b>	<b>Number of Units</b>	<b>Per cent of issued share capital of Berkeley Holdings</b>
Saad Investments Company Ltd & 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 Limited . . . . .	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 Ordinary Shares have been issued after that date, whether pursuant to the exercise of options or otherwise.

No treasury shares are held by the Company.

6.8 Save as disclosed in paragraph 6.7 above, the Company is not aware of any person who is, or will be, immediately following the Scheme directly or indirectly, interested in three per cent or more of the Units or of Berkeley Holding's share capital upon the Scheme becoming effective (in each case calculated exclusive of treasury shares).

6.9 The Company is not currently aware of any person who, following implementation of the Scheme, directly or indirectly, acting jointly with others or acting alone, could exercise control over the Company.

6.10 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the New Group and which was effected by any member of the New Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

6.11 None of the Directors had a beneficial interest in any contract to which the Company or its subsidiaries was a party during the current or immediately preceding financial year.

6.12 There are no outstanding loans or guarantees granted or provided by the Company or any of its subsidiaries for the benefit of any Director.

## 7. DIRECTORS' SERVICE AGREEMENTS

7.1 The remuneration (including salary and other benefits) payable under the Chairman's, Executive Directors' and Non-executive Directors' service agreements for each of the three financial years ended 30 April 2004 is set out below along with an estimate for the year ended 30 April 2005. The bonus and benefit in kind element of the remuneration given below for the year ended 30 April 2005 has been prepared using the arrangements in force as at the date hereof and is based on management's best estimate.

	Year ended 30.4.04			Year ended
	Salary/fees £	Bonus £	Benefits in kind <sup>(12)</sup> £	30.04.05 Estimated Salary
<i>Executive Directors</i>				
R St J H Lewis (Chairman) <sup>(1)</sup> . . . . .	220,000	165,000	1,054	220,000
A W Pidgley . . . . .	750,000	1,500,000	33,883	750,000
A Carey . . . . .	405,000	498,509	31,093	405,000
G J Fry . . . . .	290,000	259,735	29,611	290,000
R C Perrins . . . . .	325,000	650,000	22,765	325,000
<i>Non-executive Directors</i>				
D Howell <sup>(2)</sup> . . . . .	6,190	–	–	41,400
V M Mitchell <sup>(3)</sup> . . . . .	44,000	–	–	41,400
H A Palmer . . . . .	30,000	–	–	45,500
<i>Former Directors</i>				
T Farrow <sup>(4)</sup> . . . . .	–	–	13,749	–
G Hutchinson <sup>(5)</sup> . . . . .	98,077	–	7,511	–
D S Sach <sup>(6)</sup> . . . . .	3,765	–	–	–
F Wellings <sup>(7)</sup> . . . . .	17,000	–	–	–
	<u>2,189,032</u>	<u>3,073,244</u>	<u>139,666</u>	<u>2,118,300</u>
Estimated bonuses and benefits in kind for Executive and Non-executive Directors for the year ended 30 April 2005 . . . . .				<u>3,200,000</u>
Aggregate remuneration . . . . .	<u>2,189,032</u>	<u>3,073,244</u>	<u>139,666</u>	<u>5,318,300</u>

