The Berkeley Group Holdings plc

PRESS RELEASE **8TH DECEMBER 2006**

INTERIM RESULTS ANNOUNCEMENT

2006 B SHARE OF £2 PER SHARE APPROVED FOR PAYMENT ON 8TH JANUARY 2007 AT A COST OF £242 MILLION

ACQUIRED REMAINING 50% OF ST JAMES FOR £97.5 MILLION ON 7TH NOVEMBER

ESTABLISHED ST EDWARD HOMES, A 50:50 JOINT VENTURE WITH PRUDENTIAL

The Berkeley Group Holdings plc ("Berkeley" or the "Group") – the urban regenerator and residential property developer – announces its unaudited interim results for the six months ended 31st October 2006. Highlights of the results include:

- Return of Capital — 2006 B share of £2 per share approved for payment on 8th January 2007. Further payments scheduled for January 2009 (£2 per share) and January 2011 (£3 per share)
- Net Cash — £322.0 million net cash up from £220.6 million at the year-end (30th April 2006) – an increase of £101.4 million
- Net Asset Value Per Share — Up 8.0% from 697 pence at the year-end to 753 pence
- Land Holdings — 26,633 plots in the Group – up from 23,819 at the year-end
- Forward Order Book — £568.5 million compared to £581.9 million for the Group at the year-end

	October 2006 £'million (unaudited)	October 2005 £'million (unaudited)	
Continuing Operations			
Group Revenue	381.2	503.1	-24.2%
Operating Profit	70.4	89.2	-21.1%
Net Finance Income / (Costs)	5.0	(5.8)	
Joint Ventures (after tax)	6.1	2.6	+134.6%
Profit Before Tax	81.5	86.0	-5.2%
Tax	(21.6)	(24.4)	
Profit After Tax	59.9	61.6	-2.8%
Profit from Discontinued Operations	-	80.8	
Profit for the Financial Period	59.9	142.4	
EPS – Basic	49.8p	118.7p	-58.0%
EPS – Continuing	49.8p	51.4p	-3.1%
ROCE (excluding profit on disposal)	26.3%	24.0%	

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

"I am delighted to report another set of strong results which are a consequence of Berkeley's continuing and determined drive to ensure that its product and talent are focused correctly to take advantage of the prevailing market conditions.

In the first half we have undoubtedly enjoyed a strong sales market. Berkeley has thrived in an environment where relentless attention to detail and quality in every aspect of its business, from design, through the development process, to sales and marketing, is the key to unlocking real value. Our unique operating model allows us to not only seize the short term opportunities presented by the market, but also recognises that we operate in a cyclical industry and so gives us the flexibility to drive the business forward under a long-term strategy.

This strategy aligns the interests of our people, our customers and our shareholders and I am delighted that the 2006 B share payment of £2 per share has been approved for payment at the beginning of January 2006. This is the second payment under the Scheme of Arrangement that was put in place as part of the Group's strategy in 2004.

I am also delighted that we received shareholder approval to acquire the remaining 50% in St James from RWE Thames Water plc on 7th November. Established 10 years ago, St James represented a visionary approach to land development and whilst I am sad that the relationship with Thames has ended, it is pleasing that Prudential has chosen Berkeley as its residential development partner to create St Edward Homes, along similar lines. Prudential's financial strength and commercial development expertise, working in combination with Berkeley's passion and talent for creating sustainable new communities, is an inspiring prospect.

This has all contributed to Berkeley strengthening its unrivalled land bank which has been built up over the last 10 years to 26,633 plots, an increase of over 2,500 plots in the period, with the capacity to strengthen further in the future.

Such a strong performance is only possible through the exceptional contribution of Berkeley's people who continue to produce outstanding results in an increasingly complex business and I would like to take this opportunity to acknowledge this and thank each and every one of them."

Roger Lewis, Chairman said:

"The housing market has been favourable in the period with Berkeley experiencing sales price increases across our sites, which are focused in London and the South-East. This is as a result of London's standing as a World City and financial centre, along with the continuation of limited supply, strong employment, forecast economic growth and historically low interest rates.

