



**PRESS RELEASE**

**17 JUNE 2020**

**THE BERKELEY GROUP HOLDINGS PLC**

**FINAL RESULTS ANNOUNCEMENT**

The Berkeley Group Holdings plc (“Berkeley”) today announces its audited results for the financial year ended 30 April 2020.

Berkeley is the country’s leading place-maker, operating principally in London, Birmingham and the South East. We are a proud UK business specialising in the creation of beautiful, successful and sustainable places where communities thrive and people of all ages and backgrounds enjoy a great quality of life.

**CURRENT STRATEGY AND GUIDANCE (reflecting Covid-19)**

- The health, safety and well-being of our people, customers, supply chain and the communities in which we work is our main priority. Berkeley quickly adapted its site operating procedures and implemented remote working in line with Government and industry guidance in response to the unprecedented challenges presented by Covid-19
- Continue to invest in Berkeley’s unique operating model, delivering large, complex regeneration sites that few others have the requisite resources, expertise and risk appetite to undertake at scale
- Maintain a pre-tax ROE of at least 15% on a cumulative basis from 1 May 2019 to 30 April 2025, which broadly equates to annual pre-tax profits of £500 million for the six year period
- Commitment to £280 million per annum Shareholder Return up to 30 September 2025 re-affirmed, with next £140 million on track for payment by 30 September 2020, as previously announced
- Return of £455 million surplus capital deferred for up to two years due to the volatility presented by Covid-19 and to provide the Company with the flexibility to invest the surplus capital in incremental new land should opportunities arise which would lead to enhanced shareholder value over the cycle

**DELIVERING FOR ALL STAKEHOLDERS**

- 2,723 homes delivered (plus 435 in joint ventures) – includes some 10% of London’s new private and affordable homes – supporting approximately 32,000 UK jobs directly and indirectly throughout the supply chain
- Approximately £270 million of subsidies provided to deliver affordable housing and committed to wider community and infrastructure benefits in the year
- Maintained Industry leading Net Promoter Score (+78.8) and customer service ratings
- Sector leading 'A-' score for transparency and action on climate change from CDP
- 35 sites now have net biodiversity gain strategies, which will create approximately 450 acres of new or measurably improved natural habitats on these developments alone
- Delivered carbon positive business operations for a third consecutive year
- Berkeley Foundation wins “Business of the Year” at Third Sector’s 2020 Business Charity Awards

**EARNINGS AND SHAREHOLDER RETURNS**

- Pre-tax profit now returned to normal level, following successful delivery of a number of Central London developments acquired in the period from 2009 to 2013
- £503.7 million of pre-tax profit (2019: £775.2 million), with EPS down 32.5%, as anticipated
- 3.5 million shares acquired in the year for £130.5 million and dividends paid of £149.8 million

**FINANCIAL POSITION**

- Net cash of £1,138.9 million (April 2019: £975.0 million), with total liquidity of £1.9 billion via banking facilities of £750 million in place to November 2023
- Net asset value per share up 7.2% to £24.72 (April 2019: £23.05)
- Cash due on forward sales of £1.9 billion (April 2019: £1.8 billion)
- £6.4 billion of estimated future gross margin in land holdings (April 2019: £6.2 billion)

## **THE BERKELEY GROUP HOLDINGS PLC**

RESULTS FOR THE YEAR ENDED 30 APRIL 2020

### **CHAIRMAN'S STATEMENT**

These results reflect a strong performance for the year, driven by the fantastic progress of our long-term brownfield regeneration sites, many of which are now maturing into welcoming and popular communities.

The onset of the Covid-19 lock-down in the last five weeks of the period had a significant impact on our operating environment, but Berkeley ended the year in a strong financial and operational position as our resilient business model and agile working culture defined our response. Berkeley's strategy is designed for a high risk cyclical housing market, so when conditions shift for any reason we have high liquidity, long-term cash flow visibility and highly skilled teams with the grip to effect decisive operational change. This means we are well placed to manage the current period of uncertainty without call on the Government's furlough scheme or its Covid Corporate Financing Facility.

Our agility mitigated the early impacts of Covid-19 and ensured the safety and wellbeing of our people, customers, suppliers and local communities, which is always our first priority. The speed and precision of the implementation of the necessary far-reaching changes to our working practices showed our highly skilled people and suppliers at their very best.

The suffering and upheaval caused by Covid-19 has given cause to reflect on what really matters and our purpose and contributions to society. As the crisis unfolded, we were struck by the selfless bravery of our front line public services and the kindness and resilience of the local communities in which we work. Our local teams have been part of this heartening response, which has reaffirmed our core belief in the value of community-building and supporting local people.

For us, placemaking is all about people. It's about turning underused spaces into welcoming neighbourhoods which reflect the local character and where people are connected to each other, proud of their homes and feel part of community life. There is no exact formula for achieving this, but as we are seeing at places like Hartland Village, Woodhurst Park, Kidbrooke Village and Trent Park, we can make fantastic progress when we listen to people and take time to engage them in creating and managing their neighbourhoods.

This year we have further embedded and delivered our approach to net biodiversity gain, with 35 sites now on course to measurably increase natural life. These projects, including Poplar Riverside, White City Living and Southall Waterside, will deliver over 450 acres of new or measurably enhanced natural habitats and become beautiful green landscapes where people can experience the benefits of nature.

I am very proud that this is Berkeley's third year of delivering carbon positive building operations, thanks to our long-term commitments to reduce energy use and use cleaner sources of power. We have also continued our work towards delivering net zero carbon developments and will continue to engage with Government, the energy sector and our World Green Building Council partners to develop long-term solutions.

Over the last twelve months MHCLG reaffirmed Government's commitment to improving building safety with a suite of new measures, including guidance on cladding. While we welcome the commitment to improving the building regulation regime, the impact of the latest guidance on mortgage valuations and the ability of fire engineers to provide the necessary certificates for lenders is creating delays in the second hand housing market which seems unlikely to ease until a collaborative regime, based on risk assessment, is established.

The year has seen further progress in developing our own facility for the manufacture of precision made homes using innovative, modern methods of construction. The bespoke machinery is being installed during the coming year prior to production commencing. This really represents the future for our industry, addressing many of the challenges around the supply chain, skills, the environment and quality.

During the year, Berkeley made shareholder returns of £280.3 million, of which £130.5 million was represented by share buy-backs and £149.8 million by dividends. Of the £140.0 million return already announced to be made by 30 September 2020, £6.0 million has been made to date through share buy-backs. The amount that will be returned as dividend will be announced on 13 August 2020 taking account of any share buy-backs in the intervening period.

In closing, I want to express my gratitude and appreciation to our people. They are highly skilled, hugely committed and put our core values into practice every day. This deeply embedded culture is what sets Berkeley apart and ensures we deliver long-term value for all stakeholders.

**Tony Pidgley CBE**  
**Chairman**

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**CHIEF EXECUTIVE'S STATEMENT**

**Summary of Performance**

Berkeley has delivered pre-tax profit of £503.7 million for the year. This is from the sale of 2,723 homes (2019: 3,698) at an average selling price of £677,000 (2019: £748,000), reflecting the mix of properties sold in the year. The reduction in profit before tax of 35.0% on the prior year was anticipated and reflects the progressive completion of a number of Central London developments acquired in the period from 2009 to 2013.

<b>Year ended 30 April</b>	<b>2020 £'m</b>	<b>2019 £'m</b>	<b>Change £'m</b>	<b>Change %</b>
Revenue	1,920.4	2,957.4	-1,037.0	-35.1%
Gross profit	637.4	926.2	-288.8	-31.2%
Operating expenses	(167.7)	(157.8)	-9.9	+6.3%
Operating profit	469.7	768.4	-298.7	-38.9%
Net finance costs	0.7	(2.0)	+2.7	
Share of joint ventures	33.3	8.8	+24.5	
Profit before tax	503.7	775.2	-271.5	-35.0%
Pre-Tax Return on Equity	16.6%	27.9%	-11.3%	
Earnings Per Share – Basic	324.9p	481.1p	-156.2p	-32.5%
<b>Shareholder Returns</b>				
Dividends paid	149.8	53.0	+96.8	
Share Buy-backs under Returns Programme	130.5	198.9	-68.4	
Shareholder Return in the year	280.3	251.9	+28.4	

These results represent a strong performance and are in line with the guidance in place at the start of the year. Robust trading during the year, with improved sentiment and gathering momentum, following the decisive December General Election result, led to consensus for the year increasing to around £550 million. The Company was on track to meet this prior to the Covid-19 lockdown at the end of March when guidance was revised to £475 million, on concern of the ability to complete property transactions during lockdown. Berkeley therefore surpassed its initial expectation in this regard, in spite of the challenges of maintaining production on site and for customers in securing mortgages and achieving legal completions in this period.