	<b>Salary/fees</b>	<b>Bonus</b>	<b>Benefits in kind<sup>(12)</sup></b>	<b>Compensation for loss of office</b>	<b>2003 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Executive Directors</i>					
R St J H Lewis (Chairman) <sup>(1)</sup> . . . . .	210,000	100,000	3,004	–	<b>313,004</b>
A W Pidgley . . . . .	650,000	1,500,000	32,596	–	<b>2,182,596</b>
A Carey . . . . .	385,000	438,704	30,165	–	<b>853,869</b>
T Farrow <sup>(4)</sup> . . . . .	250,000	–	23,242	–	<b>273,242</b>
G J Fry . . . . .	275,000	227,645	26,335	–	<b>528,980</b>
G Hutchinson . . . . .	275,000	150,000	23,396	–	<b>448,396</b>
R C Perrins . . . . .	250,000	600,000	23,646	–	<b>873,646</b>
<i>Non-executive Directors</i>					
V M Mitchell <sup>(8)</sup> . . . . .	30,000	–	–	–	<b>30,000</b>
H A Palmer . . . . .	30,000	–	–	–	<b>30,000</b>
D S Sach . . . . .	33,000	–	–	–	<b>33,000</b>
F Wellings . . . . .	33,000	–	–	–	<b>33,000</b>
<i>Former Directors</i>					
M J Freshney <sup>(9)</sup> . . . . .	16,000	–	1,943	38,723	<b>56,666</b>
	<u>2,437,000</u>	<u>3,016,349</u>	<u>164,327</u>	<u>38,723</u>	<u><b>5,656,399</b></u>
				<b>Compensation</b>	<b>2002</b>
	<b>Salary/fees</b>	<b>Bonus<sup>(13)</sup></b>	<b>Benefits in kind<sup>(12)</sup></b>	<b>for loss of office</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>Executive Directors</i>					
R St J H Lewis (Chairman) . . . . .	300,000	517,178	18,897	–	<b>836,075</b>
A W Pidgley . . . . .	600,000	850,000	20,085	–	<b>1,470,085</b>
A Carey . . . . .	350,000	801,380	23,880	–	<b>1,175,260</b>
T Farrow . . . . .	250,000	50,000	12,143	–	<b>312,143</b>
G J Fry . . . . .	250,000	712,347	19,753	–	<b>982,100</b>
G Hutchinson . . . . .	250,000	762,500	17,863	–	<b>1,030,363</b>
R C Perrins <sup>(10)</sup> . . . . .	200,000	150,000	15,111	–	<b>365,111</b>
<i>Non-executive Directors</i>					
H A Palmer . . . . .	27,000	–	–	–	<b>27,000</b>
D S Sach . . . . .	29,000	–	–	–	<b>29,000</b>
F Wellings . . . . .	29,000	–	–	–	<b>29,000</b>
<i>Former Directors</i>					
M J Freshney . . . . .	192,000	–	11,321	–	<b>203,321</b>
D H Martin <sup>(11)</sup> . . . . .	27,885	–	2,279	92,000	<b>122,164</b>
	<u>2,504,885</u>	<u>3,843,405</u>	<u>141,332</u>	<u>92,000</u>	<u><b>6,581,622</b></u>

(1) From 1 April 2002 Mr Lewis reduced his working hours to three and a half days per week.

(2) Appointed as a Director on 24 February 2004.

(3) £10,000 of the fees paid to Mrs Mitchell relate to the additional time commitment involved in implementing the new remuneration policy adopted at the EGM held on 24 February 2004.

(4) Resigned as a Director on 31 May 2003. Mr Farrow received no salary in the year to 30 April 2004 but retained the use of his company car until 30 November 2003.

(5) Resigned as a Director on 27 August 2003. Mr Hutchinson is the Managing Director of The Crosby Group plc. He resigned from the Board following the subscription for new shares in The Crosby Group plc by him and the other members of the Crosby management team, as announced to the London Stock Exchange on 28 August 2003.

(6) Resigned as a Director on 11 June 2003.

(7) Resigned as a Director on 5 December 2003.

(8) Appointed as a Director on 1 May 2002.

(9) Resigned as a Director on 31 May 2002.

(10) Appointed as a Director on 1 May 2001.

(11) Resigned as a Director on 26 June 2001.

(12) Benefits in kind relate principally to the provision of a fully expensed motor vehicle and private healthcare.

(13) In 2002 share and cash payments received in respect of awards vesting under the Long Term Executive Incentive Scheme were included with Directors' remuneration. For the year ended 30 April 2002, the remuneration for Messrs. Lewis, Carey, Fry and Hutchinson included relevant amounts of £467,178, £390,652, £500,000 and £562,500 respectively. 2002 was the final year such payments were disclosed within this section of the Remuneration Report. In consequence, subsequent years' reported bonuses exclude such amounts.

Where Directors were appointed, or resigned, during the year, the figures in the tables above relate only to the time when the relevant Director was a Main Board Director.

