Berkeley Group

ANNUAL REPORT 2016

Berkeley's business is about placemaking; it's about creating strong communities where people enjoy a great quality of life.

Berkeley has a strategic appreciation of the cyclical nature of the property market and recognises that there are significant operational risks in identifying, designing, building and selling homes and creating places.

Berkeley mitigates these risks by focusing on development in London and the South of England, markets which it knows and understands, and forward selling new homes wherever possible. In doing this, Berkeley maintains a strong balance sheet, keeps financial risk low and carefully allocates resources to the right projects at the right time, matching supply to demand wherever it can.

READ MORE ONLINE:
www.berkeleygroup.co.uk/about-berkeley-group

Berkeley Group

ABOUT THIS REPORT

Welcome to the 2016 Annual Report of the Berkeley Group Holdings plc ("the Berkeley Group", "Berkeley", "the Group"), a publicly owned company, listed on the London Stock Exchange. The Strategic Report explains Berkeley's strategy, business model, risk management processes and provides an overview of current performance and outlook. The Governance section covers the role and activities of the Board in running the business and their remuneration. The detailed Financials, accompanied by a report from the Group's auditors, complete the Annual Report.

STRATEGIC REPORT

GOVERNANCE

FINANCIALS

Cover image One Tower Bridge, Southwark
This page Goodman's Fields, Aldgate

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

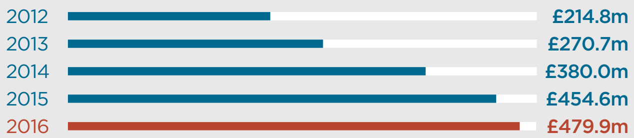
2016 PERFORMANCE HIGHLIGHTS

A year of strong growth across our key performance indicators.

PERFORMANCE (FINANCIAL KEY PERFORMANCE INDICATORS)

ADJUSTED PROFIT BEFORE TAX

£479.9 million



Key Measure

This is our core measure of profitability, our absolute return from the sale and delivery of new homes in the year before the impact of profit from the sale of ground rent assets which do not recur on a consistent basis. The adjusted measure therefore provides a more meaningful measure.

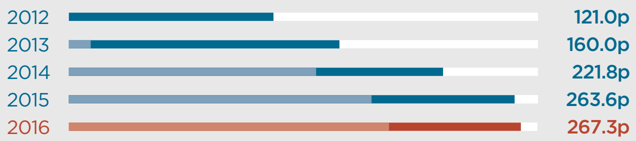
Result

Adjusted profit before tax of £479.9 million is an increase of 5.6% on last year.

Adjusted profit before tax excludes £51.0 million (2015: £85.1 million) of profit from the sale of ground rent assets. The unadjusted profit before tax is £530.9 million (2015: £539.7 million).

ADJUSTED BASIC EARNINGS PER SHARE

267.3p



Note: includes proportion of earnings per share paid as dividends per share.

Key Measure

This measure of profitability allows for total profit after tax and takes into account the weighted average number of shares in issue during the year. The dividend per share paid in the year is articulated in the graph to show earnings cover.

Result

Adjusted basic earnings per share is 267.3 pence, up 3.7 pence from last year.

Basic earnings per share is 295.8 pence (2015: 313.0 pence).

ADJUSTED RETURN ON EQUITY

27.8%

Key Measure

Calculated as profit before tax, excluding profit from the sale of ground rent assets, as a percentage of the average of opening and closing shareholders' funds, this measure shows the efficiency of the returns generated from shareholder equity in the business.

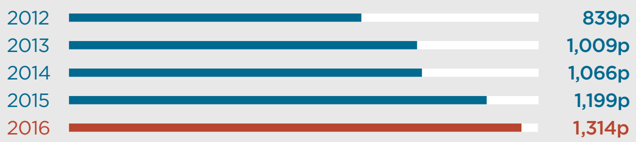
Result

A result of 27.8%, down from 29.5% last year, continues to represent a strong performance ahead of our long-term historical range.

The unadjusted return on equity, including profit from the sale of ground rent assets, is 30.8% (2015: 35.1%).

NET ASSET VALUE PER SHARE

1,314p



Key Measure

This balance sheet measure reflects the value of shareholders' interests in the net assets of the business on an historical cost basis.

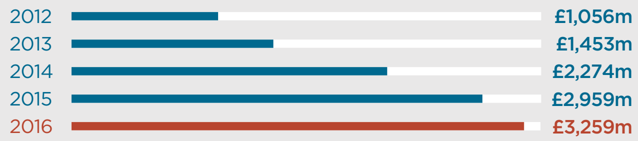
Result

The growth of 115 pence to 1,314 pence per share during 2016 demonstrates value delivered to shareholders, even after allowing for dividend payments of 190 pence per share.

OUTLOOK (FINANCIAL KEY PERFORMANCE INDICATORS)

CASH DUE ON FORWARD SALES

£3,259 million



Key Measure

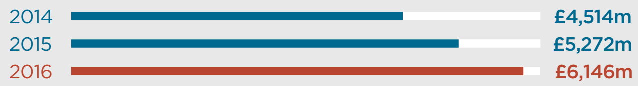
This measures cash due from customers during the next three financial years under unconditional contracts for sale, and provides good visibility over future cash flows.

Result

This has risen by £300 million to £3,259 million in the year, an increase of 10.1 %. The Group's forward sales have now peaked as it enters a period of enhanced delivery over the next two years, with customers buying later in the development cycle as market conditions normalise.

GROSS MARGIN ON LAND HOLDINGS

£6,146 million



Key Measure

This provides a measure of expected value in the Group's existing land holdings in the event that the Group successfully sells and delivers the developments planned for this land.

Result

This has increased by £874 million to £6,146 million in the year, a result of further value added from optimisation through revised consents and new schemes acquired over and above profit recognised in the year.

PERFORMANCE (NON-FINANCIAL KEY PERFORMANCE INDICATORS)

Our People

Accident Incident Rate per 1,000 employees

2.40

(2015: 2.46)

Managing health and safety on our sites is a priority, to protect the wellbeing of our staff and contractors. This year we have performed within our target of 3.00 (2015: 3.25), and the industry average of 4.20 (2015: 4.12).

See pg 42

Customers

Net Promoter Score

71.2

(2015: 69.8)

Our continued efforts to provide world-class customer service are evidenced through our high levels of customer satisfaction.

A result of 71.2 ranks us alongside some of Britain's top performing companies.

See pg 24

Our People

Payroll Giving

33%

(2015: 35%)

Payroll Giving Platinum Award received in 2016 for the third successive year for over 30% of employees donating through a Give As You Earn scheme.

See pg 42

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

STRATEGIC REPORT

Queensbury Gardens, Ascot

CHAIRMAN'S STATEMENT

£107.4 million
Net cash

£3.25 billion
Forward sales

"I am pleased to announce pre-tax profits for Berkeley of £530.9 million for the year ended 30 April 2016. Berkeley remains ungeared with net cash of £107.4 million, cash due over the next three years on forward sales of £3.25 billion and is maintaining its earnings guidance for the three years ending 30 April 2018."

Following the enhancements to Berkeley's dividend return plan announced in December 2015 which increased the target returns by 2021 to £16.34 per share, from £13.00 per share, the Board has declared a further interim dividend of £1 per share. This will be payable on 15 September 2016 to shareholders on the register on 12 August 2016.

The outcome of this week's referendum on Britain's membership of the European Union is significant for the UK's housebuilding and property sector. Berkeley supports a vote to remain in the EU. London's status as the world's best big city is underpinned by labour mobility, cultural diversity and a constant influx of talent and investment from around the world, and the UK economy in turn is powered by the success of our Capital City.

However, London will always be a world city and a highly desirable place to live, work and play. For Berkeley, our brand, our land holdings and our forward sales will continue to differentiate and underpin our performance over the long-term and, while we have a clear view about what the better outcome would be on Thursday 23 June, we are confident about the future for our business.

We are also encouraged by the priority accorded to housing by the new Mayor of London, Sadiq Khan. This issue has to become a political priority if we are to have any chance of delivering 50,000 new homes a year in London. His administration has already shown welcome signs of adopting an approach to delivery which is both ambitious and pragmatic.

In terms of housing policy, it is important that policies developed are consistent with the ambition of delivering more homes across all forms of tenure. This includes: ensuring local plans are in place across the country; finding the right framework for property taxation; and recognising the pressure that the conflicting demands of CIL, Section 106 and affordable housing place on the delivery of new homes. None of this is easy but if we get it right, it will have a profoundly positive impact on the future of London and the country as a whole.

I firmly believe that placemaking is a force for good in our country – giving people a home, creating strong communities and generating jobs and growth – making our society better in many different ways. We are proud of the places we create at Berkeley and I would like to thank each and every one of our people for their dedication, enthusiasm and innovation which has made the last twelve months another successful year for Berkeley.