It has been a busy period for Berkeley with planning applications submitted on existing sites, and a number of new acquisitions flowing from partnerships with local authorities and our joint ventures with Thames Water and Prudential.

Berkeley has secured a number of new or additional consents in the period, notably at The Warren in Woolwich, St George Wharf in Vauxhall, Queen Mary's Hospital in Roehampton and Fleet in Hampshire.

Planning consents are invariably taking over a year to achieve and, in many cases, over two years. This is despite the good intentions of central Government, the Greater London Authority and those local authorities with the vision to see the community benefits of regeneration. There are two principal reasons for this: the steadily increasing number of parties with whom consultation is required or necessary; and the need to adapt to evolving regulations, be they related to planning, subsidised housing or energy efficiency. We accept this situation, but it does slow the planning process and, in a number of cases, consents are secured only at appeal."

Results

Berkeley is delighted to announce a pre-tax profit of £81.5 million for the six months ended 31st October 2006 from its continuing operations. This is £4.5 million less than the £86.0 million reported for the same period last year, a reduction of 5.2%. For the full year ended 30th April 2006, Berkeley reported 52% of its pre-tax profits in the first half of the year. In 2006/07 we expect this profile to reverse as the second half of the year will include the results of 100% of St James, following the acquisition of the 50% not already owned by Berkeley on 7th November 2006.

Profit from discontinued operations of £80.8 million in the first half of 2005/06 related to Crosby which was sold to Lend Lease on 8th July 2005.

Basic earnings per share from continuing operations totals 49.8 pence, a decrease of 3.1% on the 51.4 pence reported for the same period last year. If discontinued operations are included, the basic earnings per share figure of 49.8 pence compares to 118.7 pence last time, a fall of 58.0%.

Since the year-end, total equity has increased by £70.0 million to £907.2million (April 2006 – £837.2 million) and net assets per share by 8.0% from 697 pence to 753 pence.

Return on Capital Employed for the period was 26.3% compared to 24.0% last time, excluding the profit on disposal of Crosby.

At 31st October 2006, Berkeley had net cash balances of £322.0 million (April 2005 – £220.6 million) after generating £101.4 million of cash flow in the six months.

Berkeley held forward sales of £568.5 million at 31st October 2006. This is a similar level to the year-end position of £581.9 million and is at a level commensurate with the ongoing business profile and in line with the Group's strategy in which forward sales remain a key component. Selling homes at an early stage in the development cycle, often at the off-plan stage, secures customers' commitment and ensures the quality and certainty of future revenue.

Scheme of Arrangement and 2006 B Share Payment

The Scheme of Arrangement and The Berkeley Group Holdings plc reduction of capital were approved by shareholders on 17th September 2004 and by the Court at the end of October 2004. The Scheme of Arrangement created a Berkeley Unit comprising one ordinary share and four redeemable B shares, facilitating the proposed payment to shareholders of £12 per share by January 2011. The 2004 B shares were redeemed on 3rd December 2004 for £5 a share at a cost to Berkeley of £604.1 million.

The Board of Berkeley is delighted to confirm that it has approved the redemption of the 2006 B shares to take place on 8th January 2007 for £2 a share, five business days after the record date of 29th December 2006. The cost to Berkeley of this redemption will be £242 million, bringing the total value of B shares redeemed (including the 2004 B shares) to £846 million. Since 1st May 2004, the time of the strategic review that led to the Scheme of Arrangement, Berkeley has generated some £819 million of cash before payments to shareholders, so demonstrating the underlying strength of the Group and its ability to generate cash and meet its strategic objectives.

The redemptions of the two remaining tranches of B shares are scheduled for January 2009 and January 2011 for amounts of £2 and £3 a share respectively, subject to the necessary Board approvals and the terms set out in the Scheme of Arrangement shareholder circular.

