# Annual Report 2013

# CONTENTS



## About this report

Welcome to the Annual Report of The Berkeley Group Holdings plc ("the Berkeley Group" or "Berkeley"), a publicly owned company, listed on the London Stock Exchange within the FTSE 250. In this report, we give an overview of Berkeley's performance this year in the Highlights section followed by a showcase of our portfolio of developments in London and the South of England in Building Homes for Everyone, before explaining how we operate in Running a Sustainable Business and a review of the year in our Trading and Financial Review. Our Governance section and the detailed Financials accompanied by a report from the Group's auditors, complete the Annual Report.

This page: Fulham Reach, Hammersmith
Cover: Beaufort Park, Hendon

This image is computer generated and indicative only.

# WHO WE ARE AND WHAT WE DO

The Berkeley Group Holdings plc ("Berkeley") is a developer of residential-led, mixed-use schemes, with a history of creating successful, sustainable places.

Berkeley builds homes and neighbourhoods in its core markets of London and the South of England where its knowledge, expertise and proven track record, with over thirty years of experience in this market, gives it an unrivalled ability to deliver new homes and communities.

Berkeley will continue to forward sell its developments wherever possible, maintaining a strong balance sheet and keeping financial risk low in order to mitigate the operating risks of delivery and carefully allocating capital to the right projects at the right time, matching supply to demand wherever it can.

Proud to be a member of the Berkeley Group of Companies

# BUSINESS PERFORMANCE

This year's performance is a direct result of a period of sustained investment since early 2009 during which we have committed over £1.0 billion to new land and £2.4 billion to construction, delivering over 12,000 new homes in London and the South of England.

## Profit before tax

**£270.7 million**

| | |
|---|---|
| 2010 | £110.3m |
| 2011 | £136.2m |
| 2012 | £214.8m |
| 2013 | £270.7m |

## Earnings per share

**160.0 pence**

| | |
|---|---|
| 2010 | 60.0p |
| 2011 | 72.1p |
| 2012 | 121.0p |
| 2013 | 160.0p |

## Return on equity

**22.4%**

| | |
|---|---|
| 2010 | 13.3% |
| 2011 | 15.3% |
| 2012 | 21.2% |
| 2013 | 22.4% |

## Cash due on forward sales

**£1,453 million**

| | |
|---|---|
| 2010 | £648m |
| 2011 | £814m |
| 2012 | £1,056m |
| 2013 | £1,453m |

## Net asset value per share

**1,009 pence**

| | |
|---|---|
| 2010 | 637p |
| 2011 | 709p |
| 2012 | 839p |
| 2013 | 1,009p |

## Land bank estimated future gross margin

**£2,852 million**

| | |
|---|---|
| 2010 | £2,038m |
| 2011 | £2,304m |
| 2012 | £2,580m |
| 2013 | £2,852m |

# CHAIRMAN'S STATEMENT

"I am delighted to report a strong set of results which underline the benefit of a strategy aligned with a cyclical market. A combination of 32% growth in earnings in the year, an increase in cash due on forward sales to over £1.4 billion and continued growth of the land bank means that Berkeley remains on track to meet the first £568 million milestone payment by September 2015 under its ten year plan to return £1.7 billion to shareholders.

In this context, I am pleased to report that the Board has declared a further interim dividend of 59 pence per share, payable in September 2013, which will count towards the first return and follows the payment of an interim dividend of 15 pence per share in April 2013.

The growth in earnings this year is a direct result of a period of sustained investment since early 2009 during which Berkeley has committed over £1 billion to new land and £2.4 billion to construction and completed over 12,000 new homes in London and the South of England. This investment has enabled us to regenerate derelict sites across the region, sustaining 16,000 jobs through increased activity and committing some £250 million towards crucial local infrastructure improvements including schools, surgeries, parks and playgrounds. An increasing supply of new and affordable homes is crucial to supporting economic recovery and needs inward investment to support and finance this. London in particular must remain competitive on a global scale because it can and does attract investment from around the world and it is this investment which finances the provision of new homes of every tenure and in every price range.

Throughout this period of sustained growth, Berkeley has remained aware that it needs to balance its aims to be successful and sustainable with a social purpose. The challenges of creating exceptional places have given us a unique insight into how a company can create economic value in a way that also creates value for society. We understand that the pursuit of a "shared value" must be central to the way we operate, and we have sought to build partnerships, create jobs and engage better with local communities across all of the business. In addition, through the Berkeley Foundation, we have now committed nearly £3 million to more than 40 charities since 2011 and delivered new jobs and skills training, helping tackle important issues such as homelessness. I want to ensure that Berkeley embraces its role to build trust and empathy with its stakeholders and the wider community and helps create employment opportunities for those who most need it.

I am delighted with the contribution of our workforce to this year's strong performance. Berkeley's success is a direct result of the passion and dedication shown by all of our employees and I would like to take this opportunity to thank them for this. Their loyalty and hard work, across every site and every discipline, is the driving force behind the business and gives the company the stability and expertise which makes it strong.

In terms of the Board, I am pleased to announce that Adrian Li will join the Company as a Non-executive Director with effect from the Annual General Meeting. Adrian is currently the Deputy Chief Executive of The Bank of East Asia Limited. Alan Coppin has announced his intention to step down as a Non-executive Director at the Annual General Meeting on 2 September 2013, having served on the Board since 2006. I would like to thank Alan for his contribution to the Company and welcome Adrian to the Board.

We have positioned Berkeley with a clear, sustainable long-term plan. I am confident that Berkeley can meet its objectives for delivering returns to shareholders, but mindful of the risks that geopolitical events, regulation, increases in taxation alongside an uncertain future tax policy and even anti-competitive rhetoric can have on the business and the wider housing market."

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

"We have positioned Berkeley with a clear, sustainable long-term plan"

# RUNNING A SUSTAINABLE BUSINESS

Berkeley's business is run with long-term sustainable success at its heart, from its corporate strategy and commitments to shareholders, to the framework and objectives set for its people across every discipline of the business. An integrated business strategy is essential to achieve this.

## Running a sustainable business

Remaining one of the most successful and sustainable businesses in Britain

| Operations | Homes | Places | Customers |
|---|---|---|---|
| Running our business efficiently and considerately and working with our supply chain | Developing high quality, well-designed homes with low environmental impact | Creating great places where people enjoy a good quality of life, now and in the future | Providing exceptional service to our customers throughout the purchasing process and after completion |

## Our people

Retaining a highly skilled and passionate workforce who work in a safe and supportive environment and help us to contribute to wider society

### Considerate construction

**35.9/40**

(2012: 35.7)
Average Considerate Constructors Scheme score (May to December 2012)

### Environmental performance

**100%**

Percentage of new homes to be certified to at least Code for Sustainable Homes Level 3

### Contribution to communities

**£245m**

S106 contributions over the last five years

### Customer satisfaction

**98%**

(2012: 97%)
Percentage of customers that would recommend us to a friend

### Safe working

**2.99**

Accident Incident Rate per 1,000 employees and operatives (2012: 2.69)

### Supporting training

**115**

Number of apprentices who worked on our sites in 2012

# MANAGING DIRECTOR'S STATEMENT

"The growth in basic earnings per share by 32.2% to 160.0 pence in the year is a direct result of sustained investment in the Berkeley business over several years. Pre-tax profits are up 26.0% to £270.7 million and return on shareholders' equity, a core performance measure, is up from 21.2% to 22.4%.

In a year of continued expansion, Berkeley committed £315 million to acquire ten new sites and, with 73 of its 87 sites now in construction, has increased its net investment in work in progress, after taking account of the delivery of projects in the year, by some £289 million which underpins the Group's ability to generate future earnings.

Strong cash generation meant that, despite this investment and paying £19.7 million of dividends to shareholders in April 2013, Berkeley ended the year ungeared with net cash of £44.7 million, having started the year with net debt of £57.9 million. Cash due on forward sales of over £1,452.8 million, an increase of £397.1 million this year, supports our continued investment and provides good visibility over future performance.

Berkeley has agreed a long-term strategic plan with shareholders to return £1.7 billion in cash by meeting three milestone payments of £568 million in 2015, and £567 million in 2018 and 2021. Key to the Group's ability to meet these milestones is the underlying quality of the land bank. Having increased the estimated gross margin in the land bank by £272 million to £2,852 million this year, Berkeley is currently on course to outperform its short-term target to deliver the first milestone payment of £568 million by 30 September 2015 from retained earnings. Additionally, planning successes in the year mean that the land bank is currently in place from which to meet both the first and second milestones, some £1.14 billion in cash in total.

Our aim is to run the business in a safe and sustainable way, minimising financial risks where we can and seeking to create homes and vibrant neighbourhoods of exceptional quality in partnership with local communities. Berkeley builds homes for everyone, from first-time buyers to those moving house, for people young and old, from prime London locations to large scale regeneration schemes and small communities near market towns, whether new build or the restoration of heritage buildings. In doing so we put our customers at the heart of each and every decision and aim to create amazing places that will stand the test of time.

Looking to the future, and with the land bank now in place, the intention is to deliver strong and consistent returns on equity whilst maintaining the value in the land bank. This approach respects the fact that the property market is cyclical and that there are continuing barriers to accelerating the delivery of new housing. By operating at a natural size with a market-leading brand and adding value in every area of the business, Berkeley can maintain the flexibility to react to changes in the market, invest opportunistically in the right locations at the right time or return surplus cash to shareholders."

**Rob Perrins**
**Managing Director**

"With the land bank now in place, the intention is to deliver strong and consistent returns on equity whilst maintaining value in the land bank"

Edenbrook, Fleet

# BUILDING HOMES FOR EVERYONE

Our developments range in size from a few homes near market towns to complex, mixed-use urban regeneration schemes of over 4,000 homes including multi-million pound restoration projects, schools, community centres, student accommodation and senior living homes, all built with safety, sustainability and quality at their heart.

Heritage
Regeneration
Family
First time homes
Luxury
Affordable
City living
New communities
Student
Senior living

# HERITAGE

## Preserving Britain's architectural heritage for future generations is at the heart of placemaking today.

### 1 | Roehampton House at Queen Mary's Place, Roehampton

The painstaking renovation of this elegant Grade 1 listed property, originally designed in 1712, into 24 luxury apartments is now complete.

St James

### 2 | 75 Leman Street, Aldgate

An elegant Edwardian building with high ceilings, large arched windows and a grand central staircase is being restored and converted into 59 prestigious new residences.

Berkeley

### 3 | Roman House, City of London

A landmark building of 90 luxurious apartments in the City of London, overlooking the St Alphage gardens and the original piece of Roman Wall which is adjacent to the development.

Berkeley

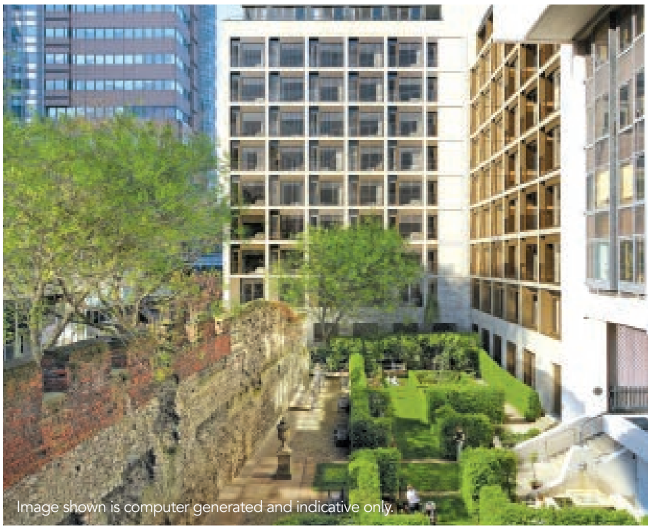


Image shown is computer generated and indicative only.

# REGENERATION

## Successful regeneration brings jobs, investment and a higher quality of life to the places created.

### 1 | Kidbrooke Village

Working in partnership with the Royal Borough of Greenwich, the Homes and Communities Agency and Southern Housing Group, Kidbrooke Village is seeing the transformation of a 109 hectare brownfield site into a vibrant new community providing over 4,000 new homes.

### 2 | Woodberry Park

One of the UK's largest estate redevelopment projects, 700 new homes have already been delivered at Woodberry Park. Some 4,600 new homes will eventually be developed alongside a range of new community facilities.

### 3 | Riverlight, Nine Elms

This Rogers Stirk Harbour + Partners designed scheme will provide some 800 new homes and amenities, with over 60% of the scheme dedicated to open space, in the first major development in the Nine Elms regeneration area on London's South Bank.

Image shown is computer generated and indicative only.

# FAMILY

## Creating appealing family homes with modern designs in safe, vibrant neighbourhoods.

### 1 | Edenbrook, Fleet

A development of three, four and five bedroom family homes in a country park setting opening up 84 acres of new parkland to the community.

### 2 | Thornchace, Guildford

A collection of seven new five bedroom family homes close to Guildford and designed with Arts and Crafts style architecture.

### 3 | Lime Grove Mews, Hammersmith

A terrace of 19 four and five bedroom family homes and 50 apartments in the heart of West London.

# FIRST TIME HOMES

## Giving a new generation the opportunity to secure a high quality new home.

### 1 | Beaufort Park, Hendon

The regeneration of a 25 acre former RAF site in Hendon into a mixed-use development of over 3,000 new homes at every affordability level.

### 2 | Chelsea Creek, Fulham

The creation of this dockside development of over 800 new homes has provided the opportunity for first-time buyers living in the London Borough of Hammersmith and Fulham to access high specification apartments at affordable prices.

### 3 | Royal Arsenal Riverside, Woolwich

The regeneration and restoration of the historic Royal Arsenal to provide over 4,000 new homes has provided opportunities for people to enter the property market, benefiting from the availability of Government FirstBuy and NewBuy schemes.

# LUXURY

## Berkeley is proud of its reputation for delivering luxury homes to the top end of the market.

### 1 | Ebury Square, Belgravia

Designed by Squire & Partners, Ebury Square is a development of 71 exclusive apartments overlooking a garden square in the heart of London's Belgravia.

Image shown is computer generated and indicative only.

### 2 | The Tower, One St George Wharf

The Tower will be one of Europe's tallest residential towers at 50 storeys and will provide luxury living and uninterrupted views across London.

### 3 | 190 Strand

190 Strand will be a luxurious development of some 200 apartments and penthouses in the heart of central London.

Image shown is computer generated and indicative only.

# AFFORDABLE

## Berkeley provides good quality, contemporary affordable housing of all tenures across London and the South.

### 1 | Woodberry Park

At Woodberry Park, a large-scale redevelopment project of some 4,600 new homes overall, this year Berkeley delivered 278 affordable homes.

### 2 | Battersea Reach

A riverside development of over 1,300 new homes in the heart of Wandsworth, at which this year St George completed 65 affordable homes.

### 3 | Queens Acre, Beaconsfield

This year we completed 17 affordable homes in Beaconsfield.

# CITY LIVING

## Aspirational homes in accessible locations are needed to support a growing, world-class economy.

### 1 | Langham Square, Putney

A collection of 104 two and three bedroom apartments in vibrant Putney, adjacent to the Underground station and with easy access to central London and to local amenities.

Image shown is computer generated and indicative only.

### 2 | Caspian Wharf, Limehouse

A waterside development of over 500 apartments in Limehouse with easy access to Canary Wharf, the City and the Olympic Park in Stratford, which is now complete.

### 3 | Cambridge Riverside

A riverside development of some 200 homes in the heart of the university city of Cambridge, convenient for the technology hub of the city and commutable to London.

# NEW COMMUNITIES

## Great places will establish new communities which will enhance the quality of life of their residents.

### 1 | Holborough Lakes

A new community of over 1,000 new homes with New England and traditional craft architecture, located in rural Kent and set around a series of tranquil lakes.

Berkeley

### 2 | Ryewood, Sevenoaks

A brand new community of some 500 homes situated adjacent to the Sevenoaks Wildlife Reserve, in close proximity to the amenities of Sevenoaks in Kent, including direct trains into London.

Berkeley

### 3 | Highwood, Horsham

Berkeley is creating a classic English village with tree-lined avenues, a square and a village pond on the edge of the market town of Horsham in West Sussex.

Berkeley

# STUDENT

## Britain's world-class educational establishments demand world-class accommodation for their students.

### 1 | Costume Store, Acton

A development of 730 bedrooms in North Acton for the undergraduate students of University of the Arts London, which opened in September 2012.

### 2 | Griffon Studios, Clapham

A development 566 studios for postgraduate students of Imperial College London, the scheme was delivered in phases, opened in September 2011 and completed in September 2012.

### 3 | Goodman's Fields, Aldgate

A new landmark undergraduate scheme due for completion in September 2013, this development will provide 617 bedrooms for students in London.

# SENIOR LIVING

## Berkeley's developments provide high quality affordable accommodation for people in all walks of life.

### 1 | Dickens Yard, Ealing

This mixed-use development in Ealing includes a pioneering new initiative to deliver homes for the active elderly wishing to downsize, thereby tackling under occupation in existing family housing stock.

St George

### 2 | Victory Pier, Gillingham

Prospect Place at Victory Pier includes 60 specialist apartments for the elderly with on-site facilities in the wider setting of this mixed-use waterfront development in Kent.

Berkeley

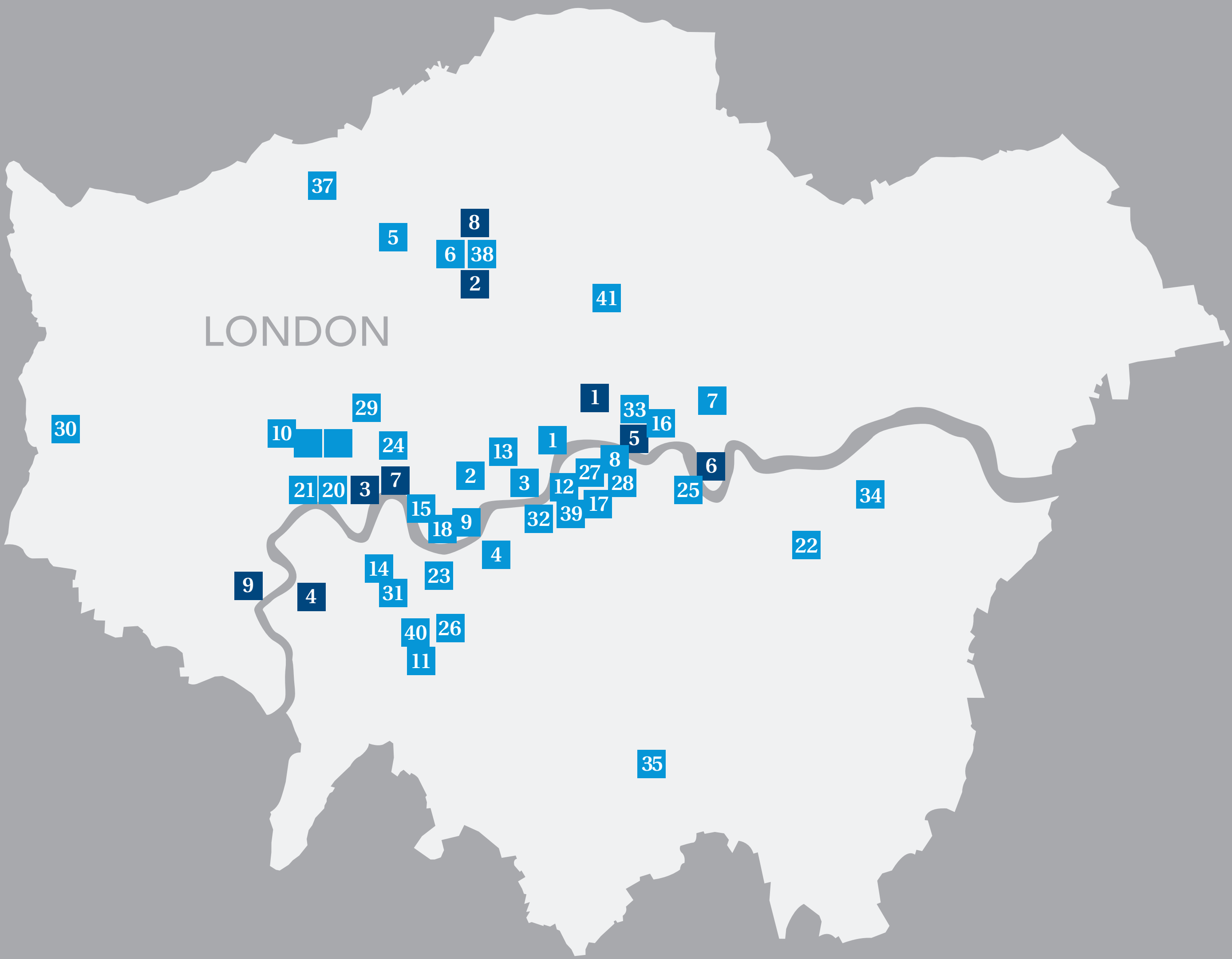
### 3 | Kingshill Meadow, Cirencester

A development of two, three and four bedroom homes in the heart of the Cotswolds, Kingshill Meadow includes 61 specialist apartments for the elderly with on-site staff and facilities.

Berkeley

# OUR DEVELOPMENTS

Berkeley builds new homes and neighbourhoods in the markets which it knows and understands. With further selective purchases this year, Berkeley's sites remain centred on its core markets of London…



2 | 375 Kensington High Street

12 | Eastbury House, Albert Embankment

15 | Fulham Reach, Hammersmith

Images shown above are computer generated and indicative only.

# London

## London Under Construction

1 190 Strand
2 375 Kensington High St (including Homebase and Telereal)
3 Abell & Cleland House, Westminster
4 Battersea Reach
5 Beaufort Park, Hendon
6 Carmelite, Finchley
7 Caspian Wharf, Bow
8 Chambers Wharf, Southwark
9 Chelsea Creek / Imperial Wharf
10 Dickens Yard, Ealing
11 Durham Road, Wimbledon*
12 Eastbury House, Albert Embankment
13 Ebury Square, Belgravia
14 Emerald Square, Roehampton
15 Fulham Reach, Hammersmith
16 Goodmans Fields, Aldgate
17 Hampton House, Albert Embankment
18 Hurlingham Gate, Fulham
19 Napier, Acton
20 Kew Bridge Road
21 Kew Bridge West, Brentford
22 Kidbrooke Village
23 Langham Square, Putney
24 Lime Grove Mews, Hammersmith
25 Marine Wharf, Deptford
26 Marryat Place, Wimbledon
27 One Blackfriars, Southwark
28 One Tower Bridge
29 One Victoria Road, Acton
30 Parkwest, West Drayton
31 Queen Mary's Place, Roehampton
32 Riverlight, Battersea
33 Roman House, City of London
34 Royal Arsenal Riverside
35 Saffron Square, Croydon
36 Sir Alexander Close, Acton
37 Stanmore Place
38 The Avenue, Finchley
39 The Tower, One St George Wharf
40 Wimbledon Hill Park
41 Woodberry Park

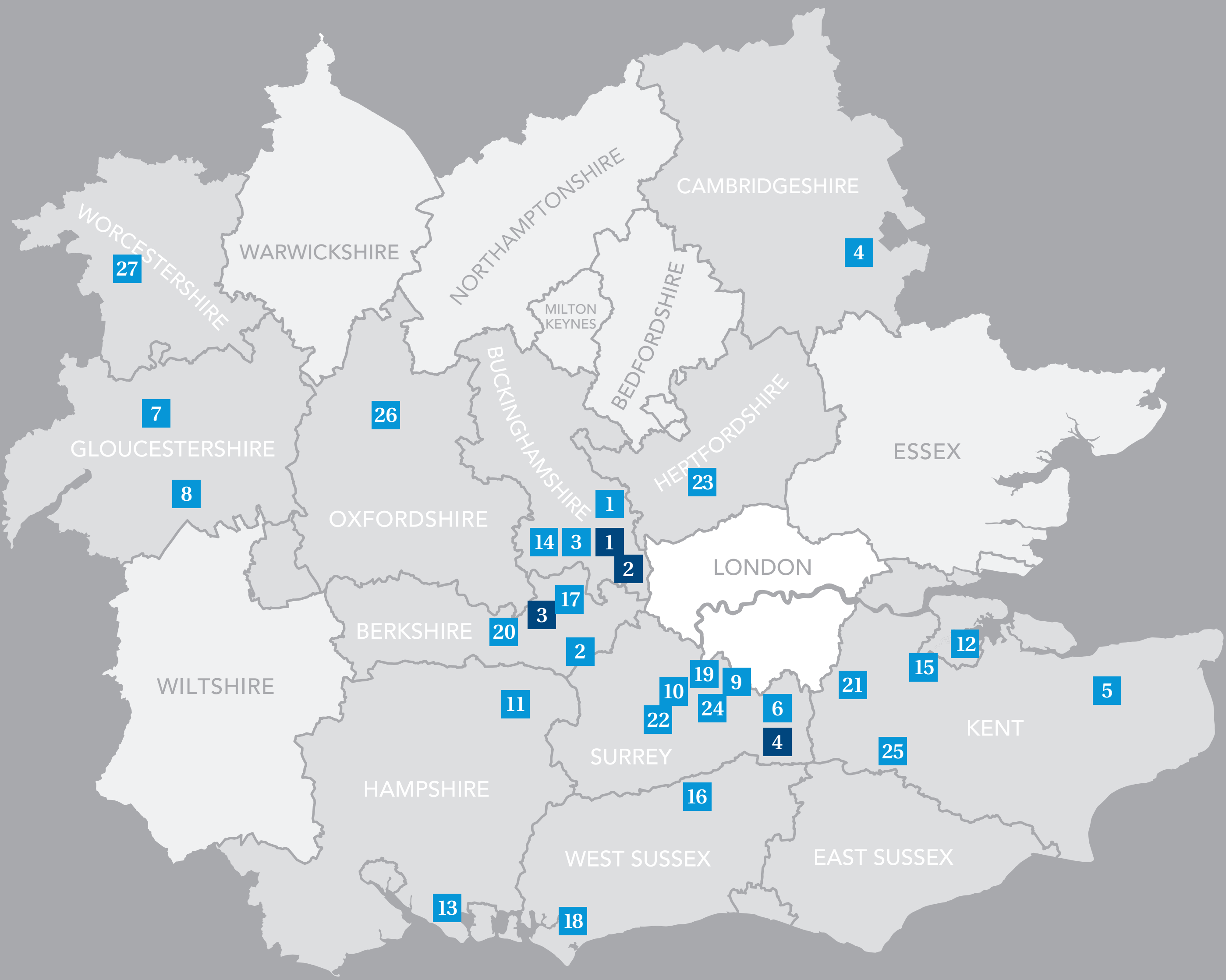
## London Future Sites

1 City Forum, City of London
2 High Road, Finchley*
3 Hogarth, Chiswick*
4 Latchmere House, Richmond*
5 London Dock, Wapping*
6 South Quay Plaza, Docklands*
7 Sovereign Court, Hammersmith*
8 St Josephs, Mill Hill*
9 Twickenham Sorting Office

* Sites purchased during the year

# OUR DEVELOPMENTS

… and the South of England.



1 | Amersham

18 | North Bersted

14 | High Wycombe

# The South

## South of England Under Construction

1 Amersham
2 Ascot (2 sites)
3 Beaconsfield (2 sites)
4 Cambridge
5 Canterbury
6 Caterham
7 Cheltenham (2 sites)
8 Cirencester
9 Claygate
10 Cobham
11 Fleet (2 sites)
12 Gillingham
13 Gosport
14 High Wycombe
15 Holborough
16 Horsham
17 Maidenhead
18 North Bersted
19 Oxshott
20 Reading
21 Sevenoaks
22 Shalford
23 St Albans
24 Tadworth (2 sites)
25 Tunbridge Wells
26 Woodstock
27 Worcester

## South of England Future Sites

1 Beaconsfield*
2 Gerrards Cross (2 sites)
3 Maidenhead*
4 Reigate

* Sites purchased during the year

Kidbrooke Village

# RUNNING A SUSTAINABLE BUSINESS

Berkeley has an integrated business strategy dedicated to securing long-term sustainable success, operating in a way that contributes positively to society.

# A SUSTAINABLE BUSINESS

Sustainability is at the heart of Berkeley. This is as true in Berkeley's corporate strategy and commitments to shareholders as it is in the day-to-day running of a business in which our people are driven, across every discipline, to deliver long-term, sustainable success.

Berkeley is aware that it needs to balance its aim to be successful with a will to operate sustainably and with a social purpose. Creating exceptional places that stand the test of time is at the forefront of this, as is its role in creating new jobs, working in partnership with local communities and contributing to the communities in and around each of its developments.

Berkeley is respectful of the inherently cyclical nature of the property market and is protective of the business's capacity to operate safely, sustainably and at an optimal size, now and in the future.

Stanmore Place

## What we do

The Group is focused on its core markets of London and the South of England, markets in which its knowledge, experience and proven track record gives it an unrivalled ability to deliver new homes and communities.

Berkeley's initial focus is on identifying and selectively acquiring the right land, and then obtaining viable, implementable planning consents appropriate to the location of each site. The Group then works with leading architects, engineers and designers to deliver quality homes for its customers across the spectrum of size, location and affordability in great places which it creates for its customers and wider stakeholders.

## Driving financial performance

Berkeley believes that it can operate most effectively by maintaining a secure financial base and ensuring a disciplined approach to risk management over the long-term.

A strong balance sheet and good visibility over performance in the near-term from forward sales afford Berkeley a flexibility in its business plan which enables it to react to changes in the market and continue to deliver new homes. Berkeley is ready and able to implement swiftly the construction of new phases of its schemes, or to adapt planning consents to meet changes in market demand.

The Trading and Financial Reviews elsewhere in this report provide an overview of the Group's performance in the year.

The two measures which best demonstrate Berkeley's focus on both performance and balance sheet strength are Return on Equity, which has risen from 21.2% to 22.4% this year, and estimated future Land Bank Gross Margin, which has risen to £2,852 million this year from £2,580 million last year. Consistent, balanced achievement against these two measures will demonstrate long-term sustainable success.

## Vision2020

Our Vision2020 framework has now been in place for three years and continues to evolve. The changes we have made this year to the structure ensure the framework remains closely aligned with the overall business strategy.

Ultimately we believe that an integrated business strategy is fundamental to running a sustainable business; sustainability should not be considered as a separate entity. Importantly, we have not removed any of the commitments set in 2012.