We live in exciting and fast moving times. There are always headwinds, although the strength of these ebb and flow. Berkeley operates the right business model and strategy for a cyclical market. In particular, our unique operating model of developing complex sites which others are not willing to take on, recognises the additional operational risk that comes with this strategy whilst maintaining the financial strength that it demands. The current plan places a premium on careful capital allocation to create consistent and sustainable added value returns for shareholders, through the delivery of homes and places of the highest quality.

Tony Pidgley CBE
Chairman

21 June 2016

"I firmly believe that placemaking is a force for good in our country, making our society better in many different ways.

TONY PIDGLEY CBE
CHAIRMAN

Berkeley's contribution to housebuilding, job creation and the wider economy remains strong:

£2.1 billion
contribution to UK GDP

ECONOMY

- Berkeley's contribution to UK GDP was £2.1 billion in 2015, up 40% from 2014 and the 7th consecutive year of growth.

17,750
homes built

HOMES CONSTRUCTED

- Berkeley has built a total of 17,750 homes over the last 5 years.

26,000
jobs supported

JOBS

- Berkeley supported through its business and supply chain a total of 26,000 jobs in 2015. Berkeley supports more than 5 jobs for every new home built.
- The total number of jobs supported by Berkeley has more than doubled over the last 5 years (up 130%), compared with a 7% growth in employment in London and the South East over the same period.

£1.8 billion
contributed to the Treasury

PUBLIC FINANCES

- Berkeley has contributed a total of £1.8 billion to the Treasury over the last 5 years, through direct and wider taxation.
- Berkeley contributes to the UK public finances both through the taxes it pays directly and the taxes paid by its suppliers and customers. In 2015, the total tax paid was £571 million, an increase of 168% from 2011.

£7.9 million
committed to over 85 charities

COMMUNITY

- Over the last 5 years Berkeley has contributed £1.5 billion in affordable housing subsidies, and made additional direct payments of £396 million to help pay for a wide range of facilities and services in the community.
- £7.9 million has been committed by the Berkeley Foundation to over 85 charities since 2011, with £2.7 million having been raised by Berkeley staff.

Berkeley Group

Proud to be a member of
the Berkeley Group of Companies

Berkeley
Designed for life

St Edward
Designed for life

St James
Designed for life

St George
Designed for life

St William
Designed for life

CHIEF EXECUTIVE'S REVIEW

£479.9 million
Adjusted profit before tax for the year

£602.0 million
Net investment in inventories

SUMMARY OF PERFORMANCE

"Berkeley has delivered adjusted pre-tax earnings of £479.9 million for the year, an increase of 5.6% on last year. This is from the sale of 3,776 homes (2015: 3,355) at an average selling price of £515,000 (2015: £575,000), reflecting the mix of properties sold in the year. Together with a further £51.0 million of profit from the sale of ground rent assets, this represents total pre-tax earnings of £530.9 million."

After tax, the profit for the year was £404.1 million, from which £259.5 million was distributed to shareholders with the dividend covered 1.6 times. The remaining profit generated, along with the Group's existing cash balances, funded the £602.0 million net investment in inventories and £99.9 million net investment in joint ventures, ahead of the enhanced profit delivery anticipated over the next two years, resulting in year-end net cash of £107.4 million (2015: £430.9 million).

We remain on target to deliver pre-tax profits in the region of £2.0 billion over the three year period ending 30 April 2018, underpinned by our £3.25 billion of forward sales. The scale of the key regeneration schemes from which we expect to generate these earnings makes the delivery of profit in specific annual periods sensitive to timing and we always prioritise quality ahead of individual period financial targets.

While sales are down 4% for the year as whole, the market for Berkeley has slowed some 20% in the five months to May 2016 as the EU Referendum approaches, with no new London launches in this period. This has had a more distinct impact on the higher end of the market which has also been affected by increased transaction taxes and the policy shift against buy-to-let investors. We continue to achieve sales prices ahead of our business plan with price inflation remaining for properties of less than £1.25 million where demand is most robust, with Berkeley already absorbing the increased cost of transaction taxes above this level in its pricing. New sales activity is now focused on the periods beyond 2017/18 with a number of new launches planned for later in the year, once the EU Referendum uncertainty has passed.

We have made great strides with our land holdings in the last 12 months, acquiring 12 new sites encompassing some 8,600 plots, securing nine new planning consents and 21 revised planning consents. This investment has seen our land holdings rise to 42,858 plots with an estimated future gross margin of £6.1 billion, up from 37,473 plots and £5.3 billion a year ago.

"We remain on target to deliver pre-tax profits in the region of £2.0 billion over the three years ending April 2018.

ROB PERRINS
CHIEF EXECUTIVE

STRATEGIC REPORT
GOVERNANCE
FINANCIALS

Goodman's Fields, Aldgate

Student accommodation

Wetlands at Woodberry Down

STRATEGIC DELIVERY

During the year the Board of Berkeley reviewed the quantum and profile of the Company's dividend programme that was put in place in 2011 to deliver £13.00 per share to shareholders by 2021. This review took into account a number of factors, including: the Company's financial strength and its visibility over future earnings and cash generation; the prevailing market conditions and stable operating environment; and the investment opportunities that continue to present themselves. Following the review, the Board determined that it intended to enhance the dividend programme by £0.5 billion, increasing it from £13.00 per share to £16.34 per share.

This has enhanced, and gives visibility of, returns to shareholders within the proven framework which allows Berkeley to operate at its natural size and to optimise returns to shareholders while managing the risks of a cyclical market. The first £1.00 per share of this enhanced dividend return was paid to shareholders in January of this year and the next £1.00 per share will be paid in September. The changes to the dividend profile necessitated consequential changes to the 2011 LTIP to ensure ongoing alignment. These were approved by 94% of shareholders who voted at the General Meeting on 16 February 2016.

	Original Returns	Enhanced Returns
Paid to date	£4.34	£5.34
By September 2016	£1.44	£1.00
By September 2017	£1.44	£2.00
By September 2018	£1.45	£2.00
By September 2019	-	£2.00
By September 2020	-	£2.00
By September 2021	£4.33	£2.00
To come	£8.66	£11.00
Total	**£13.00**	**£16.34**

CHIEF EXECUTIVE'S REVIEW

Continued


Goodman's Fields, Aldgate


Holborough Lakes, Kent


Berkeley Urban House

HOUSING MARKET

Over the course of the year, the housing market for Berkeley has remained stable, with forward sales increasing by 10%, from £2.95 billion to £3.25 billion. This reflects a greater value of new properties exchanged in the period compared to those taken to profit in the year. Taking the year as a whole, the value of new reservations is 4% lower than in 2014/15 but this is from a marginally higher number of transactions. This reflects a change in mix due to the underlying market dynamics, coupled with the sales profile of Berkeley's London developments. It should be recognised that the Group's forward sales have now peaked as we enter a period of enhanced delivery over the next two years, over which time both forward sales and customer deposits on the balance sheet are likely to reduce accordingly, with customers buying later in the development cycle as market conditions normalise.

Global macro uncertainty and the impending EU Referendum have had a dampening effect on investment levels across all businesses and this is likely to continue immediately after the result of the Referendum. This, along with the market adjusting to higher levels of property transaction taxes, has affected the upper end of the housing market in London, although underlying interest and demand remain good. As a consequence of these converging headwinds, reservations for the first five months of the calendar year are 20% down on the same period last year. At more mainstream price points, the market remains inflationary due to the embedded under-supply and the ripple effect of the increased transaction costs at the upper end of the market. Only 96 of the Group's reservations in the year utilised the Government's Help to Buy scheme.

In terms of the Group's available sales profile, having acquired a number of London developments in the period from 2009 to 2013, Berkeley forward sold these into the particularly strong market that began in 2013 and continued through 2014. As a consequence, there have been fewer launches of such schemes during the last 12 months and no new schemes launched in London over the last five months to May 2016. The Group continues to sell across all its developments at all price points but the rate of sale and time taken to complete transactions is adjusting to the current market conditions. At around 10%, reservation cancellation rates remain at the low end of historical norms.

It is of some concern that, after such strong market conditions for our industry, transaction levels in both the secondhand and new homes market have not increased to the levels we all would hope for at this stage in the cycle. Government policy has sought to increase the level of home ownership but has focused primarily on the demand side, creating unintended consequences for supply. The real challenge is to build more homes for all sectors of the market; home ownership, private rent (PRS), shared ownership, affordable rent and social rent. To meet the numbers required, all these ownership models need to thrive. We look forward to working with both Central Government and the new London Mayor to make this happen.

CUSTOMERS

The customer experience is central to Berkeley's reputation and our ability to secure sales. Our performance is independently assessed using the Net Promoter Score ("NPS"). This takes the percentage of customers who are promoters of the company and subtracts the percentage who are detractors, leaving a score in a possible range of -100 to +100.

