



PRESS RELEASE

20 JUNE 2018

THE BERKELEY GROUP HOLDINGS PLC

FINAL RESULTS ANNOUNCEMENT

The Berkeley Group Holdings plc (“Berkeley”) today announces its audited results for the financial year ended 30 April 2018.

Berkeley is the country’s leading place-maker, operating principally in London and the South East, balancing strong operational performance with a desire to produce homes of a high quality, creating fantastic communities for all our customers across all tenures; be they home owners or affordable housing residents.

OPERATIONAL HIGHLIGHTS

- 3,536 homes delivered – includes more than 10% of London’s new private and affordable homes
- £0.42 billion of subsidies provided to deliver affordable housing and committed to wider community and infrastructure benefits in the period
- Over 12,000 people working across our sites in the year and with 850 apprentices over the last two years
- The Berkeley Foundation won the Better Society Award for Best Partnership with a National Children’s Charity for its partnership with The Lord’s Taverners and continues its aim to improve the lives of young people and their communities across London and the South of England

EARNINGS

- £934.9 million of pre-tax profit, up 15.1% from £812.4 million
- Pre-tax profit guidance increased by £75 million to at least £1.575 billion for the two years ending 30 April 2019 and by a similar amount to at least £3.375 billion for the five year period which began on 1 May 2016

FINANCIAL POSITION

- Net cash of £687.3 million (April 2017: £285.5 million)
- Net asset value per share up 25.9% to £19.59 (April 2017: £15.56)
- Cash due on forward sales of £2.2 billion (April 2017: £2.7 billion)
- £6.0 billion of estimated future gross margin in the land bank (April 2017: £6.4 billion)

SHAREHOLDER RETURNS

- £9.34 per share already returned and a further £1.00 per share to be returned by 30 September 2018
- Remaining £6.00 (£0.84 billion) on target to be delivered evenly over the next 3 years to September 2021
- 4.0 million shares acquired in the year for £140.4 million and dividends paid of £146.7 million

These results reflect Berkeley’s operating model, which places financial strength and sustainability at its heart, and the sites this enabled Berkeley to acquire in the period from 2010 to 2013. They represent a peak for Berkeley with profitability returning to more normal levels from 2018/19, when profits are anticipated to be around 30% lower. Thereafter Berkeley will target a 20% pre-tax return on equity over the cycle, depending upon the level of cash, which currently includes around £400 million excess due to macro uncertainty.

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CHAIRMAN'S STATEMENT

Berkeley's unique operating model is focused on developing complex sites, which others are not willing or able to take on, creating fantastic, sustainable places with homes built to a high quality in which our customers want to live, and enriching the wider community by bringing homes, jobs and amenities for all.

There has been a significant increase in housing supply across England over the past year. Completions have grown by 16% and starts by 5% during 2017. This national picture reflects positive decisions and fresh investment by Government and the private sector. However, it masks a complex picture at a local level, with London starts approximately 30% lower than two years ago. It is telling that some funders and builders are choosing to exit the market when faced with the degree of risk and regulation that now confronts development in the capital where macro and political uncertainty, including Brexit, are leading to this caution. This is a great shame as London is a fantastic world-class city with unique attributes that will last long beyond the current hiatus which is only exacerbating the well documented under-supply.

In this environment, Berkeley has itself invested cautiously, focusing as always on the quality of the homes and communities we build. We are growing the business in Birmingham through our newest brand, St Joseph and we have broken ground on our first modular factory in Ebbsfleet, which, once operational, will help us deliver a significant portion of construction value through off-site assembly. The number of apprentices on our sites and in our offices has reached 850 across the business over the last two years, an increase of 30%.

Significantly, Berkeley is now a carbon positive company, fulfilling a commitment we made in May 2016. This relates specifically to the operation of our business and we will now match this with a commitment to enable all our homes to operate at net zero carbon by 2030. This will help us cut costs, reduce risk and support the environment.

One year ago, we shared the horror everybody felt at the Grenfell Tower fire. Since then, Berkeley has reviewed its high-rise buildings, engaging with local fire authorities, residents, fire safety experts and MHCLG to ensure our buildings are safe while the future regulatory approach is clarified, following the Hackitt review.

Berkeley has now returned £9.34 of £16.34 to be returned to shareholders by 30 September 2021 and announced the next £1 per share which will be returned by 30 September 2018; £10.34 paid or committed in total. Total Shareholder Returns in the year were £287.1 million, with £146.7 million returned through dividends and £140.4 million through the purchase of 4.0 million shares. Of the £139.2 million to be returned in the six months to 30 September 2018, £32.2 million has already been returned through share buy-backs. The amount that will be returned as a dividend will be announced on 16 August 2018 and paid on 14 September 2018 to shareholders on the register on 24 August 2018, taking account of any further share buy-backs in the intervening period.

In closing, I would like to thank all our people for the quality of their work and their commitment and integrity and I am delighted that their efforts, in conjunction with our partners in the public and private sector, have been recognised through a number of industry awards. In particular, Woodberry Down, which we are developing in partnership with the London Borough of Hackney, has won numerous accolades including WhatHouse? Best Partnership Award, Planning Magazine's Best Community-led Placemaking Award and the RICS Regeneration and Project of the Year Awards. Berkeley itself won the Best Large Housebuilder and Housebuilder of the Year Awards from Building Magazine and WhatHouse? respectively, and Riverlight won RIBA's London Award for 2018. These are all testament to our people and partners working together to deliver fantastic new communities and homes. I am also immensely proud of the Queen's Award for Enterprise (Sustainable Development) that Berkeley has held since 2014. This is the UK's highest business accolade, recognising economic, social and environmental achievements.