From the onset of Covid-19 we have focused on adapting our activities to keep all stakeholders safe, to limit impacts on our ongoing operations and to fulfil our commitments to our customers and partners. Following the Government's 23 March lockdown instruction, we worked quickly to establish safe protocols for our site operations; always with reference to industry bodies, including the Construction Leadership Council, and Government guidance. After an initial reduction to around 40% of normal production capacity, our activities have been largely restored and stabilised through the effective implementation of these safe working practices and, on average, our sites are currently operating at around 80% of production capacity. This has taken a huge amount of hard work and dedication from our experienced teams and supply chain.

Looking forward, this response to the initial impact of Covid-19 means that the Company is still targeting a cumulative pre-tax ROE of 15% for the six year period ending on 30 April 2025, which broadly equates to average annual pre-tax profit of £500 million. We now anticipate profit delivery in the coming year to be weighted towards the second half of the year in an approximate one third to two thirds ratio. This does assume no further significant disruption from a second wave of Covid-19 or a disorderly end to the Brexit transition period.

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Berkeley's net cash of £1,138.9 million (April 2019: £975.0 million) continues to reflect the measured investment of recent years and is commensurate with the uncertain operating environment. Notwithstanding this, Berkeley has increased the estimated gross profit in its land holdings to £6.4 billion (April 2019: £6.2 billion).

### **Strategy Update and Shareholder Returns**

Berkeley's purpose is to create homes, strengthen communities and improve lives, using its sustained commercial success to make valuable and enduring contributions to society, the economy and natural world. To achieve this, the Company's long-term strategy is to invest in opportunities with the right risk-adjusted returns, while ensuring that its financial strength reflects the prevailing macro environment, and to make returns to the shareholders who support the Company to achieve its purpose, through either dividends or share buy-backs.

Since the end of the financial crisis in 2011, the Company has acquired a number of long-term regeneration sites, some of which are now in, or coming into, production and is in the process of bringing forward over 25 large and complex residential-led developments, of which 20 have been acquired since the start of this period.

These sites typically deliver between 1,000 and 5,000 homes and their development can take up to 30 years to complete. Their complexity often means that it can be five or six years before the first homes are delivered. They require significant upfront capital investment, coupled with the unique expertise that the Group has accumulated over the last 20 years and which is embedded throughout its 21 autonomous operating companies. Berkeley is transforming neglected industrial and brownfield land into thriving new communities which deliver quality homes of all tenures, biodiverse open spaces and a mix of shops, offices and amenities for local people.

The successful transformation of these sites is founded on trusted partnerships with local authorities and communities and their development is directly aligned to the Government's strategy for increasing the supply of good quality homes across all tenures. The Company is now the only developer undertaking major brownfield regeneration at scale in London and the South-East as the increasing risk and complexity of these activities has seen those with lesser expertise and resources leave this area of the market. The delivery of these sites is vital to meeting the housing needs of the country's towns and cities, while relieving pressure on greenfield land.

Over the last two years construction has begun on over 20 new sites giving Berkeley a firm foundation for delivering, prior to Covid-19, an anticipated 50% increase in production over the next five years, underpinned by a strong opening forward sales position. While Covid-19 has caused short term delays and volatility, it does not change the fundamental strength of the business, which is set up in appreciation of the risks of a cyclical market.

In terms of capital allocation, the priority right now, as it is for all responsible businesses, is on cash conservation to safeguard the business and ensure that it is in the best possible place once the recovery begins. Berkeley has reviewed its business plan, eliminated non-essential expenditure, and re-profiled its sites to focus its work in progress investment on delivering its forward sales and where it has good visibility of the local market. The depth and quality of the land bank means that we will only acquire land with compelling characteristics, where we can add value over the long-term.

Notwithstanding this, Berkeley's financial strength means that it can continue to meet its purpose by investing in its unique operating model to deliver large, complex regeneration sites and help the country rebound from the impact of the pandemic and to continue supporting approximately 32,000 UK jobs, directly and indirectly, in its business and supply chain for the foreseeable future.

The Company remains committed to its programme to deliver sustainable Shareholder Returns of £280 million per annum up until 2025, but will defer the previously proposed return of £455 million surplus capital for up to two years due to the volatility presented by Covid-19. This will also provide the Company with the flexibility to use the surplus capital to either make enhanced cash returns to shareholders or to invest in incremental land interests, should opportunities arise which would lead to enhanced shareholder value over the cycle. The surplus capital will remain on the balance sheet until the enhanced returns or incremental land investment is made. Incremental land investment will be defined as cash spent on land interests, over and above the cost of land used in the income statement, from 1 May 2020.

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### RESULTS FOR THE YEAR ENDED 30 APRIL 2020

In this period of uncertainty, Berkeley will continually review its strategy and has flexibility and optionality within its business model to adjust its plans quickly should market conditions change; always prioritising financial strength ahead of annual profits.

Berkeley is able to make its Shareholder Returns through either share buy-backs or dividends. Since January 2017, when share buy-backs were first introduced, the Company has acquired 14.6 million shares for £514.3 million, at an average price of £35.25 per share and the annual return of £280 million now equates to £2.23 per share; an 11% increase to the initial £2.00 per share. The next six monthly return of £140 million is due to be paid by 30 September 2020. Of this £6.0 million has already been made via share buy backs. The amount to be returned as dividend will be announced on 13 August 2020 and paid on 11 September 2020 to shareholders on the register on 21 August 2020, taking account of any further share buy-backs in the intervening period.

#### **Housing Market**

Going into the lockdown period Berkeley was experiencing a stable and satisfactory trading environment. Sales for the 12 months were some 10% ahead of the prior year, with sentiment buoyed by the certainty brought by the decisive December 2019 General Election result.

This momentum also reflected both the desirability of Berkeley's homes in under-supplied markets and increased launch activity with a number of new developments coming to the market in 2019/20. These included Grand Union in Brent, St William's King's Road Park and The Cottonworks in Finsbury, Royal Exchange in Kingston and a number of developments in the South East including Abbey Barn Park in High Wycombe, Huntley Wharf in Reading, Hollyfields in Royal Tunbridge Wells, St William's Courtyard Gardens in Oxted and Lumina in Camberley. In addition, St Edward agreed to dispose of 190 retirement living apartments at Royal Warwick Square, Kensington, through a forward sale agreement to a retirement living provider.

Pricing remained firm throughout the financial year and Berkeley secured prices above its business plan levels, broadly covering any cost increases.

Sales in April and May reflected the impact of lockdown and were around 50% below normal market conditions, with pricing remaining above business plan levels. This is a good result given the very significant disruption to the sales and home moving process during this period. As the economy gradually re-opens we are seeing activity increase, but it is too early to determine where demand will settle over the coming months.

Fundamentally, this remains a good time to purchase in our markets of London and the South East where supply remains well below underlying demand. With interest rates at historically low levels and good mortgage availability, following a temporary interruption as the UK entered lockdown, affordability levels are high for those who have a deposit; particularly when compared with the cost of renting. For those who can look through the prevailing short-term uncertainty, there are opportunities for long-term value.

It will be important to see what measures Government puts in place around property taxation, the speed and cost of planning and its own direct investment in the sector (including Help To Buy), as this will play a significant part in determining the pace of recovery in a sector that can play a leading role in the recovery of the wider economy.

The Group's cash due on forward sales at 30 April 2020 is at £1.86 billion compared with £1.83 billion a year ago. The cash due on these forward sales will be collected in the next three financial years and it excludes sales of affordable housing and sales by our joint ventures. Berkeley's sales continue to be split broadly evenly between owner-occupiers and investors, with overseas customers continuing to see value in the London market. Help To Buy reservations accounted for a net 290 sales in the year, including joint ventures.