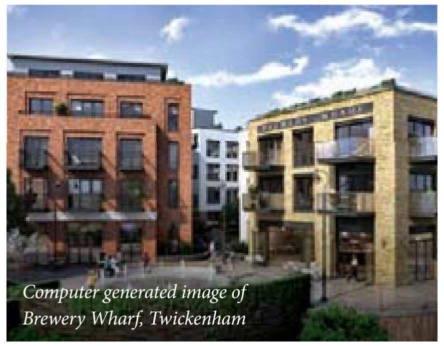
Berkeley's NPS of 71.2 (2015: 69.8) illustrates our permanent focus on customer service on each of our sites. At Goodman's Fields in Aldgate, for example, Berkeley is creating 1,038 homes as well as a hotel, student accommodation, and public gardens. We have recently completed the latest block of 179 apartments and achieved an average NPS of 82.6.

These efforts were publicly acknowledged in March when Berkeley won the Best Customer Focus (Large Enterprise) Award at the Institute of Customer Service's UK Customer Satisfaction Awards. This is significant because the awards assess companies across all sectors – not solely in property or housing. Berkeley was commended for its comprehensive commitment to customer service, the level of employee engagement and a well-communicated strategy.

During 2016, we have continued to market all our homes in line with our UK First Policy. This policy has been in place since 2014 and is in line with the London Mayoral Concordat which invites developers to sell to the UK and international markets simultaneously. We recognise the importance of giving domestic customers a level playing field and every chance to compete in the new build market.


Fitzroy Gate, Isleworth


The Nine Elms Tavern, Riverlight


Computer generated image of Brewery Wharf, Twickenham

HOMES

During the final quarter of this year, Berkeley launched a new design concept called the Urban House. This enables twice as many homes to be built on a site compared to traditional terraced housing. At a time when the demand for family homes in London outstrips supply by 13 to 1, the Urban House offers an intelligent, traditional three storey solution, which is full of light, economical to run and works equally well as private or affordable housing. The efficiencies are achieved by replacing the back garden with a private roof garden, while retaining space at the front for a car and bicycles.

The first 22 homes of this prototype have been built on two streets at Kidbrooke Village while others are under construction at Green Park Village in Reading. It represents the first time a large-scale developer has designed and delivered its own housing typology. Berkeley believes the Urban House will offer local authorities a new way of providing high density family homes, while the increase in density will make smaller sites viable for residential development which would not otherwise be possible.

It also illustrates the value of a flexible approach to housing standards, focused on delivering affordability and additionality.

PLACES

On every site, our goal is to create a strong community and a place where people enjoy a fantastic quality of life. No two developments are the same; each is tailored to the context. To enable this we apply our social sustainability framework to all developments above 100 homes to set an approach to creating communities on our developments.

As part of the estate regeneration programme at Woodberry Down, we have worked with the London Wildlife Trust to restore an 11 hectare wetland. This is now a free, beautiful, public amenity. In the first five days after the opening by Sir David Attenborough on 21 April, 4,500 people visited. At One Tower Bridge, we have invested in building a 900-seat theatre, designed by Stirling Prize winners Haworth Tompkins. This is due to open in September 2016.

In Bath, Berkeley recently completed 307 purpose-built student rooms for Bath Spa University. This scheme won a 2015 Royal Town Planning Institute Award for Planning Excellence on the basis of a partnership with the local council. Our work together transformed a derelict eyesore in a World Heritage site into a building that the city can be proud of. We designed a Georgian style building with a traditional Bath stone frontage, while using modern methods of construction and over 600 pods manufactured off-site.

There remains an ongoing high profile debate about the role of tall buildings in solving the housing crisis. We believe they have an important part to play. Tall buildings can make efficient use of land and locate many homes close to public transport. With good design, they create a fantastic sense of place and the tax and levies paid make a major contribution to local infrastructure.

The key challenge lies in how you create a community in high rise buildings. Berkeley is pioneering new solutions to this issue at South Quay Plaza, one of Britain's tallest residential developments. We have also now committed to develop community plans for every new major site.

> On every site, our goal is to create a strong community and a place where people enjoy a fantastic quality of life.

ROB PERRINS
CHIEF EXECUTIVE

CHIEF EXECUTIVE'S REVIEW

Continued

The Berkeley Urban House at Kidbrooke Village, Greenwich

OPERATIONS

Berkeley is proud of its reputation as a leader in sustainability and holds a Queen's Award for Enterprise: Sustainable Development, awarded in 2014; the second time the Group had been awarded this accolade. Most recently, following the United Nations Climate Change Conference in December 2015, Berkeley has driven forward a range of major environmental initiatives.

We have developed a new research partnership, designed to help us better understand and manage energy use across our developments, and then deliver operational carbon and financial savings. We also helped the Institute for Public Policy Research to undertake and launch their initiative setting out how to make London one of the greenest cities in the world. Berkeley is currently creating 212 acres of new public open space across all our developments in the Capital.

Most importantly, in a landmark announcement for the housing industry, Berkeley has committed to become the first major housebuilder in Britain to be carbon positive. Over the next two years (2016-18), we will aim to deliver a 10% reduction in office and construction carbon emissions per person and set an internal carbon price, using the funds generated to offset more than all of the remaining carbon emissions.

Berkeley currently has over 13,800 people employed in the business or working through contractors on our sites, up 2,000 in the year, and apprenticeships are a central component of our workforce development strategy. Berkeley now has over 1,000 people in structured training across its workforce, as construction apprentices, or working on NVQs or equivalent qualifications. Over the last six months, plans have been developed to set up a construction skills centre on our regeneration sites at both Southall Waterside and White City and, by 2018, we intend to have had 1,500 people in apprenticeship or vocational training across the Berkeley Group.

OUR PEOPLE

Berkeley's talented and varied people are our strongest resource. Recruiting and retaining a high calibre workforce across our autonomous businesses is crucial to the success of our company. In recognition of this, we relaunched our graduate scheme in September 2015 and continue to evolve our talent management programmes to ensure we realise the potential of our people across all areas of the business.

The safety of our people continues to be a top priority across all our operations, in addition to enabling enhanced health and wellbeing. We aspire to operate incident and injury free and are pleased to be able to report a reduced Accident Incident Rate (AIR) of 2.40 (2015: 2.46).

We are proud that Berkeley employees continue to contribute to wider society through support of the Berkeley Foundation, which reached its fifth year in 2016. This year, Berkeley received a Platinum Award from the Charities Aid Foundation for its Give As You Earn scheme, with 33% of staff giving to the Berkeley Foundation in this way. Through this, and other activities, Berkeley's staff have raised just under £1 million in the year. We are particularly delighted to have been recognised for our work with The Change Foundation through the Street Elite programme, having won the Best Charity Partnership (Property & Construction) category at this year's Third Sector's Business Charity Awards. The programme has helped almost 300 young people on the edge of gangs and crime to build the skills for work, with many Street Elite graduates now in full-time employment including 15 directly within Berkeley.

OUTLOOK

Berkeley's focus is on building a modern world-class business which is successful and sustainable in the long-term.

We have in place an enhanced shareholder returns programme through to 2021 which allows us to optimise returns to shareholders while managing the risks of a cyclical market and whilst retaining sufficient capital to invest in opportunities that will add incremental value to the ongoing business.

The housing market in London and the South East continues to have strong underlying fundamentals with an imbalance between demand and supply, a persistent low interest rate environment and high employment levels, notwithstanding recent unhelpful changes to property taxation. The short-term outlook is impacted by uncertainty whether it be global in nature or through the economic consequences of the outcome of the EU Referendum.

Berkeley is extremely well placed to deliver its previously announced targets over the next two years in this environment with cash due on forward sales in the next three years of £3.25 billion, net cash of £107 million and a longer-term land bank of some 42,858 plots comprising estimated future gross margin of £6.1 billion. The business is able to differentiate its performance through the plan, Our Vision, which embeds our strategy in each of our businesses, and provides a focal point for our ambition to be a modern world-class business with a focus on the quality of the homes and places we create and the way in which we do this.

Rob Perrins
Chief Executive

21 June 2016

> "Berkeley's focus is on building a modern, world-class business which is successful and sustainable in the long-term.
>
> ROB PERRINS
> CHIEF EXECUTIVE

BERKELEY'S STRATEGIC FRAMEWORK

OUR ASPIRATION

To be a modern, world-class business generating long-term value by creating successful, sustainable places where people aspire to live.

OUR STRATEGY

Our strategic plan to ensure we remain firmly focused on achieving our aspiration is articulated through the framework of Our Vision.

For Berkeley to generate long-term value, the skills, commitment and approach of our people throughout the business are critical. We need to ensure we create the right environment to enable them to work towards a common set of goals.

To achieve this, and our aspiration to be a modern, world-class business, Berkeley's strategic plan is articulated through the framework of Our Vision.

Our Vision sets out our underlying core company values, together with five key strategic focus areas: Customers; Homes; Places; Operations and Our People.

CHALLENGING HEADLINE COMMITMENTS

Every two years we set targeted, challenging headline commitments to meet in each of the five focus areas alongside our everyday actions.

Our commitments identify aspects of our business that we focus on to ensure Berkeley remains a market leader across all areas of its operations.

Achieving these commitments contributes to generating long-term value.