I am delighted to welcome Rachel Downey and Peter Vernon to the Board as Non-executive Directors and warmly congratulate Justin Tibaldi and Paul Vallone on their appointment as Executive Directors. I would also like to recognise the significant contribution Sir John Armitt has made to Berkeley as he steps down from his roles as Deputy Chairman and Senior Independent Director after six years. I am delighted that Sir John is remaining on the Board and that we have such a capable replacement as Glyn Barker. We have a strong Board and I would like to thank them all as we look to the future for which we are well placed.

Tony Pidgley CBE
Chairman

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CHIEF EXECUTIVE'S STATEMENT

Summary of Performance and Strategy

Berkeley has delivered pre-tax earnings of £934.9 million for the year, an increase of 15.1% on last year. This is from the sale of 3,536 homes (2017: 3,905) at an average selling price of £715,000 (2017: £675,000), reflecting the mix of properties sold in the year.

Year ended 30 April	2018 £'m	2017 £'m	Change £'m	%
Revenue	2,703.7	2,723.5	-19.8	-0.7%
Gross profit	946.1	939.8	+6.3	+0.7%
Operating expenses	(166.5)	(183.6)	+17.1	+9.3%
Operating profit	779.6	756.2	+23.4	+3.1%
Net finance costs	(2.7)	(7.6)	+4.9	
Share of joint ventures	158.0	63.8	+94.2	
Profit before tax	934.9	812.4	+122.5	+15.1%
Pre-Tax Return on Equity	39.3%	41.1%	-1.8%	
Earnings Per Share – Basic	562.7p	467.8p	+94.9p	+20.3%
Year-end shares in issue excl. Treasury/EBT shares	133.7m	137.3m	-3.6m	-2.6%
Shareholder Returns				
Dividends paid	146.7	254.6	-107.9	
Share Buy-backs under Returns Programme	140.4	44.4	+96.0	
Shareholder Return in the year	287.1	299.0	-11.9	

These results, taken together with the £812.4 million delivered last year and the visibility provided by robust forward sales of £2.2 billion, means that Berkeley is able to raise its pre-tax profit guidance for the two years ending 30 April 2019 by £75 million to at least £1.575 billion, and the guidance for the five years ending 30 April 2021 by a similar amount to at least £3.375 billion.

As previously identified, these results are a consequence of Berkeley's operating model and the sites it enabled Berkeley to acquire in the period from 2010 to 2013. They represent a peak for Berkeley with profitability returning to more normal levels from 2018/19, when profits are anticipated to be around 30% lower. Thereafter Berkeley will target a 20% pre-tax return on equity over the cycle, depending upon the level of cash, which currently includes around £400 million excess due to macro uncertainty.

We have acquired 12 new sites in the year, of which four are on a conditional basis, totalling some 3,600 plots. We have also secured eight new planning consents and in excess of 50 revised consents. This activity has seen our land holdings rise to 46,867 plots with an estimated future gross margin of £6.0 billion, compared to 46,351 plots and £6.4 billion of future gross margin a year ago.

Berkeley's strategy for capital allocation remains unchanged. This is to: first, invest in opportunities for the business where the right risk-adjusted returns are available; second, to ensure the financial strength reflects the prevailing macro environment; and third, to make returns to shareholders through either dividends or share buy-backs.

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Strategic Delivery

The current Shareholder Returns Programme was established in 2011 as a framework through which Berkeley would return £13.00 per share to shareholders over a 10 year timeframe. The total returns were increased by £3.34 per share to £16.34 per share in December 2015. Having returned £4.34 at the time, the remaining £12.00 per share was to be paid in equal annual dividends of £2.00 per share over 6 years by September 2021.

A year later in December 2016, Berkeley introduced flexibility such that the remaining £10.00 per share, at the time, could be returned through a combination of share buy-backs and dividends, as opposed to solely dividends. Consequently, the shareholder return payments are now categorised as an absolute value per annum which is increased appropriately for any new shares issued, ensuring that the same quantum of cash is returned as previously anticipated. Therefore, on a per share basis, the amount of Shareholder Return increases with share buy-backs, which are undertaken to the extent the Board believes these are in the best interests of all shareholders.

Berkeley has now paid or committed £10.34 of the £16.34 Shareholder Returns Programme. During the year, Shareholder returns totalled £287.1 million, with £146.7 million returned through dividends and £140.4 million through share buy-backs. This includes £32.2 million towards the £139.2 million committed to be returned by 30 September 2018. The amount to be paid on 14 September 2018 will be announced on 16 August 2018 and paid to shareholders on the register on 24 August 2018, taking account of any further share buy-backs in the intervening period:

As of 19 June 2018	Shareholder Return		Return mechanism	
	Per share *	Value	Dividends	Buy-backs
To 30 September 2016	£6.34	£854.9m	£854.9m	-
To 30 September 2017	£2.00	£277.7m	£188.0m	£89.7m
To 31 March 2018	£1.00	£139.2m	£76.3m	£62.9m
By 30 September 2018	£1.00	£139.2m	**	£32.2m **
Returns - announced	£10.34	£1,411.0m	£1,119.2m	£184.8m
By 30 September 2019	£2.00	£278.4m		
By 30 September 2020	£2.00	£278.4m		
By 30 September 2021	£2.00	£278.4m		
Shareholder Returns	£16.34	£2,246.2m		

* Shareholder Return expressed on a per share basis, prior to any share buy-backs

** As of 19 June 2018. The amount to be paid as a dividend in September 2018 will depend upon the extent of any share buy-backs (currently £32.2 million) prior to the announcement of the dividend in August 2018.

Since the amendment to the Shareholder Returns Programme in December 2016, Berkeley has returned £184.8 million via share buy-backs acquiring 5.5 million shares, at an average cost of £33.67 pence per share (range: £28.08 - £38.45 per share), including 4.0 million shares this year. The annual returns for the years to 30 September 2019 through 2021 of £278.4 million, initially equated to £2.00 per annum, are currently equivalent to £2.08 per share following share buy-backs undertaken.