Berkeley has added six new sites to its land holdings in the year, which includes three in our joint ventures. In London, the sites are in Old Kent Road in Southwark where we have completed a challenging land assembly and achieved a resolution to grant consent for up to 1,300 new homes, a site acquired conditionally in Brentford where we will be working to deliver a scheme of over 1,000 new homes (St Edward) and in Camden where we will be providing over 600 new homes. Outside London,

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we have acquired a site unconditionally in Tonbridge, Kent for around 150 new homes and in the St William joint venture we have conditionally contracted sites in Brighton and Worthing.

These new sites are fantastic additions to our land holdings and provide Berkeley with the opportunity to add value over time. We continue to appraise new land opportunities, but in the current environment with heightened risk, a key factor will be the extent to which both vendors and planning authorities recognise the development risk. This complexity means acquiring and bringing forward new sites remains challenging and a slow process, however, Berkeley is in a strong position having brought through planning and into development a significant number of long-term schemes in the last few years.

On the planning front we have secured eight new consents in the year, including St William's development in Poplar for up to 2,800 new homes and the former Horlicks factory redevelopment in Slough for 1,300 new homes, and we also obtained 58 revisions to existing consents.

Build cost rises continued at around 4% until the end of 2019. From the beginning of this calendar year build costs have been neutral. As the UK emerges from lockdown, and we assess medium-term demand levels, we anticipate further deflationary pressure on costs in the short-term as activity levels are uncertain.

### Our Vision

Through the 'Our Vision' strategy for the business we aim to generate long-term value and have a positive impact on our employees, customers, the environment and society.

The strategy has now been in place for a decade and we have set commitments every two years under our five strategic focus areas: Customers, Homes, Places, Operations and Our People. The achievements and advances set out below are now embedded in Berkeley's day-to-day operations and, during the coming financial year, we will put in place a new set of stretching targets for the future. Performance highlights include:

- **Putting customers at the heart of our decisions:** We maintain an Investor in Customers Gold rating across all operating companies. Our Net Promoter Score of 78.8 (on a scale of -100 to +100) and Recommend To A Friend score of 98.5% are both significantly higher than the industry averages of 39 and 89%, respectively (HBF, March 2020 figures).
- **Taking action on climate change:** We incorporate adaptation measures for future weather patterns into the homes and developments we build and are the first homebuilder to produce zero carbon transition plans for all new developments. These will enable the homes to operate at zero carbon from 2030, taking into account how the design, specification and infrastructure we provide can reduce the carbon emissions of home owners both now and in the future. We have maintained our award-winning carbon positive approach within our operations since 2017/18, and received a sector leading 'A-' score for transparency and action on climate change from CDP.
- **Building communities:** Our projects are large scale and long-term, giving us greater scope to involve local people, understand their priorities and make lasting contributions to the local community's strength, wellbeing and quality of life. This enables us to create welcoming and inclusive neighborhoods with homes of all tenures and a mix of beautiful public spaces, natural landscapes and amenities that bring people together to enjoy community life. Once residents start to move in we use Community Development Plans to get neighbours talking and create social connections across the wider area. We have now trialled a Social Value Toolkit on three sites, which helps our teams to quantify and maximise the social benefits of our holistic regeneration and placemaking strategies.
- **Pioneering approach to nature:** Our leading approach to achieve a net biodiversity gain on each and every site we develop has been commended by Natural England and echoed in the Government's Environment Bill which sets out the intention to mandate net biodiversity gain for new developments. We have committed to create or enhance around 450 acres since we implemented the commitment. Nature is just one area for which we were recognised as Sustainable Housebuilder of the Year at the Housebuilder Awards 2019.

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- **Championing health, safety and wellbeing:** Our latest 12 month rolling Annual Injury Incidence Rate (AIIR) is 1.17 reportable incidents for every 1,000 people working on our sites and in our offices (2019: 1.14). This is testament to the dedication of our teams in focusing on behavioural safety in addition to adhering to stringent standards. This year we have developed a network of more than 220 mental health first aiders and have signed up to the Building Mental Health Charter and Framework.
- **Considerate construction:** We are proud to run our sites with consideration to local communities and the environment. Our 12 month rolling average Considerate Constructors Scheme score of 43/50 is significantly above the industry average for the same period (37/50) and demonstrates the care we take on each development under construction to limit our impact on our surroundings.
- **Nurturing careers and improving the industry's image:** A focus on emerging talent as a means of helping to address the industry skills shortage has resulted in an increase in the proportion of our workforce being an apprentice, graduate or training (9% in 2019/20). The REACH Apprenticeship Scheme was named CITB's Large Apprentice Employer of the Year 2019 and we held the fourth Berkeley Group Apprenticeship Awards in autumn 2019 to celebrate the efforts of our supply chain, who supported more than 500 apprentices working on our sites during the year.
- **Promoting diversity and inclusion:** We continue to prioritise and promote diversity within our workforce and the wider industry through our Diversity and Inclusion strategy. Measures include an enhanced maternity policy, in-house diversity awareness training programmes, recruitment and training programmes targeting underrepresented groups and expanding our partnership with Women in Construction (WIC). This is an area upon which we will continue to focus.

### The Berkeley Foundation

The Berkeley Foundation (the "Foundation"), a registered charity, works in partnership with the voluntary sector to focus the skills, resources and fundraising efforts of the Berkeley Group on helping young people overcome barriers, improve their lives and build a fairer society.

Performance highlights from the year include the launch of a new £350,000 funding programme to support young women from marginalised communities into work, extending our Super 1's disability cricket partnership with the Lord's Taverners and awarding £200,000 in emergency grants to support our local charity partners to maintain their vital services in the wake of Covid-19.

Over the course of the year the Foundation committed £3 million to good causes across London, Birmingham and the South of England, supporting more than 4,600 people through its programmes and partnerships. This contribution was made possible through the generosity and commitment of Berkeley Group staff, with 63% of our people directly contributing to the Foundation and volunteering more than 10,000 hours of their time. Berkeley Group maintained its Diamond Payroll Giving Award in 2019 and the Foundation's impacts were recognised with four major accolades at the Third Sector Business Charity Awards, including the Corporate Foundation award and the overall Business of the Year prize.

### Outlook

The UK economy has experienced almost four years of uncertainty since the referendum on leaving the European Union in 2016. While the decisive December 2019 General Election result saw an improvement in sentiment at the start of the year, the risks and opportunities around the nature of our future trade agreements with the EU and other countries still remain. Covid-19 has now introduced a new set of unprecedented challenges and is indiscriminately questioning the resilience of individual sectors and companies in the most searching way.

Berkeley starts the coming year from a position of relative strength, with net cash of £1,138.9 million, forward sales of £1.9 billion and an estimated £6.4 billion of gross profit in our land holdings. Our unique operating model, with financial strength and agility at its heart, has enabled us to act quickly to review our business plan in light of the risks presented by Covid-19 and continue investing in our brand, delivering homes on our large, complex, regeneration sites, putting people at the heart of placemaking.

This puts Berkeley in a position from which it can continue to deliver for all its stakeholders during these unprecedented times, helping the country rebound from the impact of the pandemic and to continue

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supporting approximately 32,000 UK jobs, directly and indirectly, in its business and supply chain for the foreseeable future.

Underpinning this investment for Berkeley, is the under-supply of quality new homes in London and South East. Beyond the immediate tragic human impact, Covid-19 will undoubtedly have a profound impact on how we work, how we live and how we spend our leisure. Berkeley's focus on the quality of life on its developments, prioritising nature, connectivity and the well-being of its customers will be an advantage as the market recovers. London remains a fantastic global city and with interest rates at an all-time low, the cost of buying a home for those who can afford a deposit is low, compared with the alternative of renting.

Housebuilding and construction can play a vital role in the broader economic recovery following Covid-19. This will require Government support, similar to that seen following the 2008/09 financial crisis, including: the reversal of the property tax increases seen since 2014; a reduction in the bureaucracy and cost of planning; and direct investment into affordable housing.

In closing, it is important to return to the human cost of this terrible pandemic and our first priority remains the health, safety and wellbeing of our people, our customers and our supply chain, whose response over recent weeks has been remarkable, and I sincerely thank them all.