The framework of Our Vision helps to empower our people, gives them clear direction across every discipline of the business and enables them to contribute to the ongoing success of the business.

Our vision for the future

Read more: see pg 16

OUR BUSINESS MODEL

Our business is about placemaking; it's about creating strong communities where people enjoy a great quality of life.

Our business model consists of five principal activities, all of which are equally integral to supporting our strategic commitments and achieving our aim of creating long-term value.

IDENTIFYING AND ACQUIRING LAND

We acquire land selectively, with a focus on long-term, complex schemes where we can use our expertise to add value through creating new places.

DESIGNING AND PLANNING NEW HOMES AND PLACES

We work with consultants, local authorities and communities to create places characterised by the quality of their design, public realm, sustainability, transport links and access to jobs and amenities.

BUILDING NEW HOMES AND PLACES

We are supporting the employment of some 13,800 people in our offices and on our schemes under construction, building new homes and places for current and future generations.

MARKETING AND SELLING HOMES

Whether first-time buyers, families, experienced investors, retailers, our partners in housing associations or providers of student accommodation, Berkeley strives to ensure that its customers receive an unparalleled service.

CUSTOMER SERVICE AND STEWARDSHIP

Customer satisfaction is the essential measure of whether our homes and our service meet the aspirations of our customers.

Read more: see pg 49

OUR RISK MANAGEMENT

Our ongoing operational and market risk management underpins our business model.

Identifying the risks that a business is exposed to is paramount to its success. However, understanding and setting the appropriate level of appetite for risk is even more critical.

OPERATIONAL RISKS

Berkeley recognises that our value added approach means we have an emphasis towards long-term regeneration, which presents a complex array of operational challenges on each of our sites.

Consequently, risk management is embedded throughout the business and our autonomous, talented operational teams are required to carefully manage each individual scheme, regardless of size, to a bespoke design, and embrace Berkeley's core values and qualities in their approach.

MARKET RISK

Berkeley has always, and continues to, recognise that the property market is inherently cyclical, where market sentiment and transaction levels can change quickly.

Consequently, we operate in London and the South of England, markets that we know and understand. We believe that recognising the importance of relationships and applying local knowledge gives us a competitive advantage and enables us to deliver new places which are socially, environmentally and economically successful.

Furthermore, Berkeley keeps financial risk low, by maintaining a strong balance sheet, forward selling new homes where possible and carefully allocating resources to the right projects.

This ensures that the business is always well placed, with the financial flexibility to take advantage of a breadth of opportunities as they arise.

Read more: see pg 56

CONTINUAL MEASUREMENT

Our strategic commitments assist with the measurement of our success, on both a financial and non-financial basis.

In 2014, we set out 16 challenging strategic commitments. Having achieved the majority of these, we have set ten new strategic commitments for the forthcoming two year period, with the intention of continually and incrementally improving our business across all key focus areas.

Details of these new commitments, together with an overview of our performance against the previous set are provided over pages 16 to 43. Our financial performance, measured by a further set of KPIs is presented on pages 2 and 3.

OUR VISION

Berkeley aspires to be a modern, world-class business. Through the framework of Our Vision we articulate our strategy across our five areas of strategic focus: Customers; Homes; Places; Operations; and Our People. We set challenging headline commitments in each of the five areas every two years continually to drive our performance.

OUR VISION

To be a world-class business generating long-term value by creating successful, sustainable places where people aspire to live.

FIVE FOCUS AREAS

CUSTOMERS
Provide exceptional service to all of our customers and put them at the heart of our decisions.

HOMES
Develop individually designed, high quality homes with low environmental impact.

PLACES
Create great places where residents enjoy a good quality of life, now and in the future.

OPERATIONS
Make the right long-term decisions whilst running the business efficiently and working with our supply chain.

OUR PEOPLE
Develop a highly skilled workforce who run autonomous businesses, operate in a safe and supportive working environment and contribute to wider society.

OUR CULTURE AND VALUES

HAVE INTEGRITY | BE PASSIONATE | RESPECT PEOPLE | THINK CREATIVELY | EXCELLENCE THROUGH DETAIL

By focusing our business strategy on the five areas, we ensure that we continue to provide customers with an exceptional service, whilst delivering high quality homes and places where communities can thrive. The skills, knowledge and dedication of our people, alongside the efficient management of our operations, are fundamental to the ongoing success of our business.

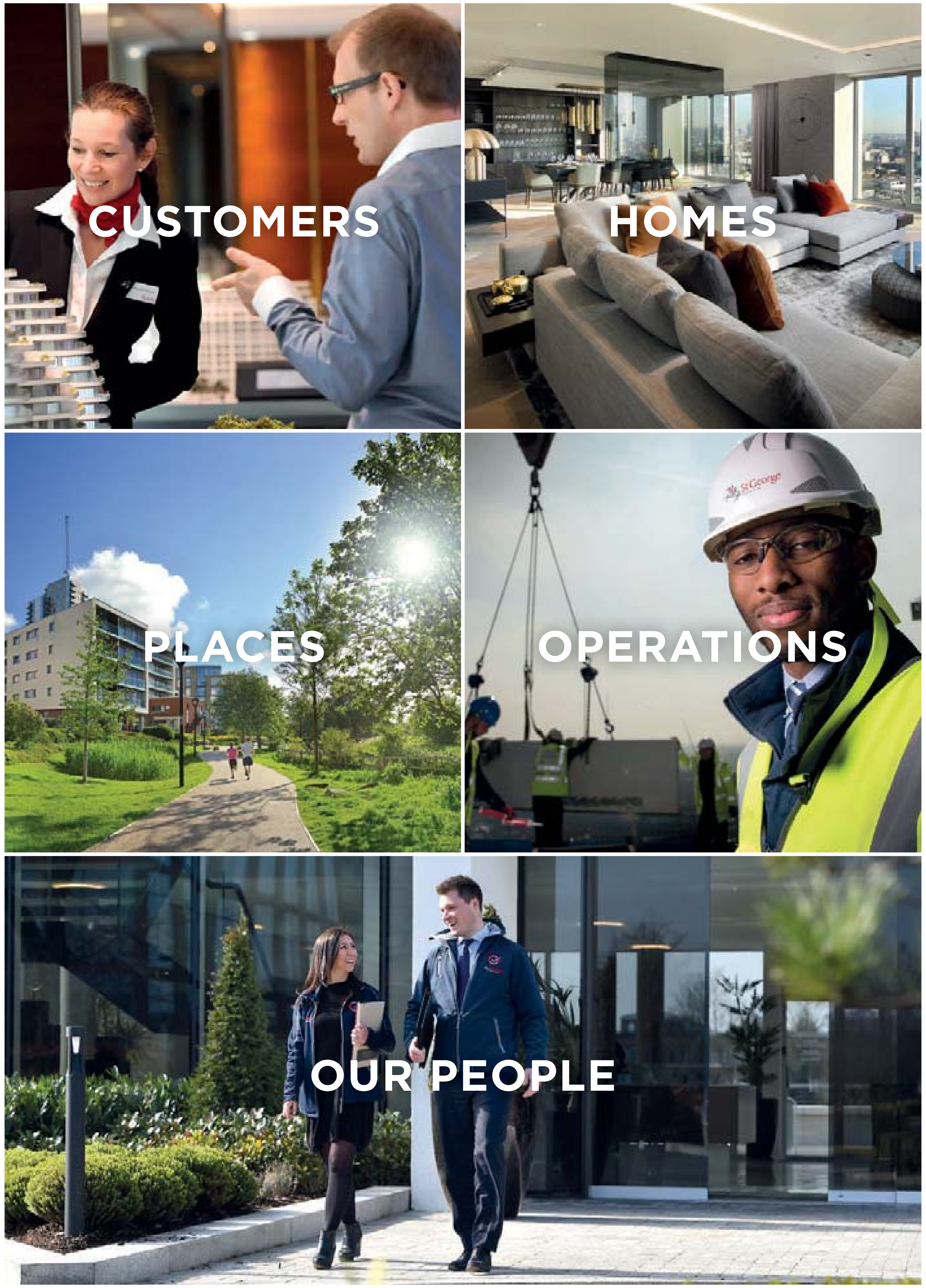
Our Vision provides clear direction and enables the whole business to work to a common set of goals, the overarching aim of which is to be a modern, world-class business. To drive improvements in performance, we continually review and develop our strategy across our five focus areas to address the key challenges and opportunities facing Berkeley, our industry and other business sectors.

Every two years we launch new headline commitments identifying our next set of priority actions. These are determined through an in-depth review of key industry, national and global issues, together with consultation with each of our autonomous companies and specialist committees.

Underpinning Our Vision is a core set of company values: having integrity; being passionate about what we do; showing respect for people; thinking creatively; and achieving excellence through detail.

For more information see www.berkeleygroup.co.uk/our-vision

STRATEGIC REPORT
GOVERNANCE
FINANCIALS



Our vision for the future

OUR VISION COMMITMENTS

Through the detailed review of emerging opportunities and challenges on a two-year cycle, Berkeley is able to evaluate and progress our actions under our focus areas to ensure our commitments continue to be relevant, leading and world-class.