Housing Market

While the underlying demand for new homes remains strong, the housing market in London and the South East has remained subdued over the last year, in spite of the well documented endemic under-supply. The Government interventions that have helped transactions and starts increase nationally, have little impact in London and the South East where a number of headwinds continue to constrain the market for many. These include property taxation, mortgage regulation and macro uncertainty. However, for those less affected by these factors, this is a good time to buy with the supply of well-located new-build property built to a high standard of quality, well below the required numbers, at the same time as reduced availability on the second-hand market.

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For Berkeley, the year has seen new reservations higher than last year by 12% and, in a year of high revenue delivery, this has sustained forward sales at £2.2 billion (April 2017: £2.7 billion). Reservations in the year include sales from the launch of new developments at White City, Millbank and Ealing (Filmworks) in London, as well as new phases on our regeneration schemes and developments outside the capital in the South East. Prices remain at or above business plan levels. Sales continue to be split broadly evenly between owner occupiers and investors. The headwinds, which are described in detail below, are most keenly felt by UK customers, while overseas customers continue to see relative value in the London market. In the year Berkeley sold just 204 homes through the Government's Help to Buy scheme (2017: 157).

Looking at London as a whole: overall transaction volumes (including second-hand) are 19% lower than two years ago (Land Registry data); and new starts, the most important measure for assessing the health of the market, are still some 30% lower than in 2015 (according to MHCLG data).

The changes to SDLT since 2015 have particularly impacted both home movers and buy-to-let customers. For the former, the SDLT rates mean that the cost of moving is too high and this is harmful for social mobility, with the effect on chains rippling out to all price points, and the efficient occupation of homes. Buy-to-let purchasers are additionally impacted by the 3% surcharge and removal of mortgage interest deductibility.

Buy-to-let has an important role to play in the London market. The early forward sales it provides underpin and de-risk the capital intensive urban regeneration developments that represent the majority of London's remaining development sites, and contribute significantly to the delivery of affordable homes. Importantly buy-to-let properties are also available for recycling to home owners on a future sale. This contrasts to build-to-rent which does not support the same level of affordable housing and does not deliver homes that are suitable for, or will ever be available to, home owners. The market needs both forms of tenure if we are to see the additionality required to meet the target of 65,000 new homes in London each year. New starts are currently around 20,000 per annum.

While interest rates remain low, mortgage availability is good, however, regulation restricting income multiples means that many potential home-owners, who are capable of affording today's cost of ownership, are unable to do so.

We support the Mayor of London's latest concordat for homes to be marketed exclusively to Londoners for the first three months. We also join him in requesting that the lending banks and Bank of England support and bring forward 24 month mortgage offers to enable more home-owners to purchase early in the development cycle, at the same time cash buyers and investors are able to.

On the supply side, land remains slow to come forward for development and the combined demands of high levels of affordable housing, CIL and other section 106 requirements are not reflecting the current market conditions.

In times of macro uncertainty, it is important that these market dislocations are addressed. If London is to meet its housing targets, we need more builders, but the current operating environment is not one in which small developers can survive as the barriers to entry are so high and we are even seeing a number of large developers either withdraw from, or reduce activity in, London.

Build costs have increased between 4% and 5% in the year, with the currency movements noted last year now largely embedded within materials prices. The increase this year was across both labour and materials. Looking forward, we remain concerned that the impact of recognised skills gap in the UK construction workforce may become more pronounced as the UK exits the European Union. While this is hard to predict, it is a fact that over half of London's site labour comes from the EU. This needs to be addressed by a combination of continued access to EU labour, skills training and innovation in construction if the industry is to achieve its medium term production aspirations.

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Our Vision

Berkeley aspires to be a world-class business, defined by the quality of the places we create, generating long term value and having a positive impact on society. Through the framework of 'Our Vision' we articulate our strategy across our five areas of strategic focus: Customers, Homes, Places, Operations and Our People and we are proud to hold a Queen's Award for Enterprise for Sustainable Development, which is recognition of the Group's economic, social and environmental achievements. Berkeley has also been included on the FTSE4Good Index since 2003, reflecting strong social, environmental and governance (ESG) practices.

In May we launched a new set of commitments to achieve over the next two years. This follows extensive research to understand the views of our stakeholders as well as key industry issues. We have also aligned our strategy to the UN's Sustainable Development Goals, in recognition of the role business must play in achieving these global aims.

Customers

Our customers' experience remains central to our strategy and we use the independently assessed Net Promoter Score (NPS) to drive and measure progress in this area. Our NPS of 73.9 (on a scale of -100 to +100) is sector leading and within the top quartile for retail brands across all sectors. 97% of our customers would recommend us to a friend, surpassing the industry average of 86%.

We are delighted that Berkeley achieved the Investor in Customers Gold Award in 2018, following an independent assessment of our customer service.

Homes

The quality of the homes we deliver is fundamental to the success of our business, and we believe our core value of excellence through detail is a key differentiator. We are delighted that our homes continue to be recognised externally. We have taken action over the past year to future-proof our homes in a number of areas, such as incorporating infrastructure to support smart technology and adaptation measures for the effects of climate change. Building on the steps we have taken to become a carbon positive business, over the next two years we will be focussing on the homes we build by setting out plans to ensure they can operate at net zero carbon by 2030.

Following the Grenfell Tower tragedy we undertook a thorough review of all of our high-rise buildings, including engaging with the local fire authorities, fire safety experts, residents and the Ministry of Housing, Communities and Local Government (MHCLG). We have ensured all our buildings are safe whilst the future regulatory approach is clarified following the outcomes of the Hackitt Review and subsequent government consultation.

Places

Building strong communities can transform people's wellbeing and their quality of life. Sometimes it happens naturally, but it often takes years, if not decades, to evolve. Since 2012 we have been working on a structured approach to investing time, money and care in accelerating the process. On every site with more than 100 homes we undertake an assessment pre-planning to clarify what kind of community we are trying to create. More recently we have trialled the implementation of bespoke Community Plans at 12 occupied developments to drive an events programme and a digital forum and create a system of community governance.