**Rob Perrins**  
**Chief Executive**



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### TRADING AND FINANCIAL REVIEW

#### Trading performance

Revenue of £1,920.4 million in the year (2019: £2,957.4 million) arose primarily from the sale of new homes in London and the South East. This included £1,883.7 million of residential revenue (2019: £2,797.0 million) and £36.7 million of commercial revenue (2019: £160.4 million). There were no ground rent or land sales in the year (2019: £nil).

2,723 new homes (2019: 3,698) were sold across London and the South East at an average selling price of £677,000 (2019: £748,000) reflecting the mix of developments and varying stages thereon, particularly in London.

Revenue of £36.7 million from commercial property includes the disposal of mainly retail and leisure space across a number of our London developments. In the comparative year revenue of £160.4 million included two significant disposals of a 190-bed hotel at 250 City Road and 71,000 sq ft of office, retail and leisure space at One Tower Bridge.

The gross margin percentage has increased to 33.2% (2019: 31.3%), reflecting the mix of properties sold in the year. Overheads of £167.7 million (2019: £157.8 million) increased by £9.9 million in the year. This is predominantly due to an increase in the charge to the Income Statement for the Group's share schemes following the changes to the 2011 LTIP approved at the September 2019 AGM. Consequently, the Group's operating margin has decreased to 24.5% from 26.0% last year.

Berkeley's share of the results of joint ventures was a profit of £33.3 million (2019: £8.8 million). St William delivered its first profits in the year resulting from the completions across four developments; Prince Of Wales Drive in Battersea, Elmswater in Rickmansworth, Fairwood Place in Borehamwood and The Cottonworks in Highbury. The stage of delivery on St Edward developments means the current completions are predominately at Green Park Village in Reading.

The Group has remained cash positive on a net basis throughout the year. Net finance income totaled £0.7 million for the year (2019: £2.0 million net finance costs) due to interest income on cash deposits which outweighed facility fees, interest on drawn borrowings and imputed interest on land creditors.

Pre-tax return on equity for the year is 16.6%, compared to 27.9% last year reflecting the return of profitability to normal levels. Basic earnings per share has decreased by 32.5% from 481.1 pence to 324.9 pence, which takes into account the buy-back of 3.5 million shares at a cost of £130.5 million under the Shareholder Returns programme.

#### Financial Position

Net assets increased over the course of the year by £138.3 million, or 4.7%, to £3,101.6 million (2019: £2,963.3 million). This is after payment of £149.8 million of dividends and the £130.5 million of share buy-backs. This equates to a net asset value per share of 2,472 pence, up 7.2% from 2,305 pence at 30 April 2019, given the share buy-backs undertaken in the year.

Inventories have increased by £440.2 million from £3,114.7 million at 30 April 2019 to £3,554.9 million at 30 April 2020. Inventories include £519.7 million of land not under development (30 April 2019: £395.2 million), £2,895.7 million of work in progress (30 April 2019: £2,584.7 million) and £139.5 million of completed stock (30 April 2019: £134.8 million).

The increase in land not under development reflects the combination of new sites acquired as well as previously conditional sites which have completed during the year represented by cash and new land creditors. This increase outweighed the land cost moved into production which was across seven non-joint venture sites. These sites moved into production, coupled with further investment in build on a number of forward sold London developments, led to the increase in work in progress inventory in the year. Completed stock is spread across a number of sites and remains at comfortable levels.

Trade and other payables are £1,931.8 million at 30 April 2020 (30 April 2019: £1,595.5 million). These include £783.5 million of on-account receipts from customers (30 April 2019: £686.1 million) and land creditors of £372.7 million (30 April 2019: £92.6 million). The significant increase reflects the new sites brought onto the balance sheet with a corresponding increase in inventory. The new land creditors

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include TwelveTrees Park in Newham, which became unconditional during the year, and the site acquired at Camden, amongst others. Of the total £372.7 million land creditor balance, £109.0 million is short-term and £263.7 million is spread over future financial years. Provisions of £114.9 million (30 April 2019: £79.1 million) include post-completion development obligations and other provisions.

The Group ended the year with net cash of £1,138.9 million (30 April 2019: £975.0 million) which consists of cash holdings of £1,638.9 million and £500 million of debt drawn under the Group's banking facilities. This debt consists of a long-term £300 million term loan and a short-term £200 million revolving credit facility loan which was drawn in March 2020. There is a further undrawn £250 million available to the Group under its revolving credit facility.

This is an increase in net cash of £163.9 million during the year (2019: £287.7 million) as a result of £470.5 million of cash generated from operations (2019: £767.2 million) and a net outflow of £75.1 million in working capital (2019: net inflow of £22.0 million), before tax and other net cash inflows of £48.8 million (2019: net outflow £249.6 million), share buy-backs of £130.5 million (2019: £198.9 million) and dividends of £149.8 million (2019: £53.0 million).

#### **Banking**

The Group has banking facilities which total £750 million, currently comprising a drawn £300 million term loan, and a £450 million revolving credit facility of which £200 million is drawn. The Group has clarity of financing with the facilities in place to November 2023. The Group's cash holdings are currently placed on deposit with its relationship banks.

#### **Joint Ventures**

Investments accounted for using the equity method have decreased from £374.7 million at 30 April 2019 to £261.8 million at 30 April 2020. Berkeley's joint ventures include St Edward, a joint venture with M&G, and St William, a joint venture with National Grid plc. The decrease in joint venture investments during the year reflects Berkeley's share of undistributed joint venture profits of £33.3 million, further funding into St William of £2.5 million, settlement of St Edward loans of £29.0 million offset by a dividend distribution from St Edward of £177.7 million.

In St Edward, 64 homes were sold in the year at an average selling price of £768,000 (2019: 255 at £469,000). The majority of completions occurred at Green Park Village, complimented by further completions at the Kensington development.

In total, 5,310 plots (30 April 2019: 3,736 plots) in Berkeley's land holdings relate to six St Edward developments, three in London (Westminster, Kensington and Brentford which was acquired in the year) and three outside the Capital (Reading, Fleet, and Wallingford). The joint venture will not be proceeding with a conditional site in Queensway, Birmingham which has been removed from the land holdings in the year.

In St William, 371 homes were sold in the year at an average selling price of £716,000 (2019: six at £709,000). These completions were across four developments: Prince Of Wales Drive, Elmswater, Fairwood Place and The Cottonworks.

During the year, St William reviewed its banking arrangements, having regard to the size of the business and its land holdings. As a consequence, St William increased its committed banking facilities to £360 million from £150 million in March 2020. The agreement has a three year term, with options over an additional two years.

In total, 10,945 plots (30 April 2019: 9,812 plots) in Berkeley's land holdings relate to 18 St William developments which are contracted in the joint venture. St William has completed the purchase of ten of these sites which include the long-term regeneration developments of Prince of Wales Drive (over 950 homes), Clarendon in Hornsey (over 1,700 homes), King's Road Park in Fulham (over 1,800 homes) and Poplar (over 2,800 homes). The remaining eight St William sites are included in Berkeley's conditional land holdings. Berkeley continues to work closely with National Grid to identify further sites from across its portfolio to bring through into the joint venture.

## THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2020

### Land

Berkeley's land holdings comprise 58,413 plots at 30 April 2020 (30 April 2019: 54,955 plots), including joint ventures. Of these land holdings, 50,558 plots (30 April 2019: 41,639) are on 86 sites that are owned and included on the balance sheet of the Group or joint ventures and 7,855 plots (30 April 2019: 13,316) are on 12 contracted sites which either do not yet have a planning consent or have another conditional element such as vacant possession. The Group also holds a strategic pipeline of long-term options for in excess of 5,000 plots.

The plots in the land holdings at 30 April 2020 have an estimated future gross profit of £6,417 million (30 April 2019: £6,247 million), which includes the Group's 50% share of the anticipated profit on any joint venture development. The increase in the year is due to a combination of new sites acquired, new or revised planning consents and market movements, which has more than offset the gross profit taken through the income statement.

Berkeley has obtained eight new planning consents in the year: Abbey Barn Park in High Wycombe, 17-51 London Road in Staines, the St William sites in Poplar and Hertford, Sunningdale Park, Eastside Locks in Birmingham, Centre House in White City and the former Horlicks factory in Slough. In addition, there have been over 55 revised consents which have sought to improve the development solution for each scheme to add value and/or reduce risk.