The regular review of our strategy enables new priority themes to be incorporated within our headline commitments and ultimately our normal business activity. However, some themes continue to feature prominently within our headline commitments in recognition of an increased understanding of the continual work required to drive incremental performance improvements. Examples of this include climate change actions and upskilling of the industry workforce. In these instances, our commitments evolve to build on the excellent foundations already achieved, challenging ourselves further to be a world-class business.

Where headline commitments do not feature within the subsequent two-year cycle, we embed them into our ongoing processes and activities.

In May 2016 we launched a new set of ten stretching headline commitments to achieve by April 2018.

2016-2018 HEADLINE COMMITMENTS

CUSTOMERS

- Deliver world-class customer service as evidenced by a top quartile Net Promoter Score compared to UK Customer Satisfaction Index results
- Run a programme of engagement and research to further enhance our product and processes based on the needs of our customers

HOMES

- Design our homes to consider future climate change to ensure continued thermal comfort
- Understand the evolution of smart technology and connectivity in homes and on developments

PLACES

- Implement community plans on our developments to facilitate thriving communities
- Develop and apply an approach to ensure that all new developments create a net biodiversity gain

OPERATIONS

- Reduce our operational carbon emissions intensity by 10% and introduce a programme to become carbon positive
- Ensure at least 1,500 people across our direct and indirect workforce undertake an apprenticeship or vocational training

OUR PEOPLE

- Launch and implement a new programme to promote the wellbeing of our staff and create healthy workplaces
- Invest in training and development through our talent management programmes to realise the potential of our people across all areas of the business

2014-2016 HEADLINE COMMITMENTS

Customers

- Deliver world-class customer service measured through the Net Promoter Score
- Launch an interactive way of communicating with our customers, 'My Home Plus'
- Market all our developments in the UK first

Read more: see pg 22

Homes

- Enable fibre broadband on all our new homes and provide community Wi-Fi — 95%
- Guarantee space standards for all new homes — 90%
- Launch a new R&D programme to utilise customer feedback and drive innovation through improved design

Read more: see pg 26

Places

- Measure and increase people's quality of life by applying a framework for social sustainability
- Test new forms of estate management and community governance
- Adapt all developments to climate change through measures on flooding, overheating and water shortage — 91%

Read more: see pg 32

Operations

- Achieve a 50% increase in site-based apprenticeships and training
- Launch a £2 million fund for the supply chain to support innovation in health and safety
- Map our supply chain risks and develop a sustainable specification and procurement strategy — 92%

Read more: see pg 36

Our People

- Pay at least the Living Wage to all direct employees
- Reduce energy costs by up to £500,000, investing 50% of the saving in new health and wellbeing initiatives — 63%
- Encourage and support every member of staff to be involved with the Berkeley Foundation each year
- Launch a talent management programme which develops new ideas to enhance the business

Read more: see pg 40

> Over time our commitments become completely embedded into our actions and culture.

OUR COMMITMENTS

Every two years we launch new headline commitments identifying our next set of priority actions.

HEADLINE COMMITMENTS	LEADING COMMITMENTS	BUSINESS-AS-USUAL COMMITMENTS	NORMAL PRACTICE
New commitments launched every two years to ensure Berkeley continues to aspire to be a leading and world-class business	Existing commitments that were previously headline commitments and are still considered leading, either within the industry or across wider business sectors	Commitments that are no longer considered leading but that continue to push the company to ensure it is consistently a top performer within the industry or across wider business sectors	Actions that are fully integrated as part of business activities and that do not necessarily set Berkeley apart from others within the industry or across wider business sectors

For more information see www.berkeleygroup.co.uk/our-vision

STRATEGIC REPORT
GOVERNANCE
FINANCIALS

> At Berkeley we create not just homes but communities; places where people can live, work and play.

Computer generated image of St William's first development, Prince of Wales Drive, Battersea

CUSTOMERS

> We are committed to providing exceptional service to all of our customers and put them at the heart of our decisions.

WHY FOCUS ON CUSTOMERS?

Ensuring our customers are satisfied is crucial to the ongoing success of the business; ultimately all areas of our strategy are focused on the end customer. This extends beyond customer-facing activities, from the initial purchase of the land through to the design of each home and the wider development.

OUR APPROACH

Our customers are at the heart of all our decisions. We aim to understand their needs and consistently meet or exceed their expectations. The service we provide is professional, efficient and helpful to make the homebuying process as straightforward and enjoyable as possible. Our levels of customer service aim to be comparable to other top performing companies.

All our customers are provided with a commitment that when they buy a new home from Berkeley, they can be safe in the knowledge that it is built to very high standards of design and quality, has low environmental impact and that they will enjoy an exceptional customer experience. Each customer receives tailored information relating to their purchase and has a dedicated point of contact throughout the customer journey.

Our vision for the future

STRATEGIC REPORT
GOVERNANCE
FINANCIALS

We provide award winning customer service


Our customers are at the heart of everything we do


Berkeley Urban House


Woodberry Down, Finsbury Park

CUSTOMERS

2016-2018 HEADLINE COMMITMENTS

- Deliver world-class customer service as evidenced by a top quartile Net Promoter Score compared to UK Customer Satisfaction Index results
- Run a programme of engagement and research to further enhance our product and processes based on the needs of our customers

2014-2016 HEADLINE COMMITMENTS

- Deliver world-class customer service measured through the Net Promoter Score ✓
- Launch an interactive way of communicating with our customers, 'My Home Plus' ✓
- Market all our developments in the UK first ✓

2016 PERFORMANCE HIGHLIGHTS

UK Customer Satisfaction Awards 2016:

Customer Focus Award Winner (Large Enterprise)

Institute of Customer Service ServiceMark achieved across all businesses

71.2

Net Promoter Score (on a scale of -100 to +100)

98%

customers would recommend us to a friend

Our vision for the future

Learn more about Customers at www.berkeleygroup.co.uk/about-berkeley-group/our-vision/customers

Customer service

Berkeley's customers expect a professional, quality and efficient service when purchasing a property. We aim to meet and exceed these expectations throughout the customer journey, starting from the moment a customer enquires about a property, through the sales process, at the point of handover and during occupation.

There is no single prescriptive world-class customer service process. As our customers are individuals with varying needs, Berkeley has created a 'customer first' mind-set and has empowered teams to think and act differently. By responding to the results of the Institute of Customer Service (ICS) employee surveys, we have improved our processes and highlighted the importance of our commitment to customer service to all employees. In 2016, we ran our first Customer Service Academy, bringing talented individuals from other industries into the business and providing them with a structured training programme before placing them in a role.

Our continued efforts to provide world-class customer service are evidenced through our high levels of customer satisfaction. In 2016, our Net Promoter Score has increased to 71.2 and 98% of customers would recommend us to a friend.

Professional, quality and efficient service

We are particularly proud that Berkeley was named the winner of the 'Customer Focus Award – Large Enterprise' at the Institute of Customer Service's UK Customer Satisfaction Awards 2016. This award recognises that Berkeley has transitioned to a company that places the customer at the centre of our operations and business strategy.

My Home Plus

Providing a personalised service is key to ensuring our customers feel valued. Each customer receives tailored information relating to the home they have purchased and a dedicated contact at each stage of the customer journey.

To enhance the way that we communicate with our customers, an interactive online system called 'My Home Plus' has been developed. Initially launched in 2015 as a trial on several developments, further functionality has been added over the last year following customer feedback. The full version will be introduced on new developments moving forward, providing customers with the information they need in one easily accessible place. This includes updates on the buying process and construction progress, along with key information around specification choices and manuals relating to the features of the home.

UK First

We recognise that UK customers should have the opportunity to buy our homes as a priority. In line with our 2014-2016 headline commitment, we introduced our 'UK First Policy' in 2014. The UK First Policy requires the initial sales launch to be in the UK, with every individual home to be made available to purchasers in the UK either first or at the same time as launching overseas. Our UK First Policy continues to be implemented on all schemes.

Berkeley also appreciates that international investors play a vital role in generating the cash flow and confidence to begin construction. This year, Berkeley increased its overseas portfolio by opening a new sales office in Shanghai.

Customer insight

Berkeley operates in a highly competitive market. Key to the ongoing success of our business is that we listen to, understand and respond to the needs of our customers.

Feedback is already sought through customer surveys to help inform our approach. Due to the limitations of this feedback mechanism, we aim to run a programme of enhanced engagement over the next two years to achieve greater customer insight. This will allow us to evolve our customer service and design processes to keep up to date with latest customer behaviours.

Sustainable living

We continue to promote sustainable living, both through the design of the homes and places we create, and through the inclusion of information on sustainability features within marketing and handover material provided to our customers.

Tailored information with 'My Home Plus'

Sustainable living at Woodberry Down

World-class customer service

HOMES

> We are committed to developing individually designed, high quality homes with low environmental impact.

WHY FOCUS ON HOMES?