We recognise that our impact is wider than just the developments we create. In 2017, 33,000 jobs were supported and £0.42 billion was provided in affordable housing subsidies and community and infrastructure benefits. During 2018/19 we will be investigating how to quantify the wider financial and non-financial impacts generated by our activity – known as social value - on a development scale.

We are proud to be the first housebuilder to have an approach for achieving net biodiversity gain on each site; put simply, this means there will be more nature afterwards than before. This year we have introduced a new commitment to sustainable transport, which builds upon our existing requirements for electric car charging points and cycle storage, to understand and respond to future changes in the transport mix and our customers' needs.

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Operations

We are pleased to have become the first carbon positive housebuilder having met our commitment set two years ago to achieve a 10% reduction in carbon emissions at our sites, offices and sales suites and introduced a programme to offset the remaining emissions. We recognise the risks climate change presents to our business and are responding to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, whilst continuing to participate in the CDP climate change programme in which Berkeley achieved an 'A-' rating this year.

A considerate approach to construction is critical to maintaining good relationships with the communities in which we work as well as with our employees and wider workforce. Around 60% of our sites were recognised at the 2018 Considerate Constructors Scheme National Site Awards in 2018, compared to just 10% nationally. Our average audit score of 43/50 is testament to the efforts of our site teams in maintaining high standards.

Making our contribution to tackling the industry's skills crisis continues to be an area of focus; in the two year period there have been over 850 apprentices working on our sites and in our offices, a 30% increase. Overall, people in apprenticeships or training now make up around 10% of the workforce.

After successful completion of a number of homes using modular methods of construction, during the year we were delighted to be granted planning permission for our new manufacturing facility. This will enable us to deliver high quality homes alongside other benefits including reduced time on site and reduced environmental impact.

Our People

There is nothing more important to Berkeley than the health and safety of our people. Our health and safety record has improved year-on-year for five years, with fewer than 1.5 accidents per 1,000 people per year. Following winning the coveted Sir George Earle trophy in 2017, Berkeley East Thames was delighted to win a sector award in 2018. Our emphasis on safety has been strengthened in recent years with a focus on health and wellbeing in the workplace, and this will be further supported by work on mental health over the next two years.

Attracting and retaining talent is key and we continue to improve our approach to talent management, alongside specific initiatives such as the graduate scheme, apprenticeship programmes and specialist academies.

The Berkeley Foundation

The Berkeley Foundation is a registered charity which provides support across four themes: homes, jobs, skills and care. Now in its eighth year, new annual commitments exceeded £2 million last year, and included a number of mental health charities, an area of recent focus for the Foundation. Since 2014, it has supported more than 15,000 people across London and the South East to move out of homelessness, build their skills, move into work and access new opportunities. 60% of employees across Berkeley do something each year to contribute to the Foundation and we are proud of its Platinum Give as You Earn status.

Berkeley is delighted that the Foundation won the Better Society Award for Best Partnership with a National Children's Charity, in recognition of Super 1s, its partnership with The Lord's Taverners. The Foundation continues its innovative programmes with its seven strategic partners as well as a number of other charities who share its vision to improve the lives of young people and their communities across London and the South East.

Outlook

Berkeley is a business set up for the long term. We have an operating model that allows us to invest at the right time in the cycle and deliver robust risk-adjusted returns, and the expertise to transform complex sites into thriving, sustainable communities, while having a positive impact on our stakeholders and society.

We have chosen to focus our operations around one of the world's pre-eminent cities. London's attributes are unique and well known and will endure well into the future. They are founded on openness, respect, tolerance and diversity. It is an environment in which, when the right conditions are present, growth, innovation and prosperity for all, will flourish. At present, political and economic uncertainty, in part due to the uncertainty

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around Brexit, weigh on sentiment but do present opportunities for customers who can look beyond this short-term volatility.

Berkeley, with its unrivalled financial strength, land position and expertise, is able to look past this prevailing uncertainty with measured confidence but, like all responsible businesses, is cautious in its investment in this environment and this will determine the speed with which it delivers the value from its assets in the medium term.

Rob Perrins
Chief Executive

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TRADING AND FINANCIAL REVIEW

Trading performance

Revenue of £2,703.7 million in the year (2017: £2,723.5 million) arose primarily from the sale of new homes in London and the South East of England. This included £2,566.7 million of residential revenue (2017: £2,667.4 million), £28.4 million from the sale of ground rent assets (2017: £27.2 million) and £108.6 million of commercial revenue (2017: £28.9 million). There were no land sales in the year (2017: £nil).

3,536 new homes (2017: 3,905) were sold across London and the South East of England at an average selling price of £715,000 (2017: £675,000). The changes to the average selling price are a result of mix on the Group's developments in central London in the year.

Revenue of £108.6 million from commercial activities (2017: £28.9 million) included the sale of hotels at One Blackfriars and Royal Arsenal as well as some 254,000 sqft of office, retail and leisure space across a number of the Group's developments including Kew Bridge Road, Goodman's Fields in Aldgate and Smithfield Square in Hornsey. The £28.9 million of revenue last year was from the sale of some 85,000 sqft of office, retail and leisure space.

The gross margin percentage of 35.0% is in line with last year's 34.5%. This remains high due to the benefit from the significant investment in new land following the 2008/09 downturn.

Overheads of £166.5 million (2017: £183.6 million) decreased by £17.1 million in the year. This is principally due to a decrease in the charge to the income statement for the Group's share schemes. The Company cash settled the tax and National Insurance liabilities arising on the vesting of options for participants in the 2011 LTIP on 2 October 2017 in lieu of issuing shares, as was done in the prior year for the options which vested in September 2016. The lower charge arises firstly, because 13.3% of the options vested on 2 October 2017 compared to 33.3% in September 2016 and secondly, as a result of the imposition of the LTIP caps with effect from 1 May 2017.