Of Berkeley's 86 owned sites, 70 sites (plots: 37,671) have an implementable planning consent and are in construction. A further 11 sites (plots: 10,634) have a consent which is not yet implementable; due to practical technical constraints and challenges surrounding, for example, vacant possession, CPO requirements or utilities provision. This means Berkeley has just five sites (plots: 2,253) which it owns unconditionally that do not have a planning consent.

Of the 12 contracted sites, one site has a planning consent and two have achieved resolutions to grant consent but are subject to section 106 agreements. Given the contracted nature of all of these sites, there is low financial risk on the balance sheets of the Group or its joint ventures.

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

- End -

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## **Principal Risks and Uncertainties**

The assessment of risk and embedding risk management throughout Berkeley is a key element of setting and delivering the Group's strategy.

Berkeley's approach allows management to focus on making the right long-term decisions to deliver long-term value, whilst retaining the flexibility to take advantage of opportunities which arise in the short and medium term.

Through our strong financial position we are able to take, under normal circumstances, increased operational risk to deliver sustainable risk-adjusted returns, within the parameters of our business model.

A description of the principal risks and uncertainties faced by the Group, together with an assessment of their impact and Berkeley's approach to mitigating them, are set out on the following pages.

We also face a number of uncertainties that have the potential to be materially significant to our long-term strategy but cannot be fully defined as a specific risk at present, and therefore cannot be fully assessed or managed. These emerging risks typically have a long time horizon and are discussed and agreed by the Board on a regular basis.

The Covid-19 pandemic is a unique and unprecedented risk that has very quickly elevated from being an emerging risk in early 2020. It is having, and will continue to have, an impact across our entire risk landscape. We have included a separate new Covid-19 risk which gives an overview of the related uncertainties, potential impacts on the Group and our approach to mitigating the risk.

Whilst we consider there has been no material change to the nature of the Group's principal risks, not surprisingly, the potential impact and likelihood of them arising has increased as a result of the challenging external environment and significant ongoing uncertainty arising from Covid-19.

### **Financial Risk**

In light of these operating risks, Berkeley aims to keep financial risk low, and finances its operations through a combination of shareholders' funds, deposits and on-account receipts and borrowings, where appropriate. The financial risks to which Berkeley is exposed include:

- Liquidity risk - the risk that the funding required for the Group to pursue its activities may not be available.
- Market credit risk - the risk that counterparties (mainly customers) will default on their contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk is comprised of cash and cash equivalents and trade and other receivables.
- Market interest rate risk - the risk that Group financing activities are affected by fluctuations in market interest rates.
- Other financial risks – Berkeley contracts all of its sales and the vast majority of its purchases in sterling and so has no significant exposure to currency risk, but does recognise that its credit risk includes receivables from customers in a range of jurisdictions who are themselves exposed to currency risk in contracting in sterling.

### **Management of financial risks**

Berkeley adopts a prudent approach to managing these financial risks.

- Treasury policy and central overview - the Board approves treasury policy and senior management control day-to-day operations. Relationships with banks and cash management are coordinated centrally as a Group function. The treasury policy is intended to maintain an appropriate capital structure to manage the financial risks identified and provide the right platform for the business to manage its operating risks.
- Low gearing - the Group is currently financing its operations through shareholder equity, supported by £1,139 million of net cash on the balance sheet. This in turn has mitigated its current exposure to interest rate risk.
- Headroom provided by bank facilities - the Group has £750 million of committed credit facilities maturing in November 2023. This comprises a term loan of £300 million and the revolving credit facility of £450 million. Berkeley has a strong working partnership with the six banks that provide the facilities and is key to Berkeley's approach to mitigating liquidity risk.

## THE BERKELEY GROUP HOLDINGS PLC

### RESULTS FOR THE YEAR ENDED 30 APRIL 2020

- Forward sales - Berkeley's approach to forward selling new homes to customers provides good visibility over future cash flows, as expressed in cash due on forward sales which stands at £1.86 billion at 30 April 2020. It also helps mitigate market credit risk by virtue of customers' deposits held from the point of unconditional exchange of contracts with customers.
- Land holdings - by investing opportunistically in land at the right point in the cycle, holding a clear development pipeline in our land holdings and continually optimising our existing holdings, we are not under pressure to buy new land when it would be wrong for the long-term returns for the business.
- Detailed appraisal of spending commitments - a culture which prioritises an understanding of the impact of all decisions on the Group's spending commitments and hence its balance sheet, alongside weekly and monthly reviews of cash flow forecasts at operating company, divisional and Group levels, recognises that cash flow management is central to the continued success of Berkeley.

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Risk Description and Impact**

**Approach to Mitigating Risk**

**Covid-19**

Covid-19 is impacting all areas of our operations, including our employees, purchasers and supply chain.

The extent of the impact will be heavily dependent on factors including, but not limited to, the length of UK and international lockdowns, the nature and extent of any government interventions, the severity of economic effects and the speed and nature of the recovery.

The Company is also mindful of the risks presented by a potential second wave of Covid-19, which would clearly exacerbate the eventual impact of the pandemic.

The Covid-19 pandemic has been a focus for the Board over the last few months. The extensive experience and skill set of the Executive and Non-executive Directors, coupled with the resilience of our business model, has enabled us to weather the initial impact.

The health and safety of our employees and contractors has been paramount, with office based staff transitioning to home working, and strict social distancing rules, following government and public health guidance, being implemented on all our sites.

We have been working closely with all elements of our supply chain to monitor both materials and labour levels in order to ensure we can keep our sites operating.

Whilst our sales offices were closed from the second half of March until the middle of May, we have been utilising digital channels to maintain contact with our domestic and overseas customers. We have also been providing virtual tours for prospective customers.

**Economic Outlook**

As a property developer, Berkeley's business is sensitive to wider economic factors such as changes in interest rates, employment levels and general consumer confidence.

Some customers are also sensitive to changes in the sterling exchange rate in terms of their buying decisions or ability to meet their obligations under contracts.

Changes to economic conditions in the UK, Europe and worldwide may lead to a reduction in demand for housing which could impact on the Group's ability to deliver its corporate strategy.

Recognition that Berkeley operates in a cyclical market is central to our strategy and maintaining a strong financial position is fundamental to our business model and protects us against adverse changes in economic conditions.

Land investment in all market conditions is carefully targeted and underpinned by demand fundamentals and a solid viability case, respecting the cyclical nature of the property industry.

Levels of committed expenditure are carefully monitored against forward sales secured, cash levels and headroom against our available bank facilities, with the objective of keeping financial risk low to mitigate the operating risks of delivery in uncertain markets.

Production programmes are continually assessed, depending upon market conditions. The business is committed to operating at an optimal size, with a strong balance sheet, through autonomous businesses to maintain the flexibility to react swiftly, when necessary, to changes in market conditions.

**Political Outlook**

Significant political events, including the impact of leaving the EU, may impact Berkeley's business through, for instance, the reluctance of buyers to make investment decisions due to political uncertainty and, subsequently, specific policies and regulation may be introduced that directly impact our business model.

Whilst we cannot directly influence political events, the risks are taken into account when setting our business strategy and operating model.

In addition, we actively engage in the debate on policy decisions.

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Risk Description and Impact**

**Approach to Mitigating Risk**

**Regulation**

Adverse changes to Government policy on areas such as taxation, housing and the environment could restrict the ability of the Group to deliver its strategy.

Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.

We welcome the proposed changes to building regulations following the Hackett Review.

Berkeley is primarily focused geographically on London, Birmingham and the South East of England, which limits our risk when understanding and determining the impact of new regulation across multiple locations and jurisdictions.

The effects of changes to Government policies at all levels are closely monitored by operating businesses and the Board, and representations made to policy-setters where appropriate.

Berkeley's experienced teams are well placed to interpret and implement new regulations at the appropriate time through direct lines of communication across the Group, with support from internal and external legal advisors.

Detailed policies and procedures are in place where appropriate to the prevailing regulations and these are communicated to all staff.

**Land Availability**

An inability to source suitable land to maintain the Group's land holdings at appropriate margins in a highly competitive market could impact on the Group's ability to deliver its corporate strategy.

Understanding the markets in which we operate is central to Berkeley's strategy and, consequently, land acquisition is primarily focused on Berkeley's core markets of London, Birmingham and the South East of England, markets in which it believes that the demand fundamentals are strong.