7.2 During the past financial year, Rob Perrins waived a bonus entitlement to £100,000. In addition, the Executive Directors have agreed to the replacement of the Berkeley 2004 LTIP, under which no new awards have been or will be granted, with a new management incentive plan. Save as set out in the preceding two sentences, there are no arrangements under which the Directors have waived or agreed to waive future emoluments and no emoluments have been waived during the past financial year.

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

#### 7.4 Executive Directors' Service Contracts

Roger Lewis is the Chairman of the Company and is employed by Berkeley under a service contract dated 24 June 1994. Mr Lewis is paid an annual salary of £220,000.

Tony Pidgley is employed by Berkeley under a service contract dated 24 June 1994. Mr Pidgley is paid an annual salary of £750,000.

Rob Perrins is employed by Berkeley under a service contract dated 23 December 1993. Mr Perrins is paid an annual salary of £325,000.

Tony Carey is employed by St George PLC under a service contract dated 20 September 1994 with Berkeley. Mr Carey is paid an annual salary of £405,000.

Greg Fry is employed by St George PLC under a service contract dated 27 June 1996. Mr Fry is paid an annual salary of £290,000.

The employment of all the Executive Directors, can be terminated on 364 days' notice by the executive or his employer. The service contracts do not provide for pre-determined compensation payable on early termination of the contract.

All of the Executive Directors are eligible to participate in the Berkeley Employee Share Schemes and will be eligible to participate in the Berkeley Holdings Employee Share Schemes. Under the terms of their employment Messrs Lewis, Pidgley and Perrins are all members of The Berkeley Final Salary Plan. Such membership is, in the case of Messrs Lewis and Perrins, on a non-contributory basis. In addition Mr Pidgley is a member of the Berkeley Homes Retirement Benefit Scheme (a defined contribution pension plan) to which Berkeley contributes 5 per cent of Mr Pidgley's basic salary. In all cases only the Executive Directors' basic salary is pensionable and they do not receive any other pension related benefits.

Under the terms of their employment Messrs Carey and Fry are non-contributory members of the St George Scheme. Only their basic pay is pensionable. They do not receive any other pension related benefits.

All of the Executive Directors receive permanent health insurance, life assurance, private medical insurance, a company car and have a normal retirement age of 65. Messrs Lewis, Pidgley and Perrins receive 25 days holiday per year and Messrs Carey and Fry receive 28 days holiday per year.

If the Scheme becomes effective the performance bonus payable to the Executive Directors in respect of the period from 1 May 2004 will be capped at 200 per cent of salary save in very exceptional circumstances and with the prior consultation and agreement of the Company's shareholders. In such exceptional circumstances the bonus will be capped at 300 per cent of salary. For Messrs Lewis, Pidgley and Perrins the performance targets for the first half of the financial year will be based on the return on capital employed by the Group. For the second half of the financial year the performance targets will be based on profit and cash generation targets for the New Group. Messrs Carey and Fry's performance targets for the first half of the financial year are 75 per cent based on the performance of the divisions for which they are responsible and 25 per cent based on the return of capital employed by the Group. For the second half of the financial year the performance targets are 75 per cent based on profit and cash generation targets of the divisions for which they are responsible and 25 per cent based on profit and cash generation targets for the New Group. They also participate in a profit related pay scheme operated by St George PLC which is based on divisional performance. The aggregate of the amounts payable to Messrs Carey and Fry under these arrangements is subject to the capping set out above. On an ongoing basis the Remuneration Committee will continue to set robust and challenging performance targets at the beginning of each financial year taking into account the business plan for that year and general market conditions.

Bonuses earned by the Executive Directors are paid in cash up to 100 per cent of their respective salaries. Any bonus earned above this level by the Executive Directors will be invested, after the payment of tax, in Units which must be retained for 18 months.

If the Scheme becomes effective, the Executive Directors referred to above will continue to be employed by Berkeley on the terms described above and no new service contracts will be entered into with the Company in connection with the Scheme.