The result is that the Group's operating margin has increased to 28.8% from 27.8% last year.

Berkeley's share of the results of joint ventures was a profit of £158.0 million (2017: £63.8 million) which reflects the stage of delivery of completions during the current financial year at 190 Strand, 375 Kensington High Street, Stanmore Place and Green Park within St Edward, and pre-development costs within St William ahead of profit delivery with three developments in production at the year end.

The Group has remained cash positive on a net basis throughout the year. Net finance costs totaled £2.7 million for the year (2017: £7.6 million) due to facility fees, interest on the £300 million term borrowing and imputed interest on land creditors which outweighed interest income on cash deposits.

Pre-tax return on equity for the year is 39.3%, compared to 41.1% last year. Basic earnings per share have increased by 20.3% from 467.8 pence to 562.7 pence, which takes into account the issue of a further 0.35 million shares in October 2017 to satisfy the net share awards under the 2011 LTIP scheme as well as the buy-back of 4.0 million shares at a cost of £140.4 million under the Shareholder Returns Programme.

Financial Position

Net assets increased over the course of the year by £483.1 million, or 22.6%, to £2,620.0 million (2017: £2,136.9 million). This is after payment of £146.7 million of dividends and the £140.4 million of share buy-backs. This equates to a net asset value per share of 1,959 pence, up 25.9% from 1,556 pence at 30 April 2017, given the share buy-backs undertaken in the year.

Inventories have decreased by £243.5 million from £3,483.4 million at 30 April 2017 to £3,239.9 million at 30 April 2018. Inventories include £337.7 million of land not under development (30 April 2017: £414.1 million), £2,779.8 million of work in progress (30 April 2017: £2,981.7 million) and £122.4 million of completed stock (30 April 2017: £87.6 million).

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Trade and other payables are £1,727.4 million at 30 April 2018 (30 April 2017: £1,878.4 million). These include £895.0 million of on-account receipts from customers (30 April 2017: £974.9 million) and land creditors of £105.2 million (30 April 2017: £142.9 million). Provisions of £81.8 million (30 April 2017: £99.9 million) include post completion development obligations and other provisions.

The Group ended the year with net cash of £687.3 million (30 April 2017: £285.5 million) which consists of cash holdings of £987.3 million and a £300.0 million term loan drawn under the Group's banking facilities. This is an increase of £401.8 million during the year (2017: £178.1 million) as a result of £790.9 million of cash generated from operations (2017: £769.8 million) and a net inflow of £166.3 million in working capital (2017: net outflow of £232.8 million), before tax and other net cash outflows of £268.3 million (2017: £39.8 million), share buybacks of £140.4 million (2017: £64.5 million) and dividends of £146.7 million (2017: £254.6 million).

Banking

The Group's financial strength is further supported by its banking facilities which total £750 million, consisting of a drawn £300 million term loan and an undrawn £450 million revolving credit facility. The Group has clarity of financing with the facilities in place to November 2022 after the Group exercised the first of two options during the year to extend the facilities by one year. The Group's cash holdings are currently placed on deposit with its relationship banks.

Joint Ventures

Investments accounted for using the equity method have increased from £135.0 million at 30 April 2017 to £315.0 million at 30 April 2018. Berkeley's joint ventures include St Edward, a joint venture with Prudential plc, and St William, a joint venture with National Grid plc. The increase in joint venture investments during the year reflects Berkeley's share of joint venture profits of £158.0 million and further funding into St William of £22.0 million.

In St Edward, 361 homes were sold in the year at an average selling price of £1,646,000 (2017: 251 at £1,322,000). These completions were across four developments; Stanmore Place, Kensington, 190 Strand and Green Park in Reading, with the mix weighted towards the central London developments. In total, 1,835 plots (2017: 2,152 plots) in Berkeley's land holdings relate to St Edward schemes. Stanmore Place completed in the second half of the year, whilst 190 Strand has completed since financial year end. During the second half of the year, St Edward moved its site on Millbank in Westminster into production.

In total, 7,900 plots (2017: 6,459 plots) in Berkeley's land holdings relate to St William schemes. These plots are across 14 developments, with three new developments contracted during the year. The new developments are at Bow Common, Seven Sisters Road in Highbury and Bethnal Green.

During the year sales and production continued at Prince of Wales Drive in Battersea, whilst production commenced at Elmswater in Rickmansworth, Fairwood Place in Borehamwood and at Seven Sisters Road in Highbury. In terms of planning, consents were obtained at Clarendon in Hornsey for some 1,700 homes and on small sites in Oxted and Watford. The remaining sites all remain within the planning process and these form a significant part of the Group's conditional land bank holdings. Berkeley continues to work closely with National Grid to identify sites from across its portfolio to bring through into the joint venture.

Land

Berkeley's land bank comprises 46,867 plots (2017: 46,351 plots) at 30 April 2018. Of these land holdings, 32,921 plots (2017: 33,771) are owned and included on the balance sheet of the Group or joint ventures and 13,946 plots (2017: 12,580) are on contracted sites which either do not yet have a planning consent or have another conditional element such as vacant possession. The Group also holds a strategic pipeline of long term options for in excess of 5,000 plots.

The plots in the land bank at 30 April 2018 have an estimated future gross margin of £6,003 million (2017: £6,378 million), which includes the Group's 50% share of the anticipated margin on any joint venture development.

Whilst plots in the land bank have increased during the year, the gross margin has reduced. This reflects the mix of properties sold in the year, which included a number across our high value Central London

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sites and the nature of new sites added to the land bank, with the majority outside London. In total, Berkeley has acquired 12 new sites in the year, including three into St William, as set out in the Joint Ventures section.

The other nine sites comprise one in central London in Oval, whilst eight are outside London. The eight sites are in locations with strong demand, including four sites in Surrey in the towns of Effingham, Camberley, Frimley Green and Staines, a site in Fleet in Hampshire, a site in Cranbrook in Kent and two in St Joseph, one in Birmingham's Gun Quarter and the other in Stratford-Upon-Avon.