Berkeley has experienced land teams with strong market knowledge in their areas of focus, which gives us the confidence to buy land without an implementable planning consent and, with an understanding of local stakeholders' needs, positions Berkeley with the best chance of securing a viable planning consent.

Berkeley acquires land, where it meets its internal criteria for purchase, and considers joint ventures in particular as a vehicle to work with the right partners who bring good quality land complemented by Berkeley's expertise.

Each land acquisition is subject to a formal internal appraisal and approval process prior to the submission of a bid and again prior to exchange of contracts to give the Group the greatest chance of securing targeted land.

Berkeley's land holdings mean that it has the land in place for its immediate business plan requirements and can therefore always acquire land at the right time in the cycle.

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Risk Description and Impact**

**Approach to Mitigating Risk**

**Planning Process**

Delays or refusals in obtaining commercially viable planning permissions could result in the Group being unable to develop its land holdings.

This could have a direct impact on the Group's ability to deliver its product and on its profitability.

The Group's strategic geographical focus and expertise places it in the best position to conceive and deliver the right consents for the land acquired.

Full detailed planning and risk assessments are performed and monitored for each site without planning permission, both before and after purchase.

Our assessment of the risk profile dictates whether sites are acquired either conditionally or unconditionally.

The planning status of all sites is reviewed at both monthly divisional Board meetings and Main Board meetings.

The Group works closely with local communities in respect of planning proposals and strong relationships are maintained with local authorities and planning officers.

**Retaining People**

An inability to attract, develop, motivate and retain talented employees could have an impact on the Group's ability to deliver its strategic priorities.

Failure to consider the retention and succession of key management could result in a loss of knowledge and competitive advantage.

We have developed a series of commitments within Our Vision, our plan for the business, to ensure that we retain and develop the best people to support the business in the long-term. This includes a talent management programme, investment in training and the implementation of health and wellbeing initiatives.

Succession planning is regularly reviewed at both divisional and Main Board level. Close relationships and dialogue are maintained with key personnel.

Remuneration packages are constantly benchmarked against the industry to ensure they remain competitive.

**Securing Sales**

An inability to match supply to demand in terms of product, location and price could result in missed sales targets and/or high levels of completed stock which in turn could impact on the Group's ability to deliver its corporate strategy.

The Group has experienced sales teams both in the UK and within our overseas sales offices, supplemented by market leading agents.

Detailed market demand assessments of each site are undertaken before acquisition and regularly during delivery of each scheme to ensure that supply is matched to demand in each location.

Design, product type and product quality are all assessed on a site-by-site basis to ensure that they meet the target market and customer aspirations in that location.

The Group has a diverse range of developments with homes available across a broad range of property prices to appeal to a wide market.

The Group's ability to forward sell reduces the risk of the development cycle where possible, thereby justifying and underpinning the financial investment in each of the Group's sites. Completed stock levels are reviewed regularly.

The Group has adapted its sales strategy to the Covid-19 pandemic, with increased use of digital channels and virtual tours.



**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Risk Description and Impact**

**Approach to Mitigating Risk**

**Liquidity**

Reduced availability of the external financing required by the Group to pursue its activities and meet its liabilities.

Failure to manage working capital may constrain the growth of the business and ability to execute the business plan.

The Board approves treasury policy and senior management control day-to-day operations. Relationships with banks and cash management are coordinated centrally as a Group function.

The treasury policy is intended to maintain an appropriate capital structure to manage the Group's financial risks and provide the right platform for the business to manage its operating risks.

Cash flow management is central to the continued success of Berkeley, and is particularly important as a consequence of the Covid-19 crisis and remains a key focus for management. There is a culture which prioritises an understanding of the impact of all decisions on the Group's spending commitments and hence its balance sheet, alongside weekly and monthly reviews of cash flow forecasts at operating company, divisional and Group levels.

**Mortgage Availability**

An inability of customers to secure sufficient mortgage finance now or in the future could have a direct impact on the Group's transaction levels.

Berkeley has a broad product mix and customer base which reduces the reliance on mortgage availability across its portfolio.

The Group participates in the Government's Help to Buy scheme, which provides deposit assistance to first-time buyers, and has participated in other Government schemes historically.

Deposits are taken on all sales to mitigate the financial impact on the Group in the event that sales do not complete due to a lack of mortgage availability.

**Climate Change**

The effects of climate change could directly impact Berkeley's ability to deliver its product through disruptions to programme and supplies of materials. Scenario analysis indicates that homes and developments in London and the South East of England could be adversely affected through overheating, water shortages or flooding.

There is also an increased level of interest in disclosures on climate change management and action. Failure to improve reporting and performance in line with evolving regulations, investor requests and societal expectations could expose Berkeley to penalties and reputational damage.

The Group Sustainability Team identifies strategic climate change risks and opportunities facing the business through the regular review of issues and trends, along with active collaboration with external experts. These are shared with the Chief Executive and Board Director Responsible for Sustainability.

Climate change is a key theme within our business strategy, Our Vision, with commitments to both mitigate and adapt to climate change.

By taking action under our operational carbon emissions reduction target our sites, offices and sales suites are identifying and investing in energy efficiency measures. We also look to reduce the impact of our homes and places when in use and are taking action to contribute to a zero carbon built environment.

To build resilience into our homes and developments, we consider climate change risks and incorporate measures to reduce these. This includes undertaking an overheating risk assessment pre-planning and incorporating relevant measures to improve thermal comfort.

We welcome the recommendations from the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD) and are taking action to implement these over time through the evolution of our processes and reporting.

# THE BERKELEY GROUP HOLDINGS PLC

## RESULTS FOR THE YEAR ENDED 30 APRIL 2020

### Risk Description and Impact

### Approach to Mitigating Risk

#### Sustainability

Berkeley is aware of the environmental and social impact of the homes and places that it builds, both throughout the development process and during occupation and use by customers and the wider community.

Failure to address sustainability issues could affect the Group's ability to acquire land, gain planning permission, manage sites effectively and respond to increasing customer demands for sustainable homes and communities.

The strategic direction for sustainability is set at a Group level and is integrated within our business strategy, Our Vision. We have specific commitments to enhance environmental and social sustainability considerations in the operation of our business and the delivery of our homes and places.

Operational procedures and processes are regularly reviewed to ensure high standards and legal compliance are maintained.

Dedicated sustainability teams are in place within the business and at Group, providing advice, monitoring performance and driving improvement.

#### Health and Safety

Berkeley's operations have a direct impact on the health and safety of its people, contractors and members of the public.

A lack of adequate procedures and systems to reduce the dangers inherent in the construction process increases the risk of accidents or site-related catastrophes, including fire and flood, which could result in serious injury or loss of life leading to reputational damage, financial penalties and disruption to operations.

Berkeley considers this to be an area of critical importance. Berkeley's health and safety strategy is set by the Board. Dedicated health and safety teams are in place in each division and at Head Office.

Procedures, training and reporting are all regularly reviewed to ensure high standards are maintained and comprehensive accident investigation procedures are in place. Insurance is held to cover the risks inherent in large-scale construction projects.

The Group continues to implement initiatives to improve health and safety standards on-site.

#### Product Quality and Customers

Berkeley has a reputation for high standards of quality in its product.

If the Group fails to deliver against these standards and its wider development obligations, it could be exposed to reputational damage, as well as reduced sales and increased cost.

Detailed reviews are undertaken of the product on each scheme both during the acquisition of the site and throughout the build process to ensure that product quality is maintained.

The Group has detailed quality assurance procedures in place surrounding both design and build to ensure the adequacy of build at each key stage of construction.

Customer satisfaction surveys are undertaken on the handover of our homes, and feedback incorporated into the specification and design of subsequent schemes.

#### Build cost and programme

Build costs are affected by the availability of skilled labour and the price and availability of materials, suppliers and contractors.

Declines in the availability of a skilled workforce, and changes to these prices could impact on our build programmes and the profitability of our schemes.

A procurement and programming strategy for each development is agreed by the divisional Board before site acquisition, whilst a further assessment of procurement and programming is undertaken and agreed by the divisional Board prior to the commencement of construction.

Build cost reconciliations and build programme dates are presented and reviewed in detail at divisional cost review meetings each month.

The Group monitors its development obligations and recognises any associated liabilities which arise.