The five areas of focus are:

**Operations**: Running our business efficiently and considerately and working with our supply chain

**Homes**: Developing high quality, well-designed homes with low environmental impact

**Places**: Creating great places where people enjoy a good quality of life, now and in the future

**Customers**: Providing exceptional service to our customers throughout the purchasing process and after completion

**People**: Retaining a highly skilled and passionate workforce who work in a safe and supportive environment and help us to contribute to wider society


Our vision for the future

# OPERATIONS

## Running our business efficiently and considerately and working with our supply chain.

**First**
major housebuilder to sign up to the Prompt Payment Code

**35.9/40**
(2012: 35.7) average Considerate Constructors Scheme score (May to December)

**7%**
reduction in operational carbon emissions per site operative

### Our Vision for 2020

"Sustainability remains fully integrated into our business strategy and operations. We have developed excellent partnerships with our supply chain to ensure high quality materials and services are consistently provided, and environmental, social and ethical impacts are minimised. We will continue to conduct our operations in an environmentally efficient manner and with consideration to our neighbours."

### Progress at a Glance: Against key two year commitments 2012-2014

| | | |
|---|---|---|
| Supply Chain | Integrate an assessment of the sustainability of products, suppliers and contractors into the formal selection process | ✓ |
| | Ensure that all wood purchased by Berkeley is certified by a timber certification scheme | ✓ |
| Community Relations | Register all sites with the Considerate Constructors Scheme and achieve a minimum of 35 points out of 50 in site audits (32 out of 40 prior to January 2013) | ✓ |
| Environmental Management | Reduce average site carbon dioxide emissions by 3% per site operative by May 2014 | ✓ |
| | Reduce average site water consumption by 3% per site operative by May 2014 | ✖ |
| | Re-use or recycle over 85% of construction, demolition and excavation waste | ✓ |

**Key:** ✓ Currently on target to achieve ✖ Not currently on target to achieve

**Learn more about Operations at berkeleygroup.co.uk/vision2020/operations**

## Developing our Approach

Our framework is focused on our day-to-day operations, from the inputs to the business to the running of our sites. Some of the most significant impacts of our work occur indirectly as part of the wider supply chain in the extraction, processing and transportation of materials and as a result of contractors working on our sites. Running a sustainable business is dependent upon managing day-to-day operations efficiently and with consideration for local people.

## Supply Chain

We recognise that we use large quantities of materials and that some of the most significant environmental and social impacts of our operations may arise in our supply chain. Our Sustainable Procurement Policy requires that we work in partnership with our suppliers and contractors to minimise these impacts.

Contractors wishing to tender to work on a Berkeley site must confirm they have appropriate policies and systems in place to address social and environmental issues, in addition to business risks and health and safety.

We have pledged that all timber, temporary and permanent, directly and indirectly sourced, must be certified to either FSC or PEFC standards.

To give certainty to our suppliers, and particularly small businesses, we registered for the Prompt Payment Code in December 2012, committing to pay contractors in a timely manner and on a weekly basis where appropriate. We were the first major housebuilder to do so.

## Community Relations

We aim to conduct our operations with minimal disruption to the communities in which we work and to develop good relationships with local people and local authorities. We want to ensure that we build considerately from the outset.

In this way, we can improve our efficiency by minimising regulatory involvement whilst improving community relations. Each of our sites aims to communicate and engage with their local communities, from sending newsletters to hosting school visits and open days.

All of our construction sites are registered under the voluntary Considerate Constructors Scheme (CCS) and its Code of Practice. Our audit scores continued to increase to an average of 35.9/40 (2012:35.7). We score consistently above best practice guidelines and industry averages. Our commitment is regularly recognised by the Scheme, with Berkeley receiving 20 awards at the 2013 National Site Awards.

## Environmental Management

All construction sites are regularly assessed on compliance with legal requirements, planning conditions and industry good practice to help us to reduce the risk of regulatory involvement and to maintain our record of zero environmental prosecutions.

We monitor energy and water usage monthly and set targets for reduction. During 2013 our operational carbon emissions per person have reduced by 7% to 2.2 tonnes $CO_2e$ per year (2012: 2.4 tonnes $CO_2e$). During the same period our water usage per operative has increased by 20%; principally this was due to significant water demands to ensure effective dust suppression during an intensive demolition phase on one particular site.

Our strategy for waste is not only to reduce the volume produced, but to ensure that we re-use and recycle as much as possible. This year 93% of all waste generated on site was recycled.

# HOMES

## Developing high quality, well-designed homes with low environmental impact.

**100%**
percentage of new homes designed to the principles of Lifetime Homes

**100%**
percentage of new homes to be certified to at least Code Level 3

**63%**
(2012: 56%) percentage of completed homes provided with energy from low carbon or renewable technology

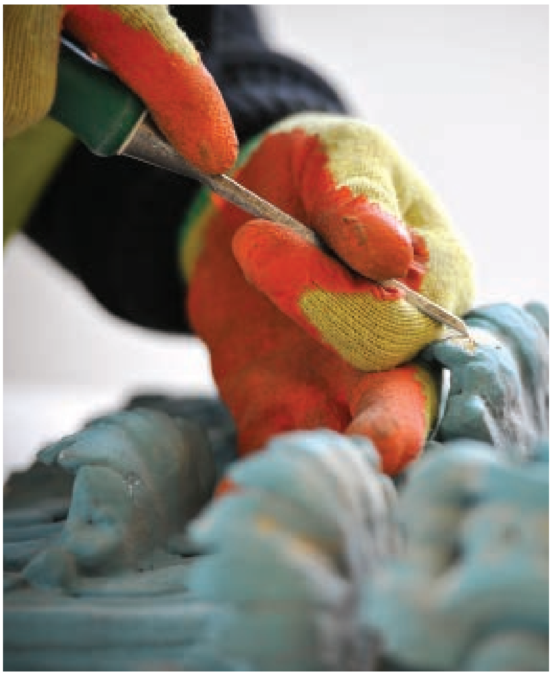
### Our Vision for 2020

"Our track record of delivering high quality, well-designed, comfortable homes with low environmental impact makes them highly desirable to customers. Homes built by Berkeley are recognised throughout the industry as the very best examples of quality construction and sustainable design. All our new developments are low or zero carbon."

### Progress at a Glance: Against key two year commitments 2012-2014

| | | |
|---|---|---|
| Design Quality | Develop minimum design standards on all Berkeley homes including standards for sound insulation, space, storage and overheating | ✓ |
| | Carry out post-occupancy monitoring of electricity, water and gas/heat consumption in order to measure the success of our designs and to influence the design of future schemes | ✓ |
| Environmental Performance | Undertake R&D to understand the implications of the Government's proposed zero carbon standard on our future developments | ✓ |
| | Design all new homes to achieve at least Level 3 of the Code for Sustainable Homes | ✓ |

**Key:** ✓ Currently on target to achieve ✖ Not currently on target to achieve



The Avenue, Farnham Common

Learn more about Homes at berkeleygroup.co.uk/vision2020/homes

## Developing our Approach

Over the past year we have enhanced this aspect of the Vision2020 framework to reflect our overall aim for each home; it must be well-designed, be of a high quality and be environmentally sound. These three elements are demanded by all of our stakeholders, from our customers to local and national Government.

## Build Quality

The quality which we demand in our new homes requires a skilled workforce and attention to detail. Many checks are undertaken both throughout the build process and prior to handover to ensure a high quality finish has been achieved.

Our specifications are designed to meet the varied needs of all types of homebuyers, from luxurious houses to top quality key worker apartments.

## Design Quality

Each of our homes is bespoke and we use qualified architects to design each scheme, whether it consists of four or 4,000 homes. This tailored approach ensures that we deliver homes and communities that meet our customers' needs.

Together with excellent external design of the buildings and landscaping, we ensure that the homes we build are comfortable places in which to live, and we set standards for storage, sound insulation, air quality and heating. We are also committed to investigating indoor air quality; this year, we installed air monitoring equipment at one of our sites to obtain data on real-life performance which we will then feed back into the design process.

In 2013, all new homes were designed to the principles of the Lifetime Homes standard for adaptability and flexibility. To help stimulate discussions and debate around excellent design we opened five of our sites to the public during the London Festival of Architecture.

## Environmental Performance

All of our new homes are designed to achieve at least Level 3 of the Code for Sustainable Homes and are provided with efficient internal water fittings and recycling facilities as standard.

In 2013, 77% of completed homes were certified using an environmental performance methodology and increasingly our new developments are targeting Code Level 4 where practical. 63% of our completed homes were provided with energy from renewable or low carbon technology in 2013, up from 56% in 2012.

We continue to support the Government's move to zero carbon and we have commissioned experts to conduct research into the implications and practicalities of implementing this across our business.

# PLACES

Creating great places where people enjoy a good quality of life, now and in the future.

**5**
sites already assessed under our new social sustainability framework

**£245m**
S106 contributions over the last five years

**94%**
live sites provided with cycle storage

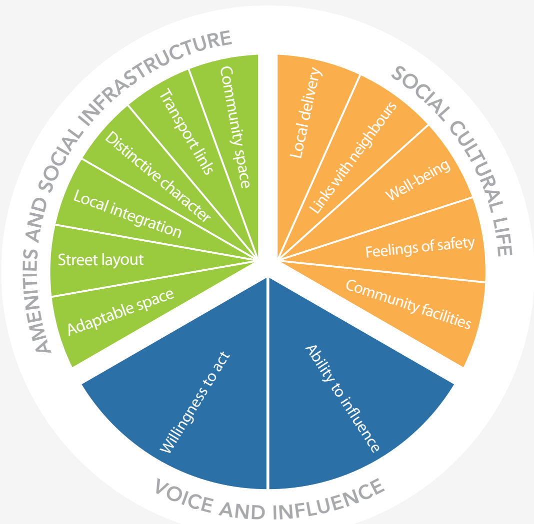
## Our Vision for 2020

"We create high quality, sustainable places where people choose to live, work and spend their time. These are places that directly encourage people's well-being and quality of life and offer them a space and a base from which to lead safe and fulfilling lives. Our ability to transform sites into thriving communities is considered the best in our industry. Through our ability both to collaborate and to deliver, Berkeley is the developer of choice for local authorities and existing communities."

## Progress at a Glance: Against key two year commitments 2012-2014

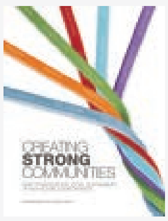
| | | |
|---|---|---|
| Quality of Life | Work with experts to develop metrics to assess the social sustainability of our developments and pilot the metrics on at least one completed development | ✓ |
| | Conduct post-occupancy evaluation to assess the in-use success of community facilities (e.g. sports facilities, public realm, open space, children's activities) | ✓ |
| Working in Partnership | Follow Berkeley's Community Engagement Strategy on all planning applications we submit | ✓ |
| | Work with residents, commercial occupiers, local businesses and the local community on at least one mixed-use development to promote local employment opportunities | ✓ |
| Sustainable Communities | Put in place adaptation measures on all developments to address future climate change risks | ✓ |
| | Install living roofs (brown or green) on all suitable apartment roof spaces | ✓ |

**Key:** ✓ Currently on target to achieve ✖ Not currently on target to achieve




Social sustainability describes the way a neighbourhood supports individual and collective well-being. It is about people's quality of life.

For more details on our framework for assessing social sustainability, see Creating Strong Communities berkeleygroup.co.uk/sustainability/socialsustainability



**Learn more about Places at berkeleygroup.co.uk/vision2020/places**

## Developing our Approach

Delivering well-designed, safe and sustainable places which will endure as settled, vibrant communities long into the future is vital to social and economic sustainability. We believe that appreciating the needs of our customers and wider stakeholders before, during and after the delivery of our schemes and what makes them thrive as a community, is the right model for a truly successful and sustainable business in our sector.

## Quality of Life

Over the past two years, in partnership with Social Life, we have developed a framework which we are now using to measure the social sustainability of our developments. The results will help us to improve the places we build and to ensure that they promote quality of life and well-being.

In 2013, five of our developments were assessed against this framework and we plan to roll out the assessment process across more of our developments to ensure that our headline successes to date; namely that Berkeley residents feel they belong, regularly talk to neighbours and plan to stay in their community, will be consistently delivered.

We will also be conducting post-occupancy evaluation of several aspects of our developments to confirm how they function in relation to aspects such as crime, security, design quality, travel plans and community spaces, to inform our future developments.

## Working in Partnership

Our Community Engagement Strategy is used on all developments. We collaborate with the planning authority and other local stakeholders to tackle the shortage of good quality homes and provide an appropriate mix of types and tenures. Over the last five years, we have signed commitments to provide over 7,000 affordable homes including social rent, shared equity, shared ownership and Extra Care homes for the elderly. We also work in partnership with educational establishments to provide high quality student accommodation.

We have funded a broad range of facilities and services. Over the past five years, we have contributed £245 million through S106 contributions, as outlined in the Economic Impact Assessment of the Berkeley Group (berkeleygroup.co.uk/sustainability/economic).

## Sustainable Communities

In addition to each individual home being designed to be environmentally sound, it is essential that the wider development also adheres to these principles and allows people to live a sustainable lifestyle.

Our approach begins with the selection of land opportunities, with a focus on developing on redundant or under-utilised land; 89% of our development this year was on brownfield rather than greenfield land. The selection of central sites also means we continue to build in well-connected locations; 93% of live sites are within 500m of a public transport node (2012: 97%) and 94% will provide cycle storage (2012: 95%).

Our commitments apply to every development we build, regardless of location or scale. On every site, potential flood risks are mitigated and ecologists are consulted to protect and enhance biodiversity. We also incorporate living roofs on all suitable apartment roof spaces. Our commercial space, student accommodation and Extra Care housing achieve BREEAM Very Good.

Our new challenge is to ensure that every place we create is also designed to provide high levels of comfort and can cope with more extreme weather conditions. We will continue our research into climate change adaptation and the additional measures which can be incorporated into our developments.

# CUSTOMERS

Providing exceptional service to our customers throughout the purchasing process and after completion.

**98%**
(2012: 97%)
percentage of customers that would recommend us to a friend

**81%**
percentage of customers who are concerned about protecting the environment

## Our Vision for 2020

"We consistently meet or exceed our customers' expectations by delivering well-designed, beautiful homes and communities where they can live happy, healthy and environmentally-efficient lifestyles. The service that we aim to provide to our customers throughout the purchasing process and after completion is exceptional. Customers are positioned at the heart of our business and central to the decisions that we make."

## Progress at a Glance: Against key two year commitments 2012-2014

| | | |
|---|---|---|
| The Customer Experience | Provide every customer with a Berkeley Customer Satisfaction Commitment | ✓ |
| | Provide user-friendly 'quick start' instructions and guides for running a home | ✓ |
| Customer Satisfaction | Survey every customer to measure satisfaction and target that at least 95% of our customers would recommend us to a friend | ✓ |
| Sustainable Living | Train sales staff in sustainability so that they are able to sell the benefits to customers | ✓ |
| | Produce a Berkeley Sustainable Living Guide in conjunction with NGOs for use in sales & marketing suites, at handover, as well as an interactive version of the Guide for our website | ✓ |

**Key:** ✓ Currently on target to achieve ✖ Not currently on target to achieve

HIGHLIGHTS
BUILDING HOMES FOR EVERYONE
RUNNING A SUSTAINABLE BUSINESS
TRADING & FINANCIAL REVIEW
GOVERNANCE
FINANCIALS

**Learn more about Customers at berkeleygroup.co.uk/vision2020/customers**

## Developing our Approach

The customer is at the heart of every decision that we make, from the land that we buy, through development planning, to the detailed design, specification and construction of our housing and commercial space. Our strategy is based on ensuring that customers remain as a central focus and we continue to strive for exceptional performance. The experience of our customers is central to Berkeley's reputation, its ability to secure sales and hence the viability of the future business.

## The Customer Experience

We aim to make the home buying process as straightforward and enjoyable as possible for all our customers, and to provide a professional, efficient, business-like and helpful service at all times.

Our commitment to our customers is that:

"When you buy a new home from Berkeley you can be safe in the knowledge that it is built to very high standards of design and quality, has low environmental impact and that you will enjoy an exceptional customer experience."

## Customer Satisfaction

We support the Consumer Code for Homebuilders which applies to all our buyers. This requires that home buyers are treated fairly, know what service levels to expect, are given reliable information upon which to make their decision and know how to access speedy, low-cost dispute-resolution arrangements if they are dissatisfied.

We use customer satisfaction surveys undertaken by an independent external agency to measure how well we are meeting our customers' expectations. All of our private purchasers are asked to complete a survey, and this year 98% of our customers reported that they would recommend Berkeley to a friend (2012: 97%). This is above our target of 95%.

We also see the opportunity presented by engaging with customers to inform better design. We invite feedback from all of our customers and use this to improve our homes.

## Sustainable Lifestyles

We have a role to play in promoting sustainable lifestyles to residents and helping them to operate their home efficiently and make the best use of local facilities. We also believe that this is something our customers want; in our 2012 Customer Sustainability Survey, 81% of customers agreed or strongly agreed that they were concerned about protecting the environment.

Helping Create a Better Future: Our Guide to More Sustainable Living, was produced to provide information to customers on sustainability issues and give ideas on how to adopt a more sustainable lifestyle. This is available within all marketing suites and we will also be developing an online version.

# OUR PEOPLE

## Retaining a highly skilled and passionate workforce who work in a safe and supportive environment and help us to contribute to wider society.

**115**
number of apprentices who worked on our sites in 2012

**2.99**
per 1,000 employees and operatives (2012: 2.69) Accident Incident Rate

**£2.8m**
funds committed to good causes through the Berkeley Foundation

### Our Vision for 2020

"We retain a highly skilled and passionate workforce which enables us to run a successful and sustainable business. Our staff are supported in their roles and this is extended to our contractors' operatives. Health and safety remains a focus area, ensuring that our sites are healthy and safe places to work. Through the Berkeley Foundation we continue to provide funding and support for worthy causes and will have enabled many young people to get into work."

### Progress at a Glance: Against key two year commitments 2012-2014

| | | |
|---|---|---|
| Support and Training | Measure staff retention rates and workforce diversity and benchmark performance | ✓ |
| | Ensure that a minimum of 5% of our own staff and those working on our construction sites are employed in an apprenticeship or training role | ✓ |
| Health and Safety | Continue to achieve a RIDDOR reportable Accident Incident Rate (AIR) of less than 3.5 incidents per 1,000 employees and subcontractors | ✓ |
| | Continue to achieve a RIDDOR reportable Accident Frequency Rate (AFR) of less than 0.175 per 100,000 hours worked | ✓ |
| | Further enhance the Group's 'Good Work' programme through active engagement with contractors' operatives on all our projects | ✓ |
| The Berkeley Foundation | Capture and quantify our work with charities and local communities and benchmark performance | ✓ |
| | Raise £250,000 annually for the Berkeley Foundation through employee fundraising and donations | ✓ |

**Key:** ✓ Currently on target to achieve ✖ Not currently on target to achieve

**Learn more about Our people at berkeleygroup.co.uk/vision2020/our-people**

## Developing our Approach

Berkeley has autonomous management teams which operate under five core brands: Berkeley; St George; St James; St Edward and Berkeley First. These teams represent the people charged with implementing the Group's strategy across all of its day-to-day operations. Recruiting and retaining a high calibre workforce is crucial to our approach. We require all of our people to engage in the Group's philosophy, to show the passion for excelling in every area of the business with the Berkeley spirit of entrepreneurial flair and to share in our aspiration for long-term sustainable success.

## Support and Training

As the business has grown over recent years our headcount has more than doubled from some 700 in April 2009 to over 1,400 in April 2013. This growth is coupled with a stability which has retained a core pool of knowledge and experience within the Group, demonstrated by an average service length in excess of 10 years amongst senior management.

In recent years the Group has developed a particular focus on helping young people into work. Our graduate scheme has been running since 2006 and 87 graduates are in the business today. In 2013, the Berkeley Sales Academy was formed to provide structured training for sales consultants joining Berkeley from diverse backgrounds.

In the last year, Berkeley directly or indirectly supported approximately 16,000 jobs in the UK, including 7,447 contractors' employees. On average, 4.5 new jobs are created for each home built. This included over 115 full time apprenticeships on our sites during the year to help young people to gain experience and develop core skills to help provide the workforce of the future. Currently 7% of our own workforce and those working on our construction sites are employed in an apprenticeship or training role.

In June 2013, Berkeley announced a commitment to give training and work to 250 unemployed people through a major new job creation scheme through Berkeley and its partners.

## Health and Safety

Our 'Good Order' and 'Good Work' programmes continue to reinforce the importance and culture of health and safety on our sites. Our Accident Incident Rate (AIR) is 2.99 (2012: 2.69) and remains at a level which continues to outperform the industry.

Our commitment to high health and safety standards has been recognised by both the Royal Society for Prevention of Accidents (RoSPA) and the National House Building Council (NHBC). We received two Silver Awards, nine Gold Awards and five Gold Medal Awards from RoSPA this year, our best performance to date. Four of our sites have been shortlisted for the NHBC Health & Safety Awards in the 'Best Site Award' category.

## The Berkeley Foundation

The Berkeley Charitable Foundation, launched in March 2011, has so far committed £2.8 million to more than 40 charities and worthy causes. These range from partnerships with major national charities to small local charities chosen by our staff. Our focus areas are tackling homelessness and youth unemployment.

The money comes from two sources. Staff from the Berkeley Group have raised £550,000 from friends, family, colleagues and other companies. The rest is given to the Foundation by the Berkeley Group itself or generated through fundraising events. Alongside the money they raise, staff donate through Give As You Earn and offer their time and talent to support individual causes. The Group match funds all the cash raised by staff for the Foundation.

The Berkeley Foundation annual report contains more details of how this money is disbursed through a small set of strategic partnerships, through a series of designated charities chosen by our local offices and through grants and sponsorship.

Berkeley Foundation


150 Berkeley employees successfully completed the ascent of Tower 42 in London in aid of the Berkeley Foundation this year.


ealth Club
www.bannatyne.co.uk
Berkeley Foundation
Shelter

Chelsea Creek, Fulham

# TRADING & FINANCIAL REVIEW

Berkeley's strong results this year are a direct result of a period of sustained investment in the Berkeley business over several years.

Abell and Cleland House, Westminster

# TRADING REVIEW

## Trading Performance

Berkeley is pleased to report a 26.0% increase in profit before tax from £214.8 million in 2012 to £270.7 million this year. This is an increase in basic earnings per share from 121.0 pence to 160.0 pence in 2013 (a 32.2% rise). Net asset value per share has risen from 839.3 pence at 30 April 2012 to 1,009.1 pence at 30 April 2013. This is reflected in a pre-tax return of shareholders' equity of 22.4% (2012: 21.2%).

The Group has further invested in the business this year, with inventories increasing from £1,851.7 million at the start of the year to £2,066.7 million at 30 April 2013. The Group has nevertheless been cash generative and ended the year ungeared, converting net debt of £57.9 million at 30 April 2012 to net cash of £44.7 million at 30 April 2013, thereby maintaining a strong, stable balance sheet.

Investment in the business has included a commitment of over £315 million in ten new sites, eight of which are in London including London Dock in Wapping and South Quay Plaza in Docklands, and continued funding of construction across the Group's sites in London and the South of England. Alongside optimisation of some £150 million secured in the year, this investment has increased the estimated gross margin in the land bank by £272 million to £2,852 million.

## Long-Term Strategic Plan

Under the long-term strategic plan agreed with shareholders to return £1.7 billion by 30 September 2021, progress towards the three milestones is as follows:

| | Returns to Shareholders £'million | Pence per share |
|---|---|---|
| First interim dividend paid April 2013 | 20 | 15 |
| Second interim dividend payable September 2013 | 77 | 59 |
| Balance to be paid by 30 September 2015 (first milestone) | 472 | 360 |
| By 30 September 2018 (second milestone) | 567 | 433 |
| By 30 September 2021 (third milestone) | 567 | 433 |
| | **1,703** | **1,300** |

The Board has considered the current financial position of the Group and determined that it is appropriate to propose a further interim dividend of 59 pence per share, payable on 27 September 2013 to shareholders on the register on 30 August 2013. This payment is a further £77.3 million towards the first milestone payment.

The Group will consider any future dividends against the prevailing market conditions and the financial position of the business, subject always to meeting the milestones set out under the long-term strategic plan.

## Housing Market

The housing market in London and the South of England has continued to be supported by strong demand in good locations.

London has maintained its position as a major global city and continued to attract more people and inward investment. This position brings with it an inherent demand for accommodation which is not currently being met by supply and, with the pressure on London to house a growing population and an increased number of new households more generally, this shortfall is likely to be exacerbated as new homes are not being built quickly enough to reduce it.

Outside London, visitor levels in the traditional, predominantly owner-occupier markets in which Berkeley operates have remained steady compared to last year. They continue to run at below the peak levels seen prior to 2008 before the downturn, although a rise in visitors and associated activity is expected to result across the industry as the Government's Help to Buy scheme and then the Mortgage Indemnity Guarantee begins to roll out across the sector. Berkeley considers this a positive intervention as it should help bring more people, whether trying to get onto or move up the housing ladder, into the market.

Cancellation rates for the year stood at broadly 11% which is at the lower end of the range of historical levels and reflects a steady, underlying market. House prices have been consistent with the more general commentary in the wider market.

Berkeley held 140 completed residential properties at 30 April 2013 (251 at 30 April 2012). These provide the Group with a limited number of homes available for immediate sale, principally in those owner-occupier-led markets which require available product.

## New Land Acquisition

This year Berkeley has invested a further £315 million in new land, acquiring ten sites with some 3,000 plots. Eight of the sites are in London, some 99% of the plots, and two outside London.

The unconditional purchase of the 15-acre former News International printworks in Wapping, on the fringes of the City of London, for £150 million at the start of the year remains the most significant transaction this year. Berkeley also recently concluded the purchase of South Quay Plaza in London's Docklands, a 1.9 acre site adjacent to Canary Wharf. Other purchases in Chiswick, Hammersmith, Wimbledon, Mill Hill, Finchley and Richmond have extended Berkeley's holdings in good locations across West and North London.

**£315 million**

committed to new land

## Planning and Optimisation

Berkeley has continued to focus on enhancing its land bank by removing risk through the planning process and improving and tailoring existing consents to the evolving demands of the market.

Berkeley has achieved new consents on 17 sites in the year. 10 of these were on the London schemes, including consents at the 52-storey mixed-use scheme at One Blackfriars, Hampton House on the Albert Embankment, a student scheme in Acton and sites in Finchley and Hammersmith. Outside London seven new consents have been secured in Maidenhead, Caterham, Cheltenham, Tunbridge Wells, Ascot, Tadworth and Guildford. Over 85% of Berkeley's sites now have an implementable planning consent, covering some 80% of the plots in the land bank.

Review and optimisation of consents secured remains core to Berkeley's activities and recognises that developing complex sites over the long-term needs a constant reappraisal of what customers desire from a new home and local communities demand from the new places that Berkeley creates. It is a means to protect and often enhance value in Berkeley's land bank whilst ensuring that its approach to each site remains fresh and effective.

This year, Berkeley has added some 7% of value to its land bank through optimisation, a figure which reflects enhanced consents on sites which it owns or controls. There have also been four planning refusals this year on sites acquired on a subject-to-planning basis. The applications on these sites are currently being resubmitted or appealed, highlighting the complexity in the planning process which is ultimately holding back delivery of much needed housing.

## Land Bank

The combination of new land and optimisation of existing land means that, at 30 April 2013, Berkeley's land bank stood at 25,684 plots (30 April 2012: 26,021) with an estimated gross margin of £2,852 million (30 April 2012: £2,580 million). The average selling price in the land bank has also increased from £345,000 at 30 April 2012 to £378,000 at 30 April 2013, a result of the increased weighting towards schemes in London acquired in the year.

There remain approximately 10,000 plots in Berkeley's longer-term land bank. This includes land under option which requires promotion through the planning system and long-term regeneration land under contract. A 180-home development at Chambers Wharf in Southwark has been brought through from this strategic land bank in the current year.

Berkeley remains on target to meet its previously announced aspiration to increase the value of the estimated gross margin in the land bank to £3 billion by April 2014, one year earlier than originally planned.

| | **April 2013** | Change | April 2012 |
|---|---|---|---|
| Owned | **25,055** | -700 | 25,755 |
| Contracted | **629** | +383 | 246 |
| Agreed | **–** | -20 | 20 |
| Plots | **25,684** | -337 | 26,021 |
| Sales value | **£9,707m** | +£718m | £8,989m |
| Average selling price | **£378k** | +£33k | £345k |
| Average plot cost | **£62k** | +£7k | £55k |
| Land cost | **16.5%** | +0.5% | 16.0% |
| Gross margin | **£2,852m** | +£272m | £2,580m |
| | **29.4%** | +0.7% | 28.7% |

## Running a Sustainable Business

Berkeley aims to create great places where people choose to live, work and spend their time; places that directly encourage people's well-being and quality of life by transforming its sites into thriving communities. This is at the heart of Berkeley's business model.

Berkeley's corporate plan is to return £1.7 billion to shareholders by 2021 and to remain one of the most successful and sustainable businesses in Britain.

This plan requires safe, sustainable performance and has a strategy to deliver this, rewarding those who invest in the company with a clear profile of cash returns and giving them and Berkeley's other stakeholders confidence that a resilient underlying business will be retained for the long-term.

Berkeley's core performance measures of return on equity and future gross margin in the land bank best track progress against this dual objective, with return on equity providing an ongoing earnings measure and future gross margin in the land supporting the value of the residual business.

The immediate priority for the Board is to meet the first milestone of returning £568 million in cash by 30 September 2015 and with this a focus on delivering strong and consistent returns on equity while aiming to achieve a land bank with an estimated gross margin in excess of £3 billion by the end of April 2014.

Berkeley is well-placed to achieve its targets but is mindful of the risks that geopolitical events, regulation, increases in taxation alongside an uncertain future tax policy and even anti-competitive rhetoric can have on the business and the wider housing market.

**£2,852 million**

estimated gross margin in the land bank

# AWARDS

Whilst the business is not run in order to secure awards, we are proud to have received a number of awards throughout the year.

For the second time, we have been recognised by Management Today as one of Britain's Most Admired Companies. We were joined at the top of the chart by some of the country's most successful and respected companies and were the highest placed housebuilder. The Group has also been ranked as one of the Top 10 companies across Europe for the Infosys Business of the Year Award (t/o €150m+) category of the 2012/13 European Business Awards, picking up a 'Ruban d'Honneur' award.

These awards celebrate the most innovative businesses on the continent by promoting success, innovation and ethics in the European business community.

For the seventh year running we were ranked as the top homebuilder in the 2012 NextGeneration benchmarking initiative. The benchmark ranks the UK's 25 largest homebuilders according to their sustainability strategy and performance.