Berkeley has secured eight new planning consents this year, as well as a significant number of revised consents which have sought to improve the development solution for each scheme to add value and/or reduce risk, which is a key part of Berkeley's approach. The new consents include, in London, Trent Park in Cockfosters and St William's site at Clarendon in Hornsey, whilst six consents are outside London at Effingham, Birmingham, Fleet, Camberley and in St William's sites at Oxted and Watford.

The Group's land holdings at 30 April 2018 comprise some 93 sites (30 April 2017: 90). Of these, 62 (67%) have an implementable planning consent and are in construction and a further 14 (15%) have at least a resolution to grant planning but the consent is not yet implementable; typically due to practical technical constraints and challenges surrounding, for example, vacant possession, CPO requirements or utilities provision. The remaining 17 sites (18%) are in the planning process, with 13 of these subject to conditional contracts which means there is low financial risk on balance sheet. This means Berkeley owns just 4 sites unconditionally which do not have planning consent.

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

- End -

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Principal Risks and Uncertainties

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

Operating Risk

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 following areas: economic and political outlook, regulation, land availability, the planning process, retaining people, securing sales, mortgage availability, sustainability and climate change, health and safety, build cost and programme, product quality and cyber and data risk. These risks and their impact, along with Berkeley's approach to mitigating them, are set out on the following pages.

Financial Risk

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

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

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

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

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Risk Description and Impact

Approach to Mitigating Risk

Economic Outlook

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

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

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

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

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

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

Production programmes are continually assessed, depending upon market conditions.

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

Political Outlook

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

Whilst we cannot directly influence political events, the risks are taken into account when setting our business strategy and operating model. In addition, we actively engage in the debate on policy decisions.

Regulation

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

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

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

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

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

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

During the year Berkeley conducted comprehensive checks on the fire safety plans for all our current sites.

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Risk Description and Impact

Approach to Mitigating Risk

Land Availability

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

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

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

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

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

The Group maintains its land holdings to mitigate against significant impacts from market changes or delayed build activity.

Planning Process

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

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

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.

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

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

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

Retaining People

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

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

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

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

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

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Risk Description and Impact

Approach to Mitigating Risk

Securing Sales

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

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

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

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

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

Liquidity

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

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

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

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

Cash flow management is central to the continued success of Berkeley, and there is a culture which prioritises an understanding of the impact of all decisions on the Group's spending commitments and hence its balance sheet, alongside weekly and monthly reviews of cash flow forecasts at operating company, divisional and Group levels.

Mortgage Availability

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

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

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

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

Environmental and Social Sustainability

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

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

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

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

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

THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Risk Description and Impact

Approach to Mitigating Risk

Climate Change

The effects of climate change could directly impact Berkeley's ability to deliver its product through disruptions to programme and supplies of materials, and our customers and communities could be adversely affected through overheating, water shortages or flooding.

There is also an increased level of interest in disclosures on climate change management. Failure to report in line with regulations or key recommendations could expose Berkeley to penalties and reputational damage.

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

Climate change action is a key focus for Berkeley with this featuring prominently under Our Vision, with commitments to both mitigate and adapt to climate change.

By taking action under our carbon emissions reduction target our sites, offices and sales suites are identifying and investing in energy efficiency measures. We are also increasingly using energy from low carbon or renewable sources.

Climate change adaptation measures are considered for all new developments submitted for planning to build resilience into our homes and developments. Mitigation measures are also incorporated.

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

Health and Safety

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

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

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

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

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

Build cost and programme

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

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

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

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

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

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

THE BERKELEY GROUP HOLDINGS PLC

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Risk Description and Impact

Approach to Mitigating Risk

Product Quality

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

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

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

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

Cyber and Data Risk

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

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

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

Our Information Security Programme focuses primarily on stopping security breaches, and ongoing monitoring and scanning are also conducted. We also work closely with our suppliers and partners to improve the understanding of security best practices.

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

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

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

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RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Consolidated Income Statement

For the year ended 30 April		2018	2017
	Notes	£m	£m
Revenue		2,703.7	2,723.5
Cost of sales		(1,757.6)	(1,783.7)
Gross profit		946.1	939.8
Net operating expenses		(166.5)	(183.6)
Operating profit		779.6	756.2
Finance income	3	6.6	2.1
Finance costs	3	(9.3)	(9.7)
Share of results of joint ventures using the equity method		158.0	63.8
Profit before taxation for the year		934.9	812.4
Income tax expense	4	(172.8)	(167.3)
Profit after taxation for the year		762.1	645.1
Earnings per share (pence):			
Basic	5	562.7	467.8
Diluted	5	550.2	451.4

Consolidated Statement of Comprehensive Income

For the year ended 30 April		2018	2017
		£m	£m
Profit after taxation for the year		762.1	645.1
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial loss recognised in the pension scheme		(0.6)	(0.6)
Deferred tax on actuarial loss recognised in the pension scheme		0.1	0.1
Total items that will not be reclassified to profit or loss		(0.5)	(0.5)
Other comprehensive expense for the year		(0.5)	(0.5)
Total comprehensive income for the year		761.6	644.6

THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Consolidated Statement of Financial Position