As a residential-led developer, building high quality and well designed homes is fundamental to our business and is intrinsic to all the other areas of Our Vision. It is demanded of us by our customers and differentiates Berkeley. It is clear that to have a successful business, our focus has to be on the end product of the homes right from the outset.

OUR APPROACH

Each of our homes and developments is bespoke and we use external architects to design each scheme. Attention to detail in design is paramount to ensure homes meet the needs of our customers and our specifications are planned to meet the varied needs of all types of homebuyers, from luxurious houses to key worker apartments. The impact on the environment throughout the lifetime of the home is considered during its design, with an aim to minimise impacts and provide homeowners with the opportunity to live more sustainably. The high quality finish which we demand in our new homes requires a skilled workforce and thorough checks before handover.

Our vision for the future

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

STRATEGIC REPORT GOVERNANCE FINANCIALS

Highwood, Horsham

Kidbrooke Village, Greenwich

Student accommodation in Bath

Goodman's Fields, Aldgate

HOMES

2016-2018 HEADLINE COMMITMENTS

- Design our homes to consider future climate change to ensure continued thermal comfort
- Understand the evolution of smart technology and connectivity in homes and on developments

2014-2016 HEADLINE COMMITMENTS

- Enable fibre broadband on all our new homes and provide community Wi-Fi — 95%
- Guarantee space standards for all new homes — 90%
- Launch a new R&D programme to utilise customer feedback and drive innovation through improved design — ✓

2016 PERFORMANCE HIGHLIGHTS

THE SUNDAY TIMES BHA British Homes Awards 15 WINNER

The Sunday Times British Homes Awards 2015:

Homebuilder of the Year

London Evening Standard New Homes Awards 2015 WINNER

London Evening Standard New Homes Awards 2015:

Best Luxury Home (Large Developer) for Ebury Square

64%

individual homes supplied with low carbon or renewable technology

72%

individual homes provided with smart meters

Our vision for the future

Learn more about Homes at www.berkeleygroup.co.uk/about-berkeley-group/our-vision/homes

Connectivity and smart homes

We are increasingly living in a connected world, with customers expecting access to the internet from the first day they move into a new home. Berkeley has worked closely with other developers and third party infrastructure and service providers, to develop practical solutions that help the whole industry to provide the correct infrastructure to customers. The majority of our new developments submitted to planning during 2014-2016 are able to provide fibre broadband in line with our commitment. Those developments not meeting our requirements have been restrained by the existing infrastructure provided in the area. We continue to apply our commitment to enable fibre broadband in all our new homes moving forward.

Technology also continues to develop, providing people with enhanced monitoring and control over their home. As part of our 2016-2018 headline commitments, we are committed to exploring the smart technologies available on the market and how these could be incorporated into our homes.

375 Kensington High Street, Kensington

Space standards

In 2014, we were the first private developer to commit to minimum space standards for all our new homes. We set standards covering three core aspects in every home: master bedroom depth, floor-to-ceiling height and storage. These have been implemented on 90% of our developments submitted to planning since May 2014.

Since introducing our commitment, Government has published a nationally described space standard which local planning policy can now refer to. We will implement the Government's standard where requested and will go beyond this by applying master bedroom depth, floor-to-ceiling height and storage criteria in locations where compliance is not requested by the local authority.

Research and development

We continually evolve the design of our homes. To help this process we undertake research and development, with a new working group formed from representatives of a range of departments including technical, customer services and sustainability. A key action to date has included the strengthening of feedback channels between customers and other stakeholders and our design teams.

Our 2016-2018 commitment to enhance customer engagement mechanisms (see page 24) will further aid the development of our designs.

We are also exploring new processes, materials and products to understand how they can influence and improve the design of our homes. This includes looking further into areas such as modern methods of construction, fabric efficiency improvements and the operational impacts of our buildings.

Climate change adaptation

It is essential that homes remain fit for purpose over their lifetime. We have therefore also committed to further understanding the impacts of future climate change on our homes and designing measures to adapt our homes to reduce these as applicable.

Bespoke design

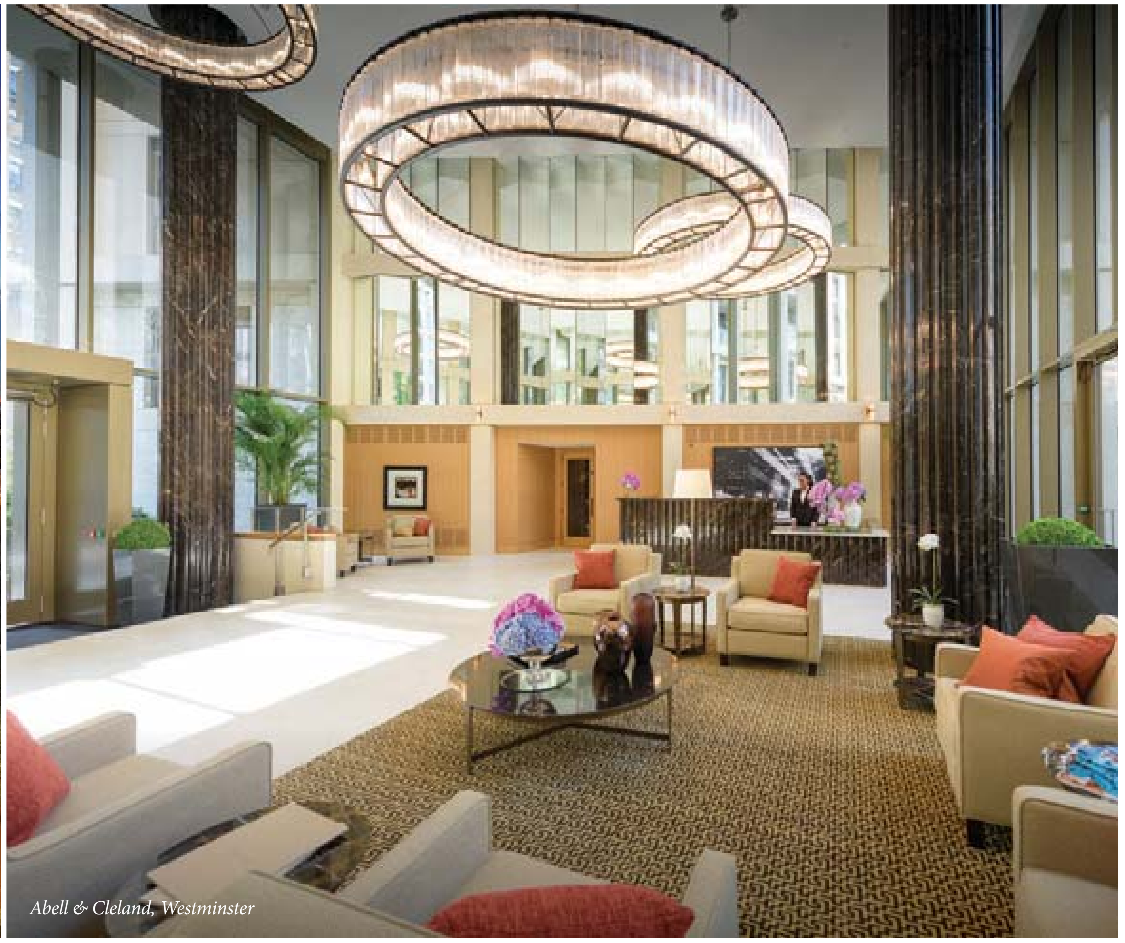
Berkeley builds for everyone, from families to first-time buyers, students to senior people, and luxury living to affordable housing. There is no generic Berkeley scheme; every design is bespoke, something which is uncommon within the industry.

Adaptable homes

There is a need to provide more high quality homes in the UK. At the same time, we require homes that adapt to lifestyle changes and provide families with space to live in urban areas. To meet these demands, we have developed the Berkeley Urban House which allows the retention of a typical street appearance while increasing housing density. It is designed with flexible space to adapt to meet different needs as families grow, making it suitable for a first-time buyer, through to those raising a family or considering downsizing. In 2016, we completed our first Berkeley Urban Houses at Kidbrooke Village.

Attention to detail

The quality which we demand in our new homes requires a skilled workforce and attention to detail. We use our marketing suites as the benchmark for build quality and finish in each individual home. Every area is thoroughly checked before handover to ensure that high standards are maintained.



Abell & Cleland, Westminster

STRATEGIC REPORT GOVERNANCE FINANCIALS

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

“Berkeley is currently developing riverside apartments that will redefine the London skyline.

One Tower Bridge, Southwark

PLACES

> We are committed to creating great places where people enjoy a good quality of life, now and in the future.

WHY FOCUS ON PLACES?

To remain a developer of choice, it is essential that we focus on the outcome of our developments in the long-term. This begins right from the outset by ensuring the location is right at land purchase, to focusing on placemaking during design and to ensuring that suitable management processes are in place once the development is occupied. Creating great places to live is integral to what we do as it is about enabling our residents to enjoy a good quality of life, now and in the future.