Housing Market

The housing market in Berkeley's core region of London and the South-East has been favourable over the six months ended 31st October 2006, proving resilient to the two recent quarter point increases in interest rates. This is a result of London's continued standing as a World City and financial centre, along with limited supply, strong employment, forecast economic growth and historically low interest rates.

We are however conscious of the need for caution in looking ahead. There are uncertainties over UK interest rates and inflation, concerns over the affordability of housing and there remain threats to the stability of the world's economic and political climate.

The Group's strategy of focusing on maximising value as opposed to concentrating on volume and profit growth allows us to match supply and demand appropriately. In this environment, Berkeley has secured sales reservations in the first six months of the year with a value similar to the corresponding period last year and this level is consistent with our business plan for achieving the Scheme of Arrangement.

This strategy allows Berkeley to focus on getting the product right in terms of design, quality, location and price. In a competitive market, this creates a key commercial advantage and enables Berkeley to fully optimise returns.

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

The land market has remained very competitive, especially for sites with planning permission or in prime locations. In accordance with our strategy we have bought sites on a very selective basis and, in the period, agreed to acquire 11 sites.

Trading Analysis

Revenue for the Group was £381.2 million (2005 – £503.1 million). This comprises £375.3 million (2005 – £495.8 million) of residential revenue, of which £3.2 million was from land sales (2005 – £0.5 million), along with £5.9 million (2005 – £7.2 million) of commercial revenue.

During the period, the Group sold 1,296 units at an average selling price of £284,000. This compares with 1,656 units at an average selling price of £292,000 in the same period last year.

At £5.9 million (2005 – £7.2 million), the Group's revenue from commercial activities represents the disposal of commercial units on five mixed-use sites.

Excluding joint ventures and land sales, the house-building operating margin for the Group was 18.2% compared to 17.5% for the full year ended 30th April 2006. This remains within the 17.5% to 19.5% range (depending on mix) reported by the Group over recent reporting periods and which we anticipate continuing, on the basis that current market and planning conditions prevail.

Sales price increases have been ahead of build cost inflation which has resulted in the increased operating margins in the period. Looking forward, our expectation for new planning consents is that operating margins will continue to come under pressure even allowing for the increases in sales prices that we have seen recently. This is a result of the ever increasing cost of the cross-subsidy required by affordable housing, planning gain obligations, increased regulation and the costs associated with meeting today's high standards of environmental and sustainable development practices.

Included within net operating expenses is a £1.5 million one-off charge in respect of the Group's defined benefit pension scheme. During the period, members were offered an enhanced transfer value to leave the scheme. In excess of 70% of members accepted this offer with a resulting reduction in the pension deficit of £9.1 million. The cash cost to the Group, including expenses, was £10.6 million, of which £9.0 million remains to be paid in the second half of the year. At the 31st October 2006, the retirement benefit obligation was £1.8 million, reduced from £10.4 million at the year-end.

Net finance income of £5.0 million reflects the positive cash position of the Group and cash generative nature of operating activities in the period which has seen net cash increase from £220.6 million to £322.0 million. In the same period last year the Group had net finance costs of £5.8 million, reflecting an opening net debt position of £255.1 million at 1st May 2005 and closing net cash position of £71.3 million at the end of the period which included the disposal of Crosby.

The Group's share of post-tax results from joint ventures was £6.1 million compared to £2.6 million last year. This arises from the sale of 441 residential units (2005 – 254 units) at an average selling price of £329,000 (2005 – £520,000) by St James, our joint venture with Thames Water. The result in 2005 included 5 units at Wycombe Square in London with an average sales price of £5.5 million. This scheme was fully sold by 30th April 2006.

Joint venture operating margins are 14.2% which is similar to the 14.1% achieved for the year ended 30th April 2006 and reflect the profit share arrangements with Thames Water.

<u>Joint Ventures</u>

At 31st October 2006, Berkeley's share of its joint ventures' net assets was £61.5 million, a reduction of £7.5 million from the year-end figure of £69.0 million. £18.1 million of this was represented by net cash (April 2006 – net debt of £5.3 million), principally due to the level of cash generation in St James during the period.