**Next Generation Benchmark 2012**

Ranked as the most sustainable homebuilder for the 7th successive year

**Britain's Most Admired Company 2012**

Ranked second across businesses from all sectors

**European Business Awards 2012**

Ranked as one of the Top 10 companies across Europe through award of a Ruban D'Honneur award

75 Leman Street,
Aldgate

The Boatyard, Kingston

# FINANCIAL REVIEW

## Headline Results

| Year ended 30 April | 2013 £'million | 2012 £'million | Change £'million | % |
|---|---|---|---|---|
| Revenue | 1,372.6 | 1,041.1 | +331.5 | +31.8% |
| Operating profit before exceptional item | 280.1 | 195.7 | +84.4 | +43.1% |
| Exceptional profit on disposal of subsidiary | - | 30.7 | -30.7 | |
| Operating profit | 280.1 | 226.4 | +53.7 | +23.7% |
| Net finance costs | (8.1) | (9.4) | +1.3 | |
| Share of joint ventures result | (1.3) | (2.2) | +0.9 | |
| Profit before tax | 270.7 | 214.8 | +55.9 | +26.0% |
| Taxation | (61.0) | (56.7) | -4.3 | |
| Profit after tax | 209.7 | 158.1 | +51.6 | +32.6% |
| EPS Basic | 160.0p | 121.0p | +39.0p | +32.2% |
| ROE | 22.4% | 21.2% | +1.2% | |
| Units sold | 3,712 | 3,565 | | |
| Average selling price | £354,000 | £280,000 | | |

## Trading Analysis

Group revenue was £1,372.6 million this year (2012: £1,041.1 million) which comprised £1,337.9 million from the sale of residential homes (2012: £1,019.6 million), £8.3 million from land sales (2012: £2.1 million) and £26.4 million of commercial sales (2012: £19.4 million).

The residential revenue of £1,337.9 million (2012: £1,021.7 million) arose from the sale of 3,712 new homes in the period (2012: 3,565) at an average selling price of £354,000 (2012: £280,000). These sales were from both private and affordable homes as well as student accommodation across Berkeley's riverside, regeneration and housing schemes across London and the South of England. Changes in the mix of properties completed this year compared to last are behind the increase in average selling price (up 26.4%) with a rise in volumes (up 4.1%), including the acceleration of the delivery of 149 apartments at Grosvenor Waterside, also contributing to the overall increase. Looking forward, the mix of schemes currently in construction is expected to become increasingly weighted towards a lower volume of higher value properties, entirely consistent with sites acquired in London since 2009.

Land sales of £8.3 million (2012: £2.1 million) were from the opportunistic disposal of three sites in the year.

Revenue from commercial activities of £26.4 million included the sale of a site adjacent to One Tower Bridge with a consent for the construction of a hotel and 45,000 sq ft of commercial space across a number of the Group's mixed-use developments. In 2012, £19.4 million of commercial revenue was from the sale of 54,000 sq ft of space including a hotel at Blackheath, a storage facility at Royal Arsenal Riverside and a Community Centre at Woodberry Park.

# £270.7 million

pre-tax profit up 26.0%

## Profit Before Tax

The 26.0% rise in profit before tax this year is from a combination of five factors:

| | £'million |
|---|---|
| Profit before tax: 2012 | 214.8 |
| Increase in gross margin | +108.1 |
| Increase in overheads | -23.7 |
| Exceptional profit on disposal of subsidiary (2012) | -30.7 |
| Decrease in net finance costs | +1.3 |
| Increase in result from joint ventures | +0.9 |
| Profit before tax: 2013 | 270.7 |

The change of mix of the residential properties sold is behind the increase in Berkeley's gross margin by 1.0% to 29.4% which is trending towards the land bank gross margin. Overheads have increased by £23.7 million to £123.3 million but reduced as a percentage of revenue from 9.6% to 9.0%. This combination of factors has contributed to the overall increase in the pre-exceptional operating margin from 18.8% to 20.4%.

The results for 2012 included the exceptional profit of £30.7 million on the disposal of a student scheme at Clapham Junction in London.

The share of post-tax results of joint ventures was a loss of £1.3 million (2012: loss of £2.2 million), a combination of continuing investment in the development pipeline on St Edward Homes' schemes at 375 Kensington High Street and 190 Strand and the timing of the completion of sales at Stanmore Place.

Net finance costs have decreased by £1.3 million to £8.1 million, this decrease reflecting the Group's reduced average debt profile this year compared to last culminating in a net cash position at 30 April 2013.

The result is an increase of 26.0% in profit before tax from £214.8 million in 2012 to £270.7 million in 2013. With the benefit of a reduction in the UK corporation tax rate having mainly led to the decrease in the Group's effective tax rate from 26.4% to 22.5%, basic earnings per share have risen by 32.2% from 121.0 pence to 160.0 pence.

## Financial Position

Berkeley has continued to invest in the business in a controlled way. Capital employed has risen by £120.0 million to £1,277.7 million in the year (30 April 2012: £1,157.7 million). This is supported by an increase in cash due on forward sales to £1,452.8 million (30 April 2012: £1,055.7 million) which, together with deposits received of £426.1 million (30 April 2012: £422.9 million), provides good visibility over future earnings.

This is reflected in an increase in inventories by £215.0 million to £2,066.7 million (30 April 2012: £1,851.7 million) which comprises £310.0 million of land not under development (30 April 2012: £360.5 million) which is generally land which does not have an implementable planning consent, £1,711.7 million of work in progress (30 April 2012: £1,422.6 million), an increase which demonstrates Berkeley's continued investment in the delivery of its schemes, and £45.0 million of completed stock (30 April 2012: £68.6 million). Increases to build costs are a risk to the business and one which is becoming more prevalent as construction activity in and around London increases.

Trade and other payables of £1,021.4 million (30 April 2012: £893.1 million) include £426.1 million of on account receipts (30 April 2012: £422.9 million) and land creditors of £180.9 million (30 April 2012: £122.8 million). The increase in land creditors is almost exclusively due to the acquisition of a site in Wapping at the start of the year for £150 million, payable in installments. The Group also holds provisions of £29.0 million which includes £23.6 million in respect of post completion development obligations and £5.4 million of other provisions arising in the ordinary course of business.

Despite the investment in new land and construction across its sites, the Group ended the year ungeared with net cash of £44.7 million, compared to net debt of £57.9 million at the start of the year. £291.8 million of cash was generated from operations before working capital movements (2012: £281.7 million including £75.7 million from the proceeds on disposal of a subsidiary), offset by a net investment in working capital of £102.8 million (2012: £314.9 million) and tax and other cash outflows of £86.4 million (2012: £66.7 million).

| **Analysis of capital employed** | **April 2013 £'million** | **Change £'million** | **April 2012 £'million** |
|---|---|---|---|
| Investment properties | 26.5 | -57.0 | 83.5 |
| Assets held for resale | 75.8 | +75.8 | - |
| Other non-current assets | 134.3 | +34.0 | 100.3 |
| Inventories | 2,066.7 | +215.0 | 1,851.7 |
| Trade and other receivables | 126.8 | +11.6 | 115.2 |
| Trade and other payables | | | |
| - Deposits and on account receipts | (426.1) | -3.2 | (422.9) |
| - Land creditors | (180.9) | -58.1 | (122.8) |
| - Other trade payables | (414.4) | -66.9 | (347.5) |
| Current tax liabilities | (102.0) | -2.2 | (99.8) |
| Provisions | (29.0) | -29.0 | - |
| Capital employed | 1,277.7 | +120.0 | 1,157.7 |

| **Analysis of inventories** | **April 2013 £'million** | **Change £'million** | **April 2012 £'million** |
|---|---|---|---|
| Land not under development | 310.0 | -50.5 | 360.5 |
| Work in progress: land cost | 860.7 | +136.9 | 723.8 |
| | 1,170.7 | +86.4 | 1,084.3 |
| Work in progress: build cost | 851.0 | +152.2 | 698.8 |
| Completed units | 45.0 | -23.6 | 68.6 |
| | 2,066.7 | +215.0 | 1,851.7 |

| **Cash flow** | **2013 £'million** | **2012 £'million** |
|---|---|---|
| Profit before tax | 270.7 | 214.8 |
| Increase in inventories | (215.0) | (238.5) |
| Other working capital movements | 112.2 | (76.4) |
| Tax paid | (69.2) | (53.7) |
| Other movements | 23.6 | 53.9 |
| Cash inflow/(outflow) before dividends | 122.3 | (99.9) |
| Dividends | (19.7) | - |
| Increase/(decrease) in net (debt)/cash | 102.6 | (99.9) |
| Opening net (debt)/cash | (57.9) | 42.0 |
| Closing net cash/(debt) | 44.7 | (57.9) |

## Joint Ventures

There are three schemes under construction in St Edward Homes, Berkeley's joint venture with Prudential. These include Stanmore Place, 375 Kensington High Street and also 190 Strand at which construction commenced in the second half of the year to 30 April 2013. During the year, 66 homes were sold at Stanmore Place at an average selling price of £277,000 (2012: 188 homes at £170,000).

The focus in St Edward this year has been on progressing construction at 375 Kensington High Street and the start of development at 190 Strand. At 30 April 2013, investments accounted for using the equity method of £44.1 million (30 April 2012: £46.5 million) relate almost exclusively to Berkeley's interest in St Edward's schemes.

The St Edward Homes business is partly funded by bank debt and the remainder by Berkeley and Prudential. There is £60 million of banking facilities in St Edward Homes of which £34 million was utilised at the year end (30 April 2012: £3 million).

Berkeley's land bank includes 1,592 plots (30 April 2012: 1,658 plots) in respect of St Edward Homes' schemes.

Berkeley and Prudential continue to work together to identify further opportunities to secure sites to which St Edward Homes can add value.

## Rental Fund

Berkeley's private rental fund was set up in August 2010 and held 729 properties at 30 April 2013 (612 at 30 April 2012). These investment properties are held at historic cost and have increased from £83.5 million at 30 April 2012 to £102.3 million at 30 April 2013. The Homes and Communities Agency (HCA) committed £17.4 million, classified as debt, to fund the acquisition of 534 of these properties. The remaining 195 properties held at 30 April 2013 for investment are wholly funded by Berkeley and follow the disposal of 71 properties in the year where market conditions have supported their divestment.

The core aim of the fund was to build and run a portfolio of private rental properties that would be attractive to institutional investors. During the year, Berkeley exchanged contracts to sell the 534 HCA funded residential properties for £105.4 million to M&G Investments. The net proceeds of sale will be £75.2 million after repayment of the HCA's funding and the transaction, which completed on 5 June 2013, will be reported in the results for the year ending 30 April 2014. The proceeds are net of a £10 million minority investment in the fund. The properties subject to the sale are disclosed as 'Non-current assets classified as held for sale' within current assets at £75.8 million. The remaining 195 properties are held at £26.5 million in investment properties in non-current assets.

## Taxation

The Group's policy is to pay the amount of tax legally due and to observe all applicable rules and regulations. At the same time we have an obligation to maximise shareholder value and to manage financial and reputational risk. This includes minimising and controlling our tax costs, as we look to do for all costs of our business. Factors that may affect the Group's tax charge include changes in legislation, the impact of corporate activity (restructuring, acquisitions, disposals, etc), the resolution of open tax issues from prior years and planning opportunities. The Group makes provision for potential tax liabilities that may arise, however the amount ultimately paid may differ from the amount accrued.

## Banking Facilities

The Group has maintained substantial headroom within its business plan and committed corporate banking facilities remain at £525 million, of which £250 million matures in April 2018 (a one year extension having been agreed on 8 April 2013) and £275 million in May 2018 (a one year extension having been agreed on 24 May 2013). These facilities provide further clarity of financing to support the Group's business plan for five years through to 2018.

## Financial Risk

The Group finances its operations by a combination of shareholders' funds, deposits and on account receipts and borrowings where drawn.

As the Group's operations are in sterling there is no direct significant currency risk, and therefore the Group's main financial risks are primarily:

– Liquidity risk - the risk that suitable funding for the Group's activities may not be available.

– Market credit risk - the risk that counterparties will default on their contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk is comprised of the cash and cash equivalents and trade and other receivables held within current assets on the consolidated balance sheet.

– Market interest rate risk - the risk that Group financing activities are adversely affected by fluctuations in market interest rates.

The Board approves treasury policy and senior management control day-to-day operations. Relationships with banks and cash management are co-ordinated centrally. The objectives of the treasury policy are to maintain an appropriate capital structure and in doing so manage the financial risks identified above.

## Operating Risk

All businesses are exposed to risk. Indeed, alongside risk comes opportunity and it is how such risks are managed that determines the success of the Group's strategy and, ultimately, its performance and results. Berkeley's strategy allows management to focus on creating sustainable long-term value for its shareholders, whilst taking advantage of opportunities as they arise in the short- and medium-term.

Risk management is embedded in the organisation at operating company, divisional and Group levels, with different types of risk requiring different levels and types of management response.

The principal operating risks of the Group which have been considered by the Board include, but are not limited to the risks as set out on pages 52 and 53.

The Internal Control section within the Corporate Governance report on page 81 sets out the Group's overall framework for internal control, setting the context for the identification, control and monitoring of these and other risks faced by the Group.


Image shown is computer generated and indicative only.

Chelsea Creek

# BERKELEY'S PRINCIPAL OPERATING RISKS

| Risk Description | Mitigation |
|---|---|
| **ECONOMIC CONDITIONS** | |
| As a property developer Berkeley's business, in the context of the wider housing market, is sensitive to changes in interest rates, unemployment and general consumer confidence. Some of its customers are also sensitive to changes in the sterling exchange rate.<br><br>Significant economic uncertainty exists in the UK, Europe and worldwide and this may lead to a reduction in demand for housing which could impact on the Group's ability to deliver its corporate strategy. | Berkeley's business strategy reflects the cyclical nature of property development.<br><br>Funds are carefully targeted at investing only in land which is underpinned by demand fundamentals that support a solid viability case even when markets are uncertain.<br><br>Levels of committed expenditure are carefully monitored against sales secured and bank facilities available, with the objective of keeping financial risk low to mitigate the operating risks of delivery in uncertain markets.<br><br>The business is committed to operating at an optimal size, with a strong balance sheet, to maintain the flexibility to react swiftly, when necessary, to changes in market conditions. |
| **REGULATION** | |
| Adverse changes to Government policy on areas such as taxation, housing and environmental matters could restrict the ability of the Group to deliver its strategy.<br><br>Failure to comply with laws and regulations could expose the Group to penalties and reputational damage. | The effects of changes to Government policies at all levels are closely monitored and representations made where necessary.<br><br>Berkeley's experienced teams are well-placed to interpret and implement new regulation at the appropriate time through direct lines of communication across the Group. Detailed policies and procedures are in place and these are communicated to all staff. |
| **PLANNING** | |
| Delays or refusals in obtaining commercially viable planning permissions on the Group's land holdings could result in the Group being unable to develop the land it has purchased.<br><br>This could have a direct impact on the Group's ability to deliver its product and on its profitability. | Full detailed planning and risk assessments are performed and monitored for each site without planning permission, both before and after purchase.<br><br>The planning status of all sites is reviewed at monthly divisional Board meetings and bi-monthly Main Board meetings.<br><br>The Group works closely with local communities in respect of planning proposals and strong local relationships are maintained with local authorities and planning officers.<br><br>The Group is focused on the markets of London and the South of England in planning regimes which it understands and where it believes it therefore has a competitive advantage. |
| **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.<br><br>Failure to consider the retention and succession of key management could result in a loss of knowledge and competitive advantage. | Remuneration packages are constantly benchmarked against the industry to ensure they remain competitive.<br><br>Succession planning is regularly reviewed at both divisional and Main Board level.<br><br>Close relationships and dialogue are maintained with key personnel. |
| **SALES** | |
| An inability to match supply to demand in terms of product, location and price could result in missed sales targets and / or inefficient levels of completed stock which in turn could impact on the Group's ability to deliver its corporate strategy. | 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.<br><br>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.<br><br>The Group has a diverse range of developments with homes available at a broad range of property prices to appeal to a wide market.<br><br>Forward sales are used to take the risk out of the development cycle where possible, thereby justifying the financial investment in each of the Group's sites.<br><br>Completed stock levels are reviewed and debated at monthly divisional Board meetings and bi-monthly Main Board meetings. |
| **MORTGAGE AVAILABILITY** | |
| Mortgage providers have been negatively impacted by the financial crisis and this has reduced their ability to provide mortgages to potential purchasers.<br><br>An inability of customers to secure sufficient mortgage finance 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.<br><br>The Group is participating in the Government backed mortgage indemnity scheme, NewBuy, on a number of its schemes and on the Government's new Help to Buy scheme.<br><br>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. |

| Risk Description | Mitigation |
|---|---|
| **SUSTAINABILITY** | |
| Berkeley is hugely aware of the environmental and social impact of the homes and communities that it builds, both during the construction phase and on occupation by its customers.<br><br>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 demand for sustainable homes. | Vision2020 provides the framework under which the Group's approach to running a sustainable business is formalised. This provides a framework under which detailed commitments are set out to be adopted and embraced by all staff.<br><br>A Board level Sustainability and Health & Safety Governance Committee has the responsibility of setting the Group's direction in this area, to ensure that it is aligned with the Group's strategy.<br><br>Specific commitments to deliver sustainable communities, minimise the impact of the homes that Berkeley builds and to manage the environmental and social impacts of Berkeley's business form the bedrock of this approach. Environmental and Social Sustainability assessments are built into land purchases and planning applications.<br><br>Sustainability commitments during delivery include the use of environmental performance methodology, a focus on brownfield development and the monitoring of carbon emissions, amongst others. |
| **HEALTH AND SAFETY** | |
| Berkeley's operations have a direct impact on the health and safety of its people, contractors and members of the public. Berkeley considers this to be an area of critical importance.<br><br>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. | A Board level Sustainability / Health & Safety Governance Committee has the responsibility of setting the Group's Health & Safety strategy.<br><br>Dedicated Health & 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.<br><br>The Group has implemented a number of initiatives to improve Health & Safety standards on site, with workshops held with contractors during the year.<br><br>Vision2020 incorporates commitments in the area of Health & Safety which reinforce the Group's focus on this. Adequate insurance is held to cover the risks inherent in large-scale construction projects. |
| **LAND AVAILABILITY** | |
| An inability to source suitable land to maintain the Group's land bank at appropriate margins in a highly competitive market could impact on the Group's ability to deliver its corporate strategy. | Berkeley's strategy is to acquire land opportunistically, where it meets its internal criteria for purchase.<br><br>Land acquisition is focused on Berkeley's core markets of London and the South of England, markets which it understands and where it believes that the demand fundamentals are strong.<br><br>Each land acquisition is subject to formal internal appraisal and approval processes both prior to the submission of a bid and again prior to exchange of contracts.<br><br>The Group maintains a land bank to mitigate against significant impacts from market changes or delayed build activity. Berkeley has experienced land teams with strong market knowledge in its areas of focus. |
| **BUILD COST AND PROGRAMME** | |
| Build costs are affected by the availability of skilled labour and the price and availability of materials. Changes to these prices and availability could impact on the profitability of each scheme. | A procurement and programming strategy for each development is agreed by the divisional Board before site acquisition.<br><br>A further assessment of procurement and programming is undertaken and agreed by the divisional Board prior to the commencement of construction.<br><br>Build cost reconciliations and build programme dates are presented and reviewed in detail at divisional cost review meetings each month. |
| **PRODUCT QUALITY** | |
| Berkeley has a reputation for the high standards of quality of its product. If the Group fails to deliver against these standards, 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 the quality of the product is maintained.<br><br>Customer Satisfaction surveys are undertaken on the handover of all private apartments, and feedback incorporated in shaping the specification and quality of subsequent schemes. |

**View of One Tower Bridge under construction**



# GOVERNANCE

# BOARD OF DIRECTORS

## CURRENT COMMITTEE COMPOSITION

Nomination Committee
A W Pidgley (Chairman)
D Howell
J Armitt
V Wadley

Audit Committee
D Howell (Chairman)
A Nimmo
G Barker
V Wadley

Remuneration Committee
G Barker (Chairman)
J Armitt
A C Coppin

Company Secretary
A M Bradshaw

Honorary Life President
Jim Farrer MRICS, along with Tony Pidgley a co-founder of Berkeley, he was Group Chairman until his retirement in 1992. At that time he was appointed Honorary Life President.

## Chairman and Executive Directors

### TONY PIDGLEY CBE

Co-founder of the Company in 1976 with Jim Farrer. He was appointed Group Chairman on 9 September 2009, having previously been the Group Managing Director since the formation of the Group in 1976. He is Chairman of the Nomination Committee.

### ROB PERRINS ACA

Joined the Company in 1994 having qualified as a chartered accountant with Ernst & Young in 1991. He was appointed to the Group Main Board on 1 May 2001 on becoming Managing Director of Berkeley Homes plc. He became Group Finance Director on 2 November 2001, moving to his current role as Group Managing Director on 9 September 2009.

### NICK SIMPKIN ACA

Joined Berkeley in 2002 and has held a number of senior finance positions including Finance Director of St James and Head of Finance for Berkeley Group. He joined the Board and became Group Finance Director on 10 September 2009.

### KARL WHITEMAN

Joined Berkeley in 1996 as a Construction Director and currently leads the largest Berkeley Homes division and chairs the Group's Sustainability and Health & Safety Working Groups. He joined the Board on 10 September 2009 as a Divisional Executive Director.

### SEAN ELLIS

Joined Berkeley in 2004 with an expertise in land and is currently Chairman of St James Group. He joined the Group Main Board on 9 September 2010 as a Divisional Executive Director.

### GREG FRY ACA

Joined the Group in 1982 and is currently Chairman of St George PLC, having been a Director since its inception in 1986. He was reappointed to the Group Main Board on 5 September 2011 as a Divisional Executive Director, having previously been a member of the Group Main Board from 1 May 1996 to 22 July 2010.

## Non-executive Directors

### SIR JOHN ARMITT

Appointed a Non-executive Director on 1 October 2007 and became Deputy Chairman on 5 September 2012. He is currently Chairman of the Olympic Delivery Authority, Chairman of National Express Group PLC, Chairman of City and Guilds and is a member of the Transport for London Board. From 2001 to 2007 he was Chief Executive of Network Rail and its predecessor, Railtrack. Sir John is the Senior Independent Director, Chairman of the Group's Sustainability and Health & Safety Committee and is a member of the Remuneration and Nomination Committees.

### DAVID HOWELL FCA

Appointed a Non-executive Director and Chairman of the Audit Committee on 25 February 2004. Previously a Main Board Director of lastminute.com plc, Group Finance Director of First Choice Holidays plc, Executive Chairman of Western and Oriental plc, Chairman of EBTM plc (Everything but the Music) and a Non-executive Director of Nestor Healthcare Group plc, David is currently a Non-executive Director of four private companies. David is also a member of the Nomination Committee.

### ALAN COPPIN

Appointed a Non-executive Director on 1 September 2006. He is currently a Non-executive Director of Marshalls plc and a member of both the Royal Air Force Board Standing Committee and Air Command (formerly Strike Command). Previously Hon. Chairman of The Prince's Foundation for the Built Environment and a Non-executive Director at Capital and Regional plc and Carillion plc, Alan is a member of the Remuneration Committee. He will stand down from the Board at the AGM on 2 September 2013.

### ALISON NIMMO CBE

Appointed a Non-executive Director on 5 September 2011. Alison was appointed Chief Executive of The Crown Estate on 1 January 2012. Prior to that she led the design and delivery of the London 2012 Olympic and Paralympic venues as Director of Regeneration and Design at the Olympic Delivery Authority. She is a member of the Audit, Sustainability and Health & Safety Committees.

### VERONICA WADLEY

Appointed a Non-executive Director on 3 January 2012. She is currently Chair of the Arts Council London, a Senior Adviser to the Mayor of London and a National Council member of Arts Council England. Previously Editor of The Evening Standard, she is also an Independent Director of Times Newspapers Holdings Ltd. She is a member of the Nomination and Audit Committees.

### GLYN BARKER BSC (HONS) FCA

Appointed a Non-executive Director on 3 January 2012 following a 35 year career with PwC, most recently as its UK Vice Chairman. He previously held a number of senior posts within PwC including Managing Partner and Head of Assurance and also established and ran their Transactions Services business. Glyn is a Non-executive Director of Aviva plc and Transocean Ltd, Chairman of the Law Firm Irwin Mitchell LLP and a Director of the English National Opera. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

# DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated and company financial statements for the year ended 30 April 2013.

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is a UK listed holding company of a Group engaged in residential-led property development focusing on urban regeneration and mixed-use developments. The Company is incorporated and domiciled in England and Wales and is quoted on the London Stock Exchange.

The information that fulfils the requirements of the business review can be found in the Chairman's Statement on page 3, the Managing Director's Statement on page 5, the Trading and Financial Reviews on pages 41 to 51, which provide more detailed commentaries on the business during the year together with the outlook for the future, and the section on Running a Sustainable Business on pages 24 to 35.

In addition, information in respect of the principal financial and operating risks of the business is set out in the Financial Review on pages 50 and 51.

## TRADING RESULTS AND DIVIDENDS

The Group's consolidated profit after taxation for the financial year was £209.7m (2012: £158.1m). The Group's joint ventures contributed a loss after taxation of £1.3m (2012: loss of £2.2m).

An interim dividend of 15p per share was paid to shareholders on 19 April 2013. A further interim dividend of 59p per share is proposed, payable on 27 September 2013 to shareholders on the register on 30 August 2013.

## POST BALANCE SHEET EVENT

During the year, the Company reached agreement to sell 534 HCA funded residential properties within its rental fund for £105.4 million. The properties are reported as £75.8 million of non-current assets held for resale at 30 April 2013. The transaction, which completed on 5 June 2013, will be reported in the results for the year ending 30 April 2014.

## SHARE CAPITAL

The Company had 134,857,183 ordinary shares in issue at 30 April 2013 (2012: 134,857,183). The Company holds 3,577,506 of its own shares in treasury (2012: 3,577,506).

Authority will be sought from shareholders at the forthcoming Annual General Meeting to renew the authority given at the 2012 Annual General Meeting for a further year, permitting the Company to purchase its own shares in the market up to a limit of 10% of its issued share capital.

Movements in the Company's share capital are shown in note 20 to the consolidated financial statements.

Information on the Group's share option schemes is set out in note 5 to the consolidated financial statements. Details of the Long-Term Incentive Schemes and Long-Term Incentive Plans for key executives are set out in the Remuneration Report on pages 61 to 77.

## ARTICLES OF ASSOCIATION

The Articles of Association set out the basic management and administrative structure of the Company. They regulate the internal affairs of the Company and cover such matters as the issue and transfer of shares, Board and shareholder meetings, powers and duties of Directors and borrowing powers. In accordance with the Articles of Association, Directors can be appointed or removed by shareholders in a general meeting.

The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also open to inspection at Companies House.

## DIRECTORS

The Directors of the Company and their profiles are detailed on pages 56 and 57. All of these Directors served throughout the year under review. Victoria Mitchell stood down from the Board on 5 September 2012.

The Articles of Association of the Company require Directors to submit themselves for re-election every three years. In addition all Directors are subject to re-election at the first opportunity after their appointment to the Board. However, in accordance with the UK Corporate Governance Code all the Directors will offer themselves for re-election at the forthcoming Annual General Meeting, other than Alan Coppin, who is standing down from the Board.

The Directors' interests in the share capital of the Company and its subsidiaries are shown in the Remuneration Report on page 77. At 30 April 2013 each of the Executive Directors were deemed to have a non-beneficial interest in 237,363 (2012: 237,363) ordinary shares held by the Trustees of The Berkeley Group Employee Benefit Trust.

There were no contracts of significance during, or at the end of, the financial year in which a Director of the Company is, or was, materially interested, other than those set out in note 27 to the consolidated financial statements, the contracts of employment of the Executive Directors, which are terminable within one year, and the appointment terms of the Non-executive Directors, which are renewable annually and terminable on one month's notice.

## DIRECTORS' INDEMNITIES

The Company's practice has always been to indemnify its Directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law. Qualifying third party indemnities, under which the Company has agreed to indemnify the Directors, were in force during the financial year and at the date of approval of the financial statements, in accordance with the Company's Articles of Association and to the maximum extent permitted by law, in respect of all costs, charges, expenses, losses and liabilities, which they may incur in or about the execution of their duties to the Company, or any entity which is an associated company (as defined in Section 256 of the Companies Act 2006), or as a result of duties performed by the Directors on behalf of the Company or any such associated company.

## SUBSTANTIAL SHAREHOLDERS

The Company has been notified of the following interests, pursuant to Rule 5 of the Disclosure Rules and Transparency Rules, as at 16 July 2013:

| | Number of ordinary shares held | % of issued capital (1) | Nature of holding |
|---|---|---|---|
| First Eagle Investment Management, LLC | 13,092,232 | 9.97% | Indirect |
| BlackRock Inc. | 6,699,472 | 5.10% | Indirect |
| Standard Life Investments Ltd | 6,599,895 | 5.03% | Indirect/Direct |
| William Blair | 6,553,042 | 4.99% | Direct |
| Lloyds Banking Group plc | 6,212,059 | 4.73% | Indirect |
| Anthony William Pidgley | 5,602,350 | 4.27% | Direct |

(1) Net of shares held in treasury.

## DONATIONS

During the year, donations by the Group for charitable purposes in the United Kingdom, including through the Berkeley Foundation, amounted to £0.9m (2012: £0.8m). The Group made no political contributions (2012: £nil) during the year.

## EMPLOYMENT POLICY

The Group's policy of operating through autonomous subsidiaries has ensured close consultation with employees on matters likely to affect their interests. The Group is firmly committed to the continuation and strengthening of communication lines with all its employees.

An Equal Opportunities Policy was introduced in 2001. Following periodic reviews (the most recent in September 2010) the policy is now an Equality and Diversity Policy with the aim of ensuring that all employees, potential employees and other individuals receive equal treatment (including access to employment, training and opportunity for promotion) regardless of their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex and sexual orientation. It is the policy of the Group to support the employment of people with disabilities wherever practicable and to ensure, as far as possible, the training, career development and promotion opportunities are available to all employees. This policy includes employees who become disabled whilst employed by the Group.

## SUSTAINABILITY

The Group considers its approach to sustainability, defined as the effective management of environmental, social and economic risks and opportunities facing the company, to be an integral part of managing its business. Our framework for the business, Vision2020, sets out our integrated approach to managing sustainability within the context of the wider aims for the business. This approach is outlined within the Running a Sustainable Business section of this report and more extensive information is available on Berkeley's website. This is the first year where we have provided integrated reporting on performance, with no stand alone sustainability report. We believe that this approach demonstrates how sustainability is embedded within the day-to-day operations of our business.