OUR APPROACH

We create well designed, high quality, safe and sustainable places which will endure as settled, vibrant communities long into the future. These are places where people choose to live, work and spend their time, that directly encourage people's wellbeing and quality of life, and offer them a space and a base from which to lead their lives.

Through our ability both to collaborate and to deliver, we aim to be the developer of choice for local authorities and existing communities. We believe that appreciating the needs of our customers and wider stakeholders before, during and after the delivery of our schemes is what makes them thrive as a community.

Through the design of our developments we have a strong focus on the identity of the place. We focus on creating thriving communities that are distinctive through their architecture and unique designs.

Our vision for the future

Celebrating the Queen's birthday at Royal Arsenal Riverside, Woolwich

Berkeley is creating a new school at Barns Green

Woodberry Down, Finsbury Park

The Leman Street Tavern at Goodman's Fields, Aldgate

PLACES

2016-2018 HEADLINE COMMITMENTS

- Implement community plans on our developments to facilitate thriving communities
- Develop and apply an approach to ensure that all new developments create a net biodiversity gain

2014-2016 HEADLINE COMMITMENTS

- Measure and increase people's quality of life by applying a framework for social sustainability ✓
- Test new forms of estate management and community governance ✓
- Adapt all developments to climate change through measures on flooding, overheating and water shortage 91%

2016 PERFORMANCE HIGHLIGHTS

THE SUNDAY TIMES BHA British Homes Awards 15 WINNER

The Sunday Times British Homes Awards 2015:

Development of the Year for Wimbledon Hill Park (up to 25 homes category) and One Tower Bridge (over 100 homes category)

RESI Awards

The RESI Awards 2015:

Large Developer of the Year

85%

developments incorporating features designed to enhance ecology

96%

developments incorporating sustainable drainage measures

Our vision for the future

Learn more about Places at www.berkeleygroup.co.uk/about-berkeley-group/our-vision/places

Community engagement

We involve the community in the development of our schemes from the outset, using our Community Engagement Strategy as a framework for the type of engagement to be applied. Many of our projects adopt community planning strategies where local people are involved in the design at an early stage, whereas others include different types of community events to share information and encourage input.

Quality of life

To help us measure and enhance people's quality of life we launched a social sustainability toolkit in 2014. We refer to it during the design process for all new developments and are committed to conducting a formal assessment pre-planning for every development of 100 homes or more. Over the last two years, 24 assessments have been completed on our larger developments.

In 2016, LSE London undertook research at Saffron Square to understand residents' experiences of living within the development. The research was based on our social sustainability framework and found that 86% of respondents feel 'reasonably happy', compared to 68% of people in similar areas.

STRATEGIC REPORT
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Creating communities

Our work on quality of life and social sustainability has identified that placekeeping is as important as placemaking and that they should be thought of as two elements of the same process.

We want to ensure that our developments remain great places in which to live for decades to come. Over the last two years we have reviewed our estate management practices across the business. This has led to the creation of community plans as a structured approach to help new communities to thrive for the long-term. To date, community plans have been initiated at three of our large developments: Kidbrooke Village, Woodberry Down and Saffron Square. We intend further to develop our approach across the breadth of our scheme types and sizes so that community plans can be implemented consistently on our developments moving forward.

Climate change adaptation

With the effects of climate change already being observed in the UK, we are taking action to ensure that our homes and developments remain comfortable places in which to live for decades to come. Climate change adaptation measures around the key issues of flooding, overheating and water shortage are considered on new developments submitted to planning. To achieve this, we have developed a checklist which is applied to schemes to identify the most pertinent issues to address, based on the type of development planned and its location.

We have also worked with the Zero Carbon Hub to develop a greater understanding of the potential effects of climate change on our homes. To build on this work during 2016-2018, we have a new commitment under our Homes focus area (see page 28).

Biodiversity

Biodiversity is the variation within wildlife, species and habitats. It plays an important role within our towns and cities as it helps to improve air quality, provide resilience to climate change and adds amenity value.

We consult an ecologist on our schemes and have a new ambitious headline commitment for 2016-2018 to enhance biodiversity and to create a net gain.

At Woodberry Down, we have supported the London Wildlife Trust to restore the reservoir and create a new nature reserve for London. The Woodberry Wetlands nature reserve was unveiled by Sir David Attenborough in April 2016 and provides multiple habitats that combine to create a haven for wildlife.

Sustainable infrastructure

The sustainability of the wider development is as important as the individual homes we create. When acquiring sites, locality to transport links is a key consideration. We further encourage residents to use more sustainable transport methods by providing cycle storage and electrical car charging points.

Green infrastructure is incorporated into our developments through the provision of open space, parks, gardens and living roofs. We were pleased to present our work on green infrastructure as a best practice case study at the UK Green Building Council City Conference in February 2016.

Places for everyone. Saffron Square, Croydon

Public consultation events

The Woodberry Wetlands nature reserve

'RARE' - Royal Arsenal Riverside Explore - is an exciting vision for the community

OPERATIONS

> We are committed to making the right long-term decisions whilst running the business efficiently and working with our supply chain.

WHY FOCUS ON OPERATIONS?

Running our operations effectively and considerately is fundamental to the long-term success of the business. We need a skilled and reliable supply chain to help us deliver the pipeline of work and good relationships with local stakeholders are essential to maintain our reputation for quality.

OUR APPROACH

Through recognition that the property market is inherently cyclical we make decisions with a focus on the long-term. We understand the operational risks in trying to successfully identify, design, build and sell homes and create new places. We continue to develop and build upon the good relationships we have with our supply chain and our communities to help us gain planning permission, to build and to sell our developments and remain a developer of choice. Each of our developments is led by a dedicated project team responsible for all aspects of the design and delivery on the project, including the coordination of professional teams of consultants and contractors ensuring strong communication throughout. We aspire to maintain excellent partnerships with our supply chain to ensure that high quality services and materials are consistently provided. Furthermore, we support and engage with our supply chain and through which, we help to provide employment. We conduct our day-to-day operations in an environmentally efficient manner and with consideration to our neighbours.

Our vision for the future

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Construction at Goodman's Fields, Aldgate

Berkeley graduates on site

Yasar Ugur, a graduate of the Street Elite programme

Sharing best practice

OPERATIONS

2016-2018 HEADLINE COMMITMENTS

- Reduce our operational carbon emissions intensity by 10% and introduce a programme to become carbon positive
- Ensure at least 1,500 people across our direct and indirect workforce undertake an apprenticeship or vocational training

2014-2016 HEADLINE COMMITMENTS

- Achieve a 50% increase in site-based apprenticeships and training ✓
- Launch a £2 million fund for the supply chain to support innovation in health and safety ✓
- Map our supply chain risks and develop a sustainable specification and procurement strategy 92%

2016 PERFORMANCE HIGHLIGHTS

CIRIA's BIG Biodiversity Challenge Awards 2015:

Temporary Category Winner for Chiswick Gate

Mayor of London's Business Energy Challenge 2015:

Silver Award Winner

12%

reduction in office carbon emissions per person

42/50

average Considerate Constructors Scheme score (industry average: 36)

Our vision for the future

Learn more about Operations at www.berkeleygroup.co.uk/about-berkeley-group/our-vision/operations

Apprenticeships and training

Increasing the capacity of the workforce, to ensure that there are enough people with the right skills to deliver the pipeline of future work, is a key challenge facing the industry. Berkeley recognises this and has committed to take action. Initiatives to date include the launch of the Berkeley Apprenticeship Scheme at Kidbrooke Village and the introduction of a Group-wide forum to share best practice. We also work closely with our supply chain and educational establishments. In April 2016, over 10% of our site workforce were in an apprenticeship or training. Our actions in this area will be further progressed during 2016-2018, with greater focus on direct apprenticeships across our activities.

Encouraging young people to join the industry is vital. This year we became the construction partner of the Mayor of London's 'HeadStart London' programme which seeks to bridge the employability gap between school and work. As part of this, we have provided work experience placements and our staff have volunteered at employability workshops.

A trusted supply chain

Supply chain

The support of our supply chain is critical to the success of our business. Engagement with our suppliers is therefore key to remaining a client of choice and achieving high quality outcomes, on time and on budget. As a result, we are further increasing our engagement with suppliers, particularly through our Supply Chain Taskforce.

We are continuing our work to map our supply chain risks and are supporting CIRIA's research on responsible sourcing in the construction industry. Our evolved knowledge will feed into a new strategy to source our materials more responsibly. This is due to be launched later this year.

It is recognised that the majority of our sustainability impacts occur indirectly through our supply chain. We are proud to be the first housebuilder to become a partner of the 'Homes School' which was launched by the Supply Chain Sustainability School in November 2015. The Homes School provides suppliers with free resources to provide consistent messaging on sustainability and encourage more sustainable practices. Furthermore, the Group has introduced a Human Rights, Modern Slavery and Child Labour policy during the year as set out in the Directors' Report on page 100.