As at 30 April	2018 £m	2017 £m
Assets		
Non-current assets		
Intangible assets	17.2	17.2
Property, plant and equipment	25.9	22.8
Investments in joint ventures	315.0	135.0
Deferred tax assets	58.9	59.4
	417.0	234.4
Current assets		
Inventories	3,239.9	3,483.4
Trade and other receivables	132.3	229.5
Cash and cash equivalents	987.3	585.5
	4,359.5	4,298.4
Total assets	4,776.5	4,532.8
Liabilities		
Non-current liabilities		
Borrowings	(300.0)	(300.0)
Trade and other payables	(62.6)	(69.2)
Provisions for other liabilities and charges	(68.0)	(73.0)
	(430.6)	(442.2)
Current liabilities		
Trade and other payables	(1,664.8)	(1,809.2)
Current tax liabilities	(47.3)	(117.6)
Provisions for other liabilities and charges	(13.8)	(26.9)
	(1,725.9)	(1,953.7)
Total liabilities	(2,156.5)	(2,395.9)
Total net assets	2,620.0	2,136.9
Equity		
Shareholders' equity		
Share capital	7.0	7.0
Share premium	49.8	49.8
Capital redemption reserve	24.5	24.5
Other reserve	(961.3)	(961.3)
Retained earnings	3,500.0	3,016.9
Total equity	2,620.0	2,136.9

THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Other reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
At 1 May 2017	7.0	49.8	24.5	(961.3)	3,016.9	2,136.9
Profit after taxation for the year	-	-	-	-	762.1	762.1
Other comprehensive expense for the year	-	-	-	-	(0.5)	(0.5)
Purchase of own shares	-	-	-	-	(140.4)	(140.4)
Transactions with shareholders:						
- Credit in respect of employee share schemes	-	-	-	-	4.2	4.2
- Deferred tax in respect of employee share schemes	-	-	-	-	4.4	4.4
- Dividends to equity holders of the Company	-	-	-	-	(146.7)	(146.7)
At 30 April 2018	7.0	49.8	24.5	(961.3)	3,500.0	2,620.0
At 1 May 2016	6.9	49.8	24.5	(961.3)	2,692.9	1,812.8
Profit after taxation for the year	-	-	-	-	645.1	645.1
Other comprehensive expense for the year	-	-	-	-	(0.5)	(0.5)
Purchase of own shares	-	-	-	-	(64.5)	(64.5)
Issue of ordinary shares	0.1	-	-	-	-	0.1
Transactions with shareholders:						
- Charge in respect of employee share schemes	-	-	-	-	(1.3)	(1.3)
- Deferred tax in respect of employee share schemes	-	-	-	-	(0.2)	(0.2)
- Dividends to equity holders of the Company	-	-	-	-	(254.6)	(254.6)
At 30 April 2017	7.0	49.8	24.5	(961.3)	3,016.9	2,136.9

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RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Consolidated Cash Flow Statement

For the year ended 30 April	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	6	957.2	537.0
Interest received		4.9	1.9
Interest paid		(7.5)	(2.7)
Income tax paid		(238.0)	(115.6)
Net cash flow from operating activities		716.6	420.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(6.1)	(2.8)
Dividends from investments in joint ventures		-	70.0
Proceeds on disposal of property, plant and equipment		0.4	0.5
Movements in loans with joint ventures		(22.0)	8.8
Net cash flow from investing activities		(27.7)	76.5
Cash flows from financing activities			
Proceeds from issue of shares		-	0.1
Purchase of own shares		(140.4)	(64.5)
Increase in borrowings		-	300.0
Dividends paid to Company's shareholders		(146.7)	(254.6)
Net cash flow from financing activities		(287.1)	(19.0)
Net increase in cash and cash equivalents		401.8	478.1
Cash and cash equivalents at the start of the financial year		585.5	107.4
Cash and cash equivalents at the end of the financial year		987.3	585.5

THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Notes to the Condensed Consolidated Financial Information

1 General information

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 April 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies, and those for 2018 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2 Basis of preparation

This information, including the comparative information for the year ended 30 April 2017, has been prepared in accordance with EU endorsed International Financial Reporting Standards (“IFRSs”), International Financial Reporting Interpretations Committee (“IFRIC”) interpretations and in accordance with the listing rules of the Financial Conduct Authority and consistently in accordance with the accounting policies set out in the 2017 Annual Report. However, this announcement does not itself contain sufficient information to comply with IFRS.

The following new standards, amendments to standards and interpretations (“Standards”) are applicable to the Group and are mandatory for the first time for the financial year which began on 1 May 2017: Amendments to IAS 7 ‘Statement of Cash Flows - Changes in liabilities arising from financing activities’ and Amendment to IAS 12 ‘Recognition of Deferred Tax Assets for Unrealised Losses’. These Standards have not had a material impact on the results of the Company for the year ended 30 April 2018.

The following new standards, amendments to standards and interpretations (“New Standards”) have been issued, but are not yet effective for the financial year ended 30 April 2018 and have not been adopted early:

IFRS 15, ‘Revenue from Contracts with Customers’ replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction Contracts’, setting out new revenue recognition criteria particularly with regard to performance obligations and assessment of when control of goods or services passes to the customer. The standard is effective for periods beginning on or after 1 January 2018 and will be implemented by the Group from 1 May 2018.

Currently, under IAS 18, revenue and profit on the sale of units is recognised when substantially all the risks and rewards of ownership have transferred to the customer. As set out in the Accounting Estimates and Judgements, this occurs when the unit is physically complete and there is an exchanged contract in place, with the customer able to proceed to legal completion.

Under IFRS 15, revenue and profit on the sale of units will be recognised at the point control of the unit is passed to the customer which, based on the indicators in the standard as well as industry practices and interpretations, has been determined as the point of legal completion. The impact of this change is limited only to those contracts which have not legally completed at the financial year end.

The comparative results to be included in the 2019 financial statements will be re-stated using the full retrospective transition method, under which it is expected that:

- Net assets of the Group as at 1 May 2017 will reduce by £62 million.
- Profit after tax for the year ended 30 April 2018 will increase by £33 million. This consists of an increase in revenue of £137 million, an increase in operating profit of £37 million, an increase in profit from joint ventures of £5 million and an increase in tax expense of £9 million.
- Net assets of the Group as at 30 April 2018 will reduce by £29 million.