We remain committed to enhancing the Group's high standards through continuous improvement. Our Sustainability Governance Committee is responsible for setting the strategic objectives and the Main Board continues to monitor strategic development and progress against commitments and Key Performance Indicators. The Sustainability Working Group, comprising divisional executives and managers, is responsible for delivering these objectives and reviewing progress against targets.

## HEALTH AND SAFETY

The Group considers the effective management of health and safety to be an integral part of managing its business. Accordingly, the Group Main Board continues to monitor the strategic development and audit the implementation by all divisions of their Occupational Health & Safety Management Systems to ensure that, both at Group and divisional level, they remain compliant with recognised established standards.

We remain committed to enhancing the Group's high standards through continuous improvement. Our Health & Safety Committee is responsible for setting the strategic objectives of the Group, and the Health & Safety Working Group, comprising divisional executives and managers, is responsible for delivering these objectives and reviewing progress against targets set for our established key performance indicators, reporting this quarterly to the Group Main Board.

## ESSENTIAL CONTRACTS

Berkeley has contractual and other arrangements with numerous third parties in support of its business activities. None of the arrangements are individually considered to be essential to the business of Berkeley.

## PAYMENT OF CREDITORS

Each of the Group's operating companies is responsible for agreeing the terms and conditions, including terms of payment, relating to transactions with its suppliers. This is on an individual contract basis, rather than following a standard code. It is Group policy to abide by the agreed terms of payment where the supplier has provided the goods and services in accordance with the relevant terms and conditions of contract. At 30 April 2013, the Company did not have any trade creditors (2012: £nil).

# DIRECTORS' REPORT

## TAKEOVER DIRECTIVE – AGREEMENTS

Pursuant to the Companies Act 2006, the Company is required to disclose whether there are any significant agreements that take effect, alter or terminate upon a change of control.

Change of control provisions are included as standard in many types of commercial agreement, notably bank facility agreements and joint venture shareholder agreements, for the protection of both parties. Such standard terms are included in Berkeley's bank facility agreement which contains provisions that give the banks certain rights upon a change of control of the Company. Similarly, in certain circumstances, a change of control may give Berkeley's joint venture partner, Prudential Assurance Company Limited, the ability to exercise certain rights under the shareholder agreement in relation to its St Edward Homes joint venture.

In addition, the Company's share schemes contain provisions which take effect upon change of control. These do not entitle the participants to a greater interest in the shares of the Company than that created by the initial grant of the award. The Company does not have any arrangements with any Director that provide compensation for loss of office or employment resulting from a takeover.

The remaining information required to be disclosed under the Takeover Directive can be found within notes 5 and 20 to the consolidated financial statements.

## INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is to be held at the Woodlands Park Hotel, Woodlands Lane, Stoke D'Abernon, Cobham, Surrey KT11 3QB at 11.00am on 2 September 2013. The Notice of Meeting, which is contained in a separate letter from the Group Chairman accompanying this report, includes a commentary on the business to be transacted at the Annual General Meeting.

By order of the Board

**A M Bradshaw**
**Company Secretary**
16 July 2013

# REMUNERATION REPORT

The Board of Directors presents its Remuneration Report for the year ended 30 April 2013, which has been prepared on the recommendation of the Remuneration Committee ("the Committee"). An advisory resolution to approve this report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The report has been prepared in accordance with the requirements of the UK Corporate Governance Code, Schedule 8 of the Large & Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, and the Listing Rules of the Financial Conduct Authority.

## INTRODUCTION

Berkeley's strategy places an emphasis on achieving two operational measures with which the Committee aims to align to the Executive's remuneration. The first is achieving superior and sustainable pre-tax returns on shareholder equity ("ROE"). The second is enhancing the value of the land bank. The combination of these two targets is designed to provide a balance between earnings in the near term and creating a long term, sustainable business.

In considering the level of the Executive's Annual Bonus Plan the Committee has discussed the principles with major shareholders and aims to set these at a level that is both challenging and sector leading. The Group's ROE compared with the sector over the last six years illustrates the relative performance of Berkeley:

| | Return on Equity | | | | | |
|---|---|---|---|---|---|---|
| Company | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
| Berkeley | 26.6% | 16.2% | 13.3% | 15.3% | 21.2% | 22.4% |
| Sector highest | 26.6% | 16.2% | 13.3% | 15.3% | 21.2% | 22.4% |
| Sector lowest | (0.7%) | (73.4%) | (44.2%) | (6.2%) | (0.4%) | 3.4% |
| Sector average (excluding Berkeley) | 18.2% | (26.0%) | (18.1%) | 1.0% | 4.8% | 8.5% |

The Committee sets annual targets that have a strong operational correlation with the performance of the business. Whilst the Committee considers total shareholder return (TSR) to be a helpful tool to measure performance over the long term, it believes that setting the right operational targets on an annual basis and putting in place a long term share based remuneration policy aligned to creating shareholder value above a hurdle level of return is the best way to deliver value for shareholders and to encourage, reward and retain the current Executives.

The TSR for Berkeley, expressed as the value of £100 invested in the Company, both from 25 June 2004, being the date on which the previous Scheme of Arrangement and consequential returns of surplus capital to shareholders was announced, and from 1 May 2010, the date on which the current Annual Bonus Plan was introduced, to 30 April 2013 is as follows:

| | Value of £100 invested on | |
|---|---|---|
| Company | 25/06/2004 | 01/05/2010 |
| Berkeley | £526 | £252 |
| FTSE 250 | £298 | £150 |
| FTSE 100 | £197 | £129 |
| Barratt | £101 | £250 |
| Bellway | £230 | £189 |
| Bovis | £183 | £186 |
| Persimmon | £245 | £252 |
| Redrow | £97 | £143 |
| Taylor Wimpey | £63 | £233 |
| Sector average (excluding Berkeley) | £153 | £209 |

Berkeley has consistently out-performed the sector average and generated additional value for shareholders over a difficult and challenging period.

At the 2011 AGM shareholders approved the Board's strategy to return £1.7 billion (£13 per share) to shareholders over the next 10 years, which has the following key features:

- It strikes the right balance between maximising shareholder returns and an acceptable level of operating risk;
- It provides a long term framework which has embedded flexibility between investment and cash and takes into account the cyclical nature of the property market;
- It allows Berkeley to operate at its natural size;
- The model provides a performance stretch relative to the sector;
- It supports an added value model which the Board believes delivers best returns to shareholders over the long term; and
- Berkeley can generate the returns without introducing unnecessary financial risk in a cyclical market.

# REMUNERATION REPORT

## KEY ELEMENTS OF THE REMUNERATION POLICY

The objective of Berkeley's remuneration policy is to encourage, reward and retain the current Executives and ensure their actions are aligned with the Company's strategy. The core philosophies of the policy are:

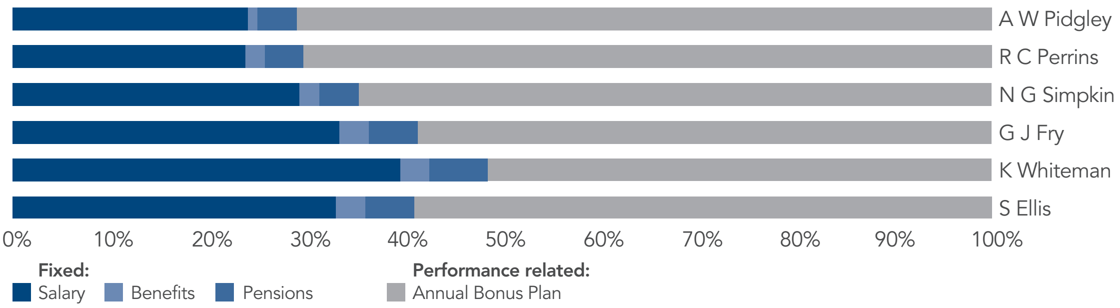
### Fixed remuneration

The Committee sets salaries for the Executive Directors based on their experience, role, individual and corporate performance. Salaries on appointment to the Board are set at a lower quartile level of the comparator group which, based on appropriate levels of individual and corporate performance, will be increased with experience gained over time.

### Annual performance related pay

The Committee believes that shareholders' interests are best served by remuneration packages that have a large emphasis on performance-related pay which encourage the Executives to focus on delivering the business strategy.

The chart below summarises the relative importance of the various components of annual remuneration for each Executive Director for 2012/13, illustrating that the majority of this remuneration is performance related:




The Committee is responsible for determining the performance measures, annual performance targets and bonus awards under the Annual Bonus Plan.

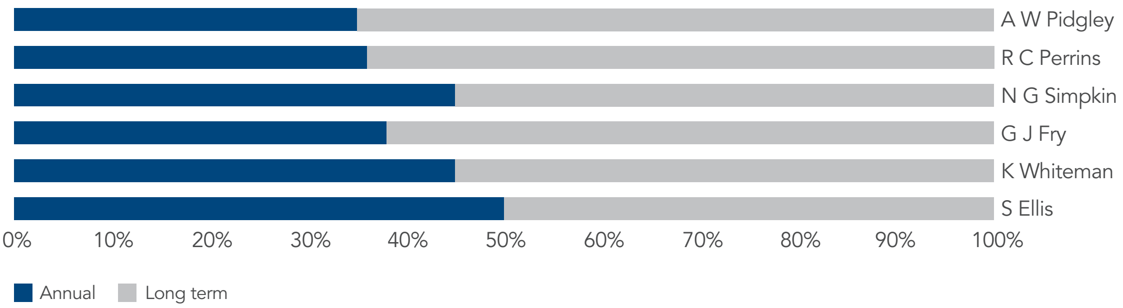
The specific performance measures under the Annual Bonus Plan, being a return based measure (Return on Equity) and a value based measure (Land Bank Growth) ensure that there is a balance between incentivising the Executives to provide a sustainable ongoing level of return to shareholders whilst ensuring the long-term sustainability of the Company, thereby creating long-term shareholder value.

The performance targets are set on an annual basis taking into account the above considerations and reflecting an appropriate level of risk.

### Long-term sustainable performance

The long-term incentives which extend to 2021 have been designed to lock-in the Executive team for a far longer period than is typical in most publicly listed companies. This helps to ensure that the Executive team are focused on generating long-term sustainable value for shareholders, not just on meeting short term performance targets.

The chart below sets out the proportion of annual to long term remuneration of the Executive Directors:



HIGHLIGHTS | BUILDING HOMES FOR EVERYONE | RUNNING A SUSTAINABLE BUSINESS | TRADING & FINANCIAL REVIEW | GOVERNANCE | FINANCIALS

The Company's long term incentive plans are designed to align the interests of shareholders and the Executive Directors over the long term. They are summarised below:

### 2009 LTIP

This was approved by over 85% of shareholders at an EGM in April 2009, and incorporates two parts:

a. Part A – replacing the balance of the shares originally awarded under the previous 2004(b) LTIP, exercisable on 31 January 2014 subject to continued employment with the Company and an exercise price of £2.85 per share

b. Part B – requiring maintaining a minimum net asset per share of £5.94 over a six year period, vesting in two equal tranches on 15 April 2015 and 2016 with an exercise price of £8.25 per share

### 2011 LTIP

This is a ten year plan introduced in September 2011, and amended at the 2012 Annual General Meeting, to support the Company's long term plan to return £1.7 billion to shareholders, representing 183% of the Net Assets per Share at 30 April 2011 (£7.09/share), through a combination of dividends (£13 per share) and share buybacks, by September 2021. This plan was approved by over 91% of shareholders at the 2011 Annual General Meeting and the amendment approved by over 92% of shareholders at the 2012 Annual General Meeting.

The plan aims to make significant returns to shareholders in cash over a sustained period, ensuring the Group remains at the right size and balances investment and returns to shareholders.

These plans are set out in more detail later in this report.

### Risk adjustment

The Company's reward arrangements should contain the following elements of risk adjustment, in line with best practice:

a. a focus on long-term sustainable performance – this is set out above.

b. the weighting of the reward package towards building substantial equity holdings which the Executive team are required to earn and hold over long periods:

   – The final shares from the previous 2004(b) LTIP will not vest and sale restrictions be fully removed until 31 January 2014, ten years after awards were granted under the Plan.

   – The 2009 LTIP provides longer than market standard vesting periods – for example options granted in 2009 under Part B of this Plan will vest 50% on 15 April 2015 and the balance on 15 April 2016 subject to the Net Asset Value per share being a minimum of £5.94 at the first of these two dates.

c. the deferral of a significant proportion of annual incentive awards and clawback where there is a material deterioration in performance:

   – The Annual Bonus Plan, whilst based on annual performance periods:

- defers 50% of a rolling balance each year in notional shares until the final payments are made at the end of a five year period; and
- ensures that 50% of these rolling balances are at material risk each year due to forfeiture if minimum threshold levels of performance set in each year are not achieved.

d. no reward for failure:

   – Under the 2011 LTIP all options lapse, no shares vest and the LTIP terminates on 1 October 2015 if £568.7 million has not been distributed to shareholders by 30 September 2015.

### Substantial equity holdings

In order to align the interests of Executives and shareholders, the reward strategy is designed so that, provided performance is delivered, the Executive team become material (in relation to their overall compensation) shareholders in the Company.

The current shareholdings of the Executive Directors as a percentage of salary, based on the share price at 30 April 2013, are set out on page 71 of this report.

## REMUNERATION REVIEW

The Committee reviews on an annual basis whether its remuneration policy remains appropriate for the relevant financial year. Factors taken into account by the Committee include:

- market conditions affecting the Company;
- the recruitment market in the Company's sector, other comparable companies and the FTSE 250;
- aligning remuneration to the corporate strategy and delivering value to shareholders by encouraging long-term sustainable performance;
- changing market practice; and
- changing views of institutional shareholders and their representative bodies and Corporate Governance best practice.

# REMUNERATION REPORT

There have been no changes to the policy following the review in the year, with the only changes to individual remuneration being in respect of salaries as set below.

## REMUNERATION COMMITTEE

### Composition and role

At 30 April 2013, the Committee comprised of three Independent Non-executive Directors, Alan Coppin (Chairman), Sir John Armitt and Glyn Barker. Glyn Barker was appointed to the Committee on 13 June 2012 and David Howell retired from the Committee on the same date. Glyn Barker became Chairman of the Committee on 14 June 2013.

During the year the Committee met on two occasions and there were no absences.

The members of the Committee have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business.

The Committee is able to seek independent advice at the expense of the Company; no advice has been sought by the Committee during the year under review.

In determining the Executive Directors' remuneration for the year, the Committee consulted with the Group Chairman, Tony Pidgley, the Group Managing Director, Rob Perrins and the Group Finance Director, Nick Simpkin. No Director played a part in any discussion about his own remuneration. In addition, the Committee had access to information on executive reward provided to the Board by PricewaterhouseCoopers LLP, who acquired Halliwell Consulting, the previous advisers, in December 2008 and who have extensive knowledge of the Group and its structure.

The Executive Directors hold no external appointments.

The key responsibilities of the Committee are to:

- determine and agree with the Board the broad policy for the remuneration of the Executive Directors. This includes salary, annual bonus plans, share options, other share based incentives and pensions;
- determine the performance targets for the Annual Bonus Plan operated by the company and approve the total annual payments made under this plan;
- determine all share incentive plans for approval by the Board and shareholders;
- take into account the views of shareholders when determining plans under the remuneration policy;
- ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company and that failure is not rewarded; and
- note annually the remuneration trends and any major changes in employee benefit structures across the Company or Group.

The Committee has formal terms of reference which describes its full remit. This can be downloaded from the section dealing with Investor Relations on the Berkeley website (www.berkeleygroup.co.uk).

## REMUNERATION POLICY FOR 2012/13 AND 2013/14

The policy is to set the main elements of the Executive Directors' remuneration package against the following quartiles in the Company's comparator group:

| Base salary | Annual bonus | Pension | Benefits in kind | Share incentives |
|---|---|---|---|---|
| Experience and Role | Upper decile | Lower quartile | Market practice | Upper decile |

For the purposes of benchmarking remuneration the Committee used the following comparator group of companies in the year ended 30 April 2013:

| Company name | | | |
|---|---|---|---|
| Amec PLC | Bellway PLC | Marshalls PLC | Taylor Wimpey PLC |
| Balfour Beatty PLC | Bovis Homes Group PLC | Persimmon PLC | Travis Perkins PLC |
| Barratt Developments PLC | Carillion PLC | Redrow PLC | |

The Committee also considers the remuneration in the FTSE 250 as an additional benchmark to the main comparator group set out above due to its relatively small number of constituent companies.

## BALANCE BETWEEN FIXED AND VARIABLE PERFORMANCE BASED PAY

The charts below demonstrate the balance between fixed and variable performance based pay for each Executive for the 2012/13 financial year on an annualised basis.

**A W Pidgley**
Chairman

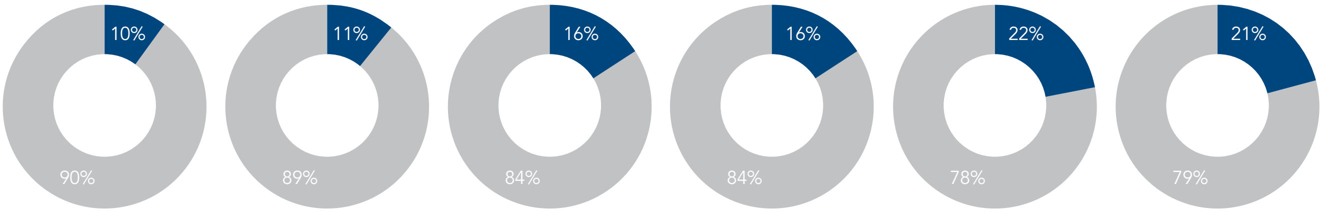
**R C Perrins**
Group Managing Director

**N G Simpkin**
Group Finance Director

**G J Fry**
Divisional Director

**K Whiteman**
Divisional Director

**S Ellis**
Divisional Director




FIXED PERFORMANCE
– Salary
– Benefits (including pension contribution/allowance)

VARIABLE PERFORMANCE
– Bonus earned
– Fair value of LTIPs (annualised)

## ELEMENTS OF EXECUTIVE DIRECTORS' REMUNERATION

### BASIC SALARY

The Committee has historically set the salary of the Chairman, Tony Pidgley, at the upper decile against the Company's comparator group reflecting the Committee's view that he is one of the most experienced individuals within the sector and that he possesses unique experience within the industry.

The Committee has taken account of the following factors in setting individual salary levels:

- the individual Executive Director's experience and responsibilities;
- the levels of base salary for similar positions with comparable status, responsibility and skills in organisations of broadly similar size and complexity, in particular those companies within the comparator group, other comparable companies and the FTSE 250;
- the performance of the individual Executive Director and the Group; and
- the pay and conditions throughout the Group.

On appointment to the Board and promotion, the Committee sets salaries at a lower quartile level which, based on appropriate levels of individual and corporate performance, will be increased with experience gained over time.

The salaries for 2013/14 are set out below:

| | | | | FTSE 250 | | |
|---|---|---|---|---|---|---|
| Executive | 2012/13 Salary | 2013/14 Salary | % rise | Lower Quartile | Median | Upper Quartile |
| A W Pidgley | £780,000 | £800,000 | 2.6% | £401,000 | £489,000 | £585,000 |
| R C Perrins | £470,000 | £484,000 | 3.0% | £408,000 | £491,000 | £584,000 |
| N G Simpkin | £312,000 | £321,000 | 2.9% | £270,000 | £324,000 | £386,000 |
| G J Fry | £325,000 | £334,000 | 2.8% | £247,000 | £307,000 | £372,000 |
| K Whiteman | £305,000 | £314,000 | 3.0% | £247,000 | £307,000 | £372,000 |
| S Ellis | £305,000 | £314,000 | 3.0% | £247,000 | £307,000 | £372,000 |

The increases agreed by the Committee for the Executive Directors reflects the Committee's policy of increasing individual Director salaries over time to reflect their experience, performance and the performance of the Group.

In reviewing the salaries of the Executive Directors, the Committee has also taken account of the employment conditions and salary increases awarded to employees throughout the Group, which were on average 5.3% this year.

# REMUNERATION REPORT

## ANNUAL PERFORMANCE-RELATED BONUS

### The Berkeley Group Holdings plc Bonus Plan
### Overview of the Bonus Plan

- At the beginning of the plan period of five financial years, participants will have a plan account to which Company contributions will be made.
- No Company contribution will be made to a participant's plan account unless the annual performance criteria are met.
- The Company contribution will be set annually as a percentage of salary for each Executive.
- There will be two types of performance condition, Group and Divisional. The Group performance condition will be a matrix of Return on Equity ("ROE") and Land Bank Growth. The Divisional performance condition will be based upon Divisional Profit before Tax ("PBT").
- Having regard to the strategy of the Company, the Committee will set:
  - the performance levels (including minimum performance thresholds) for the performance conditions for each plan year; and
  - the maximum annual Company contribution for each participant for the plan year.
- These criteria will be disclosed in full in the relevant Committee report along with the annual contributions earned and deferred balances for each participant.
- Where the minimum threshold performance criteria on both measures are not achieved, 50% of the deferred balance in a participant's plan account will be forfeited.
- Participants will be entitled to an annual payment of 50% of their plan account at the end of each financial year. All balances will be deferred in shares or notional shares. At the end of the five year plan period 100% of the balance of participants' accounts will be paid.

### Key features of the Bonus Plan

The Committee designed the Bonus Plan based on the following rationale:

**Two targets** – the balance between operating a return based measure ("ROE") and a value based measure ("Land Bank Growth") should ensure that the Executives are incentivised to provide a sustainable ongoing level of return to shareholders whilst ensuring the long-term sustainability of the Company, as follows:

- the Bonus Plan incentivises the delivery of increased profits in order to achieve ROE at the same time as growing the land bank. It should be noted that the ROE will be set from a challenging base as the Company has not needed to take any land write downs as is the case with the majority of its competitors;
- ROE is a compound measure and therefore if shareholder funds are reinvested and not paid as dividends, earnings growth will be compounded to achieve the targets;
- the fact that the Bonus Plan targets also include growth in the land bank value, means that Executives are encouraged to acquire land in the current market on favourable terms as well as maximise sustainable profit growth; and
- ROE as a measure highlights the inefficiency of retaining surplus cash on the balance sheet. In order to deliver the targeted level of returns, this will encourage the Company to invest or return cash to shareholders.

**Level of targets** – the Committee incentivises the Executives to achieve a good level of returns to shareholders whilst ensuring the long-term sustainability of the Company. Therefore the targets set have to take into account an appropriate level of risk. The Bonus Plan allows a close tailoring by the Committee of the performance conditions to the budget and performance of the Company for each financial year.

At the outset of the Plan, the Committee set the annual performance requirements targeting an average ROE of 12.5% p.a. and average Land Bank Growth of 10% p.a. over the full five years of the plan, which were considered challenging and stretching targets at that time, effectively doubling pre tax profits and growing the land bank gross margin to £3 billion over this period.

Over the course of the Plan there is likely to be annual variability in the performance requirements actually set to reflect the environment at the time (see performance targets for 2012/13 and 2013/14 operation of the plan set out later in this report). These are reviewed each year by the Committee to ensure that they are appropriate to the current market conditions and position of the Company, so that they continue to remain challenging and fully aligned to the strategy of the Group.

The maximum performance targets set and actual performance over the first three years of the plan are set out below:

| | Return on Equity | | Land Bank growth | |
|---|---|---|---|---|
| | Target | Actual | Target | Actual |
| 2010/11 | 13.5% | 15.3% | 10.0% | 13.1% |
| 2011/12 | 16.5% | 21.2% | 8.0% | 12.0% |
| 2012/13 | 18.5% | 22.4% | 10.0% | 10.5% |

In respect of the Return on Equity target, if Berkeley had performed at the median of its competitors for these years, then no bonuses would have been awarded to the Executive Directors.

**Level of awards** – the proposed maximum award bonus potential is 300% of salary; however, because 50% of the balance on the plan account is deferred, the actual annual payment profile, based on, maximum awards each year and 100% satisfaction of both performance conditions, would be:

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|
| 150% | 225% | 262.5% | 281% | 581% |

**Risk adjustment** – there is a risk adjustment mechanism built into the operation of the Bonus Plan with a claw back of contributions if the threshold levels of ROE and Land Bank Growth are not met for any financial year during the five years of operation of the Bonus Plan. This adjustment mechanism ensures:

- performance must be maintained over the five years of operation of the Bonus Plan or the value in the participant's plan account will not increase; and
- if there is a material deterioration in performance there is a claw back of 50% of the balance of the participant's account.

### Operation of the Bonus Plan for the year ended 30 April 2013

The bonus payable to each of the Group Chairman, Group Managing Director and Group Finance Director is determined by reference to the Group performance condition. For the Divisional Directors, 50% of the potential bonus payable is determined by reference to the Group performance condition and 50% by reference to the Divisional PBT performance condition.

The maximum bonus potential for the year ended 30 April 2013 is set out in the table below:

| | A W Pidgley | R C Perrins | N G Simpkin | G J Fry | K Whiteman | S Ellis |
|---|---|---|---|---|---|---|
| Maximum Potential (% age of Salary) | 300% | 300% | 220% | 175% | 175% | 175% |

The following tables set out:

- the performance conditions for the Bonus Plan for the year ended 30 April 2013;
- the level of satisfaction of those performance conditions.

### Group performance condition (year ended 30 April 2013)

| Performance Requirement Matrix | | | Land Bank Growth | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Target | 0% | 2% | 4% | 6% | 8% | 10% |
| | Target | Factor | 0.0% | 50.0% | 62.5% | 75.0% | 87.5% | 100.0% |
| Return on Equity | <13.5% | 0% | Bonus Plan Deduction | 0% | 0% | 0% | 0% | 0% |
| | 13.5% | 50% | 0% | 25% | 31% | 38% | 44% | 50% |
| | 14.5% | 60% | 0% | 30% | 38% | 45% | 53% | 60% |
| | 15.5% | 70% | 0% | 35% | 44% | 53% | 61% | 70% |
| | 16.5% | 80% | 0% | 40% | 50% | 60% | 70% | 80% |
| | 17.5% | 90% | 0% | 45% | 56% | 68% | 79% | 90% |
| | 18.5% | 100% | 0% | 50% | 63% | 75% | 88% | 100% |

Notes:

1 The matrix shows the percentage of each of the performance requirements for a given level of performance and the corresponding percentage of the targeted maximum annual bonus potential earned for 2012/13.

2 There will be straight line bonus vesting between points.

3 If the minimum threshold levels for either are not met, no contribution is made to the Bonus Plan account. If the minimum threshold levels of performance are not met for both performance conditions, 50% of the participant's plan account will be forfeited. Structuring the performance conditions in this way will ensure consistent levels of ROE at the same time as the Group invests and adds value to the land bank.

4 ROE is defined as profit before tax divided by average shareholders' funds.

5 Land Bank Growth is defined as the annual percentage increase in the development margin in the land bank. This is the anticipated future gross margin to be earned from plots controlled and included in the Group's land bank. To be included in the land bank, management must have reasonable certainty that the plots will come forward for development, either benefiting from a planning consent or being on land zoned for development. For the avoidance of doubt, the land bank excludes plots subject to strategic land options. Calculated plot by plot, the development margin is measured on a consistent basis according to prevailing sales prices for revenue, historic cost for costs already incurred and prevailing prices for costs still to be incurred. It is separately disclosed within the annual report. Each year the land bank gross margin is reduced naturally by the amount of gross margin sold in the year. Therefore, zero % growth in the land bank means that replacement matches usage.

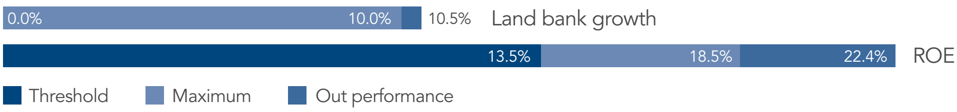
# REMUNERATION REPORT

### Divisional PBT performance condition (year ended 30 April 2013)

The Divisional PBT targets are set at the beginning of the financial year at a level which is challenging taking into account the potential level of bonus payments, the market, development availability and other relevant issues.

### Level of satisfaction of performance conditions (year ended 30 April 2013)

#### Group




The Group performance conditions are therefore met in full.

#### Divisional

The level of Divisional PBT performance for 2012/13 against target is as follows:

| Division | Level of actual performance as a percentage of target | Percentage of bonus element earned |
|---|---|---|
| St George | 100% | 100% |
| Berkeley Homes Urban Renaissance | 50% | 50% |
| St James Group | 100% | 100% |

### Level of bonus earned in respect of the year ended 30 April 2013

The bonus earned for the year ended 30 April 2013, as a result of performance against the Group and Divisional performance conditions, is set out in the table below:

| | A W Pidgley | R C Perrins | N G Simpkin | G J Fry | K Whiteman | S Ellis |
|---|---|---|---|---|---|---|
| Bonus earned (% age of Salary) | 300% | 300% | 220% | 175% | 131.25% | 175% |

It should be noted that under the Bonus Plan only 50% of the cumulative balance of a participant's account is paid at the end of the relevant year with the balance deferred in shares. See page 75 of the Report for details of the Plan accounts for each Executive Director.

### Operation of the Bonus Plan for year ending 30 April 2014

The bonus payable to each of the Group Chairman, Group Managing Director and Group Finance Director is determined by reference to the Group performance condition. For the Divisional Directors, 50% of the potential bonus payable is determined by reference to the Group performance condition and 50% by reference to the Divisional PBT performance condition.

The maximum bonus potential for the year ending 30 April 2014 is set out in the table below:

| | A W Pidgley | R C Perrins | N G Simpkin | G J Fry | K Whiteman | S Ellis |
|---|---|---|---|---|---|---|
| Maximum Potential (% age of Salary) | 300% | 300% | 220% | 175% | 175% | 175% |

The performance conditions for the Bonus Plan for the year ending 30 April 2014 are set out below.

**Group performance condition (year ending 30 April 2014)**

| Performance Requirement Matrix | | | Land Bank Growth | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Target | <1% | 1% | 2% | 3% | 4% | 5% |
| | Target | Factor | 0.0% | 50.0% | 62.5% | 75.0% | 87.5% | 100.0% |
| Return on Equity | <15.0% | 0% | Bonus Plan Deduction | 0% | 0% | 0% | 0% | 0% |
| | 15.0% | 50% | 0% | 25% | 31% | 38% | 44% | 50% |
| | 16.0% | 60% | 0% | 30% | 38% | 45% | 53% | 60% |
| | 17.0% | 70% | 0% | 35% | 44% | 53% | 61% | 70% |
| | 18.0% | 80% | 0% | 40% | 50% | 60% | 70% | 80% |
| | 19.0% | 90% | 0% | 45% | 56% | 68% | 79% | 90% |
| | 20.0% | 100% | 0% | 50% | 63% | 75% | 88% | 100% |

The ROE maximum performance target for the year ending 30 April 2014 has been increased from 18.5% to 20.0%, with a corresponding reduction in the maximum performance target for land bank growth from 10.0% to 5.0%, reflecting the balance between a sustainable ongoing level of return to shareholders and long term sustainability of the Company.