On 7th November 2006, after the end of the first half of the year, Berkeley acquired from RWE Thames Water plc the 50% of St James not already owned for £97.5 million. Following completion of the acquisition, St James paid Thames a further £93.5 million to accelerate the settlement of outstanding land creditors and to acquire six previously identified and negotiated sites. Including the six new sites, which contain approximately 700 plots, St James' land bank at acquisition totalled some 5,000 plots on 23 sites.

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

In what was widely regarded as a visionary approach to land development, St James was established as a 50:50 joint venture company by Thames and Berkeley in May 1996 to develop residential Thames sites and sites acquired on the open market. While sad that this relationship with Thames has ended, Berkeley was delighted to announce, on 23rd October, that it had finalised the arrangements for the creation of St Edward Homes, its new joint venture with Prudential. St Edward has now agreed to purchase its first three sites – Green Park in Reading and an office building in Kensington from Prudential, and a site in Stanmore from Berkeley – comprising approximately 2,500 plots in total.

In addition, it is pleasing to report that Saad Berkeley Limited has secured planning on a site for 300 units at Fleet in Hampshire and we continue to work with the Saad Group to identify further development and investment opportunities.

Land Holdings

At 31st October 2006, the Group (including joint ventures) controlled some 26,633 plots with an estimated gross margin of £1,878 million. This compares with 23,819 plots and an estimated gross margin of £1,672 million at 30th April 2006. Of these holdings, 19,837 plots (April 2006 – 19,860) are owned and included on the balance sheet. In addition, 6,713 plots (April 2006 – 3,264) are contracted and a further 83 plots (April 2006 – 695) have terms agreed and solicitors instructed. Over 95% of our holdings are on brownfield or recycled land.

Berkeley has sourced land from four main areas in the period. These are: open market opportunities (including within St James), St Edward, local authorities and from maximising our existing land holdings on many of which new applications have been submitted.

In the first half of the year, Berkeley has agreed 11 new sites, including the two Prudential sites in St Edward, and Woodberry Down in the London Borough of Hackney where we are working in partnership with the local authority on a site of over 1,200 units.

The Group's land holdings include approximately 1.75 million ft^2 of commercial space within our mixed-use schemes. The Group is not undertaking any standalone commercial schemes.

Sustainability

Berkeley has long recognised the importance of embedding policies for sustainable development within its operating culture, believing that what we create inherently benefits the wider community. Whilst these policies inevitably carry with them associated costs that may place operating margins under pressure, any such cost risk must be balanced by the importance of demonstrating sustainable development practices when pursuing planning consents that would otherwise be withheld and without which our ability to add value to our sites and to continue matching the expectations of our customers would be restricted.

A sensitivity to energy efficiency and, in particular a commitment to the reduction of CO_2 emissions, is a key feature of the lifestyles to which our customers aspire and Berkeley is proud to be operating in the vanguard of the industry in this respect. It is therefore particularly gratifying that Berkeley Homes was named Sustainable Housebuilder of the Year and its development at Ropetackle in Shoreham-by-Sea (a site developed in partnership with SEEDA) awarded Sustainable Development of the Year at November's Building Magazine Sustainability Awards 2006.

The Board

At the Company's Annual General Meeting on 1st September 2006, the Board was delighted to announce the appointment of Alan Coppin as a Non-Executive Director. Currently a non-executive director of Capital and Regional plc and non-executive Chairman of Redstone plc, Alan previously held a non-executive directorship at Carillion plc and served on the board of Wembley plc as CEO in addition to being the Chairman of The Prince of Wales's Foundation for the Built Environment. He therefore brings with him a wealth of relevant experience and will be a valuable addition to the Board.

The appointment will also ensure that the Main Board of Berkeley (which now comprises a Chairman, four executive directors and five non-executive directors) retains the right proportion of independent directors to meet the Combined Code's recommendations regarding the balance of the Board. This is important for the future given that Tony Palmer, the current Senior Independent Director, intends to retire from the Board next year.