Our Vision includes ongoing commitments to promote apprenticeships and training across both our employees and our indirect workforce and the Group works closely with contractors, schools, colleges and training providers to promote the industry, reach talent and up-skill our workforce through the completion of relevant qualifications.

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Risk Description and Impact**

**Approach to Mitigating Risk**

**Cyber and Data Risk**

The Group acknowledges that it places significant reliance upon the availability, accuracy and confidentiality of all of its information systems, and the data contained therein.

The Group could suffer significant financial and reputational damage because of the corruption, loss or theft of data, whether inadvertent or via a deliberate, targeted cyber attack.

Berkeley's systems and control procedures are designed to ensure that data confidentiality and integrity are not compromised.

Our Information Security Programme focuses primarily on the detection and prevention of security incidents and potential data breaches. Ongoing monitoring and scanning are conducted to detect vulnerabilities in a timely manner. We also work closely with our suppliers and partners to improve understanding of security best practices.

An IT Security Committee meets monthly to address all cyber security matters. The Group has Cyber Essentials Plus certification and a Group-wide security awareness programme, which is refreshed on a regular basis to update employees on current cyber security trends.

The Group operates multiple data centres, thereby ensuring that there is no centralised risk exposure and the adequacy of the IT disaster recovery plan is regularly assessed.

The Group has Cyber insurance in place to mitigate against any financial impact.

## Consolidated Income Statement

For the year ended 30 April		2020 £m	2019 £m
	Notes		
Revenue		1,920.4	2,957.4
Cost of sales		(1,283.0)	(2,031.2)
<b>Gross profit</b>		<b>637.4</b>	926.2
Net operating expenses		(167.7)	(157.8)
<b>Operating profit</b>		<b>469.7</b>	768.4
Finance income	3	12.4	10.7
Finance costs	3	(11.7)	(12.7)
Share of results of joint ventures using the equity method		33.3	8.8
<b>Profit before taxation for the year</b>		<b>503.7</b>	775.2
Income tax expense	4	(93.6)	(147.8)
<b>Profit after taxation for the year</b>		<b>410.1</b>	627.4
<b>Earnings per share (pence):</b>			
Basic	5	324.9	481.1
Diluted	5	313.4	469.9

## Consolidated Statement of Comprehensive Income

For the year ended 30 April		2020 £m	2019 £m
<b>Profit after taxation for the year</b>		<b>410.1</b>	627.4
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial (loss)/gain recognised in the pension scheme		(1.7)	1.6
<b>Total items that will not be reclassified to profit or loss</b>		<b>(1.7)</b>	1.6
<b>Other comprehensive (expense)/income for the year</b>		<b>(1.7)</b>	1.6
<b>Total comprehensive income for the year</b>		<b>408.4</b>	629.0

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Notes to the Condensed Consolidated Financial Information**

**Consolidated Statement of Financial Position**

As at 30 April	Notes	2020 £m	2019 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		17.2	17.2
Property, plant and equipment		48.5	42.5
Right-of-use assets		2.5	-
Investments accounted for using the equity method		261.8	374.7
Deferred tax assets		53.6	45.8
		<b>383.6</b>	<b>480.2</b>
<b>Current assets</b>			
Inventories		3,554.9	3,114.7
Trade and other receivables		68.3	65.5
Current tax assets		5.1	2.5
Cash and cash equivalents	6	1,638.9	1,275.0
		<b>5,267.2</b>	<b>4,457.7</b>
<b>Total assets</b>		<b>5,650.8</b>	<b>4,937.9</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6	(300.0)	(300.0)
Trade and other payables		(263.7)	(40.5)
Lease liability		(1.3)	-
Provisions for other liabilities and charges		(60.0)	(59.1)
		<b>(625.0)</b>	<b>(399.6)</b>
<b>Current liabilities</b>			
Borrowings	6	(200.0)	-
Trade and other payables		(1,668.1)	(1,555.0)
Lease liability		(1.2)	-
Provisions for other liabilities and charges		(54.9)	(20.0)
		<b>(1,924.2)</b>	<b>(1,575.0)</b>
<b>Total liabilities</b>		<b>(2,549.2)</b>	<b>(1,974.6)</b>
<b>Total net assets</b>		<b>3,101.6</b>	<b>2,963.3</b>
<b>Equity</b>			
<b>Shareholders' equity</b>			
Share capital		6.8	7.0
Share premium		49.8	49.8
Capital redemption reserve		24.7	24.5
Other reserve		(961.3)	(961.3)
Retained earnings		3,981.6	3,843.3
<b>Total equity</b>		<b>3,101.6</b>	<b>2,963.3</b>

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Notes to the Condensed Consolidated Financial Information**

**Consolidated Statement of Changes in Equity**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Retained earnings £m	Total equity £m
At 1 May 2019	7.0	49.8	24.5	(961.3)	3,843.3	2,963.3
IFRS 16 application adjustment at 1 May 2019	-	-	-	-	(0.2)	(0.2)
Profit after taxation for the year	-	-	-	-	410.1	410.1
Other comprehensive income for year	-	-	-	-	(1.7)	(1.7)
Purchase of own shares	(0.2)	-	0.2	-	(130.5)	(130.5)
Transactions with shareholders:						
- Charge in respect of employee share schemes	-	-	-	-	(3.9)	(3.9)
- Deferred tax in respect of employee share schemes	-	-	-	-	14.3	14.3
- Dividends to equity holders of the Company	-	-	-	-	(149.8)	(149.8)
<b>At 30 April 2020</b>	<b>6.8</b>	<b>49.8</b>	<b>24.7</b>	<b>(961.3)</b>	<b>3,981.6</b>	<b>3,101.6</b>
At 1 May 2018	7.0	49.8	24.5	(961.3)	3,471.2	2,591.2
Profit after taxation for the year	-	-	-	-	627.4	627.4
Other comprehensive income for year	-	-	-	-	1.6	1.6
Purchase of own shares	-	-	-	-	(198.9)	(198.9)
Transactions with shareholders:						
- Charge in respect of employee share schemes	-	-	-	-	(3.9)	(3.9)
- Deferred tax in respect of employee share schemes	-	-	-	-	(1.1)	(1.1)
- Dividends to equity holders of the Company	-	-	-	-	(53.0)	(53.0)
At 30 April 2019	7.0	49.8	24.5	(961.3)	3,843.3	2,963.3

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Notes to the Condensed Consolidated Financial Information**

**Consolidated Cash Flow Statement**

For the year ended 30 April	Notes	2020 £m	2019 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	6	395.4	789.2
Interest received		12.4	10.7
Interest paid		(9.1)	(8.8)
Income tax paid		(89.8)	(178.8)
<b>Net cash flow from operating activities</b>		<b>308.9</b>	<b>612.3</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(9.7)	(19.5)
Proceeds on disposal of property, plant and equipment		0.6	0.3
Dividends from joint ventures		177.7	-
Movements in loans with joint ventures		(31.5)	(54.0)
<b>Net cash flow from investing activities</b>		<b>137.1</b>	<b>(73.2)</b>
<b>Cash flows from financing activities</b>			
Lease capital repayments		(2.0)	-
Proceeds associated with settlement of share options		0.2	0.5
Purchase of own shares		(130.5)	(198.9)
Net increase in borrowings		200.0	-
Dividends paid to Company's shareholders		(149.8)	(53.0)
<b>Net cash flow from financing activities</b>		<b>(82.1)</b>	<b>(251.4)</b>
Net increase in cash and cash equivalents		363.9	287.7
Cash and cash equivalents at the start of the financial year		1,275.0	987.3
<b>Cash and cash equivalents at the end of the financial year</b>		<b>1,638.9</b>	<b>1,275.0</b>

## THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2020

### Notes to the Condensed Consolidated Financial Information

#### 1 General information

The Berkeley Group Holdings plc (“the Company”) is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG. The Company and its subsidiaries (together “the Group”) are engaged in residential led, mixed-use property development.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 April 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

#### 2 Basis of preparation

##### Going concern

The Directors have assessed the business plan and future funding requirements of the Group over the medium term and compared these to the level of committed loan facilities and existing cash resources. As at 30 April 2020, the Group has net cash of £1,139 million and total liquidity of £1,889 million when this net cash is combined with banking facilities of £750 million which are in place until November 2023. Furthermore, the Group has cash due on forward sales of £1,858 million, around 50% of which is expected to be collected in the next 12 months.