**Divisional PBT performance condition (year ending 30 April 2014)**

The Divisional PBT targets are set at the beginning of the financial year at a level which is challenging taking into account the potential level of bonus payments, the market, development availability and other relevant issues.

## BENEFITS IN KIND

In line with market practice, the Company's policy is to provide Executive Directors with the following additional benefits:

- a fully expensed company car or cash allowance alternative; and
- medical insurance.

## PENSION

Messrs Pidgley, Perrins and Whiteman receive payments in lieu of pension at 17%, 17% and 15% of base salary respectively. Messrs Simpkin, Fry and Ellis receive a 15% pension contribution.

All payments in lieu of pension are subject to income tax and national insurance. These payments are not included in salary figures for the purposes of determining any other benefit entitlement.

Full details of pension costs for Executive Directors are set out in the audited section of the report on page 75.

## LONG TERM REMUNERATION

This section of the report sets out the share incentives for the year ended 30 April 2013.

On 15 April 2009, at an Extraordinary General Meeting of the Company, over 85% of shareholders approved the introduction of The Berkeley Group Holdings plc 2009 Long-Term Incentive Plan, which incorporated and replaced Element 2 of The Berkeley Group Holdings plc 2004(b) Long-Term Incentive Plan (the "2004(b) LTIP") and the previously approved 2007 LTIP, as set out below.

## 2009 LTIP PART A

The balance of the shares originally awarded under the 2004(b) LTIP (i.e. 3/12 of the shares), totalling 5,330,340 shares, were replaced by options with an exercise price of £3 per share granted under the 2009 LTIP. This new option is identified as Part A of the 2009 LTIP. These options were awarded on 29 June 2009, at which time the Element 2 awards under the 2004(b) LTIP were surrendered.

4,441,950 options are currently outstanding, which will become exercisable on 31 January 2014 subject to the relevant Executive's continued employment with the Company.

# REMUNERATION REPORT

## 2009 LTIP PART B

Following shareholder approval on 15 April 2009, a maximum of 7,100,000 shares were capable of being granted under Part B of the 2009 LTIP. The grants under Part B of the 2009 LTIP are market priced options which will vest subject to:

- continued employment to the relevant vesting date; and
- the satisfaction of the underpin condition that Net Assets Per Share are at least £5.94 at 15 April 2015.
- Vesting of these options will be in two tranches:
  - 50% on 15 April 2015; and
  - 50% on 15 April 2016.

A total of 6,120,000 options are outstanding.

Shareholder approval was received at the 2011 AGM to amend the rules of the 2009 LTIP (covering both Part A and Part B) so that the terms of existing options granted can be adjusted in the event of the payment of a cash dividend or dividend in specie. This provides that where such a dividend is paid the adjustment will be a reduction in the exercise price of an option by the amount or value of the dividend provided that the exercise price can never be less than zero and a reduction will only be made to the exercise price of an option that is not then capable of exercise.

## 2011 LTIP

The Company announced in June 2011 as part of a strategic review of the business a long term plan to return approximately £1.7 billion to shareholders over the next 10 years. A new long term remuneration plan was proposed to support this strategy, the 2011 Long Term Incentive Plan ("2011 LTIP"), which was approved by over 91% of shareholders at the Annual General Meeting in September 2011.

The rules of the plan were subsequently amended, and approved by over 92% of shareholders at the 2012 Annual General Meeting, to allow the returns to be made through a combination of dividends (£13 per share) and share buy backs ("distributions"). The cumulative distributions required by the plan on or before the relative milestone dates are set out below:

| | Cumulative Distributions |
|---|---:|
| 30 September 2015 | £568.7m |
| 30 September 2018 | £1,136.1m |
| 30 September 2021 | £1,703.6m |

The key features of the 2011 LTIP are:

- if the Company returns £1.7 billion to shareholders over a ten year period via a series of dividend payments (£13 per share) and share buy backs by the dates referred to above, participants will be entitled to exercise options and receive a number of ordinary shares in the capital of the Company at the end of the ten year period.
- the maximum number of shares capable of being earned by all participants are 19,616,503 shares, being 13% of the fully diluted share capital of the Company at the date of approval of the plan. These are set out by participant in the table below:

| Participant | Position | Number of shares subject to award |
|---|---|---:|
| A W Pidgley | Chairman | 5,000,000 |
| R C Perrins | Group Managing Director | 5,000,000 |
| N G Simpkin | Group Finance Director | 3,250,000 |
| G J Fry | Divisional Director | 1,866,503 |
| K Whiteman | Divisional Director | 2,250,000 |
| S Ellis | Divisional Director | 2,250,000 |
| Total | | 19,616,503 |

- the exercise price of options granted under the 2011 LTIP will be £13 per share less an amount equal to the value of all dividends paid between the date of approval of the 2011 LTIP and 30 September 2021, provided the exercise price cannot be less than zero.

HIGHLIGHTS
BUILDING HOMES FOR EVERYONE
RUNNING A SUSTAINABLE BUSINESS
TRADING & FINANCIAL REVIEW
GOVERNANCE
FINANCIALS

The following table sets out the cumulative distributions, the relevant dates and the consequences of failing to deliver these distributions by these relevant dates:

| Required date | Cumulative dividend (on or before required date) | Consequences of failing to make the cumulative dividend payments on or before the required date |
|---|---|---|
| 30 September 2015 | £568.7m | Options lapse, no shares vest and 2011 LTIP terminates on 1 October 2015. |
| 30 September 2018 | £1,136.1m | Where the cumulative distributions on or before 30 September 2018 is less than £1,136.1m, the following process determines the number of shares vesting:-<br>1 The number of shares capable of vesting is calculated on the level of dividend paid and capable of being paid as at 30 September 2018.<br>2 The exercise price of the shares capable of vesting is set by reducing the original exercise price of £13 by the level of cumulative dividend actually paid on or before 30 September 2021.<br>3 No shares will vest until the end of the 2011 LTIP period on 30 September 2021 subject to the participant's continued employment at this date.<br>For example:-<br>A participant is granted an award over 3 million shares<br>On 30 September 2018 it is determined that an additional £3 per share is capable of being paid as well as the actual payments made on or before 30 September 2015 of £4.34; giving a total of £7.34.<br>Therefore the number of shares capable of vesting on 30 September 2021 is as follows:-<br>3 million shares x $\frac{£7.34}{£13}$ = 1,693,846 shares<br>with an exercise price initially per share of £8.66 (£13 – £4.34).<br>If, however, the actual dividend payments made on or before 30 September 2021 exceed £4.34 the exercise price will be reduced to £13 minus the actual level of dividends paid. For example if the actual dividend paid was £10 the exercise price would reduce to £3 (£13 - £10). The number of shares capable of vesting would, however, remain unchanged with the balance incapable of vesting having lapsed on 1 October 2018. |
| 30 September 2021 | £1,703.6m | The process is the same as above with the relevant date being 30 September 2021. |
| £1,703.6m paid in full prior to 30 September 2021 (including £13/share in dividends) | £1,703.6m | In circumstances where £1,703.6m of cumulative distributions (including £13/share in dividends) are made prior to 30 September 2021 awards shall vest in full.<br>Participants will be able to exercise their awards of options from the date this cumulative target is met and may also sell any shares necessary to pay their tax liability on exercise.<br>In respect of the balance of their shares participants shall only be able to sell a maximum of 10% p.a. of this balance until 30 September 2021 at which date the sale restrictions shall lapse. |

## OTHER SENIOR EMPLOYEES OF THE COMPANY

The Company's business comprises of a number of operating Divisions. The Committee in conjunction with the Board has, therefore, implemented both annual and longer term cash based compensation arrangements for these other senior employees of the Company linked to the performance of the relevant Division for which they work. Some elements of the cash bonus plans are annual while other elements are deferred to ensure long-term consistent delivery by each Division. The Committee, in line with best practice, continually reviews with the Board the policy behind the compensation plans at this level in the Company to ensure they remain appropriate to the market and the Company's current circumstances. It is the view of both the Committee and the Board as a whole that these arrangements are very effective at ensuring the delivery of Divisional performance for which these senior employees are responsible. Both the Committee and the Board believe that having senior employees focused on the delivery of Divisional results is an excellent way of driving shareholder value.

A number of senior employees of the Company have also been granted awards under the 2009 LTIP Part B.

## SHAREHOLDING REQUIREMENT

The Company has a shareholding requirement for both Executive and Non-executive Directors and these requirements and the actual shareholdings of the Executive and Non-executive Directors as at 30 April 2013 are set out in the following tables:

| | A W Pidgley | R C Perrins | N G Simpkin | G J Fry | K Whiteman | S Ellis |
|---|---|---|---|---|---|---|
| Shareholder requirements as a % age of salary to be met within 5 years of appointment | 400% | 200% | 200% | 200% | 200% | 200% |
| Current shareholding as a % age of salary (based on 30 April 2013 share price) | 14,976% | 5,330% | 180% | 6,348% | 245% | 68% |

# REMUNERATION REPORT

| | J Armitt | D Howell | A C Coppin | A Nimmo | G Barker | V Wadley |
|---|---|---|---|---|---|---|
| Shareholder requirements as a % age of net fees to be met within 3 years of appointment | 100% | 100% | 100% | 100% | 100% | 100% |
| Current shareholding as a % age of net fees (based on 30 April 2013 share price) | 328% | 396% | 213% | 131% | 510% | 144% |

## DILUTION

The 2009 LTIP and 2011 LTIP were special arrangements, approved by shareholders at the EGM in April 2009 and AGM in September 2011 respectively.

In considering dilution under the 2011 LTIP the Committee took account of the long term nature of the plan which extends beyond the length of normal incentive plans.

In addition, the Committee took into account the significant priority returns of £1.7 billion (£13 per share), representing 183% of Net Assets at 30 April 2011, that shareholders will receive from the plan over this 10 year period, with the actual value of the awards to the Executive Directors based on the ongoing value of the Group following this significant realisation of current value to the existing shareholders.

Historically the Company has operated all its share plans within the ABI dilution limits. There has been no dilution other than under these special arrangements for the purposes of the ABI dilution limits in the year ended 30 April 2013.

## OTHER REMUNERATION MATTERS

### All Employee Share Plans

The Company has regularly consulted widely with the management and individuals in its operating Divisions on whether it was appropriate to introduce all employee share plans. The consensus view remains that employees preferred the opportunity of receiving annual cash bonuses based on the performance of their respective Divisions rather than participate in a Group based all employee share plan. The Board, therefore, does not believe it is in shareholders' interests to incur the income statement and dilutive cost of share arrangements which would not have the desired effect on employees. Accordingly the Company will continue to operate appropriate annual bonus arrangements in all of its Divisions.

### Non-executive Directors' Fees

All Non-executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association. The following table sets out the fee rates for the Non-executive Directors in the year ended 30 April 2013 and those rates which will apply in the year ending 30 April 2014:

| | J Armitt | D Howell | A C Coppin | A Nimmo | G Barker | V Wadley |
|---|---|---|---|---|---|---|
| Total Fee Rates 2013/14 | £103,000 | £69,000 | £56,500 | £56,500 | £69,000 | £56,500 |
| Total Fee Rates 2012/13 | £100,000 (1) | £67,500 | £67,500 | £55,000 | £55,000 | £55,000 |
| % Increase of basic fee | 3.0% | 2.7% | 2.7% | 2.7% | 2.7% | 2.7% |

| Breakdown of 2013/14 Fee | | | | | | |
|---|---|---|---|---|---|---|
| Basic Fee | £103,000 (2) | £56,500 | £56,500 | £56,500 | £56,500 | £56,500 |
| Chair of Committee Fee | – | £12,500 | – | – | £12,500 | – |
| Committee Chair | Sustainability and Health & Safety | Audit | – | – | Remuneration | – |

(1) Where Directors assumed additional responsibilities during the year, fees have been annualised to allow a direct comparison

(2) Sir John Armitt's basic fee reflects his role as Deputy Chairman, Senior Independent Director and Chair of the Sustainability and Health & Safety Committee.

The Board reviews the fees of the Non-executive Directors annually taking into account the following factors:

- the workload and level of responsibility of the Non-executive Directors under the changing corporate governance expectations of shareholders and their representative bodies; and
- the current market rate for fees for Non-executive Directors.

Non-executive Directors cannot participate in any of the Company's share incentive plans or performance based plans and are not eligible to join the Company's pension scheme.

## EXECUTIVE DIRECTORS' CONTRACTS

The policy on termination is that the Company does not make payments beyond its contractual obligations. The only event on the occurrence of which the Company is potentially liable to make a payment to any of the Executive Directors is on cessation of employment; with the maximum payment being 12 months salary. No payment is due on either a Company takeover or in the event of liquidation. In addition, Executive Directors will be expected to mitigate their loss. Further, the Committee ensures that there have been no unjustified payments for failure. None of the Executive Directors' contracts provides for liquidated damages. There are no special provisions contained in any of the Executive Directors' contracts which provide for longer periods of notice on a change of control of the Company. Further, there are no special provisions providing for additional compensation on an Executive Director's cessation of employment with the Company.

## NON-EXECUTIVE DIRECTORS' AGREEMENTS

All Non-executive appointments are subject to a notice period of one month and are subject to the provisions of the Articles of Association dealing with appointment and rotation every three years, however in accordance with the UK Corporate Governance Code are subject to annual re-election. All letters of appointment for Non-executive Directors are renewable annually on 1 May.

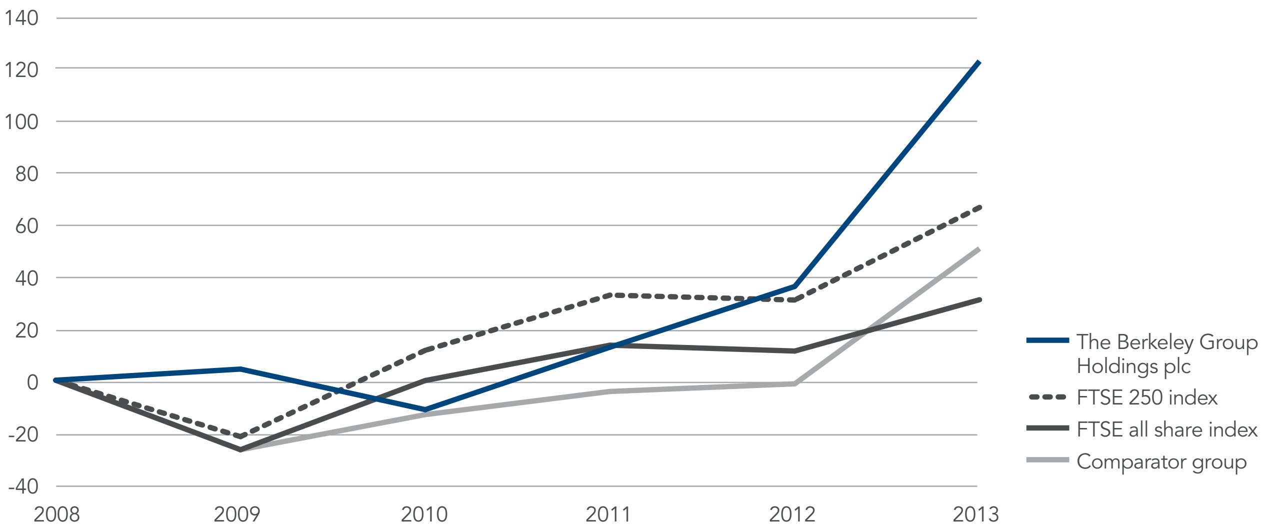
Further details of all Directors' contracts are summarised below:

| Directors | Date of contract | Unexpired term | Notice period by Company or Director | Potential termination payment | Potential payment upon Company takeover | Potential payment in event of liquidation |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| A W Pidgley | 24 June 1994 | 1 Year Rolling | 12 months | 12 months | Nil | Nil |
| R C Perrins | 15 July 2002 | 1 Year Rolling | 12 months | 12 months | Nil | Nil |
| N G Simpkin | 11 September 2002 | 1 Year Rolling | 12 months | 12 months | Nil | Nil |
| G J Fry | 27 June 1996 | 1 Year Rolling | 12 months | 12 months | Nil | Nil |
| K Whiteman | 15 January 1996 | 1 Year Rolling | 12 months | 12 months | Nil | Nil |
| S Ellis | 5 May 2004 | 1 Year Rolling | 12 months | 12 months | Nil | Nil |
| **Non-executive Directors** | | | | | | |
| J Armitt | 1 October 2007 | n/a | 1 month | 1 month | Nil | Nil |
| D Howell | 24 February 2004 | n/a | 1 month | 1 month | Nil | Nil |
| A C Coppin | 1 September 2006 | n/a | 1 month | 1 month | Nil | Nil |
| A Nimmo | 5 September 2011 | n/a | 1 month | 1 month | Nil | Nil |
| G Barker | 3 January 2012 | n/a | 1 month | 1 month | Nil | Nil |
| V Wadley | 3 January 2012 | n/a | 1 month | 1 month | Nil | Nil |

## PERFORMANCE GRAPH

As required by the Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008, the graph below shows the Company's performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE250, the FTSE All Share and the Company's remuneration comparator group (as set out on page 64). The Company considers these the most relevant indices for total shareholder return disclosure required under these Regulations.

**Total shareholder return from 30 April 2008 (%)**




(1) Total shareholder return ("TSR") is a measure showing the return on investing in one share of the Company over the measurement period (the return is the value of the capital gain and reinvested dividends). This calculation is then carried out for the relevant indices and constituents of the comparator group.

# REMUNERATION REPORT

The following tables and accompanying notes constitute the auditable part of the Remuneration Report, as defined in Schedule 8 to SI 2008/410.

## DIRECTORS' REMUNERATION

The remuneration of the Directors of the Company for the year is as follows:

| | Salary/fees £ | Earned bonus (4) £ | Payment in lieu of pension (5) £ | Benefits in kind (6) £ | **2013 Total £** | 2012 Total £ |
|---|---|---|---|---|---|---|
| **Chairman** | | | | | | |
| A W Pidgley | 780,000 | 2,340,000 | 132,600 | 38,654 | **3,291,254** | 3,289,728 |
| **Executive Directors** | | | | | | |
| R C Perrins | 470,000 | 1,410,000 | 79,900 | 31,295 | **1,991,195** | 1,989,060 |
| N G Simpkin | 312,000 | 686,400 | – | 21,527 | **1,019,927** | 884,519 |
| G J Fry (1) | 325,000 | 568,750 | – | 31,367 | **925,117** | 558,409 |
| K Whiteman | 305,000 | 400,313 | 45,750 | 20,926 | **771,989** | 805,103 |
| S Ellis | 305,000 | 533,750 | – | 26,416 | **865,166** | 767,655 |
| **Non-executive Directors** | | | | | | |
| J A Armitt | 93,180 | – | – | – | **93,180** | 72,708 |
| D Howell | 67,500 | – | – | – | **67,500** | 67,500 |
| A Coppin | 67,500 | – | – | – | **67,500** | 67,500 |
| A Nimmo (1) | 55,000 | – | – | – | **55,000** | 33,013 |
| G Barker (2) | 55,000 | – | – | – | **55,000** | 16,667 |
| V Wadley (2) | 55,000 | – | – | – | **55,000** | 16,667 |
| V M Mitchell (3) | 34,487 | – | – | – | **34,487** | 100,000 |
| | 2,924,667 | 5,939,213 | 258,250 | 170,185 | **9,292,315** | 8,668,529 |

(1) Appointed to the Board on 5 September 2011.

(2) Appointed to the Board on 3 January 2012.

(3) Resigned from the Board on 5 September 2012.

(4) The earned bonus for the year is added to each individual Director's plan account. 50% of the balance on the plan account at the end of the financial year is released and 50% deferred. The plan is set out in the table below. Before its award Rob Perrins, Nick Simpkin and Sean Ellis each sacrificed part of the released element of their bonus entitlement. Pension contributions equal to the amounts given up were made into pension plans for the benefit of their dependants. The amount shown in the bonus column reflects the full 2012/13 award.

(5) Having regard to the Lifetime Allowance introduced under the pension simplification legislation which came into force from 6 April 2006, Executive Directors may, as an alternative to receiving a company contribution into a pension arrangement, receive a cash payment in lieu of such pension contributions. Tony Pidgley, Rob Perrins and Karl Whiteman have chosen this alternative in respect of their total pension entitlement from the Company. During the year Tony Pidgley and Rob Perrins received payments in lieu of pension at 17% of base salary and Karl Whiteman at 15% of base salary.

(6) Benefits in kind for the current Chairman and Executive Directors relate principally to the provision of a fully expensed motor vehicle or cash allowance alternative and private healthcare.

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

### Bonus earned but deferred under the Bonus Banking Plan

Under the Bonus Plan, the earned bonus for the year is added to each individual Director's plan account. 50% of the balance on the plan account at the end of the financial year is released and 50% deferred.

The deferred balances on each Director's plan account are set out below:

| | Plan account brought forward Shares | Plan account brought forward (1) £ | Contribution into plan account for the financial year 2012/13 £ | Plan account balance at 30 April 2013 £ | Amount released as of 30 April 2013 £ | Plan account carried forward £ | Plan account carried forward (2) Shares |
|---|---|---|---|---|---|---|---|
| A W Pidgley | 144,401 | 3,032,421 | 2,340,000 | 5,372,421 | (2,686,211) | 2,686,211 | 128,835 |
| R C Perrins | 86,875 | 1,824,375 | 1,410,000 | 3,234,375 | (1,617,188) | 1,617,188 | 77,563 |
| N G Simpkin | 36,157 | 759,297 | 686,400 | 1,445,697 | (722,849) | 722,849 | 34,669 |
| G J Fry | 31,309 | 657,489 | 568,750 | 1,226,239 | (613,120) | 613,120 | 29,406 |
| K Whiteman | 28,761 | 603,981 | 400,313 | 1,004,294 | (502,147) | 502,147 | 24,084 |
| S Ellis | 28,761 | 603,981 | 533,750 | 1,137,731 | (568,866) | 568,866 | 27,284 |
| | 356,264 | 7,481,544 | 5,939,213 | 13,420,757 | (6,710,378) | 6,710,378 | 321,841 |

(1) Converted at share price of £20.85 at 30 April 2013 plus £0.15 dividend paid 19 April 2013.

(2) Converted at share price of £20.85 at 30 April 2013.

## PENSIONS

### Payments in Lieu of Pension

Tony Pidgley, Rob Perrins and Karl Whiteman received payments in lieu of a pension contribution from the Company during the year and this is set out in the Directors' remuneration table above (2012: £132,600, £79,900 and £40,500 respectively).

No amounts were paid into pension arrangements in respect of Tony Pidgley, Rob Perrins and Karl Whiteman during the year ended 30 April 2013.

### Defined Contribution Plan

In respect of Nick Simpkin, Sean Ellis and Greg Fry the following contributions were made to defined contribution plans:

| | Age | **Company contributions 2013 £** | Company contributions 2012 £ |
|---|---|---|---|
| **Executive Directors** | | | |
| N G Simpkin | 43 | **46,800** | 40,500 |
| G J Fry (1) | 56 | **48,750** | 31,834 |
| S Ellis | 44 | **45,750** | 40,500 |
| | | **141,300** | 112,834 |

(1) Appointed to the Board on 5 September 2011.

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

# REMUNERATION REPORT

## SHARE INCENTIVE PLANS

The entitlements under share incentive plans for Directors serving on the Main Board at 30 April 2013 are set out below:

| | At 1 May 2012 Options | Options vested in year | Options granted in year | At 30 April 2013 Options | Value released £ |
|---|---|---|---|---|---|
| **A W Pidgley** | | | | | |
| 2009 LTIP Part A (1) | 2,842,848 | – | – | 2,842,848 | – |
| 2009 LTIP Part B (2) | 1,500,000 | – | – | 1,500,000 | – |
| 2011 LTIP (3) | 5,000,000 | – | – | 5,000,000 | – |
| **R C Perrins** | | | | | |
| 2009 LTIP Part A (1) | 1,066,068 | – | – | 1,066,068 | – |
| 2009 LTIP Part B (2) | 750,000 | – | – | 750,000 | – |
| 2011 LTIP (3) | 5,000,000 | – | – | 5,000,000 | – |
| **N G Simpkin** | | | | | |
| 2009 LTIP Part B (2) | 250,000 | – | – | 250,000 | – |
| 2011 LTIP (3) | 3,250,000 | – | – | 3,250,000 | – |
| **G J Fry** | | | | | |
| 2009 LTIP Part A (1) | 533,034 | – | – | 533,034 | – |
| 2009 LTIP Part B (2) | 500,000 | – | – | 500,000 | – |
| 2011 LTIP (3) | 1,866,503 | – | – | 1,866,503 | – |
| **K Whiteman** | | | | | |
| 2009 LTIP Part B (2) | 250,000 | – | – | 250,000 | – |
| 2011 LTIP (3) | 2,250,000 | – | – | 2,250,000 | — |
| **S Ellis** | | | | | |
| 2009 LTIP Part B (2) | 175,000 | – | – | 175,000 | – |
| 2011 LTIP (3) | 2,250,000 | – | – | 2,250,000 | – |
| **Total** | | | | | |
| 2009 LTIP Part A (1) | 4,441,950 | – | – | 4,441,950 | – |
| 2009 LTIP Part B (2) | 3,425,000 | – | – | 3,425,000 | – |
| 2011 LTIP (3) | 19,616,503 | – | – | 19,616,503 | – |

(1) Exercise price of £2.85 per share *

(2) Exercise price of £8.25 per share *

(3) Exercise price of £12.85 per share *

*Original exercise price reduced by dividend of £0.15 per share paid April 2013.

Further details are set out on pages 69 to 71 of this report.

The mid-market share price of the Company was £12.95 as at 1 May 2012 and was £20.85 at 30 April 2013. The mid-market high and low share prices of the Company were £21.40 and £11.77 respectively in the year.

## DIRECTORS' INTERESTS IN SHARES

The beneficial interests (unless indicated otherwise) of the Directors in office at the end of the year in the ordinary share capital of the Company were as shown below.

| Name | 30 April 2013 | 1 May 2012 |
|---|---|---|
| A W Pidgley | **5,602,350** | 6,456,838 |
| A W Pidgley Non-beneficial | **19,183** | 19,183 |
| R C Perrins | **1,201,596** | 1,501,596 |
| N G Simpkin | **27,000** | 27,000 |
| G J Fry | **989,454** | 989,454 |
| K Whiteman | **35,815** | 35,815 |
| S Ellis | **10,000** | 10,000 |
| J Armitt | **9,112** | 9,112 |
| D Howell | **7,431** | 4,000 |
| A C Coppin | **4,000** | 4,000 |
| A Nimmo | **2,000** | 2,000 |
| G Barker | **7,800** | 7,800 |
| V Wadley | **2,200** | – |

**A C Coppin**
Chairman, Remuneration Committee

16 July 2013

# CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance in respect of leadership, effectiveness, accountability, remuneration and relationships with our shareholders as identified by the UK Corporate Governance Code 2010 (the Code).

This section and the Remuneration Report detail how the Company has applied the principles and provisions of the Code. The Company's business model is explained on pages 24 to 51 of the Annual Report.

It is the Board's view that it has been fully compliant with the Code throughout the 2012/13 financial year.

A copy of the Code is available on the Financial Reporting Council's website www.frc.org.uk

## THE BOARD

### Role

The Board has a collective responsibility for promoting the long term success of the Company in a safe and sustainable manner in order to create shareholder value. The Board provides leadership and sets the Company's strategic long-term objectives.

Its duties are set out in a formal schedule of matters specifically reserved for decision by the Board, which include:

- Overall management of the Group, its strategy and long-term objectives;
- Approval of corporate plans;
- Approval of all corporate transactions;
- Changes to the Group's capital structure;
- Approval of the Group's treasury policy;
- Approval of the Group's interim and annual results, dividend policy and shareholder distributions;
- Reviewing the Group's risks and system of internal control;
- Changes to the Board and other senior executive roles;
- Corporate Governance arrangements and the Board evaluation; and
- Approval of policies in key areas including Sustainability, Health & Safety and Business Ethics.

### Composition and Independence

At the date of this report the Board comprises twelve Directors; the Chairman, five Executive Directors and six independent Non-executive Directors. Their biographies are set out on pages 56 and 57.

During the year, Victoria Mitchell stepped down from the Board at the Annual General Meeting on 5 September 2012 and Sir John Armitt succeeded Victoria Mitchell as Deputy Chairman from that date.

The Board has evolved over recent years to put in place the succession planning that all successful organisations require and the composition of the Board continues to be reviewed on a regular basis to ensure that an appropriate balance of skills is maintained.

The Board considers that all of the current Non-executive Directors were independent throughout the year. David Howell joined the Board in February 2004 and has now served more than nine years on the Board. The Board considers David Howell to be independent in both character and judgement, notwithstanding his long service on the Board.

The Non-executive Directors, led by the Senior Independent Director Sir John Armitt have the skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The Group Executive Directors do not hold any Non-executive Director appointments or commitments required to be disclosed under the Code.

### Chairman and Managing Director

The roles of Group Chairman and Group Managing Director are separately held and there are clear written guidelines to support the division of responsibility between them. The Group Chairman is responsible for the effective conduct of the Board and shareholder meetings and for ensuring that each Director contributes to effective decision-making. The Group Managing Director has day-to-day executive responsibility for the running of the Group's businesses. His role is to develop and deliver the strategy to enable the Group to meet its objectives.

### Meetings

The Board met six times during 2012/13 and there were no absences, other than Sean Ellis was unable to attend the meeting on 13 June 2012 and Alan Coppin was unable to attend the meetings on 13 June 2012 and 10 October 2012.

In addition to the above formal meetings of the whole Board, the Non-executive Directors meet with the Group Chairman. The Group Managing Director and Group Finance Director are invited to attend these meetings in part, to provide an update on the business activities of the Group. The Non-executive Directors meet at least annually without the Group Chairman present, chaired by the Senior Independent Director.

Board papers and agendas are sent out in the week prior to each meeting, thus allowing sufficient time for detailed review and consideration of the documents beforehand. In addition, the Board is supplied with comprehensive management information on a regular basis.