Prospects

With the second B share payment approved and scheduled for the beginning of January 2007, it is an appropriate time to reflect on the success of Berkeley's strategy since announcing the strategic review and Scheme of Arrangement in 2004 as we look to the future.

At the time, Berkeley identified its own place within the market from where it could operate with strength as an added value developer at a size that maximised the impact of its uniquely experienced and talented management team. The aim was to fully optimise the value in Berkeley's land bank, delivering immediate value to shareholders through the B share payments, whilst not detracting from the value of the ongoing business. It has allowed us to focus on attention to detail, taking time to create innovative development solutions and develop the sustainable communities demanded by our customers and stakeholders and, indeed, our own high standards.

The strategy is proving a success at every level as demonstrated by the Berkeley Group being named Regeneration Housebuilder of the Year at the Regeneration Awards hosted by Building Magazine, Property Week and Building Design in December.

By focusing on London and the South-East, Berkeley operates in a market about which experience and knowledge is embedded throughout its management. In spite of the two recent rises in interest rates, the economic fundamentals of the Capital region remain strong, with the effect of London's standing as a World City continuing to have a major impact on its vitality and economic success.

Nevertheless, our strategy is a measured one. It has enabled Berkeley to generate cash to meet the B share payments to shareholders but this focus on cash generation also stands the Group in good stead should the market change direction. This is always a possibility in a cyclical industry where macro-economic and global events can have a significant impact. This balanced and prudent approach has served Berkeley well in the past and it is one we intend to continue.

Berkeley is looking forward to the future with confidence underpinned by the strength of our current developments, which places us at the forefront of the renaissance of our cities, and our unrivalled land bank which provides considerable opportunity to add further value for our shareholders and other stakeholders.

For further information please contact:

The Berkeley Group Holdings plc
A W Pidgley
R C Perrins
T: 01932 868555

Cardew Group
Tim Robertson
Sofia Rehman
T: 0207 930 0777

The Berkeley Group Holdings plc

Consolidated Income Statement

	Notes	Six months ended 31 October 2006 Unaudited £'000	Six months ended 31 October 2005 Unaudited £'000	Year ended 30 April 2006 Audited £'000
Continuing operations				
Revenue	2(a)	381,153	503,063	917,926
Cost of sales		(271,311)	(379,143)	(686,166)
Gross profit		109,842	123,920	231,760
Net operating expenses		(39,438)	(34,727)	(70,885)
Operating profit	2(b)	70,404	89,193	160,875
Interest receivable	3	5,797	10,682	19,968
Finance costs	3	(794)	(16,472)	(27,304)
Share of post tax results of joint ventures	2(c)	6,052	2,610	11,562
Profit on ordinary activities before taxation		81,459	86,013	165,101
Taxation	4	(21,560)	(24,352)	(43,736)
Profit on ordinary activities after taxation		59,899	61,661	121,365
Discontinued operations				
Profit from discontinued operations	5	–	80,782	80,782
Profit for the financial period		59,899	142,443	202,147
Dividends per Ordinary Share		–	–	-
Earnings per Ordinary Share				
- Basic	6	49.8p	118.7p	168.4p
- Continuing operations		49.8p	51.4p	101.1p
- Discontinued operations		–	67.3p	67.3p
- Diluted	6	49.6p	118.0p	167.4p
- Continuing operations		49.6p	51.1p	100.5p
- Discontinued operations		–	66.9p	66.9p

Consolidated Statement of Recognised Income and Expense

	Six months ended 31 October 2006 Unaudited £'000	Six months ended 31 October 2005 Unaudited £'000	Year ended 30 April 2006 Audited £'000
Profit for the financial period	59,899	142,443	202,147
Actuarial (loss) / gain recognised in the pension scheme	(673)	(529)	1,925
Deferred tax on actuarial (loss) / gain recognised in the pension scheme	202	159	(578)
Total recognised income for the period	59,428	142,073	203,494