In making this assessment, consideration has been given to the uncertainty inherent in future financial forecasts and where applicable, severe but plausible sensitivities have been applied to the key factors affecting the financial performance of the Group. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future period, and not less than 12 months from the date of these financial statements. For this reason it continues to adopt the going concern basis of accounting in preparing its Consolidated Financial Statements.

##### Basis of consolidation

This information, including the comparative information for the year ended 30 April 2019, has been prepared in accordance with EU endorsed International Financial Reporting Standards (“IFRSs”), International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and in accordance with the listing rules of the Financial Conduct Authority and consistently in accordance with the accounting policies set out in the 2019 Annual Report. However, this announcement does not itself contain sufficient information to comply with IFRS.

The following new standards, amendments to standards and interpretations are applicable to the Group and are mandatory for the first time for the financial year beginning 1 May 2019:

IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ and IFRIC 4 ‘Determining whether an Arrangement contains a Lease’ setting out criteria for recognition, measurement and disclosure of leases. The standard is effective for periods beginning on or after 1 January 2019 and has been implemented by the Group from 1 May 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 May 2019. Comparative information has therefore not been restated and is reported under the previous accounting policies.

Under IFRS 16, most leases previously classified as operating leases under IAS 17 are recognised on the Statement of Financial Position as a right-of-use asset along with a corresponding lease liability.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing



## THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2020

### Notes to the Condensed Consolidated Financial Information

rate as of 1 May 2019. The associated right-of-use assets for the Group's leases were measured on a prospective basis, applying the new rules from 1 May 2019.

#### Impact on the financial statements

On transition to IFRS 16, the Group recognised an additional £3.3 million of right-of-use assets and £3.5 million of lease liabilities. The net difference of £0.2 million was recognised in retained earnings.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the Income Statement on a straight-line basis over the term of the relevant lease. For the year ended 30 April 2020, payments charged to the Income Statement related to low value and short-term leases were insignificant.

Right-of-use assets are presented separately in non-current assets on the face of the Statement of Financial Position and lease liabilities are shown separately on the Statement of Financial Position in current liabilities and non-current liabilities depending on the length of the lease term.

Amendment to IAS 28 'Investments in Associates and joint ventures' and IFRIC 23 'Uncertainty over income tax treatments', which have both not had a significant impact on reported results or position.

### 3 Net finance costs

For the year ended 30 April	2020 £m	2019 £m
<b>Finance income</b>	<b>12.4</b>	10.7
<b>Finance costs</b>		
Interest payable on bank loans and non-utilisation fees	(9.1)	(8.6)
Amortisation of facility fees	(1.8)	(1.8)
Other finance costs	(0.8)	(2.3)
	<b>(11.7)</b>	(12.7)
<b>Net finance costs</b>	<b>0.7</b>	(2.0)

Finance income predominantly represents interest earned on cash deposits.

Other finance costs represent imputed interest on taxation, on land purchased on deferred settlement terms and lease interest.

**THE BERKELEY GROUP HOLDINGS PLC**  
RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Notes to the Condensed Consolidated Financial Information**

**4 Income tax expense**

For the year ended 30 April	2020 £m	2019 £m
<b>Current tax</b>		
UK corporation tax payable	<b>(93.3)</b>	(132.4)
Adjustments in respect of previous years	<b>2.8</b>	0.3
	<b>(90.5)</b>	(132.1)
<b>Deferred tax</b>		
Deferred tax movements	<b>(0.9)</b>	(15.0)
Adjustments in respect of previous years	<b>(2.2)</b>	(0.7)
	<b>(3.1)</b>	(15.7)
	<b>(93.6)</b>	(147.8)

**5 Earnings per share**

Basic earnings per share are calculated as the profit for the financial year attributable to shareholders of the Group divided by the weighted average number of shares in issue during the year.

For the year ended 30 April	2020	2019
Profit attributable to shareholders (£m)	<b>410.1</b>	627.4
Weighted average no. of shares (m)	<b>126.2</b>	130.4
Basic earnings per share (p)	<b>324.9</b>	481.1

For diluted earnings per ordinary share, the weighted average number of shares in issue is adjusted to assume the conversion of all potentially dilutive ordinary shares.

At 30 April 2020, the Group had two (2019: two) categories of potentially dilutive ordinary shares: 4.4 million (2019: 2.9 million) share options under the 2011 LTIP and 30,788 (2019: 22,000) share options under the 2015 Bonus Banking plan.

A calculation is undertaken to determine the number of shares that could have been acquired at fair value based on the aggregate of the exercise price of each share option and the fair value of future services to be supplied to the Group which is the unamortised share-based payments charge. The difference between the number of shares that could have been acquired at fair value and the total number of options is used in the diluted earnings per share calculation.

For the year ended 30 April	2020	2019
Profit used to determine diluted EPS (£m)	<b>410.1</b>	627.4
Weighted average no. of shares (m)	<b>126.2</b>	130.4
Adjustments for:		
Share options - 2011 LTIP	<b>4.6</b>	3.1
Shares used to determine diluted EPS (m)	<b>130.8</b>	133.5
Diluted earnings per share (p)	<b>313.4</b>	469.9

**THE BERKELEY GROUP HOLDINGS PLC**

RESULTS FOR THE YEAR ENDED 30 APRIL 2020

**Notes to the Condensed Consolidated Financial Information****6 Notes to the Consolidated Cash Flow Statement**

For the year ended 30 April	2020 £m	2019 £m
<b>Net cash flows from operating activities</b>		
Profit for the financial year	410.1	627.4
Adjustments for:		
Taxation	93.6	147.8
Depreciation	4.7	2.4
Loss on sale of PPE	0.2	0.2
Finance income	(12.4)	(10.7)
Finance costs	11.7	12.7
Share of results of joint ventures after tax	(33.3)	(8.8)
Non-cash charge in respect of pension deficit	-	0.6
Non-cash charge in respect of share awards	(4.1)	(4.4)
Changes in working capital:		
(Increase)/decrease in inventories	(440.2)	181.9
Increase in trade and other receivables	(3.8)	(20.9)
Increase/(decrease) in trade and other payables	369.9	(138.4)
Decrease in employee benefit obligations	(1.0)	(0.6)
Cash generated from operations	395.4	789.2
<b>Reconciliation of net cash flow to net cash</b>		
Net increase in net cash and cash equivalents, including bank overdraft	363.9	287.7
Increase in borrowings	(200.0)	-
Movement in net cash in the financial year	163.9	287.7
Opening net cash	975.0	687.3
Closing net cash	1,138.9	975.0
<b>Net cash</b>		
Cash and cash equivalents	1,638.9	1,275.0
Current borrowings	(200.0)	-
Non-current borrowings	(300.0)	(300.0)
Net cash	1,138.9	975.0

## **THE BERKELEY GROUP HOLDINGS PLC**

RESULTS FOR THE YEAR ENDED 30 APRIL 2020

### **Notes to the Condensed Consolidated Financial Information**

#### **7 Related party transactions**

The Group has entered into the following related party transactions:

##### Transactions with Directors

During the year, Mr A W Pidgley paid £65,598 (2019: £225,188), Mr R C Perrins paid £120,601 (2019: £90,981), Mr S Ellis paid £208,046 (2019: £107,039) and Mr P Vallone paid £811,191 (2019: £490,576) to the Group in connection with works carried out at their respective homes at commercial rates in accordance with the relevant policies of the Group. There were no balances outstanding at the year end.

Berkeley Homes plc has an agreement with Langham Homes, a company controlled by Mr T K Pidgley who is the son of the Group's Chairman, under which Langham Homes will be paid a fee for a land introduction on an arm's length basis. A fee of £300,000 has been made under this agreement in the year (2019: £nil) and there were no outstanding balances at the year-end (2019: £nil) and there are no contingent fees outstanding. Langham Homes has not introduced any new land to the Group in the year. In the event that any further land purchases are agreed, further fees may be payable to Langham Homes in future years.

##### Transactions with Joint Ventures

During the financial year there were no transactions with joint ventures other than movements in loans. The outstanding loan balances with joint ventures at 30 April 2020 total £177.2 million (30 April 2019: £156.7 million).