#### **7.5 Non-executive Directors' letters of appointment**

The Non-executive Directors of the Company are David Howell, Victoria Mitchell and Tony Palmer. The Non-executive Directors received appointment letters from the Company dated 19 August 2004 the terms of which are conditional upon the Scheme becoming effective. Under the terms of these letters of appointment the appointment of the Non-executive Directors is for an initial fixed period until 30 April 2005 subject to early termination by either party on one month's notice. The terms of the appointment letters contain share-holding requirements.

Under the term of their letters of appointment the Non-executive Directors, save for Mr Palmer, receive fees of £36,400 per annum each (pro-rated for the initial fixed period). Mr Palmer receives an annual fee of £45,500 per annum (pro-rated for the initial fixed period). Mr Howell receives an additional fee of £5,000 per annum (pro-rated for the initial fixed period) for his chairmanship of the Audit committee and Mrs Mitchell receives an additional fee of £5,000 per annum (pro-rated for the initial fixed period) for her chairmanship of the Remuneration Committee.

7.6 Save as set out in this paragraph 7 there are no existing or proposed service agreements between any Director or proposed Director and the Company.

### **8. EMPLOYEE SHARE SCHEME**

Subject to approval by Berkeley Shareholders at the EGM, the Company will also adopt the Berkeley Holdings 2004(b) LTIP, the main particulars of which are described below.

#### **The Berkeley Holdings 2004(b) LTIP**

##### **Operation**

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

##### **Eligible employees**

Any employee of the Company 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 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 Company returning £12 per Ordinary Share by 31 January 2011.

Executive Directors will be encouraged to maximise the value of the residual part of the 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 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 the 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 delivery.

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 delivery 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 delivered 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 Company the number of Units, which 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 Company (including 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 1985) the following formulae shall be applied to calculate the number of Units to be immediately delivered to participants:

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

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 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)

The number of Units subject to a participant's Award which will be delivered:

$$\mathbf{AR} \times \frac{\text{Total number of Units subject to a Participant's subsisting Award}}{\mathbf{C}}$$

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 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 Company confirm to be fair and reasonable.

### **Adjustment of Awards**

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

## 9. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED UNDERTAKINGS

Following implementation of the Scheme, the Company will directly own 100 per cent of the issued share capital of Berkeley. Accordingly, following implementation of the Scheme, the Company will be the holding company of the New Group. The following table shows what will be the principal subsidiary undertakings, joint ventures and associated undertakings of the New Group, being those which the New Group considers to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and/or the profits and losses of the New Group, and the New Group's percentage interest in those companies.

Berkeley's principal subsidiary undertakings and joint ventures as at 22 August 2004 are set out below. All companies in which Berkeley holds less than 100 per cent of voting rights are joint ventures. A schedule of interests in all undertakings is filed with the Annual Return. Unless otherwise indicated, the registered office of the companies listed below is at Berkeley House, 19 Portsmouth Road, Cobham, Surrey KT11 1JG.

	<u>Principal activity</u>	<u>Country of incorporation and operation</u>	<u>Proportion of voting rights and shares held by the Company</u>
Argent St George Limited <sup>1</sup>	Mixed-use	England & Wales	50%
Berkeley Breamore (Oceana) Limited	Commercial property	England & Wales	50%
Berkeley Commercial Developments Limited	Commercial property	England & Wales	100%
Berkeley Community Villages Limited	Residential house building	England & Wales	100%
Berkeley Eastoak Investments Limited (Jersey)	Commercial property	England & Wales	100%
Berkeley Festival Development Limited	Commercial property	England & Wales	100%
Berkeley First Limited	Residential house building	England & Wales	100%
Berkeley Gemini Limited	Mixed-use	England & Wales	50%
Berkeley Homes plc	Residential house building	England & Wales	100%
Berkeley Homes (Capital) plc	Residential house building	England & Wales	100%
Berkeley Homes (Central and West London) plc	Residential house building	England & Wales	100%
Berkeley Homes (Central London) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (East Thames) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (Eastern) Limited	Residential house building	England & Wales	100%
Berkeley Homes (Festival Development) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (Festival Waterfront Company) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (Hampshire) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (Home Counties) plc	Residential house building	England & Wales	100%
Berkeley Homes (North East London) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (Oxford & Chiltern) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (South East London) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (Southern) Ltd	Residential house building	England & Wales	100%
Berkeley Homes (West London) Ltd	Residential house building	England & Wales	100%
Berkeley Mansford Limited <sup>2</sup>	Commercial property	England & Wales	50%
Berkeley Partnership Homes Ltd	Residential house building	England & Wales	100%
Berkeley Portsmouth Harbour Ltd	Commercial property	England & Wales	100%
Berkeley Strategic Land Ltd	Residential house building	England & Wales	100%
Berkeley Sutton Limited	Residential house building	England & Wales	50%