Consolidated Balance Sheet

	Notes	At 31 October 2006 Unaudited	At 31 October 2005 Unaudited	At 30 April 2006 Audited
		£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		2,123	2,555	2,252
Investments accounted for using equity method		61,546	65,158	68,995
Deferred tax assets		25,446	10,739	18,285
		89,115	78,452	89,532
Current assets				
Inventories		754,788	879,121	763,873
Trade and other receivables		26,280	43,696	23,692
Cash and cash equivalents		322,047	568,650	220,670
		1,103,115	1,491,467	1,008,235
Liabilities				
Current liabilities				
Borrowings		(85)	(85)	(85)
Trade and other payables		(231,496)	(248,620)	(202,267)
Current tax liabilities		(31,956)	(25,674)	(32,589)
		(263,537)	(274,379)	(234,941)
Net current assets		839,578	1,217,088	773,294
Total assets less current liabilities		928,693	1,295,540	862,826
Non-current liabilities				
Borrowings		-	(497,302)	-
Retirement benefit obligation		(1,773)	(12,515)	(10,342)
Other non-current liabilities		(19,767)	(17,358)	(15,294)
		(21,540)	(527,175)	(25,636)
Net assets		907,153	768,365	837,190
Shareholders' equity				
Share capital		24,164	24,164	24,164
Share premium		264	264	264
Capital redemption reserve		6,091	6,091	6,091
Other reserve		(961,299)	(961,299)	(961,299)
Retained profit		1,805,405	1,670,122	1,735,475
Joint ventures' reserves		32,528	29,023	32,495
Total equity	7	907,153	768,365	837,190

Consolidated Cash Flow Statement

	Notes	Six months ended 31 October 2006 Unaudited £'000	Six months ended 31 October 2005 Unaudited £'000	Year ended 30 April 2006 Audited £'000
Cash flows from operating activities				
Cash generated from operations		103,786	116,533	276,435
Dividends from joint ventures		6,016	–	5,396
Interest received		5,797	10,682	19,968
Interest paid		(64)	(29,586)	(37,384)
Tax paid		(21,422)	(18,893)	(35,413)
Net cash from operating activities	8	94,113	78,736	229,002
Cash flows from investing activities				
Purchase of tangible fixed assets		(747)	(778)	(1,419)
Sale of tangible fixed assets		206	356	467
Purchase of shares in joint ventures		-	-	(10)
Sale of shares in joint ventures		10	-	-
Disposal of subsidiary undertaking		-	250,736	250,736
Overdraft balance of subsidiary disposed		-	572	572
Expenses relating to disposal of subsidiary		-	(2,765)	(2,765)
Movements in loans with joint ventures		7,795	(454)	(858)
Net cash from investing activities		7,264	247,667	246,723
Cash flows from financing activities				
Repayment of loan stock		–	(3)	(3)
Repayment of bank loan		–	(102,698)	(600,000)
Net cash used in financing activities		–	(102,701)	(600,003)
Net increase in cash and cash equivalents		101,377	223,702	(124,278)
Cash and cash equivalents at start of the period		220,670	344,948	344,948
Cash and cash equivalents at end of the period		322,047	568,650	220,670

1 Basis of preparation

These interim financial statements are prepared on a basis consistent with the accounting policies adopted by the Group in the preparation of the Group's annual financial statements for the year ended 30 April 2006, and comply with the Listing Rules of the Financial Services Authority. As permitted, the Group has elected not to apply IAS 34 "Interim Financial Statements" in preparing the interim financial statements.

2 Analysis by activity

		Six months ended 31 October 2006 Unaudited	Six months ended 31 October 2005 Unaudited	Year ended 30 April 2006 Audited
	Continuing operations	£'000	£'000	£'000
(a)	**Revenue**			
	Residential housebuilding	375,223	495,826	890,539
	Commercial property and other activities	5,930	7,237	27,387
		381,153	503,063	917,926
(b)	**Operating profit**			
	Residential housebuilding	69,191	87,770	156,846
	Commercial property and other activities	1,213	1,423	4,029
		70,404	89,193	160,875
(c)	**Share of post tax results of joint ventures**			
	Residential housebuilding	6,012	2,610	11,469
	Commercial property and other activities	40	–	93
		6,052	2,610	11,562

All revenue and profit disclosed in the table above relate to continuing activities of the Group and are derived from activities performed in the United Kingdom. Included in Group residential housebuilding revenue and operating profit are £3,247,000 and £1,631,000 in respect of land sales (2005: £528,000 and £467,000).