### Election and re-election of Directors

The Articles of Association of the Company include the requirement for Directors to submit themselves to shareholders for re-election every three years. In addition, all Directors are subject to re-election by shareholders at the first opportunity after their appointment and thereafter at intervals of no more than three years.

However, in accordance with the requirements of the Code, all Directors offered themselves for re-election at the Annual General Meeting on 2 September 2013, other than Alan Coppin, who is standing down from the Board.

### Induction and Development

On appointment, Non-executive Directors are provided with a detailed induction programme. This covers an overview of the Group's operations and its policies, corporate responsibility and corporate affairs issues, legal matters, and the opportunity to meet with Directors and key staff and to visit the Group's sites.

No training needs were identified this year, although ongoing training is available to all Directors to meet their individual needs. Board members also receive guidance on regulatory matters and the corporate governance framework that the Group operates under.

Members of the Audit and Remuneration Committees received briefings from our auditors and remuneration advisers respectively to ensure they remain up to date with current regulations and developments.

All Directors have access to advice from the Company Secretary and independent professional advisers, at the Company's expense, where specific expertise is required in the course of their duties.

### Board evaluation

The Board undertakes an annual formal evaluation of its own performance and that of its Committees. This year, in accordance with Code provision B.6.2., the Board undertook an externally facilitated board evaluation conducted by Clare Howard Consultants, who have no other connection with the Company.

The unanimous view of the review was that the Board works very well and that all the Directors are passionate about the business, and that they enjoy their role on the Board.

The Board has a pivotal role in preserving the organisation's culture and ultimately its success. In line with all successful organisations, succession planning is seen as a key focus for the Company and the Board continues to evolve to address this issue. The autonomous structure of the Group also provides strength in depth which further mitigates this risk.

An action plan has been agreed by the Board to address the recommendations made from the review.

### Conflicts of Interest

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can only be made by non-conflicted Directors (those who have no interest in the matter being considered) and in making such a decision the Directors must act in a way they consider in good faith will be most likely to promote the Company's success.

The Company has established a procedure whereby actual and potential conflicts of interest of current and proposed roles to be undertaken by the Board with other organisations are regularly reviewed in respect of both the nature of those roles, and their time commitment, and for proper authorisation to be sought prior to the appointment of any new Director. The Board consider these procedures to be working effectively.

### Insurance

The Company has in place an appropriate policy which insures Directors against certain liabilities, including legal costs, which they may incur in carrying out their duties.

## BOARD COMMITTEES

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

### Executive Committee

The Executive Committee meets monthly and reviews the financial and operating performance of all Group divisions and companies. The Group Managing Director, Rob Perrins, chairs this Committee and other members comprise, Tony Pidgley, Nick Simpkin, Karl Whiteman, Sean Ellis and Greg Fry.

The following three Board committees operate within clearly defined Terms of Reference pursuant to the provisions of the Code. The Terms of Reference can be downloaded from the section dealing with Investor Relations on the Berkeley website (www.berkeleygroup.co.uk). Copies are also available to shareholders on application to the Company Secretary.

### Audit Committee

The Audit Committee comprises four independent Non-executive Directors. The Committee is chaired by David Howell and the other members at 30 April 2013 were Alison Nimmo, Glyn Barker and Veronica Wadley.

During the year Glyn Barker and Veronica Wadley were appointed to the Committee on 5 September 2012 and Alan Coppin retired from the Committee on the same date.

David Howell, who qualified as a chartered accountant in 1971 and was the Chief Financial Officer and a Main Board Director of lastminute.com plc until March 2005, is considered by the Board to have recent and relevant financial experience. David Howell was also Chairman of the Audit Committee of Nestor Healthcare Group plc from 2000 to 2003.

The Committee met formally on three occasions during the year to 30 April 2013 with no absences.

The Group Finance Director and representatives of the external and internal auditors also attend the Committee's meetings by invitation.

# CORPORATE GOVERNANCE

The Committee has formal Terms of Reference which set out its role and the authority delegated to it by the Board. The key responsibilities of the Committee are set out below:

- monitoring the integrity of the financial reporting of the Company and reviewing significant financial reporting issues and accounting policies;
- reviewing the adequacy and effectiveness of the Group's internal control and risk management systems and monitoring the effectiveness of the Group's internal audit function; and
- overseeing the relationship with the external auditor, including appointment, removal and fees, and ensuring the auditor's independence and the effectiveness of the audit process.

The Committee met its responsibilities in the year by:

- reviewing the financial disclosures in the Group's Annual Report and Accounts and half-year financial report prior to their publication. This included reviewing the accounting policies and financial reporting judgements. It also reviewed the contents of interim management statements issued by the Company during the year;
- undertaking an annual assessment of the Group's system of risk management and internal control, including:
  - considering the key risks facing the Group
  - considering the key elements of the Group's control processes
  - receiving reports from both external and internal auditors during the course of the year
  - reviewing the operations and effectiveness of internal audit
  - assessing the adequacy of disclosure in the Annual Report
- monitoring ongoing compliance in relation to the Bribery Act;
- reviewing the external auditor's audit plan, their performance, effectiveness, independence and fees; and
- reviewing the non-audit fees policy.

The Committee has a policy on the use of the auditors for non-audit services in order to safeguard auditor independence and the ratio of audit fees (including the fees for the Interim Review) to non-audit fees should be no greater than 1:1. The ratio for the year ended 30 April 2013 was within the limits of this ratio. Audit and non-audit fee disclosures are set out in Note 4.

Any departure from this ratio will only be as a consequence of transactional work, where the Committee considers it is right for the auditors to undertake such work where the reasons for doing so are compelling, such as where

i) it is proprietary to them;

ii) they have pre-existing knowledge and experience that precludes the use of alternative firms;

iii) the nature of the transaction is that the Group's auditors are the only practical solution.

Non-audit work carried out by all accounting firms, including the auditors, is formally reported to the Audit Committee at each meeting.

The external auditors have open recourse to the Non-executive Directors, should they consider it necessary, and there is open dialogue between the auditors and the Chairman of the Audit Committee before each Audit Committee meeting and, after the meeting, the opportunity to meet without the Executive Directors present.

**Remuneration Committee**

The Remuneration Committee is responsible for determining the Company's policy for Executive remuneration and the precise terms of employment and remuneration of the Executive Directors. The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 61 to 77.

At 30 April 2013, the Committee was chaired by Alan Coppin and the other members were Sir John Armitt and Glyn Barker, who are all independent Non-executive Directors. Glyn Barker was appointed to the Committee on 13 June 2012 and David Howell retired from the Committee on the same date. With effect from 14 June 2013, Glyn Barker became Chairman of the Committee.

The Committee met formally on two occasions during the year to April 2013 with no absences.

No Director is involved in deciding his or her remuneration. The Executive Directors decide the remuneration of the Non-executive Directors and the Committee takes into consideration the recommendations of the Group Managing Director and Group Finance Director regarding the remuneration of their Executive colleagues.

**Nomination Committee**

The Nomination Committee ensures that the membership and composition of the Board, including the balance of skills, is appropriate, as well as giving full consideration to succession planning on a regular basis.

The Committee is chaired by the Group Chairman, Tony Pidgley and the Independent Non-executive members at 30 April 2013 were David Howell, Sir John Armitt and Veronica Wadley. Veronica Wadley was appointed to the Committee on 13 June 2012.

The Committee met formally on two occasions during the year to 30 April 2013 with no absences.

During the year, the activities of the Committee included considering and making recommendations to the Board regarding the membership of the Board committees and reviewing succession plans for the Executive team.

Appointments to the Board are made based on merit and the specific skills and expertise required for the role. The Committee has chosen not to set specific representation targets for women at Board level at this time. However, it recognises that the benefits of diversity, including gender diversity, will continue to be an active consideration when further changes to the Board's composition are considered.

The process for identifying and recommending new appointments includes a combination of discussions and consultations, in addition to formal interviews, utilising the services of independent recruitment specialists, as appropriate.

## KEY RISKS AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, at least annually.

Internal control procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are ongoing processes and procedures for identifying, evaluating and managing the significant risks faced by the Group. These processes and procedures were in place from the start of the financial year to the date on which the 2013 Annual Report and Accounts were approved and accord with the Turnbull guidance issued in 2005.

The processes are regularly reviewed by the Board and include an annual review by the Directors of the operation and effectiveness of the system of internal control as part of its year end procedures. The key features of the system of internal control include:

### Clear organisational structure

The Group operates through autonomous divisions and operating companies, each with its own board. Operating company boards meet on a weekly basis and divisional boards on a monthly basis, and comprehensive information is prepared for such meetings on a standardised basis to cover all aspects of the business. Formal reporting lines and delegated levels of authority exist within this structure and the review of risk and performance occurs at multiple levels throughout the operating companies, divisions and at Group.

### Risk assessment

Risk reporting is embedded within ongoing management reporting throughout the Group. At operating company and divisional level, Board meeting agendas and packs are structured around the key risks facing the Group. These risks include health and safety, sales, production (build cost and programme), land and planning, economic, regulatory and site specific matters.

In addition, there is a formalised process whereby each division produces quarterly risks and control reports that identify significant risks, the potential impact and the actions being taken to mitigate the risks. These risk reports are reviewed and updated regularly.

A Group Risk Management Report is presented at each Group Main Board Meeting, setting out the current factors affecting the risk profile of the Group, the mitigation of these risks and the key changes to this risk profile since the last report.

### Financial reporting

A comprehensive budgeting and real-time forecasting system, covering both profit and cash, operates within the Group. This enables executive management to view key financial and operating data on a daily basis. On a weekly and monthly basis more formal reporting up to the Group Executives and the Board is prepared. The results of all operating units are reported monthly and compared to budget and forecast.

There is a consolidation process in place which ensures that there is an audit trail between the Group's financial reporting system and the Group's statutory financial statements.

### Investment and contracting controls

The Group has clearly defined guidelines for the purchase and sale of land within the Group, which include detailed environmental, planning and financial appraisal and are subject to executive authorisation. Rigorous procedures are also followed for the selection of consultants and contractors. The review and monitoring of all build programmes and budgets are a fundamental element of the Company's financial reporting cycle.

### Policies and procedures

Policies and procedures, including operating and financial controls, are detailed in policies and procedures manuals that are refreshed and improved as appropriate. Training to staff is given where necessary.

### Central functions

Strong central functions, including Legal, Health & Safety and Company Secretarial, provide support and consistency to the rest of the Group. In addition, the principal treasury-related risks, decisions and control processes are managed by the Group Finance function, under the direction of the Group Finance Director.

### Internal audit

Internal auditors are in place in each division and at Group to provide assurance on the operation of the Group's control framework.

### Whistleblowing

The Group has a whistleblowing policy which has been communicated to all staff, where Directors, management and staff can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters. The arrangements in place are reviewed by the Audit Committee.

### Bribery Act

The Group's Finance Director has the executive responsibility for implementing the Group's policy and reporting to the Audit Committee, who are charged with overseeing the development and implementation of the Group's policies and procedures and monitoring ongoing compliance.

# CORPORATE GOVERNANCE

## RELATIONS WITH SHAREHOLDERS

The Company encourages active dialogue with its current and prospective shareholders through ongoing meetings with institutional investors. Major shareholders have the opportunity to meet all Directors after the Annual General Meeting in addition to individual meetings with the Company.

Shareholders are also kept up to date with the Company's activities through the Annual and Interim Reports. In addition, the corporate website gives information on the Group and latest news, including regulatory announcements. The presentations made after the announcement of the preliminary and interim results are also available on the website.

The Board is kept informed of the views of the shareholders through periodic reports from the Company's broker UBS. Additionally, the Non-executive Directors have the opportunity to attend the bi-annual analyst presentations.

The Senior Independent Director is available to shareholders if they have concerns where contact through the normal channels has failed or when such contact is inappropriate.

## ANNUAL GENERAL MEETING

All shareholders are invited to participate in the Annual General Meeting ("AGM") where the Group Chairman, the Group Managing Director and the Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions and will also be available for discussions with shareholders both prior to and after the meeting.

The Company arranges for the Annual Report and Accounts and related papers to be posted to shareholders so as to allow at least 20 working days for consideration prior to the AGM.

The Company complies with the provisions of the Code relating to the disclosure of proxy votes, which, including abstentions, are declared at the AGM after each resolution has been dealt with on a show of hands and are announced to the Stock Exchange shortly after the close of the meeting. The Company also complies with the requirements of the Code with the separation of resolutions and the attendance of the Chairmen of the Board Committees.

The terms and conditions of appointment for the Non-executive Directors, which set out their expected time commitment, in addition to the service contracts for the Executive Directors, are available for inspection at the AGM and during normal business hours at the Company's registered office.

## GOING CONCERN

The Group's business activities together with the factors likely to affect its future development performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are all described in the Trading and Financial Reviews on pages 41 to 51.

The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group, including the repayment of £1.7 billion to shareholders by 2021, and compared this to the level of committed loan facilities and cash resources over the medium term. In making this assessment consideration has been given to the uncertainty inherent in future financial forecasts and where applicable reasonable sensitivities have been applied to the key factors affecting the financial performance of the Group.

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## 2013 ANNUAL REPORT AND ACCOUNTS

Having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Board is satisfied that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. The Board believes that the disclosures set out in the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

## SHARE CAPITAL STRUCTURE

The Company is compliant with DTR 7.2.6. and the information relating to the Company's share capital structure is included in the Directors' Report on page 58.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and have prepared the Parent Company Financial Statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of each person's knowledge:

a the Group financial statements, which have been prepared in accordance with IFRS's as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

b the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

**A M Bradshaw**
**Company Secretary**
16 July 2013

**Kew Bridge Road**

# FINANCIALS

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BERKELEY GROUP HOLDINGS PLC

We have audited the Consolidated Financial Statements of The Berkeley Group Holdings plc for the year ended 30 April 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on pages 82 and 83, the directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Consolidated Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 April 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Consolidated Financial Statements are prepared is consistent with the Consolidated Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 78 to 83 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 82, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

## OTHER MATTER

We have reported separately on the Parent Company financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

**John Waters (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
London
16 July 2013

# CONSOLIDATED INCOME STATEMENT

| For the year ended 30 April | Notes | **2013 £m** | 2012 £m |
|---|---|---|---|
| Revenue | | **1,372.6** | 1,041.1 |
| Cost of sales | | **(969.2)** | (745.8) |
| Gross profit | | **403.4** | 295.3 |
| Net operating expenses | | **(123.3)** | (99.6) |
| Operating profit before exceptional item | | **280.1** | 195.7 |
| Exceptional profit on disposal of subsidiary | 8 | **–** | 30.7 |
| Operating profit | | **280.1** | 226.4 |
| Finance income | 3 | **1.5** | 2.4 |
| Finance costs | 3 | **(9.6)** | (11.8) |
| Share of post tax results of joint ventures using the equity method | 11 | **(1.3)** | (2.2) |
| Profit before taxation | 2, 4 | **270.7** | 214.8 |
| Income tax expense | 6 | **(61.0)** | (56.7) |
| Profit after taxation | | **209.7** | 158.1 |
| Profit attributable to: | | | |
| Owners of the parent | | **209.7** | 158.5 |
| Non-controlling interest | | **–** | (0.4) |
| | | **209.7** | 158.1 |
| Earnings per ordinary share attributable to owners of the parent: | | | |
| Basic | 7 | **160.0p** | 121.0p |
| Diluted | 7 | **140.3p** | 112.8p |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 30 April | Notes | **2013 £m** | 2012 £m |
|---|---|---|---|
| Profit after taxation for the year | | **209.7** | 158.1 |
| Other comprehensive (expense)/income: | | | |
| Actuarial loss recognised in the pension scheme | 5 | **(0.8)** | (0.6) |
| Deferred tax on actuarial loss recognised in the pension scheme | 6 | **0.2** | 0.1 |
| Other comprehensive expense for the year | | **(0.6)** | (0.5) |
| Total comprehensive income for the year | | **209.1** | 157.6 |
| Attributable to: | | | |
| Owners of the parent | | **209.1** | 158.0 |
| Non-controlling interest | | **–** | (0.4) |
| | | **209.1** | 157.6 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at 30 April | Notes | 2013 £m | 2012 £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | **17.2** | 17.2 |
| Property, plant and equipment | 10 | **16.3** | 11.6 |
| Investment properties | 10 | **26.5** | 83.5 |
| Investments accounted for using the equity method | 11 | **44.1** | 46.5 |
| Deferred tax assets | 19 | **56.7** | 25.0 |
| | | **160.8** | 183.8 |
| **Current assets** | | | |
| Inventories | 12 | **2,066.7** | 1,851.7 |
| Trade and other receivables | 13 | **126.8** | 115.2 |
| Cash and cash equivalents | 14, 25 | **66.8** | 2.7 |
| | | **2,260.3** | 1,969.6 |
| Non-current assets classified as held for sale | 15 | **75.8** | – |
| | | **2,336.1** | 1,969.6 |
| Total assets | | **2,496.9** | 2,153.4 |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | **–** | (12.5) |
| Trade and other payables | 17 | **(115.5)** | (30.4) |
| Provisions for other liabilities and charges | 18 | **(27.9)** | – |
| | | **(143.4)** | (42.9) |
| **Current liabilities** | | | |
| Borrowings | 16 | **(22.1)** | (48.1) |
| Trade and other payables | 17 | **(905.9)** | (862.7) |
| Current tax liabilities | | **(102.0)** | (99.9) |
| Provisions for other liabilities and charges | 18 | **(1.1)** | – |
| | | **(1,031.1)** | (1,010.7) |
| Total liabilities | | **(1,174.5)** | (1,053.6) |
| Total net assets | | **1,322.4** | 1,099.8 |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 20 | **6.7** | 6.7 |
| Share premium | 20 | **49.3** | 49.3 |
| Capital redemption reserve | 21 | **24.5** | 24.5 |
| Other reserve | 21 | **(961.3)** | (961.3) |
| Revaluation reserve | 21 | **4.0** | 3.4 |
| Retained earnings | 21 | **2,199.2** | 1,977.2 |
| Total equity | | **1,322.4** | 1,099.8 |

The financial statements on pages 87 to 109 were approved by the board of directors on 16 July 2013 and were signed on its behalf by:

**N G Simpkin**
**Finance Director**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserve £m | Revaluation reserve £m | Retained earnings £m | Total £m | Non-controlling interest £m | Total equity £m |
| At 1 May 2012 | 6.7 | 49.3 | 24.5 | (961.3) | 3.4 | 1,977.2 | 1,099.8 | – | 1,099.8 |
| Profit after taxation for the year | – | – | – | – | – | 209.7 | 209.7 | – | 209.7 |
| Other comprehensive expense for the year | – | – | – | – | – | (0.6) | (0.6) | – | (0.6) |
| Total comprehensive income for the year | – | – | – | – | – | 209.1 | 209.1 | – | 209.1 |
| Reserves transfer from revaluation reserve (note 21) | – | – | – | – | 0.6 | (0.6) | – | – | – |
| Transactions with shareholders: | | | | | | | | | |
| Credit in respect of employee share schemes (note 5) | – | – | – | – | – | 11.8 | 11.8 | – | 11.8 |
| Deferred tax in respect of employee share schemes (note 6) | – | – | – | – | – | 21.4 | 21.4 | – | 21.4 |
| Dividends to equity holders of the Company (note 22) | – | – | – | – | – | (19.7) | (19.7) | – | (19.7) |
| **At 30 April 2013** | **6.7** | **49.3** | **24.5** | **(961.3)** | **4.0** | **2,199.2** | **1,322.4** | **–** | **1,322.4** |

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital £m | Share premium £m | Capital redemption reserve £m | Other reserve £m | Revaluation reserve £m | Retained earnings £m | Total £m | Non-controlling interest £m | Total equity £m |
| At 1 May 2011 | 6.7 | 49.3 | 24.5 | (961.3) | 3.4 | 1,806.8 | 929.4 | 4.4 | 933.8 |
| Profit/(loss) after taxation for the year | – | – | – | – | – | 158.5 | 158.5 | (0.4) | 158.1 |
| Other comprehensive expense for the year | – | – | – | – | – | (0.5) | (0.5) | – | (0.5) |
| Total comprehensive income/(expense) for the year | – | – | – | – | – | 158.0 | 158.0 | (0.4) | 157.6 |
| Funding from non-controlling interest in subsidiary undertaking | – | – | – | – | – | – | – | 0.1 | 0.1 |
| Disposal of investment in subsidiary | – | – | – | – | – | – | – | (4.1) | (4.1) |
| Transactions with shareholders: | | | | | | | | | |
| Credit in respect of employee share schemes (note 5) | – | – | – | – | – | 8.2 | 8.2 | – | 8.2 |
| Deferred tax in respect of employee share schemes (note 6) | – | – | – | – | – | 4.2 | 4.2 | – | 4.2 |
| **At 30 April 2012** | **6.7** | **49.3** | **24.5** | **(961.3)** | **3.4** | **1,977.2** | **1,099.8** | **–** | **1,099.8** |

# CONSOLIDATED CASH FLOW STATEMENT

| For the year ended 30 April | Notes | **2013 £m** | 2012 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from/(used in) operations | 25 | **189.0** | (108.9) |
| Interest received | | **1.2** | 5.5 |
| Interest paid | | **(5.9)** | (5.4) |
| Income tax paid | | **(69.2)** | (53.7) |
| Net cash flow from operating activities | | **115.1** | (162.5) |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | **(6.6)** | (2.3) |
| Proceeds from sale of property, plant and equipment | | **0.1** | 0.2 |
| Proceeds from sale of investment properties | | **12.6** | – |
| Funding from non-controlling Interest in subsidiary undertaking | | **–** | 0.1 |
| Disposal of subsidiary undertaking | 8 | **–** | 75.7 |
| Cash balance in subsidiary undertaking disposed | | **–** | (0.2) |
| Movements in loans with joint ventures | 11 | **1.1** | (10.0) |
| Net cash flow from investing activities | | **7.2** | 63.5 |
| | | | |
| **Cash flows from financing activities** | | | |
| Expenses related to the disposal of the subsidiary undertaking | 8 | **–** | (0.9) |
| Repayment of borrowings | | **(38.5)** | (163.7) |
| Dividends paid to Company's shareholders | 22 | **(19.7)** | – |
| Net cash flow from financing activities | | **(58.2)** | (164.6) |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | **64.1** | (263.6) |
| Cash and cash equivalents, including bank overdraft, at the start of the financial year | | **2.7** | 266.3 |
| Cash and cash equivalents, including bank overdraft, at the end of the financial year | 14, 25 | **66.8** | 2.7 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

**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. Further information about the nature of the Group's operations and its principal activities are set out in the Directors' Report on page 58.

**Basis of preparation**
These Consolidated Financial Statements have been prepared in accordance with European Union endorsed International Financial Reporting Standards ("IFRSs"), IFRS-IC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention and on the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed on page 93.

There were no new standards, amendments or interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1 May 2012 that were material to the Group. Furthermore, there are no standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Group.

**Basis of consolidation**
(a) Subsidiaries
The Consolidated Financial Statements comprise the financial statements of the Parent Company and all its subsidiary undertakings. The accounting date for subsidiary undertakings is 30 April.

Subsidiary undertakings are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain the benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Acquisition-related costs are expensed as incurred.

(b) Non-controlling interests
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and those interests' share of changes in the equity since the date of the combination.

(c) Joint ventures
Entities which are jointly controlled with another party or parties ("joint ventures") are accounted for using the equity method of accounting. The results attributable to the Group's holding in joint ventures are shown separately in the consolidated income statement. The amount included in the consolidated statement of financial position is the Group's share of the net assets of the joint ventures plus net loans receivable. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above. The carrying value of goodwill is included in the carrying value of the investment in joint ventures. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

**Segmental reporting**
Operating segments are identified in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group determines its reportable segments having regard to permitted aggregation criteria with the principal condition being that the operating segments should have similar economic characteristics.

The Group is predominantly engaged in residential-led, mixed-use property development, comprising residential revenue, revenue from land sales and commercial revenue.

For the purposes of determining its operating segments, the chief operating decision-maker has been identified as the Executive Committee of the Board. This committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

The Group has determined that its operating segments are the management teams that report into the Executive Committee of the Board. These management teams are all engaged in residential-led, mixed-use development in the United Kingdom and, having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

In addition to its development activities, the Group holds certain residential properties for investment purposes. These investment activities represent a separate segment which is included within "Other activities", as it does not meet the size thresholds to be disclosed as a separate reportable segment.

**Revenue**
Revenue represents the amounts receivable from the sale of properties during the year and other income directly associated with property development. Properties are treated as sold and profits are recognised when contracts are exchanged and the building work is physically complete.

Rental income is recognised in the income statement on a straight line basis over the life of the lease. Any lease incentives are recognised as an integral part of the total rental income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES CONTINUED

### Expenditure

Expenditure recorded in inventory is expensed through cost of sales at the time of the related property sale. Net operating expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

### Taxation

The taxation expense represents the sum of the current tax payable and deferred tax. Current tax, including UK corporation tax, is provided at the amounts expected to be paid (or received) using the tax rules and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (except in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, or from differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred taxation is also dealt with in reserves.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Intangible assets

Where the cost of acquiring new and additional interests in subsidiaries, joint ventures and businesses exceeds the fair value of the net assets acquired, the resulting premium on acquisition (goodwill) is capitalised and its subsequent measurement is based on annual impairment reviews and impairment reviews performed where an impairment indicator exists, with any impairment losses recognised immediately in the income statement. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### Property, plant and equipment

Property, plant and equipment is carried at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided to write off the cost of the assets on a straight line basis to their residual value over their estimated useful lives at the following annual rates:

| | | | |
|---|---|---|---|
| Freehold buildings | 2% | Fixtures and fittings | 15% / 20% |
| Motor vehicles | 25% | Computer equipment | 33 1/3 % |

Freehold property disclosed in note 10 to the consolidated financial statements consists of both freehold land and freehold buildings. No depreciation is provided on freehold land. Computer equipment is included within fixtures and fittings. The assets' residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date. Where an impairment is identified, the recoverable amount of the asset is identified and an impairment loss, where appropriate, is recognised in the income statement.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net operating expenses in the income statement.

### Investment properties

Investment properties, which are properties held to earn rental income, are recognised using the "cost model" and are carried in the statement of financial position at historic cost less accumulated depreciation.

Depreciation is provided to write off the element of the cost of the assets that relates to buildings at 2% per annum on a straight line basis. No depreciation is charged on the element of the cost of the assets that relates to land.

### Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### Inventories

Property in the course of development and completed units are valued at the lower of cost and net realisable value. Direct cost comprises the cost of land, raw materials and development costs but excludes indirect overheads. Provision is made, where appropriate, to reduce the value of inventories and work in progress to their net realisable value.

Land purchased for development, including land in the course of development, is initially recorded at fair value. Where such land is purchased on deferred settlement terms, and the fair value differs from the amount that will subsequently be paid in settling the liability, this difference is charged as a finance cost in the income statement over the period to settlement.

### Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within net operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against net operating expense in the income statement.

**Cash and cash equivalents**
Cash and cash equivalents comprises cash balances in hand and at the bank, including bank overdrafts repayable on demand which form part of the Group's cash management, for which offset arrangements across Group businesses have been applied where appropriate.

**Share capital**
Ordinary shares and redeemable preference shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, sold or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

**Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**Trade and other payables**
Trade and other payables on normal terms are not interest bearing and are stated at their nominal value which is considered to be their fair value. Trade payables on extended terms are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs.

**Provisions**
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle that obligation, and the amount has been reliably estimated.

**Deposits**
New property deposits and on account contract receipts are held within current trade and other payables.

**Employee benefits**
(a) Pensions
The Group accounts for pensions under IAS 19 "Employee benefits". The Group has both defined benefit and defined contribution plans. The defined benefit plan was closed to future accrual with effect from 1 April 2007.

For the defined benefit scheme, the obligations are measured using the projected unit method. The calculation of the net obligation is performed by a qualified actuary. The operating and financing costs of these plans are recognised separately in the income statement; service costs are set annually on the basis of actuarial valuations of the scheme and financing costs are recognised in the period in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income. In accordance with IAS 19 the Group does not recognise on the statement of financial position any surplus in the scheme.

Pension contributions under defined contribution schemes are charged to the income statement as they fall due.

(b) Share-based payments
Where the Company operates equity-settled, share-based compensation plans, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**Leasing agreements**
Payments and receipts under operating lease agreements are charged or credited against profit on a straight line basis over the life of the lease.

**Accounting estimates and judgements**
Management applies the Group's accounting policies as described above when making critical accounting judgements, of which no individual judgement is deemed to have a significant impact upon the financial statements, apart from those involving estimations, which are detailed below.

(a) Carrying value of land and work in progress and estimation of costs to complete
The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed units. As residential development is largely speculative by nature, not all inventories are covered by forward sales contracts. Furthermore due to the nature of the Group's activity and, in particular the scale of its developments and the length of the development cycle, the Group has to allocate site-wide development costs between units being built and/or completed in the current year and those for future years. It also has to forecast the costs to complete on such developments.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and centrally review inventory carrying values and ensure the appropriateness of the estimates made.

(b) Deferred tax
Assumptions are made as to the recoverability of deferred tax assets, especially as to whether there will be sufficient future profits to fully utilise these in future years.

(c) Share-based payments
Assumptions are made in determining the fair value of employee services received in exchange for the grant of options under share-based payment awards at the date of grant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SEGMENTAL DISCLOSURE

For the purposes of determining its operating segments, the chief operating decision-maker has been identified as the Executive Committee of the Board. This committee approves investment decisions, allocates the Group's resources and reviews the internal reporting in order to assess performance.

The Group has determined that its operating segments are the management teams that report into the Executive Committee of the Board. These management teams are all engaged in residential-led, mixed-use development in the United Kingdom and, having regard to the aggregation criteria in IFRS 8, the Group has one reportable operating segment.

| Segment results | 2013<br>£m | 2012<br>£m |
|---|---|---|
| Profit before tax | | |
| Residential-led mixed-use development | **269.7** | 215.1 |
| Other activities | **1.0** | (0.3) |
| | **270.7** | 214.8 |

Segment profit before tax represents the profit before tax allocated to each segment. This is the measure reported to the Executive Committee of the Board for the purpose of resource allocation and assessment of segment performance.

| Segment assets | 2013<br>£m | 2012<br>£m |
|---|---|---|
| Assets | | |
| Residential-led mixed-use development | **2,394.6** | 2,069.9 |
| Other activities | **102.3** | 83.5 |
| | **2,496.9** | 2,153.4 |

For the purpose of monitoring segment performance and allocating resources between segments all assets are considered to be attributable to residential-led mixed-use development with the exception of investment properties which are held for the Group's investing activities and have therefore been allocated to other activities.