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Notes to the Condensed Consolidated Financial Information

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective from 1 January 2018. The Group does not presently hold any complex financial instruments, it is expected that the new standard will not have a material impact on the Group's reported results.

Amendment to IFRS 2 'Share-based Payments', Amendment to IFRS 4 'Insurance Contracts' regarding the implementation of IFRS 9 'Financial Instruments', and Annual Improvements 2014-2016, all effective from 1 January 2018, are not expected to have a material impact on the Group's financial statements.

The Group is currently considering the impact of IFRS 16 Leases, Annual Improvements 2015-2017, Amendment to IAS 28 'Investments in Associates and Joint Ventures', IFRIC 23 Uncertainty over income tax treatments, and Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' which will be applicable in Berkeley's financial year ending 30 April 2020.

3 Net finance costs

For the year ended 30 April	2018 £m	2017 £m
Finance income	6.6	2.1
Finance costs		
Interest payable on bank loans and non-utilisation fees	(7.5)	(3.9)
Amortisation of facility fees	(1.8)	(1.5)
Other finance costs	-	(4.3)
	(9.3)	(9.7)
Net finance costs	(2.7)	(7.6)

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 Income tax expense

For the year ended 30 April	2018 £m	2017 £m
Current tax		
UK corporation tax payable	(177.8)	(162.4)
Adjustments in respect of previous periods	9.4	1.8
	(168.4)	(160.6)
Deferred tax	(4.4)	(6.7)
	(172.8)	(167.3)

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RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Notes to the Condensed Consolidated Financial Information

5 Earnings per share

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

For the year ended 30 April	2018	2017
Profit attributable to shareholders (£m)	762.1	645.1
Weighted average no. of shares (m)	135.4	137.9
Basic earnings per share (p)	562.7	467.8

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 2018, the Group had two (2017: two) categories of potentially dilutive ordinary shares: 10.4 million (2017: 11.4 million) £nil share options under the 2011 LTIP and 21,000 (2017: 12,000) share options under the 2015 Bonus Banking plan.

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

For the year ended 30 April	2018	2017
Profit used to determine diluted EPS (£m)	762.1	645.1
Weighted average no. of shares (m)	135.4	137.9
Adjustments for:		
Share options - 2011 LTIP	3.1	5.0
Shares used to determine diluted EPS (m)	138.5	142.9
Diluted earnings per share (p)	550.2	451.4

THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

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

For the year ended 30 April	2018 £m	2017 £m
Net cash flows from operating activities		
Profit for the financial year	762.1	645.1
Adjustments for:		
Taxation	172.8	167.3
Depreciation	2.7	2.8
Loss on sale of fixed assets	-	0.2
Finance income	(6.6)	(2.1)
Finance costs	9.3	9.7
Share of results of joint ventures after tax	(158.0)	(63.8)
Non-cash charge in respect of share awards	8.6	10.9
Changes in working capital:		
Decrease/(increase) in inventories	243.5	(227.3)
Decrease/(increase) in receivables	97.0	(18.4)
(Decrease)/increase in trade and other payables	(173.6)	13.2
Decrease in employee benefit obligations	(0.6)	(0.6)
Cash generated from operations	957.2	537.0
Reconciliation of net cash flow to net cash		
Net increase in cash and cash equivalents, including bank overdraft	401.8	478.1
Increase in borrowings	-	(300.0)
Movement in net cash in the financial year	401.8	178.1
Opening net cash	285.5	107.4
Closing net cash	687.3	285.5
Net cash		
Cash and cash equivalents	987.3	585.5
Borrowings	(300.0)	(300.0)
Net cash	687.3	285.5

THE BERKELEY GROUP HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Notes to the Condensed Consolidated Financial Information

7 Related party transactions

The Group has entered into the following related party transactions:

Transactions with Directors

During the year, Mr A W Pidgley paid £73,317 (2017: £44,794) and Mr R C Perrins paid £14,577 (2017: £32,289) to the Group in connection with works carried out at their respective homes at commercial rates in accordance with the relevant policies of the Group. In the prior financial year Mr S Ellis paid £92,732 to the Group. There were no balances outstanding at the year end.

Director property purchases previously disclosed, which have all received shareholder approval, include:

- Ms D Brightmore-Armour – purchase of an apartment at 190 Strand for £2,985,000 in 2014 along with a storage room at the property for £101,200 in 2015. During the financial year, Ms Brightmore-Armour legally completed on the purchase of both the apartment and storage room. All contractual amounts have been paid to the Group.
- Mr S Ellis – purchase of an apartment at 190 Strand for £2,285,000 in February 2017. During the financial year, Mr S Ellis legally completed on the purchase of the apartment. All contractual amounts have been paid to the Group.
- Mr K Whiteman – purchase of an apartment at Royal Arsenal Riverside for £650,000 in 2016. During the year Mr Whiteman paid £971 in respect of enhancements to specification. As at 30 April 2018 all contractual amounts due have been paid to the Group and the property was still under construction.

Berkeley Homes plc has an agreement with Langham Homes, a company controlled by Mr T K Pidgley who is the son of the Group's Chairman, under which Langham Homes will be paid a fee for a land introduction on an arm's length basis. No payments have been made under this agreement in the year (2017: nil) and there were no outstanding balances at the year end (2017: nil). Langham Homes has not introduced any new land to the Group in the year. In the event that any further land purchases are agreed, further fees may be payable to Langham Homes in future years.

Transactions with Joint Ventures

During the financial year there were no transactions with joint ventures other than movements in loans. The outstanding loan balances with joint ventures at 30 April 2018 total £102,700,000 (30 April 2017: £80,700,000). In the prior financial year there was a receipt of a dividend from St Edward of £70,000,000.

In 2009 inventory was sold to St Edward Homes Limited for £17,411,000 being the share of the transaction attributable to the other party in the joint venture. At 30 April 2018 no amounts were outstanding in respect of this transaction (30 April 2017: £736,000 included in trade receivables).