3 Net finance costs

	Six months ended 31 October 2006 Unaudited	Six months ended 31 October 2005 Unaudited	Year ended 30 April 2006 Audited
Continuing operations	£'000	£'000	£'000
Interest receivable	5,797	10,682	19,968
Finance costs			
Interest payable on bank loans and overdrafts	(291)	(15,657)	(26,153)
Other finance costs	(503)	(815)	(1,151)
	(794)	(16,472)	(27,304)
Finance costs - net	5,003	(5,790)	(7,336)

4 Taxation

Continuing operations	**Six months ended 31 October 2006 Unaudited** £'000	**Six months ended 31 October 2005 Unaudited** £'000	**Year ended 30 April 2006 Audited** £'000
Current tax			
UK corporation tax payable	(21,909)	(25,049)	(35,158)
Adjustments in respect of previous periods	1,120	276	469
	(20,789)	(24,773)	(34,689)
Deferred tax	(771)	421	(9,047)
	(21,560)	(24,352)	(43,736)

5 Profit from discontinued operations

The Group completed the sale of The Crosby Group plc ("Crosby") to Lend Lease Corporation Limited on 8 July 2005 for consideration of £250,736,000 which included the settlement of £151,306,000 of intercompany balances. The profit from discontinued operations which was included within the consolidated income statement for the six months ended 31 October 2005 and the year ended 30 April 2006 was £80,782,000.

6 Earnings per Ordinary Share

Earnings per Ordinary Share is based on the profit for the financial period of £59,899,000 (2005: £142,443,000) and the weighted average number of Ordinary Shares in issue during the period of 120,246,800 (2005: 120,007,731). For diluted earnings per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted to assume the conversion of all dilutive potential Ordinary Shares. The dilutive potential Ordinary Shares relate to shares granted under employee share schemes where the exercise price is less than the average market price of the Ordinary Shares during the period. The effect of the dilutive potential Ordinary Shares is 463,133 shares (2005: 740,873), which gives a diluted weighted average number of Ordinary Shares of 120,709,933 (2005: 120,748,604).

7 Statement of Changes in Shareholders' Equity

	Six months ended 31 October 2006 Unaudited £'000	**Six months ended 31 October 2005 Unaudited** £'000	**Year ended 30 April 2006 Audited** £'000
Profit for the financial period	59,899	142,443	202,147
Actuarial (loss) / gain recognised in the pension scheme	(673)	(529)	1,925
Deferred tax on actuarial loss / (gain) recognised in the pension scheme	202	159	(578)
Credit in respect of employee share schemes	2,805	3,173	6,347
Deferred tax in respect of employee share schemes	7,730	2,210	6,440
Net movement on shareholders' equity	69,963	147,456	216,281
Opening shareholders' equity	837,190	620,909	620,909
Closing shareholders' equity	907,153	768,365	837,190