## 3 NET FINANCE COSTS

| | 2013<br>£m | 2012<br>£m |
|---|---|---|
| Finance income | **1.5** | 2.4 |
| Finance costs: | | |
| Interest payable on bank loans and non-utilisation fees | **(4.8)** | (4.7) |
| Amortisation of facility fees | **(0.9)** | (2.5) |
| Other finance costs | **(3.9)** | (4.6) |
| | **(9.6)** | (11.8) |
| Net finance costs | **(8.1)** | (9.4) |

Finance income predominantly represents interest earned on cash deposits.

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

## 4 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following amounts:

| | 2013 £m | 2012 £m |
|---|---|---|
| Staff costs (note 5) | **138.2** | 112.8 |
| Depreciation of property, plant and equipment (note 10) | **1.8** | 1.1 |
| Profit on sale of investment properties | **(3.6)** | – |
| Rental income from investment properties | **(8.1)** | (4.0) |
| Direct operating expense in relation to investment properties including depreciation | **4.8** | 2.8 |
| Operating lease costs | **1.9** | 1.7 |
| Fees paid and payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements | **0.2** | 0.1 |
| Fees paid and payable to the Company's auditors for other services: | | |
| – Audit of the Company's subsidiaries | **0.1** | 0.1 |
| – Audit related assurance services | **0.1** | 0.1 |
| – Taxation compliance services | **0.1** | 0.2 |
| – Taxation advisory services | **–** | 0.2 |
| – All other non-audit services | **0.2** | 0.7 |

The value of inventories expensed and included in the cost of sales is £895.3m (2012: £687.1m).

Remuneration paid to the auditors in respect of audit related assurance services relates to the interim review.

Remuneration paid to the auditors in respect of taxation advisory services was incurred primarily in connection with corporate activity in the year.

All other non-audit services include remuneration advisory services. In 2011/12 £0.6m of these costs were one-off in nature, comprising taxation and remuneration services towards the implementation of the Group's strategy to return £13 per share to shareholders over the next 10 years and the associated 2011 LTIP.

In addition to the above services, the Group's auditor acted as auditor to The Berkeley Final Salary Plan. The appointment of auditors to the Group's pension scheme and the fees paid in respect of the audit are agreed by the trustees of the scheme, who act independently of the management of the Group. The fees paid to the Group's auditors for audit services to the pension scheme during the year were £7,200 (2012: £7,000).

## 5 DIRECTORS AND EMPLOYEES

| | 2013 £m | 2012 £m |
|---|---|---|
| Staff costs | | |
| Wages and salaries | **97.4** | 88.7 |
| Social security costs | **26.0** | 13.2 |
| Share-based payments | **11.8** | 8.2 |
| Pension costs | **3.0** | 2.7 |
| | **138.2** | 112.8 |

The average monthly number of persons employed by the Group during the year was 1,326 (2012: 1,139).

### Key management compensation

Key management comprises the Main Board, as the Directors are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Details of Directors' emoluments are set out in the Remuneration Report on pages 61 to 77.

### Share-based payments

The Group operates three equity-settled share based payments schemes. The charge to the income statement in respect of share-based payments in the year relating to grants of share options awarded under the 2009 Long-Term Incentive Plan, the 2011 Long-Term Incentive Plan and deferred shares or notional shares under the Bonus Plan, was £11.8m (2012: £8.2m). The charge to the income statement attributable to key management is £10.9m (2012: £7.1m).

### 2009 Long-Term Incentive Plan

Part A

On 29 June 2009 the balance of the shares originally awarded under the 2004(b) Long-Term Incentive Plan, totalling 5,330,340 shares, were replaced by options under Part A of the 2009 Long-Term Incentive Scheme, with an exercise price of £2.85 per share, in accordance with the shareholder approval obtained at the Extraordinary General Meeting on 15 April 2009. These will become exercisable by the relevant Executive Directors on 31 January 2014, subject to continued employment at that date. During the year, no options lapsed (2012: 880,390, on the departure of a Director), leaving 4,441,950 outstanding.

Part B

Part B of the 2009 Long-Term Incentive Plan covers 6,830,000 share options with an exercise price of £8.25. Vesting of the options is in two tranches: 50% on 15 April 2015 and 50% on 15 April 2016. The options are conditional on continued employment at the relevant vesting date and the satisfaction of the underpin condition that Net Assets per Share are at least £5.94 at 15 April 2015. During the year, 180,000 options lapsed on the departure of employees (2012: 530,000) leaving 6,120,000 options outstanding.

### Bonus Plan

Under the terms of the Bonus Plan set out in the Remuneration Report participants to the plan are entitled to 50% of the balance of their plan account at the end of each financial year. The remaining balance is deferred in shares or notional shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 DIRECTORS AND EMPLOYEES CONTINUED

### 2011 Long-Term Incentive Plan

The Company announced in June 2011 as part of a strategic review of the business a long term plan to return approximately £1.7 billion to shareholders over the next 10 years. The rules were subsequently amended and approved at the 2012 Annual General Meeting to allow the returns to be made through a combination of dividends (£13 per share) and share buy backs ('distributions'). The cumulative distributions required by the plan on or before the relative milestone dates are set out below:

| | Cumulative distributions |
|---|---|
| 30 September 2015 | £568.7m |
| 30 September 2018 | £1,136.1m |
| 30 September 2021 | £1,703.6m |

A new long term remuneration plan was proposed to support this strategy, the 2011 Long Term Incentive Plan ("2011 LTIP"), which was approved by shareholders at the Annual General Meeting on 5 September 2011 and the amendment at the Annual General Meeting on 5 September 2012. The key features of the 2011 LTIP are:

– if the Company returns £1.7 billion to shareholders over a ten year period via a series of dividend payments (£13 per share) and share buy backs by the milestone dates referred to above, participants will be entitled to exercise options and receive a number of ordinary shares in the capital of the Company at the end of the ten year period.

– the maximum number of shares capable of being earned by all participants are 19,616,503 shares, being 13% of the fully diluted share capital of the Company at the date of approval of the plan.

– the exercise price of options granted under the 2011 LTIP will be £13 per share less an amount equal to the value of all dividends paid between the date of approval of the 2011 LTIP and 30 September 2021, provided the exercise price cannot be less than zero.

The fair value of the options granted during that year, determined using the current market pricing model, was £3.17 for options which vest on 30 September 2021. The inputs into the current market option pricing model were:

| | Inputs |
|---|---|
| Grant date | 5 September 2011 |
| Vesting date | 30 September 2021 |
| Share price at grant date (p) | 1,236 |
| Exercise price (p) | nil |
| Discount rate | 6.3% |

The discount rate was determined by calculating the Group's expected cost of capital over the vesting period at the grant date.

### Pensions

During the year, two principal pension schemes were in place for employees. The Berkeley Group plc Group Personal Pension Plan and the St George PLC Group Personal Pension Plan are defined contribution schemes. The assets of these schemes were held in separate trustee administered funds.

The Berkeley Final Salary Plan is a defined benefit scheme which was closed to future accrual with effect from 1 April 2007.

### Defined contribution plan

Contributions amounting to £2.7m (2012: £2.4m) were paid into the defined contribution schemes during the year.

### Defined benefit plan

The Berkeley Final Salary Plan is subject to an independent actuarial valuation at least every three years. The most recently finalised valuation was carried out as at 30 April 2013. The method adopted in the 2013 valuation was the projected unit method, which assumed a return on investment both prior to and after retirement of 5.70% per annum and pension increases of 3.25% per annum. The market value of the Berkeley Final Salary Plan assets at 30 April 2013 was £16.0m and was sufficient to cover 100% of the scheme's liabilities. Following the finalisation of the 2007 valuation, with effect from 1 July 2008, employer's required regular contributions were reduced to zero. Following the finalisation of the 2010 valuation this position remained unchanged. Notwithstanding this the Group made additional voluntary contributions of £0.6m during the year (2012: £0.6m).

The major assumptions used by the actuary for the 30 April 2013 valuation were:

| Valuation at: | **30 April 2013** | 30 April 2012 |
|---|---|---|
| Rate of increase in salaries | **–** | – |
| Discount rate | **4.30%** | 4.80% |
| Inflation assumption (RPI) | **3.25%** | 3.25% |
| Inflation assumption (CPI) | **2.50%** | 2.50% |
| Rate of increase in pensions in payment post-97 (Pre-97 receive 3% p.a. increases) | **3.25%** | 3.25% |

The mortality assumptions are the standard S1PA CMI_2009_X [1.0%] (2012: S1PA CMI_2009_X [1.0%]) base table for males and females, both adjusted for each individual's year of birth to allow for future improvements in mortality rates. The life expectancy of male and female pensioners (now aged 65) retiring at age 65 on the balance sheet date is 22.0 years and 24.0 years respectively (2012: 22.1 and 24.1). The life expectancy of male and female deferred pensioners (now aged 50) retiring at age 65 after the balance sheet date is 23.0 years and 25.2 years respectively (2012: 23.1 and 25.3).

The fair value of the assets and the expected rates of return on the assets were as follows:

| | 30 April 2013 Long-term rate of return | 30 April 2013 Value £m | 30 April 2012 Long-term rate of return | 30 April 2012 Value £m |
|---|---|---|---|---|
| UK Equities | 6.80% | 1.2 | 6.95% | 6.4 |
| Global Equities | 7.10% | 2.9 | – | – |
| Emerging Market Equities | 8.10% | 1.2 | – | – |
| Emerging Market Debt | 7.10% | 1.6 | – | – |
| High Yield Bonds | 7.10% | 0.8 | – | – |
| Diversified Growth Fund | 6.60% | 2.9 | – | – |
| Property | 5.30% | 1.3 | – | – |
| Government Bonds (over 15 years) | 3.30% | 0.8 | 3.30% | 1.6 |
| Government Bonds (5 to 15 years) | 2.70% | 0.8 | 2.70% | 1.6 |
| Corporate Bonds | 4.70% | 2.4 | 4.70% | 4.0 |
| Cash | 0.50% | 0.1 | 0.50% | 0.4 |
| Fair value of plan assets | | 16.0 | | 14.0 |

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

The amounts recognised in the statement of financial position are determined as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Present value of defined benefit obligations | (14.6) | (13.3) |
| Fair value of plan assets | 16.0 | 14.0 |
| Net surplus | 1.4 | 0.7 |
| Unrecognised asset in accordance with IAS 19 | (1.4) | (0.7) |
| Net amount recognised on the statement of financial position | – | – |

The amounts recognised in the income statement are as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Current service cost | – | – |
| Past service cost | – | – |
| Interest on pension scheme liabilities | 0.6 | 0.7 |
| Expected return on plan assets | (0.8) | (0.7) |
| Total included within finance income | (0.2) | – |

Changes in the present value of the defined benefit obligation:

| | 2013 £m | 2012 £m |
|---|---|---|
| Present value of defined benefit obligations at 1 May | 13.3 | 12.4 |
| Current service cost | – | – |
| Interest on pension scheme liabilities | 0.6 | 0.7 |
| Contributions by plan participants | – | – |
| Actuarial loss on scheme liabilities recognised in the statement of comprehensive income | 1.1 | 0.5 |
| Net benefits paid out | (0.4) | (0.3) |
| Present value of defined benefit obligations at 30 April | 14.6 | 13.3 |

Changes in the fair value of plan assets:

| | 2013 £m | 2012 £m |
|---|---|---|
| Fair value of plan assets at 1 May | 14.0 | 12.8 |
| Expected return on plan assets | 0.8 | 0.7 |
| Actuarial gains on plan assets recognised in the statement of comprehensive income | 1.0 | 0.2 |
| Contributions by the employer | 0.6 | 0.6 |
| Contributions by plan participants | – | – |
| Net benefits paid out | (0.4) | (0.3) |
| Fair value of plan assets at 30 April | 16.0 | 14.0 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 DIRECTORS AND EMPLOYEES CONTINUED

Cumulative actuarial gains and losses recognised in equity:

| | 2013 £m | 2012 £m |
|---|---|---|
| Cumulative amounts of losses recognised in the statement of comprehensive income at 1 May | **(3.6)** | (3.0) |
| Net actuarial losses recognised in the year | **(0.1)** | (0.3) |
| Change in irrecoverable surplus in accordance with IAS 19 | **(0.7)** | (0.3) |
| Cumulative amounts of losses recognised in the statement of comprehensive income at 30 April | **(4.4)** | (3.6) |

Actual gain on plan assets:

| | 2013 £m | 2012 £m |
|---|---|---|
| Expected gain on scheme assets | **0.8** | 0.7 |
| Actuarial gain on scheme assets | **1.0** | 0.2 |
| Actual gain on scheme assets | **1.8** | 0.9 |

History of asset values, defined benefit obligations, and experience gains and losses:

| | 30 April 2013 £m | 30 April 2012 £m | 30 April 2011 £m | 30 April 2010 £m | 30 April 2009 £m |
|---|---|---|---|---|---|
| Fair value of scheme assets | **16.0** | 14.0 | 12.8 | 11.5 | 9.4 |
| Present value of scheme liabilities | **(14.6)** | (13.3) | (12.4) | (11.4) | (8.3) |
| Net surplus in the plan | **1.4** | 0.7 | 0.4 | 0.1 | 1.1 |

| | 30 April 2013 | 30 April 2012 | 30 April 2011 | 30 April 2010 | 30 April 2009 |
|---|---|---|---|---|---|
| Experience adjustments arising on scheme assets: | | | | | |
| Amount (£m) | **1.0** | 0.2 | 0.4 | 1.2 | (1.2) |
| % of scheme assets | **6.22%** | 1.46% | 3.06% | 10.35% | (13.62%) |
| Experience adjustments arising on scheme liabilities: | | | | | |
| Amount (£m) | **–** | – | 0.1 | (0.1) | 0.1 |
| % of the present value of scheme liabilities | **–** | – | (0.50%) | 0.43% | (0.81%) |

## 6 TAXATION

The tax charge for the year is as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Current tax | | |
| UK corporation tax payable | **(77.7)** | (65.5) |
| Adjustments in respect of previous years | **7.0** | 6.0 |
| | **(70.7)** | (59.5) |
| Deferred tax at 24% (note 19) (2012: 26%) | **10.8** | 4.1 |
| Adjustment in respect of change of tax rate from 24% to 23% (note 19) (2012: 26% to 24%) | **(1.1)** | (1.3) |
| | **(61.0)** | (56.7) |

Tax on items recognised directly in other comprehensive income is as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Deferred tax on actuarial loss recognised in the pension scheme (note 19) | **0.2** | 0.1 |

Tax on items recognised directly in equity is as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Deferred tax in respect of employee share schemes (note 19) | **21.4** | 4.2 |

The tax charge assessed for the year differs from the standard rate of UK corporation tax of 23.92% (2012: 25.83%). The differences are explained below:

| | 2013<br>£m | 2012<br>£m |
|---|---|---|
| Profit before tax | **270.7** | 214.8 |
| Tax on profit at standard UK corporation tax rate | **64.7** | 55.5 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **0.9** | 0.6 |
| Tax effect of share of results of joint ventures | **0.4** | 0.6 |
| Adjustments in respect of previous periods – current tax | **(7.0)** | (6.0) |
| Adjustments in respect of deferred tax change of rate from 24% to 23% (2012: 26% to 24%) | **1.1** | 1.3 |
| Other | **0.9** | 4.7 |
| Tax charge | **61.0** | 56.7 |

The statutory tax rate in 2013 was at 23.92% (11 months at 24%, 1 month at 23%)

The adjustments in respect of previous years includes items such as contaminated land relief, research and development relief and other timing differences that are not individually significant and have not therefore been separately disclosed.

The other adjustment predominantly relates to the deferred tax effect of transferring the ownership of certain properties during the year to subsidiaries incorporated in overseas tax jurisdictions with different rates to the UK.

## 7 EARNINGS PER ORDINARY SHARE

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

| | 2013 | 2012 |
|---|---|---|
| Profit attributable to shareholders (£m) | **209.7** | 158.5 |
| Weighted average number of shares (m) | **131.0** | 131.0 |
| Basic earnings per ordinary share (p) | **160.0** | 121.0 |

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 2013, the Group had four categories of potentially dilutive ordinary shares: 4.4 million £2.85 share options under the 2009 LTIP Part A, 6.1 million £8.25 share options under the 2009 LTIP Part B; 19.6 million £nil share options under the 2011 LTIP; and 0.5 million shares under the Bonus Plan.

A calculation is done 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.

| | 2013 | 2012 |
|---|---|---|
| Profit used to determine diluted EPS (£m) | **209.7** | 158.5 |
| Weighted average number of shares (m) | **131.0** | 131.0 |
| Adjustments for: | | |
| Share options – 2009 LTIP Part A (m) | **3.6** | 3.3 |
| Share options – 2009 LTIP Part B (m) | **2.6** | 1.4 |
| Share options – 2011 LTIP (m) | **11.9** | 4.6 |
| Bonus plan shares (m) | **0.3** | 0.3 |
| Shares used to determine diluted EPS (m) | **149.4** | 140.6 |
| Diluted earnings per ordinary share (p) | **140.3** | 112.8 |

## 8 PROFIT ON DISPOSAL OF SUBSIDIARY

In the comparative year, on 30 September 2011, Berkeley disposed of its 51% shareholding in Winstanley 1 Limited, a company which was established in 2009 to develop a postgraduate student scheme at Clapham Junction to be let to students from Imperial College London, who owned the remaining 49% of the company. Berkeley's share of the proceeds of the sale of the company was £75.7 million and this resulted in an exceptional profit on disposal of £30.7 million, calculated as follows:

| | 2012 |
|---|---|
| Non current assets | 1.2 |
| Current assets | 47.0 |
| Non controlling interest | (4.1) |
| Net assets disposed | 44.1 |
| Expenses related to disposal | 0.9 |
| Profit on disposal | 30.7 |
| Consideration | 75.7 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 INTANGIBLE ASSETS

| | Goodwill £m |
|---|---|
| Cost | |
| At 1 May 2012 and 30 April 2013 | 17.2 |
| Accumulated impairment | |
| At 1 May 2012 and at 30 April 2013 | – |
| Net book value | |
| At 1 May 2012 and at 30 April 2013 | 17.2 |
| | |
| Cost | |
| At 1 May 2011 and 30 April 2012 | 17.2 |
| Accumulated impairment | |
| At 1 May 2011 and at 30 April 2012 | – |
| Net book value | |
| At 1 May 2011 and at 30 April 2012 | 17.2 |

The goodwill balance relates solely to the acquisition of the 50% of the ordinary share capital of St James Group Limited, completed on 7 November 2006, that was not already owned by the Group. The goodwill balance is tested annually for impairment. The recoverable amount has been determined on the basis of the value in use of the business using the current five year pre-tax forecasts. Key assumptions are as follows:

(i) Cash flows beyond a five year period are not extrapolated;

(ii) A pre-tax discount rate of 11.62% (2012: 11.19%) based on the Group's weighted average cost of capital.

The Directors have identified no reasonably possible change in a key assumption which would give rise to an impairment charge.

## 10 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

| | Property, plant and equipment | | | | |
|---|---|---|---|---|---|
| | Freehold property £m | Fixtures and fittings £m | Motor vehicles £m | Total £m | Investment properties £m |
| Cost | | | | | |
| At 1 May 2012 | 8.0 | 6.8 | 2.9 | 17.7 | 84.6 |
| Additions | 3.1 | 2.6 | 0.9 | 6.6 | 29.5 |
| Disposals | – | (0.6) | (0.3) | (0.9) | (9.2) |
| Transfer to held for sale (Note 15) | – | – | – | – | (77.5) |
| At 30 April 2013 | 11.1 | 8.8 | 3.5 | 23.4 | 27.4 |
| Accumulated Depreciation | | | | | |
| At 1 May 2012 | 0.3 | 4.8 | 1.0 | 6.1 | 1.1 |
| Charge for the year | 0.2 | 1.1 | 0.5 | 1.8 | 1.7 |
| Disposals | – | (0.6) | (0.2) | (0.8) | (0.2) |
| Transfer to held for sale (Note 15) | – | – | – | – | (1.7) |
| At 30 April 2013 | 0.5 | 5.3 | 1.3 | 7.1 | 0.9 |
| Net book value | | | | | |
| At 1 May 2012 | 7.7 | 2.0 | 1.9 | 11.6 | 83.5 |
| At 30 April 2013 | 10.6 | 3.5 | 2.2 | 16.3 | 26.5 |
| | | | | | |
| Cost | | | | | |
| At 1 May 2011 | 8.0 | 6.0 | 2.8 | 16.8 | 28.7 |
| Additions | – | 1.5 | 0.8 | 2.3 | 55.9 |
| Disposals | – | (0.7) | (0.7) | (1.4) | – |
| At 30 April 2012 | 8.0 | 6.8 | 2.9 | 17.7 | 84.6 |
| Accumulated Depreciation | | | | | |
| At 1 May 2011 | 0.2 | 4.9 | 1.1 | 6.2 | 0.1 |
| Charge for the year | 0.1 | 0.6 | 0.4 | 1.1 | 1.0 |
| Disposals | – | (0.7) | (0.5) | (1.2) | – |
| At 30 April 2012 | 0.3 | 4.8 | 1.0 | 6.1 | 1.1 |
| Net book value | | | | | |
| At 1 May 2011 | 7.8 | 1.1 | 1.7 | 10.6 | 28.6 |
| At 30 April 2012 | 7.7 | 2.0 | 1.9 | 11.6 | 83.5 |

Additions to investment property represent the value at cost of completed properties transferred from the Group's inventory, which are to be held for rental purposes. The market value of the properties held at 30 April 2013 is £43.9m (30 April 2012: £114.5m) as determined by the Directors taking into account all relevant factors including their nature and location. No independent valuation was undertaken.

HIGHLIGHTS | BUILDING HOMES FOR EVERYONE | RUNNING A SUSTAINABLE BUSINESS | TRADING & FINANCIAL REVIEW | GOVERNANCE | FINANCIALS

## 11 INVESTMENTS

| | 2013 £m | 2012 £m |
|---|---|---|
| Unlisted shares at cost | 13.7 | 15.4 |
| Loans | 35.1 | 34.6 |
| Share of post-acquisition reserves | (4.2) | (2.8) |
| Elimination of profit on transfer of inventory to joint ventures | (0.5) | (0.7) |
| | 44.1 | 46.5 |

Details of the principal joint ventures are provided in note 28.

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

| | 2013 £m | 2012 £m |
|---|---|---|
| At 1 May | 46.5 | 38.7 |
| Loss after tax for the year | (1.3) | (2.2) |
| Net (decrease)/increase in loans to joint ventures | (1.1) | 10.0 |
| At 30 April | 44.1 | 46.5 |

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

| | 2013 £m | 2012 £m |
|---|---|---|
| Non-current assets | – | – |
| Current assets | 161.9 | 131.8 |
| Current liabilities | (86.4) | (41.2) |
| Non-current liabilities | (31.4) | (44.1) |
| | 44.1 | 46.5 |
| | | |
| Revenue | 9.4 | 16.2 |
| Costs | (8.7) | (16.6) |
| Operating (loss)/profit | 0.7 | (0.4) |
| Interest charges | (1.9) | (1.7) |
| Loss before taxation | (1.2) | (2.1) |
| Tax charge | (0.1) | (0.1) |
| Share of post tax loss of joint ventures | (1.3) | (2.2) |

## 12 INVENTORIES

| | 2013 £m | 2012 £m |
|---|---|---|
| Land not under development | 310.0 | 360.5 |
| Work in progress | 1,711.7 | 1,422.6 |
| Completed units | 45.0 | 68.6 |
| | 2,066.7 | 1,851.7 |

## 13 TRADE AND OTHER RECEIVABLES

| | 2013 £m | 2012 £m |
|---|---|---|
| Trade receivables | 105.9 | 105.3 |
| Other receivables | 11.8 | 6.4 |
| Prepayments and accrued income | 9.1 | 3.5 |
| | 126.8 | 115.2 |

Further disclosures relating to trade receivables are set out in note 26.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 CASH AND CASH EQUIVALENTS

| | 2013 £m | 2012 £m |
|---|---|---|
| Cash and cash equivalents | **66.8** | 2.7 |

## 15 NON-CURRENT ASSETS HELD FOR SALE

During the year, Berkeley reached agreement to sell 534 HCA funded residential properties within its rental fund for £105.4 million. The transaction, which completed on 5 June 2013, will be reported in the results for the year ending 30 April 2014 at which time the sale became unconditional.

## 16 BORROWINGS

| | 2013 £m | 2012 £m |
|---|---|---|
| Current | | |
| Bank loans | **(4.7)** | (48.1) |
| Other loans | **(17.4)** | – |
| | **(22.1)** | (48.1) |
| Non-current | | |
| Other loans | **–** | (12.5) |
| Total borrowings | **(22.1)** | (60.6) |

Other loans relate to funding provided by the Homes and Communities Agency, subject to an agreement in respect of the Group's rental properties. Further disclosures relating to current and non-current loans are set out in note 26.

## 17 TRADE AND OTHER PAYABLES

| | 2013 £m | 2012 £m |
|---|---|---|
| Current | | |
| Trade payables | **(381.1)** | (369.7) |
| Deposits and on account contract receipts | **(426.1)** | (422.9) |
| Loans from joint ventures | **(0.1)** | (0.1) |
| Other taxes and social security | **(26.6)** | (13.3) |
| Accruals and deferred income | **(72.0)** | (56.7) |
| | **(905.9)** | (862.7) |
| Non-current | | |
| Trade payables | **(115.5)** | (30.4) |
| Total trade and other payables | **(1,021.4)** | (893.1) |

All amounts included above are unsecured. The total of £26.6m (2012: £13.3m) for other taxes and social security includes £22.0m (2012: £8.1m) for Employer's National Insurance provision in respect of share-based payments.

Further disclosures relating to current trade and non-current trade payables are set out in note 26.

## 18 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | Construction liabilities £m | Other £m | Total £m |
|---|---|---|---|
| At 1 May 2012 | – | – | – |
| Reclassified from accruals | (16.5) | (7.3) | (23.8) |
| Utilised | – | 0.7 | 0.7 |
| Released | 6.6 | 1.2 | 7.8 |
| Charged to the income statement | (13.7) | – | (13.7) |
| At 30 April 2013 | (23.6) | (5.4) | (29.0) |

Of the total provisions at 30 April 2013, £27.9m are non-current and £1.1m are current.

a) Construction liabilities
The Group holds provisions for a best estimate of certain post-completion development obligations in respect of the construction of its portfolio of complex mixed-use developments which are expected to be incurred in the ordinary course of business, but which are uncertain in terms of timing and quantum.

b) Other
Other provisions include onerous lease provisions for properties leased by the Group and provisions for the Group's exposure to specific estate liabilities on historic sites developed by the Group.

## 19 DEFERRED TAX

The movement on the deferred tax account is as follows:

| | Accelerated capital allowances £m | Retirement benefit obligation £m | Other short-term timing differences £m | Total £m |
|---|---|---|---|---|
| At 1 May 2012 | 0.4 | – | 24.6 | 25.0 |
| Transfer from corporation tax receivable | – | – | 0.4 | 0.4 |
| (Charged)/credited to the income statement at 24% (note 6) | (0.1) | (0.2) | 11.1 | 10.8 |
| Adjustment in respect of change of tax rate from 24% to 23% (note 6) | – | – | (1.1) | (1.1) |
| (Charged)/credited to the income statement in year | (0.1) | (0.2) | 10.0 | 9.7 |
| Credited to equity at 24% | – | 0.2 | 22.7 | 22.9 |
| Adjustment in respect of change of tax rate from 24% to 23% | – | – | (1.3) | (1.3) |
| Credited to equity in year (note 6) | – | 0.2 | 21.4 | 21.6 |
| At 30 April 2013 | 0.3 | – | 56.4 | 56.7 |

| | | | | |
|---|---|---|---|---|
| At 1 May 2011 | 0.5 | – | 18.4 | 18.9 |
| Transfer from corporation tax receivable | – | – | 0.2 | 0.2 |
| (Charged)/credited to the income statement at 26% (note 6) | (0.1) | (0.1) | 4.3 | 4.1 |
| Adjustment in respect of change of tax rate from 26% to 24% (note 6) | – | – | (1.3) | (1.3) |
| (Charged)/credited to the income statement in year | (0.1) | (0.1) | 3.0 | 2.8 |
| Credited to equity at 26% | – | 0.1 | 5.0 | 5.1 |
| Adjustment in respect of change of tax rate from 26% to 24% | – | – | (0.8) | (0.8) |
| Credited to equity in year (note 6) | – | 0.1 | 4.2 | 4.3 |
| Deferred tax transferred on disposal of subsidiary undertaking | – | – | (1.2) | (1.2) |
| At 30 April 2012 | 0.4 | – | 24.6 | 25.0 |

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2012: 24.0%). There is no unprovided deferred tax.

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 30 April 2013 was £56.7m (2012: £25.0m).

Deferred tax assets of £33.9m (2012: £23.1m) are expected to be recovered after more than one year.

The Autumn Statement (December 2012) and the draft Finance (No.2) Bill 2013 included legislation to reduce the main rate of corporation tax to 21% for the financial year commencing 1 April 2014 and 20% for the financial year commencing 1 April 2015. The changes had not been substantively enacted at the balance sheet date and, therefore, are not reflected in these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 DEFERRED TAX CONTINUED

The deferred tax credited to equity during the year was as follows:

| | **2013 £m** | 2012 £m |
|---|---|---|
| Deferred tax on actuarial loss recognised in the pension scheme (note 6) | **0.2** | 0.1 |
| Deferred tax in respect of employee share schemes (note 6) | **21.4** | 4.2 |
| Movement in the year | **21.6** | 4.3 |
| Cumulative deferred tax credited to equity at 1 May | **11.1** | 6.8 |
| Cumulative deferred tax credited to equity at 30 April | **32.7** | 11.1 |

## 20 SHARE CAPITAL AND SHARE PREMIUM

The movements on allotted and fully paid share capital for the Company in the year were as follows:

| | Ordinary shares Number ('000) |
|---|---|
| At 1 May 2011 and 30 April 2012 | 134,857 |
| At 30 April 2013 | **134,857** |

| | Share capital £m | Share premium £m |
|---|---|---|
| At 1 May 2011 and 30 April 2012 | 6.7 | 49.3 |
| At 30 April 2013 | **6.7** | **49.3** |

Each ordinary share of 5p is a voting share in the capital of the Company, is entitled to participate in the profits of the Company and on a winding-up is entitled to participate in the assets of the Company.

At 30 April 2013 there were 3.6m shares held as 'treasury shares' (2012: 3.6m). The company has the right to re-issue these shares at a later date.