	<u>Principal activity</u>	<u>Country of incorporation and operation</u>	<u>Proportion of voting rights and shares held by the Company</u>
Crosby: ASK Limited	Commercial property	England & Wales	50%
Crosby Homes Ltd	Residential house building	England & Wales	100%
Crosby Homes (North West) Ltd	Residential house building	England & Wales	100%
Crosby Homes (Special Projects) Ltd	Residential house building	England & Wales	100%
Crosby Homes Special Projects (NW) Ltd	Residential house building	England & Wales	100%
Crosby Homes (Yorkshire) Ltd	Residential house building	England & Wales	100%
Crosby Midlands (East Midlands) Ltd	Residential house building	England & Wales	100%
Crosby Peel Limited	Residential house building	England & Wales	50%
Crosby Seddon Developments Limited	Residential house building	England & Wales	50%
Exchange Place No. 2 Limited <sup>3</sup>	Residential house building	England & Wales	100%
Hungate (York) Regeneration Limited <sup>4</sup>	Mixed-use	England & Wales	33.3%
Ician Developments Limited <sup>5</sup>	Residential house building	England & Wales	50%
Saad Berkeley Investment Properties Limited (Jersey) <sup>6</sup>	Commercial property	Jersey	50%
Saad Berkeley Limited	Residential house building	England & Wales	50%
St David Limited	Residential house building	England & Wales	100%
St George PLC <sup>7</sup>	Residential house building	England & Wales	100%
St George Battersea Reach Limited <sup>8</sup>	Residential house building	England & Wales	100%
St George Central London Limited <sup>7</sup>	Residential house building	England & Wales	100%
St George North London Limited <sup>7</sup>	Residential house building	England & Wales	100%
St George South London Limited <sup>7</sup>	Residential house building	England & Wales	100%
St George West London Limited <sup>7</sup>	Residential house building	England & Wales	100%
St James Group Limited	Residential house building	England & Wales	50%
St John Homes Limited	Residential house building	England & Wales	100%
The Berkeley Clarence Dock Co. Limited	Residential house building	England & Wales	100%
The Berkeley Festival Waterfront Company Limited	Commercial property	England & Wales	100%
The Beaufort Homes Development Group Limited	Residential house building	England & Wales	100%
The Crosby Group plc	Residential house building	England & Wales	100%
Thirlstone Centros Miller Limited	Residential house building	England & Wales	50%
Thirlstone Homes Limited	Residential house building	England & Wales	100%
Thirlstone Homes (Western) Limited	Residential house building	England & Wales	100%
UB Developments Limited	Residential house building	England & Wales	50%
West Kent Cold Storage Company Limited	Residential house building	England & Wales	100%

1 The registered office is at 5 Albany Courtyard, London W1J0HF

2 The registered office is at 140 Brompton Road, London SW3 1HY

3 The registered office is at Berry House, Berry Street, London EC1V 0AA

4 The registered office is c/o F R Evans Leeds Ltd, Millshaw, Leeds, West Yorkshire LS11 8EG

5 The registered office is at Addleshaw Goddard, 100 Barbirolli Square, Manchester, Lancashire M2 3AB

6 The registered office is at Le Gallais Chambers, 54 Bath Street, St Helier, Jersey JE4 8YD

7 The registered office is at St. George House, 76 Crown Road, Twickenham, Middlesex TW1 3EU

8 The registered office is at P.O. Box 521, 9 Burrard Street, St. Helier, Jersey JE4 5UE

## 10. SIGNIFICANT CHANGE

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

Since its incorporation, Berkeley Holdings has not traded, nor has there been any significant change in its financial or trading position, save as disclosed in note 2 on page 11 of Part 2 of this document.