8 Notes to the Consolidated Cash Flow Statement

	Six months ended 31 October 2006 Unaudited	Six months ended 31 October 2005 Unaudited	Year ended 30 April 2006 Audited
	£’000	**£’000**	**£’000**
Net cash flows from operating activities			
Continuing operations			
Profit for the period	59,899	61,661	121,365
Adjustments for:			
- Taxation	21,560	24,352	43,736
- Depreciation	665	799	1,648
- Loss/(profit) on sale of property, plant and equipment	5	(100)	(114)
- Interest income	(5,797)	(10,682)	(19,968)
- Finance costs	794	16,472	27,304
- Share of results of joint ventures after tax	(6,052)	(2,610)	(11,562)
- Non-cash charge in respect of share awards	2,805	3,173	6,347
Changes in working capital:			
- Decrease in inventories	9,085	39,424	154,672
- (Increase) / decrease in receivables	(2,588)	(6,712)	13,292
- Increase / (decrease) in payables	32,801	9,802	(41,242)
- Decrease in employee benefit obligations	(9,391)	(304)	(301)
Cash generated from continuing operating activities	103,786	135,275	295,177
Dividends from joint ventures	6,016	–	5,396
Interest received	5,797	10,682	19,968
Interest paid	(64)	(29,456)	(37,254)
Taxation	(21,422)	(18,893)	(35,413)
Net cash from continuing operating activities	94,113	97,608	247,874
Discontinued operations			
Profit for the period	–	80,782	80,782
Adjustments for:			
- Taxation	–	348	348
- Depreciation	–	58	58
- Finance costs	–	130	130
- Profit on disposal of subsidiary undertaking	–	(79,746)	(79,746)
- Non-cash movement in profit on disposal of subsidiary	–	707	707
Changes in working capital:			
- Increase / (decrease) in inventories	–	(15,785)	(15,785)
- Decrease in receivables	–	5,925	5,925
- (Increase) / decrease in payables	–	(11,161)	(11,161)
Cash generated from discontinued operating activities	–	(18,742)	(18,742)
Interest paid	–	(130)	(130)
Net cash from discontinued operating activities	–	(18,872)	(18,872)
Net cash from operating activities	94,113	78,736	229,002
Other net cash flows from discontinued operations			
Net cash from investing activities	–	248,556	248,556

8 Notes to the Consolidated Cash Flow Statement continued

	Six months ended 31 October 2006 Unaudited £'000	Six months ended 31 October 2005 Unaudited £'000	Year ended 30 April 2006 Audited £'000
Reconciliation of net cash flow to net cash / (debt)			
Net increase / (decrease) in cash and cash equivalents	101,377	223,702	(124,278)
Cash outflow from decrease in debt	–	102,701	600,003
Movement in net cash / (debt) in the period	101,377	326,403	475,725
Opening net cash / (debt)	220,585	(255,140)	(255,140)
Closing net cash	321,962	71,263	220,585

	At 31 October 2006 Unaudited £'000	At 31 October 2005 Unaudited £'000	At 30 April 2006 Audited £'000
Net cash			
Cash and cash equivalents	322,047	568,650	220,670
Borrowings	(85)	(497,387)	(85)
Net cash	321,962	71,263	220,585

9 Events after the Balance Sheet date: acquisition of subsidiary

On 6 November 2006 at an Extraordinary General Meeting, the shareholders of The Berkeley Group Holdings plc approved the offer by its wholly-owned subsidiary, The Berkeley Group plc, to acquire from RWE Thames Water plc the 50 per cent of the ordinary share capital of St James Group Limited that it did not already own. Following completion of the acquisition on 7 November 2006, The Berkeley Group plc held one hundred per cent of the ordinary share capital of St James Group Limited. The Berkeley Group plc made payments to RWE Thames Water plc to complete the acquisition of £97,500,000. Of this:

- £68,600,000 related to the purchase of the ordinary share capital of St James Group Limited owned by RWE Thames Water plc; and

- £28,900,000 related to the settlement and refinancing of shareholder loans owed by St James Group Limited to RWE Thames Water plc.

Transaction expenses were approximately £1,900,000.

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

10 Interim accounts

These interim accounts are unaudited but have been reviewed by the auditors whose review report is set out below. The abridged financial information relating to the year ended 30 April 2006 does not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 30 April 2006 under IFRS has been filed with the Registrar of Companies. The report of the auditors on these financial statements was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

These interim results were approved by the Board on 8 December 2006 and the interim statement, which is available for inspection at the Company's Registered Office, will be sent by mail to shareholders in December 2006.

Independent review report to The Berkeley Group Holdings plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 October 2006 which comprises the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2006.

PricewaterhouseCoopers LLP
Chartered Accountants, London
8 December 2006