At 30 April 2013 there were 0.2m shares held in trust (2012: 0.2m). The market value of these shares at 30 April 2013 was £4.9m (2012: £3m).

## 21 RESERVES

The movement in reserves is set out in the Consolidated Statement of Changes in Equity on page 89.

### Other reserve

The other reserve of negative £961.3m (2012: negative £961.3m) arose from the application of merger accounting principles to the financial statements on implementation of the capital reorganisation of the Group, incorporating a Scheme of Arrangement, in the year ended 30 April 2005.

### Revaluation reserve

The revaluation reserve consists of balances in relation to two separate transactions.

The first element arose following the acquisition on 7 November 2006 of the 50% of the ordinary share capital of St James Group Limited not already owned. A revaluation reserve of £20,297,000 was originally created in accordance with IFRS 3 through fair value adjustments to the 50% of the net assets of St James Group Limited owned by the Group prior to 7 November 2006. A release of £929,000 in the year (2012: £nil) to retained earnings was recognised as the associated fair value adjustments were credited to the income statement. At 30 April 2013 the balance in the revaluation reserve relating to the acquisition of St James Group Limited is £3,823,000 (2012: £2,894,000).

The second element arose in 2010 following the acquisition on 23 July 2009 of the shares owned by Saad Investments Company Limited and the outstanding shareholder loans in five joint ventures which became fully owned subsidiaries from this date. A revaluation reserve of £560,000 was created in accordance with IFRS 3 through fair value adjustments to the 50% of the net assets of the joint ventures owned by the Group prior to 23 July 2009. Transfers of £304,000 in the year (2012: £60,000) to retained earnings were recognised as the associated fair value adjustments were charged to the income statement. At 30 April 2013 the balance in the revaluation reserve relating to the acquisition of the five entities that were previously joint ventures with Saad Investments Company Limited is £177,000 (2012: £481,000).

### Capital redemption reserve

The capital redemption reserve was created to maintain the capital of the Company following the redemption of the B Shares associated with the Scheme of Arrangement created in 2004 which completed on 10 September 2009 with the re-designation of the unissued B shares as ordinary shares.

### Retained earnings

The Company and the Company's Employee Benefit Trust acquired none (2012: none) of its own shares through purchases on the London Stock Exchange in the year. The total amount to acquire the shares was £nil (2012: £nil) and has been deducted from retained earnings within shareholders' equity. These shares are held as 'treasury shares'.

## 22 DIVIDENDS PER SHARE

The dividends paid in 2013 were £19.7 million (15 pence per share) (2012: £nil). A further interim dividend of £77.3 million (59 pence per share) has been declared for payment on 27 September 2013. These financial statements do not reflect this further interim dividend.

## 23 CONTINGENT LIABILITIES

The Group has guaranteed road and performance agreements in the ordinary course of business of £15.7m (2012: £14.5m).

## 24 OPERATING LEASES – MINIMUM LEASE PAYMENTS

The total future aggregate minimum lease payments of the Group under non-cancellable operating leases are set out below:

| | 2013 £m | 2012 £m |
|---|---|---|
| Amounts due within: | | |
| Within one year | 1.5 | 0.1 |
| Between one and five years | 3.9 | 1.7 |
| After five years | 3.0 | 8.1 |
| | 8.4 | 9.9 |

## 25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit after taxation for the year to cash generated from operations:

| | 2013 £m | 2012 £m |
|---|---|---|
| Profit after taxation for the year | 209.7 | 158.1 |
| Adjustments for: | | |
| – Taxation | 61.0 | 56.7 |
| – Depreciation | 3.5 | 2.1 |
| – Profit on sale of investment properties | (3.6) | – |
| – Profit on sale of subsidiary | – | (30.7) |
| – Finance income | (1.5) | (2.4) |
| – Finance costs | 9.6 | 11.8 |
| – Share of results of joint ventures after tax | 1.3 | 2.2 |
| – Non-cash charge in respect of share-based payments | 11.8 | 8.2 |
| Changes in working capital: | | |
| – Increase in inventories | (244.5) | (341.2) |
| – Increase in trade and other receivables | (12.2) | (23.4) |
| – Increase in trade and other payables | 154.5 | 50.3 |
| – Decrease in employee benefit obligations | (0.6) | (0.6) |
| Cash generated from/(used in) operations | 189.0 | (108.9) |

Reconciliation of net cash flow to net cash/(debt):

| | 2013 £m | 2012 £m |
|---|---|---|
| Net increase/(decrease) in cash and cash equivalents, including bank overdraft | 64.1 | (263.6) |
| Net cash outflow from decrease in borrowings | 38.5 | 163.7 |
| Movement in net cash in the year | 102.6 | (99.9) |
| Opening net (debt)/cash | (57.9) | 42.0 |
| Closing net cash/(debt) | 44.7 | (57.9) |

Net cash/(debt):

| As at 30 April | 2013 £m | 2012 £m |
|---|---|---|
| Cash and cash equivalents | 66.8 | 2.7 |
| Non-current borrowings | – | (12.5) |
| Current borrowings | (22.1) | (48.1) |
| Net cash/(debt) | 44.7 | (57.9) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26 CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group finances its operations by a combination of shareholders' funds, working capital and, where appropriate, borrowings. The Group's objective when managing capital is to maintain an appropriate capital structure in the business to allow management to focus on creating sustainable long-term value for its shareholders, with flexibility to take advantage of opportunities as they arise in the short and medium term. This allows the Group to take advantage of prevailing market conditions by investing in land and work in progress at the right point in the cycle or delivering returns to shareholders through dividends or share buy backs. Last year the Group put in place a long-term strategic plan to see £13 per share returned to shareholders over the next 10 years. This plan, reported in more detail in the Trading and Financial Reviews on pages 41 to 51, ensures there is sufficient working capital retained in the business to continue investing selectively in new land opportunities as they arise.

The Group monitors capital levels principally by monitoring net cash/debt levels, cash flow forecasts and return on average capital employed. The Group considers capital employed to be net assets adjusted for net cash/debt. Capital employed at 30 April 2013 was £1,277.7m (2012: £1,157.7m). The increase in capital employed in the year of £120.0m reflects further investment in land and work in progress during the year.

The Group's financial instruments comprise financial assets being: trade receivables and cash and cash equivalents and financial liabilities being: bank loans, trade payables, deposits and on account receipts, loans from joint ventures and accruals. Cash and cash equivalents and borrowings are the principal financial instruments used to finance the business. The other financial instruments highlighted arise in the ordinary course of business.

As all of the operations carried out by the Group are in sterling there is no direct currency risk, and therefore the Group's main financial risks are primarily:

– liquidity risk – the risk that suitable funding for the Group's activities may not be available;

– market interest rate risk – the risk that Group financing activities are adversely affected by fluctuation in market interest rates; and

– credit risk – the risk that a counterparty will default on their contractual obligations resulting in a loss to the Group.

### Financial instruments: Financial assets

The Group's financial assets can be summarised as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Current | | |
| Trade receivables | **105.9** | 105.3 |
| Cash and cash equivalents | **66.8** | 2.7 |
| | **172.7** | 108.0 |

Trade receivables are non-interest bearing.

Cash and cash equivalents are short-term deposits held at either floating rates linked to LIBOR or fixed rates.

### Financial instruments: Financial liabilities

The Group's financial liabilities can be summarised as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| Current | | |
| Bank loans | **(4.7)** | (48.1) |
| Trade payables | **(381.1)** | (369.7) |
| Deposits and on account contract receipts | **(426.1)** | (422.9) |
| Loans from joint ventures | **(0.1)** | (0.1) |
| Accruals | **(72.0)** | (56.7) |
| Other loans | **(17.4)** | – |
| | **(901.4)** | (897.5) |
| Non-current | | |
| Trade payables | **(115.5)** | (30.4) |
| Other loans | **–** | (12.5) |
| | **(115.5)** | (42.9) |
| Total financial liabilities | **(1,016.9)** | (940.4) |

All amounts included above are unsecured.

Current bank loans have term expiry dates within twelve months of the balance sheet date and are held at floating interest rates linked to LIBOR. Trade payables and other current liabilities are non-interest bearing.

Other loans represent a loan from the Homes and Communities Agency on which interest is payable based on a proportionate share of the net rental income arising from the properties to which the loan relates. This loan was repaid following completion of the sale of 534 HCA funded residential properties on 5 June 2013 (see note 15).

The maturity profile of the Group's non-current financial liabilities, all of which are held at amortised cost, is as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| In more than one year but not more than two years | **(27.7)** | (20.7) |
| In more than two years but not more than five years | **(87.8)** | (22.2) |
| In more than five years | **–** | – |
| | **(115.5)** | (42.9) |

The carrying amounts of the Group's financial assets and financial liabilities approximate to fair value.

Current trade receivables and current trade and other payables approximate to their fair value as the transactions which give rise to these balances arise in the normal course of trade and, where relevant, with industry standard payment terms and have a short period to maturity (less than one year).

Non-current trade payables comprise long-term land payables, which are held at their discounted present value (calculated by discounting expected future cash flows at prevailing interest rates and yields as appropriate). The discount rate applied reflects the nominal, risk-free pre-tax rate at the balance sheet date, applied to the maturity profile of the individual land creditors within the total. At 30 April 2013 a rate of 0.43% was applied (2012: 0.74%). Non-current loans approximate to fair value as they are held at variable market interest rates linked to LIBOR.

### Liquidity risk

This is the risk that suitable funding for the Group's activities may not be available. Group management addresses this risk through review of rolling cash flow forecasts throughout the year to assess and monitor the current and forecast availability of funding, and to ensure sufficient headroom against facility limits and compliance with banking covenants. The committed borrowing facilities are set out below.

The contractual undiscounted maturity profile of the Group's financial liabilities, included at their carrying value in the preceding tables, is as follows:

| | **2013 £m** | 2012 £m |
|---|---|---|
| In less than one year | **(901.4)** | (897.5) |
| In more than one year but not more than two years | **(27.9)** | (21.0) |
| In more than two years but not more than five years | **(89.0)** | (22.5) |
| In more than five years | **–** | – |
| | **(1,018.3)** | (941.0) |

### Market interest rate risk

The Group's cash and cash equivalents and bank loans expose the Group to cash flow interest rate risk.

The Group's rolling cash flow forecasts incorporate appropriate interest assumptions, and management carefully assesses expected activity levels and associated funding requirements in the prevailing and forecast interest rate environment to ensure that this risk is managed.

If interest rates on the Group's cash/debt balances had been 50 basis points higher throughout the year ended 30 April 2013, profit after tax for the year would have been £26,000 higher (2012: £14,000 lower). This calculation is based on the monthly closing net cash/debt balance throughout the year. A 50 basis point increase in interest rate represents management's assessment of a reasonably possible change for the year ended 30 April 2013. The Group's loan stock amounts to £nil (2012: £9,000) and so no sensitivity analysis has been prepared against this interest bearing financial liability as any impact would not be material.

### Credit risk

The Group's exposure to credit risk encompasses the financial assets being: trade receivables and cash and cash equivalents.

Trade receivables are spread across a wide number of customers, with no significant concentration of credit risk in one area. There has been no impairment of trade receivables during the year (2012: £nil), nor are there any provisions held against trade receivables (2012: £nil), and no trade receivables are past their due date (2012: £nil).

The credit risk on cash and cash equivalents is limited because counterparties are leading international banks with long-term A credit-ratings assigned by international credit agencies.

### Committed borrowing facilities

The Group has committed borrowing facilities as follows:

| | **2013** | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Available £m** | **Drawn £m** | **Undrawn £m** | **Termination date** | Available £m | Drawn £m | Undrawn £m | Termination date |
| Revolving credit facility one | **275** | **–** | **275** | **May-17** | 200 | 10 | 190 | Nov-13 |
| Revolving credit facility two | **250** | **–** | **250** | **Apr-18** | 250 | 25 | 225 | Apr-16 |
| | **525** | **–** | **525** | | 450 | 35 | 415 | |

At 30 April 2013 the total drawn down balance across both facilities was £nil. In addition, at 30 April 2013 there were bank bonds in issue of £0.2m (2012: £4.7m).

The Group completed the refinancing of its main banking facilities on 24 May 2012, increasing available facilities from £450 million to £525 million, with maturity dates extended to May 2017 in the case of revolving credit facility one and April 2017 in the case of revolving credit facility two, a level that is commensurate with the capital structure and requirements of the Group. The revolving credit facilities are secured by debentures provided by certain Group holding companies over their assets. The facility agreement contains financial covenants, which is normal for such agreements, all of which the Group is in compliance with.

A one year extension was granted on 8 April 2013 for revolving credit facility two which extended the maturity date on this facility until April 2018, and on 24 May 2013 for revolving credit facility one, which extended the maturity date on this facility until May 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27 RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions:

**Transactions with Directors**

i) During the financial year, Mr A W Pidgley paid £20,156 to Berkeley Homes plc for works carried out at his home under the Group's own build scheme (2012: Mr A W Pidgley £47,771 and Mr S Ellis £143,442). This is a scheme whereby eligible employees may enter into an arrangement, at commercial rates, with the Group for the construction or renovation of their own home. There were no balances outstanding at the year end.

ii) Mr A W Pidgley, a Director of the Company, contracted to purchase an apartment at Ebury Square, London SW1 on 20 March 2012 from Berkeley Homes (PCL) Limited, a wholly owned subsidiary of the Company, for £6,050,000, (Apartment 1). Mr Pidgley is also a Director of Berkeley Homes (PCL) Limited.

Approval for this purchase was received from shareholders at the 2012 Annual General Meeting and the purchase then became unconditional.

Approval is now being sought at this Annual General Meeting for Mr Pidgley to

a) be released from his contract to purchase the property (Apartment 1) and simultaneously

b) purchase a different property at Ebury Square from Berkeley Homes (PCL) Limited in lieu of the above property for £10,500,000 (Apartment 2).

Mr R C Perrins, a Director of the Company, contracted to purchase an apartment at 190 Strand, London WC1 for £2,100,000 on 31 May 2013 from SES Manager Limited and SES Nominee Limited, subsidiaries of St Edward Homes Limited, a joint venture vehicle, owned by The Prudential Assurance Company Limited, part of the Prudential Group, and The Berkeley Group plc, a wholly owned subsidiary of the Company. Mr Perrins is also a Director of St Edward Homes Limited.

Both the agreement between Berkeley Homes (PCL) Limited and Mr Pidgley for Apartment 2 and the agreement between SES Manager Limited and SES Nominee Limited and Mr Perrins are a standard form sale and purchase agreement used by the respective companies on the respective developments, save that they are conditional upon the agreement of shareholders. In respect of Mr Pidgley, the agreement in respect of Apartment 2 is conditional on both the release of Mr Pidgley from the agreement for the sale and purchase of Apartment 1 and to the sale of Apartment 2 to Mr Pidgley. Under the contractual arrangements it is not possible for Mr Pidgley to acquire both Apartment 1 and Apartment 2 nor for him to be released from the agreement for Apartment 1 unless the agreement to acquire apartment 2 simultaneously becomes unconditional.

As these transactions are in excess of £100,000, they each constitute a substantial property transaction with a Director of the Company under sections 190 and 191 of the Companies Act 2006 and are therefore conditional on the approval of shareholders, which will be sought at the forthcoming Annual General Meeting on 2 September 2013.

**Transactions with Joint Ventures**

During the financial year there were no transactions with joint ventures other than movements in loans. In 2009 inventory was sold to St Edward Homes Limited for £17,411,000 being the share of the transaction attributable to the other venturer in the joint venture. At 30 April 2013 an amount of £21,319,000 was outstanding and included within trade receivables (2012: £24,631,000). Loans with joint ventures are disclosed in note 11.

## 28 SUBSIDIARIES AND JOINT VENTURES

**(a) Subsidiaries**

At 30 April 2013 the Company had the following principal subsidiary undertakings which have all been consolidated, are registered and operate in England and Wales, are all 100% owned and for which 100% of voting rights are held except where stated:

| Residential led mixed-use development | |
|---|---|
| Berkeley (Carnwath Road) Limited (Isle of Man) | Berkeley Strategic Land Limited |
| Berkeley Commercial Developments Limited | Berkeley Homes (West London) Limited (1) |
| Berkeley First Limited (1) | Berkeley Homes Public Limited Company |
| Berkeley Homes (Capital) plc (1) | Berkeley Partnership Homes Limited (1) |
| Berkeley Homes (Carmelite) Limited | Berkeley Ryewood Limited |
| Berkeley Homes (Central London) Limited (1) | BH (City Forum) Limited |
| Berkeley Homes (East Thames) Limited (1) | St George Battersea Reach Limited (Jersey) |
| Berkeley Homes (Eastern Counties) Limited (1) | St George Blackfriars Limited |
| Berkeley Homes (Eastern) Limited (1) | St George Central London Limited (2) |
| Berkeley Homes (Fleet) Limited | St George North London Limited (2) |
| Berkeley Homes (Hampshire) Limited (1) | St George PLC |
| Berkeley Homes (North East London) Limited (1) | St George South London Limited (2) |
| Berkeley Homes (Oxford & Chiltern) Limited (1) | St George West London Limited (2) |
| Berkeley Homes (PCL) Limited | St James (Grosvenor Dock) Limited |
| Berkeley Homes (South East London) Limited (1) | St James Group Limited |
| Berkeley Homes (Southern) Limited (1) | St James Homes Limited |
| Berkeley Homes (Three Valleys) Limited (1) | The Berkeley Group plc (3) |
| Berkeley Homes (Urban Renaissance) Limited (1) | The Tower, One St George Wharf Limited |

(1) Agency companies of Berkeley Homes plc

(2) Agency companies of St George PLC

(3) The Berkeley Group plc is the only direct subsidiary of the Parent Company

| Other activities |
|---|
| BRP Investments No.1 Limited (Jersey) |
| BRP Investments No.2 Limited (Jersey) |

**(b) Joint Ventures**

At 30 April 2013 the Group had an interest in the following joint ventures which have been equity accounted to 30 April, have an accounting date of 30 April and are registered and operate in England and Wales and which are 50% owned:

| | Principal activity |
|---|---|
| St Edward Homes Limited | Residential-led mixed-use development |
| St Edward Homes Partnership | Residential-led mixed-use development |
| The St Edward (Strand) Partnership | Residential-led mixed-use development |

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BERKELEY GROUP HOLDINGS PLC

We have audited the Parent Company financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2013 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on pages 82 and 83, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## OTHER MATTER

We have reported separately on the Consolidated Financial Statements of The Berkeley Group Holdings plc for the year ended 30 April 2013.

**John Waters (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
London
16 July 2013

# COMPANY BALANCE SHEET

| As at 30 April | Notes | 2013 £m | 2012 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | C5 | **1,395.1** | 1,391.3 |
| | | **1,395.1** | 1,391.3 |
| **Current assets** | | | |
| Debtors | C6 | **8.3** | 4.5 |
| Cash at bank and in hand | | **0.9** | 0.9 |
| | | **9.2** | 5.4 |
| **Current liabilities** | | | |
| Creditors (amounts falling due within one year) | C7 | **(680.4)** | (625.4) |
| Net current liabilities | | **(671.2)** | (620.0) |
| Total assets less current liabilities and net assets | | **723.9** | 771.3 |
| **Capital and reserves** | | | |
| Called-up share capital | C8 | **6.7** | 6.7 |
| Share premium account | C9 | **49.3** | 49.3 |
| Capital redemption reserve | C9 | **24.5** | 24.5 |
| Profit and loss account | C9 | **643.4** | 690.8 |
| Total shareholders' funds | C10 | **723.9** | 771.3 |

The financial statements on pages 111 to 114 were approved by the board of directors on 16 July 2013 and were signed on its behalf by:

**N G Simpkin**
**Finance Director**

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## C1 ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, where applicable, and applicable accounting standards in the United Kingdom (United Kingdom Generally Accepted Accounting Practice) and on the going concern basis. The principal accounting policies are set out below and have been applied consistently throughout the year.

The principal activity of The Berkeley Group Holdings plc ("the Company") is to act as a holding company.

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

The Company has not presented its own statement of total recognised gains and losses for the year as there are no separate gains or losses arising in the year.

### Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

### Pensions

Pension contributions under defined contribution schemes are charged to the income statement as they fall due.

### Investments

Investments in subsidiary undertakings are included in the balance sheet at cost less provision for any impairment.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

### Share-based payments

The Company operates three equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## C2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

| | **2013 £m** | 2012 £m |
|---|---|---|
| Auditors' remuneration – audit fees | **0.1** | 0.1 |

No disclosure of other non-audit services has been made as this is included within note 4 of the consolidated financial statements.

## C3 DIRECTORS AND EMPLOYEES

| | **2013 £m** | 2012 £m |
|---|---|---|
| Staff costs | | |
| Wages and salaries | **4.5** | 4.3 |
| Social security costs | **10.2** | 3.2 |
| Share-based payments | **7.8** | 6.0 |
| | **22.5** | 13.5 |

The average monthly number of persons employed by the company during the year was 9, all of whom are Directors (2012: 8).

### Directors

Details of Directors' emoluments are set out in the Remuneration Report on pages 61 to 77.

### Pensions

During the year, the Company participated in one of the Group's pension schemes, The Berkeley Group plc Group Personal Pension Plan. Further details on this scheme are set out in note 5 of the Consolidated Financial Statements. Contributions amounting to £46,800 (2012: £41,000) were paid into the defined contribution scheme during the year.

### Share-based payments

The charge to the income statement in respect of share-based payments in the year, relating to grants of shares; share options and notional shares awarded under the 2009 Long-Term Incentive Plan, the 2011 Long-Term Incentive Plan and the Bonus Plan was £7.8m (2012: £6.0m). Further information on the Company's share incentive schemes are included in the Remuneration Report on pages 61 to 77 as well as note 5 to the Consolidated Financial Statements.

## C4 THE BERKELEY GROUP HOLDINGS PLC PROFIT AND LOSS ACCOUNT

The loss for the year in the Company is £39.4m (2012: loss of £31.5m).

## C5 INVESTMENTS

| | 2013 £m | 2012 £m |
|---|---|---|
| Investments in shares of subsidiary undertaking at cost at 1 May | **1,391.3** | 1,389.1 |
| Additions | **3.8** | 2.2 |
| Investment in shares of subsidiary undertaking at cost at 30 April | **1,395.1** | 1,391.3 |

Additions in the year relate to company contributions to the Berkeley Group plc for employee services to be settled through the issue of shares on the vesting of the Berkeley Group Holdings plc 2009 Part (a), 2009 Part (b) and 2011 Long Term Incentive Plan awards for the benefit of executive directors of its subsidiaries.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of principal subsidiaries are given within note 28 of the Consolidated Financial Statements.

## C6 DEBTORS

| | 2013 £m | 2012 £m |
|---|---|---|
| Current | | |
| Deferred tax | **8.3** | 4.5 |

The movements on the deferred tax asset are as follows:

| | 2013 £m | 2012 £m |
|---|---|---|
| At 1 May | **4.5** | 2.6 |
| Deferred tax in respect of employee share schemes credited to reserves | **3.8** | 1.9 |
| At 30 April | **8.3** | 4.5 |

## C7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2013 £m | 2012 £m |
|---|---|---|
| Amounts owed to subsidiary undertakings | **(666.1)** | (620.1) |
| Other taxation and social security | **(14.3)** | (5.3) |
| | **(680.4)** | (625.4) |

All amounts included above are unsecured. The interest rate on £601m (2012: £578m) of the balance owed to subsidiary undertakings is 4.0% (2012: 4.0%). At 30 April 2013 all other amounts owed to subsidiary undertakings are at floating rates linked to LIBOR and have no fixed repayment date.

## C8 CALLED-UP SHARE CAPITAL

The authorised share capital of the Company in the year was as follows:

| | 2013 Number '000 | 2012 Number '000 |
|---|---|---|
| At 30 April | | |
| Ordinary share capital | **925,000** | 925,000 |
| Redeemable preference shares of £1 each | **50** | 50 |

Each ordinary share of 5p is a voting share in the capital of the Company, is entitled to participate in the profits of the Company and on a winding-up is entitled to participate in the assets of the Company.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## C8 CALLED-UP SHARE CAPITAL CONTINUED

The movements on allotted and fully paid share capital for the Company in the year were as follows:

| | Ordinary shares Number '000 |
|---|---|
| At 1 May 2011 and 30 April 2012 | 134,857 |
| **At 30 April 2013** | **134,857** |

| | Called-up share capital £m | Share premium account £m |
|---|---|---|
| At 1 May 2011 and 30 April 2012 | 6.7 | 49.3 |
| **At 30 April 2013** | **6.7** | **49.3** |

At 30 April 2013 there were 3.6m shares held as 'treasury shares' (2012: 3.6m). The Company has the right to re-issue these shares at a later date.

At 30 April 2013 there were 0.2m shares held in trust (2012: 0.2m). The market value of these shares at 30 April 2013 was £4.9m (2012: £3.0m).

The movements in the year are disclosed in note 20 of the Consolidated Financial Statements.

## C9 RESERVES

| | Share premium account £m | Capital redemption reserve £m | Profit and loss account £m | Total £m |
|---|---|---|---|---|
| At 1 May 2012 | 49.3 | 24.5 | 690.8 | 764.6 |
| Loss for the financial year | – | – | (39.4) | (39.4) |
| Dividends paid | – | – | (19.7) | (19.7) |
| Credit in respect of employee share schemes | – | – | 11.7 | 11.7 |
| **At 30 April 2013** | **49.3** | **24.5** | **643.4** | **717.2** |

## C10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | **2013 £m** | 2012 £m |
|---|---|---|
| Loss for the financial year | **(39.4)** | (31.5) |
| Dividends paid | **(19.7)** | – |
| Credit in respect of employee share scheme | **11.7** | 8.2 |
| | **(47.4)** | (23.3) |
| Opening equity shareholders' funds | **771.3** | 794.6 |
| Closing equity shareholders' funds | **723.9** | 771.3 |

## C11 RELATED PARTY TRANSACTIONS

The Company is exempt under the terms of Financial Reporting Standard 8 "Related party disclosures" from disclosing related party transactions with entities that are part of The Berkeley Group Holdings plc or investees of The Berkeley Group Holdings plc.

# FIVE YEAR SUMMARY

| Years ended 30 April | **2013 £m** | 2012 £m | 2011 £m | 2010 £m | 2009 £m |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | **1,372.6** | 1,041.1 | 742.6 | 615.3 | 702.2 |
| | | | | | |
| Operating profit | **280.1** | 226.4 | 135.7 | 106.2 | 124.9 |
| Share of post tax results of joint ventures | **(1.3)** | (2.2) | 2.1 | (0.2) | (0.9) |
| Net finance (costs)/income | **(8.1)** | (9.4) | (1.5) | 4.4 | (3.6) |
| Profit before taxation | **270.7** | 214.8 | 136.3 | 110.4 | 120.4 |
| Taxation | **(61.0)** | (56.7) | (41.8) | (30.8) | (34.3) |
| Profit after taxation | **209.7** | 158.1 | 94.5 | 79.6 | 86.1 |
| Profit attributable to: | | | | | |
| Shareholders | **209.7** | 158.5 | 95.1 | 79.7 | 86.1 |
| Non-controlling interest | **–** | (0.4) | (0.6) | (0.1) | – |
| | **209.7** | 158.1 | 94.5 | 79.6 | 86.1 |
| Basic earnings per ordinary share | **160.0p** | 121.0p | 72.1p | 60.0p | 71.3p |
| | | | | | |
| **Statement of financial position** | | | | | |
| Capital employed | **1,277.7** | 1,157.7 | 891.8 | 545.4 | 516.5 |
| Net cash/(debt) | **44.7** | (57.9) | 42.0 | 316.9 | 284.8 |
| Net assets | **1,322.4** | 1,099.8 | 933.8 | 862.3 | 801.3 |
| Non-controlling interest | **–** | – | (4.4) | (3.7) | – |
| Shareholders' funds | **1,322.4** | 1,099.8 | 929.4 | 858.6 | 801.3 |
| Net assets per share attributable to shareholders (1) | **1,009p** | 839p | 709p | 637p | 615p |
| | | | | | |
| **Ratios and statistics** | | | | | |
| Return on capital employed (2) | **22.9%** | 21.9% | 19.2% | 20.1% | 20.6% |
| Return on equity after tax (3) | **17.3%** | 15.6% | 10.6% | 9.6% | 11.6% |
| Return on equity before tax (4) | **22.4%** | 21.2% | 15.3% | 13.3% | 16.2% |
| Units sold (5) | **3,712** | 3,565 | 2,544 | 2,201 | 1,501 |

(1) Net assets attributable to shareholders divided by the number of shares in issue excluding shares held in treasury and shares held by the employee benefit trust.

(2) Calculated as profit before interest and taxation (including joint venture (loss)/profit before tax) divided by the average net assets adjusted for (debt)/cash.

(3) Calculated as profit after taxation attributable to shareholders as a percentage of the average of opening and closing shareholders' funds.

(4) Calculated as profit before taxation attributable to shareholders as a percentage of the average of opening and closing shareholders' funds.

(5) The number of units completed and taken to sales in the year excluding joint ventures.

# FINANCIAL DIARY

| | |
|---|---|
| Annual General Meeting and Interim Management Statement | 2 September 2013 |
| Half Year End | 31 October 2013 |
| Interim Results Announcement for the six months ending 31 October 2013 | 6 December 2013 |
| Interim Management Statement | March 2014 |
| Year End | 30 April 2014 |
| Preliminary Announcement of Results for the year ending 30 April 2014 | June 2014 |
| Publication of 2014 Annual Report | July 2014 |

# REGISTERED OFFICE AND ADVISORS

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Berkeley House
19 Portsmouth Road
Cobham
Surrey KT11 1JG
Registered number: 5172586

## REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0870 162 3100

## CORPORATE BROKER AND FINANCIAL ADVISOR

UBS Investment Bank

## SHARE PRICE INFORMATION

The Company's share capital is listed on the London Stock Exchange.
The latest share price is available via the Company's website at www.berkeleygroup.co.uk

## SOLICITORS

Ashurst LLP
Skadden, Arps, Slate Meager & Flom (UK) LLP

## BANKERS

Barclays Bank PLC
Lloyds TSB Bank plc
Santander UK plc
Svenska Handelsbanken AB (Publ)
The Royal Bank of Scotland Plc

## AUDITORS

PricewaterhouseCoopers LLP

**One Blackfriars**

This image is computer generated and indicative only.

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

T +44 (0)1932 868555
F +44 (0)1932 868 667
www.berkeleygroup.co.uk

Design by Hunter Design

Printed in England by Crystal
This report is printed on EBB Chromomat

MIX
Paper from
responsi le sources
FSC® C113875

vision 2020
Our vision
for the future