## **11. PRINCIPAL ESTABLISHMENTS**

No establishment accounts for more than 10 per cent of net turnover of the Company.

## **12. LITIGATION**

No member of the Group nor the New Group is or has been involved in any legal or arbitration proceedings nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Group or the New Group which may have, or have had during the 12 months preceding the date of this document, a significant effect on the New Group's financial position.

## **13. MATERIAL CONTRACTS**

No member of the New Group has (a) entered into any contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document which is or may be material to the New Group, or (b) (regardless of when entered into) entered into any contract (not being a contract entered into in the ordinary course of business) which contains any obligation or entitlement which is material to the New Group.

## **14. INFORMATION ON THE CREST SETTLEMENT SYSTEM**

CREST, the computerised paperless system for settlement of sales and purchases of shares in the London securities markets, commenced operations in July 1996.

The CREST Regulations provide for the transfer of shares in the UK without stock transfer forms, and the evidencing of title to shares without share certificates, through a computer-based system and procedures, defined in the Regulations as a "relevant system". CREST is the first "relevant system" and is operated by CRESTCo.

The Berkeley Holdings Articles contain specific provisions to enable the Units, comprising New Ordinary Shares and B Shares, to be dematerialised into a relevant system, including CREST. A copy of the Berkeley Holdings Articles is available for inspection as described in paragraph 18 below.

The Board of Berkeley Holdings has resolved to enable any or all of the Units to join CREST and, accordingly, Shareholders will be able to hold eligible Units in electronic form in an account on the CREST system or to continue to hold them in the physical form of certificates. Each Shareholder will be able to choose whether or not to convert his eligible Units into uncertificated form and the Registrars will continue to register written instructions of transfer and issue certificates in respect of Units held in certificated form.

It is currently anticipated that the Units will be eligible to join CREST with effect immediately upon Admission to trading on the market for listed securities on the London Stock Exchange.

## **15. 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 the next 12 months from the date of publication of this document.

## **16. CONSENTS**

16.1 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.

16.2 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of their letter and report and the references thereto, and to their name in the form and context in which they appear and have authorised the contents of their letter and report for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

## **17. MISCELLANEOUS**

- (a) The total costs and expenses of, or incidental to, the Scheme and the Berkeley Holdings Reduction of Capital are estimated to be approximately £4.75 million (exclusive of VAT).
- (b) The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, whose address is Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ. PricewaterhouseCoopers have audited the consolidated financial statements of Berkeley for the year

ended 30 April 2002. PricewaterhouseCoopers LLP, have audited the consolidated financial statements of Berkeley for the two years ended 30 April 2004.

- (c) PricewaterhouseCoopers LLP has audited the non-statutory accounts of the Company for the period from incorporation, 7 July 2004, to 24 August 2004. No other accounts of the Company have been prepared or audited.
- (d) None of the directors or employees of UBS, the financial adviser to the Company, who have been advising Berkeley hold any interests in Ordinary Shares of Berkeley.
- (e) The Units are not being marketed to, nor are any available for purchase in whole or in part by, the public in the United Kingdom or elsewhere in connection with the Admission to the Official List.
- (f) The financial information set out in this document does not constitute statutory accounts within the meaning of section 240(5) of the Companies Act. Statutory accounts for Berkeley for each of the three years ended 30 April 2002, 2003 and 2004 have been delivered to the Registrar of Companies in England and Wales. The auditors of Berkeley have made reports under section 235 of the Companies Act in respect of these statutory accounts and each such report was an unqualified report and did not contain a statement under section 237(2) or (3) of the Companies Act.

## **18. 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, Sundays 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 the Company;
- (c) the audited consolidated accounts of Berkeley for the financial periods ended 30 April 2004, 30 April 2003 and 30 April 2002;
- (d) the letter of PricewaterhouseCoopers LLP set out in section 1 of Part 2;
- (e) the rules of the Berkeley Employee Share Schemes and the trust deed of the Trust;
- (f) the rules of the Berkeley Holdings 2004(b) LTIP;
- (g) the service contracts and letters of appointment referred to in section 7 of this Part 6;
- (h) the written consents of UBS and PricewaterhouseCoopers LLP referred to in section 16 of this Part 6;
- (i) the Circular; and
- (j) this document.

24 August 2004

## Definitions

*The following definitions shall apply to other words and phrases used in this document except where the context requires otherwise:*

“Accountants’ Report”	the report prepared by PricewaterhouseCoopers LLP in relation to the Company;
“Admission”	admission of the Units to (i) the Official List and (ii) trading on the London Stock Exchange’s market 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 5;
“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 5;
“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 5;
“2010 B Shares”	the 2010 B shares in the capital of Berkeley Holdings and having on issue a nominal value of equal to the difference between the closing price of an 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) 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 5;
“Berkeley”	The Berkeley Group plc, incorporated and registered in England and Wales under the Companies Act with registered number 1454064;
“Berkeley Final Salary Plan”	The Berkeley Group plc Staff Benefits Plan;
“Berkeley Money Purchase Plan”	The Berkeley Group plc Money Purchase Scheme;
“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 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 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 the Company;
“Berkeley Holdings Reduction of Capital” .....	the proposed reduction of capital of the Company under section 135 of the Companies Act described in Part 4 of this document;
“Berkeley Holdings Shareholder(s)” .....	(a) holder(s) of (a) Unit(s);
“Berkeley SAYE Scheme” .....	The Berkeley Group plc 1994 SAYE Share Option Scheme;
“Berkeley Shareholder” .....	a holder of 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 the Company, whose names are set out on page 3 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;
“Circular” .....	the circular sent to Berkeley Shareholders dated 24 August 2004 which contains details of the Proposals;
“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;
“Combined Code” .....	the Combined Code on Corporate Governance annexed to the Listing Rules of the Financial Services Authority;
“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 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;
“Daily Official List”	the Stock Exchange Daily Official List published by the London Stock Exchange;
“EGM”	the Extraordinary General Meeting of Berkeley and any adjournment of their meeting;
“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;
“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 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”	the Company and its subsidiary undertakings on and after the Scheme Effective Date;
“New Ordinary Share Capital”	the aggregate of the issued New Ordinary Shares of the Company;
“New Ordinary Shares”	the ordinary shares of 5 pence each in the Company allotted and issued pursuant to the Scheme;
“Official List”	the Official List of the UK Listing Authority;
“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;
“Overseas Shareholders”	shareholders resident in, or citizens of, jurisdictions outside the UK;
“PEPs”	personal equity plans;
“PricewaterhouseCoopers”	the predecessor firm of PricewaterhouseCoopers LLP;
“PricewaterhouseCoopers LLP”	PricewaterhouseCoopers LLP of Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ;
“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 2008 B Shares, the sum of £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 Ordinary Share to be achieved via the Scheme, the Berkeley Holdings Reduction of Capital and the Berkeley Holdings 2004(b) LTIP;



“Record Date” . . . . .	the 2004 Record Date, the 2006 Record Date, the 2008 Record Date, the 2010 Record Date, as those terms are defined in Part 5;
“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 5 as the case may be;
“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 Ordinary Share” . . . . .	the proposed return of up to approximately £12 per 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 Ordinary Shares including any modification, addition or condition approved or imposed by the Court, a summary of which is set out in Part 4 of this document;
“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 Ordinary Shares and/or New Ordinary Shares and/or 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 5;
“St George Scheme” . . . . .	the St George PLC Retirement and Death Benefits Plan;
“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” . . . . .	a unit comprising one New Ordinary Share and, prior to their redemption, one 2004 B Share, one 2006 B Share, one 2008 B Share and one 2010 B Share; and
“US” or “United States” . . . . .	the United States of America, its territories and possessions.