Resource efficiency

Office carbon emissions per person have reduced by 12% this year as a result of the actions taken under our 2014-2016 commitment to reduce energy costs (see page 42). Our aim is to focus on realising a 10% reduction across all our direct activities during 2016-2018. To achieve this, we plan to introduce minimum standards for the set up and operation of our offices, sites and marketing suites. This will build on the recommendations of energy audits completed to comply with the Energy Savings Opportunity Scheme. For emissions that remain, we plan to introduce an offsetting programme to become carbon positive. Further information on our 2016 carbon emissions is set out within the Directors' report on page 100.

In the same period, water consumption across our activities has increased by 10%, principally due to extensive landscaping works and demolition operations requiring dust suppression.

Innovation Fund

Berkeley's Innovation Fund was launched in January 2015 to promote innovation in health and safety, and in doing so, provide a positive influence to reduce construction-related risk and improve health and safety performance on sites. To date, £1.5 million has been committed to 12 projects ranging from research studies through to product development. We plan to build on the success of the fund by broadening its scope, with the next phase of funding envisaged to be open to new applications from autumn 2016. For more information see www.berkeleygroup.co.uk/innovation-fund.

Considerate construction

Berkeley's continued efforts to construct developments with consideration of our workforce, the local community and the environment have once again been recognised at the Considerate Constructors Scheme's 2016 National Site Awards. We are delighted that more than half of our schemes achieved awards, including four which obtained Most Considerate Site Runner-Up status, ranking them in the top 36 construction sites in the country.

Topping out ceremony at Brewery Wharf, Twickenham

OUR PEOPLE

> We are committed to developing a highly skilled workforce who run autonomous businesses, operate in a safe and supportive working environment and contribute to wider society.

WHY FOCUS ON OUR PEOPLE?

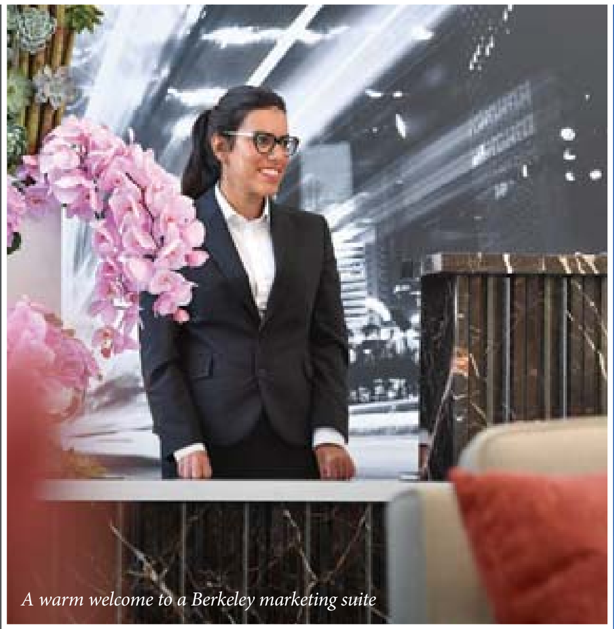
Our people are key to the development process, from the identification and purchase of land through to the sale of our homes and ongoing customer service.

To run any business successfully it is vital to ensure that the workforce is highly skilled and motivated. We understand the importance of supporting all our employees to allow them to work in a safe environment and to continue to advance their knowledge and skills. Developing and retaining our workforce enables us to deliver our objectives and grow as a business.

OUR APPROACH

A devolved business structure is at the heart of our strategy. Our recognised brands and autonomous operational teams carefully manage each individual scheme to ensure that the entrepreneurial spirit of the business continues. Recruiting and retaining a high calibre workforce is crucial to our approach. We must support both our direct employees and the wider workforce of the contractors working on our sites. We are proud to be safe; safety continues to be a key focus area across all of our operations, in addition to enhancing health and wellbeing. We also aim to have a positive impact on society and enable young people to get into work through our support of the Berkeley Foundation.

Our vision for the future



A warm welcome to a Berkeley marketing suite

We employ over 11,500 contractors

We take pride in all aspects of our sites

Berkeley staff taking part in the Three Peaks Challenge to raise money for the Berkeley Foundation

OUR PEOPLE

2016-2018 HEADLINE COMMITMENTS

- Launch and implement a new programme to promote the wellbeing of our staff and create healthy workplaces
- Invest in training and development through our talent management programmes to realise the potential of our people across all areas of the business

2014-2016 HEADLINE COMMITMENTS

- Pay at least the Living Wage to all direct employees ✓
- Reduce energy costs by up to £500,000, investing 50% of the saving in new health and wellbeing initiatives 63%
- Encourage and support every member of staff to be involved with the Berkeley Foundation each year ✓
- Launch a talent management programme which develops new ideas to enhance the business ✓

2016 PERFORMANCE HIGHLIGHTS

NHBC Health and Safety Awards 2015:

National Best Site Awards for Ryewood (Large Builder) and Saffron Square (Multi-Storey Builder)

Payroll Giving Platinum Award 2016 achieved as over 30% of employees donate through the GAYE scheme

2.40

Accident Incident Rate (industry average: 4.20, HSE October 2015 figure)

68%

employees involved with the Berkeley Foundation

Our vision for the future

Learn more about Our People at www.berkeleygroup.co.uk/about-berkeley-group/our-vision/our-people

Living wage

The Living Wage Foundation's rate of pay is calculated according to the basic cost of living. We continue to pay at least the Living Wage to all our employees, going beyond Government's new mandatory national living wage introduced in April 2016. We encourage our contractors to do so also.

Talent management

We have a talented and varied workforce that is our strongest resource. We look to recognise employees' performance and potential and to provide support and development opportunities. As a result of our 2014-2016 commitment, various talent management programmes have been introduced across the operating businesses. Some are intensive schemes for selected individuals, whereas other businesses are undertaking programmes for all staff. Our 2016-2018 commitment seeks to highlight the successes of these programmes and build upon them.

We are extremely proud that one of our senior project managers, Paul Dunnett, won the prestigious accolade of the NHBC's Pride in the Job Supreme Award for the multi-storey category in January 2016. This marks the second consecutive year that a Berkeley employee has received this award.

Staff and family supporting runners on the Virgin Money London Marathon

STRATEGIC REPORT GOVERNANCE FINANCIALS

Supporting a diverse workforce

Our business continues to grow; we now have over 2,300 direct employees working in a range of roles across just under 100 sites and offices. Across the Group, 37% of direct employees are female as are 23% of our Board directors.

We also support a large workforce through our contractors with more than 11,500 people working on our sites in April 2016.

	Female	Male	Total
Total Employees	888	1,491	2,379
Senior Management	2	5	7
Board of Directors	3	10	13

At 30 April 2016

The Berkeley Foundation

All Berkeley offices have a Foundation Representative who encourages staff to get involved in fundraising events and volunteering.

This year, 68% of staff engaged with the activities of the Berkeley Foundation through fundraising, Give As You Earn or volunteering, raising just under £1 million. Our aim is to inspire all employees to support the Foundation at least once each year.

More information on the achievements of the Berkeley Foundation over the last five years is provided on pages 46 and 47.

Energy and wellbeing

Over the last two years we have focused on understanding consumption and charges for electricity. A number of our sites and offices have trialled more effective sub-metering and monitored out-of-hours usage to identify areas for improvement. There has also been a focus on site temporary electrics efficiency. As a result of our 2014-2016 commitment, we have reduced our electricity consumption across our activities by 16% per person and costs by just over £310,000. We aim further to reduce our broader energy consumption through our new carbon commitment (see the Operations section, page 38).

Health and wellbeing initiatives have been selected locally by operating businesses and include well person clinics, office fruit baskets, exercise classes and awareness campaigns. There will be an increased focus during 2016-2018 on providing workplace environments that encourage and enable our employees to lead healthy lifestyles.

Health and safety

Through working closely with our supply chain we aim to achieve industry-leading performance in health and safety. Our Innovation Fund (summarised within the Operations section on page 39) is an example of a leading initiative to help improve health and safety, not just within Berkeley but across the industry as a whole.

We are pleased to be able to report a reduced Accident Incident Rate (AIR) of 2.40 (2015: 2.46), demonstrating performance beyond the industry average. Our Accident Frequency Rate (AFR) is 0.11, down from 0.12 in 2015.

The NHBC Health and Safety Awards recognise the very best in health and safety. We are delighted that two of the three 2015 National Best Site Awards were won by Berkeley projects.

Our talented workforce is our strongest resource

Apprentices on site

We provide support and development opportunities to all employees

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

“

Great developments are delivered by bringing together teams of talented people with a real passion for creating places that stand the test of time.

THE BERKELEY FOUNDATION

The Berkeley Foundation was launched five years ago. Since 2011, it has committed £7.9 million to more than 85 charities, reaching over 6,500 people. The Foundation is focused on supporting projects which tackle homelessness, develop skills, create jobs, and help people to live positively with disability or illness.

Partnerships range from major national charities, such as Shelter and the Lord's Taverners, to smaller charities chosen by Berkeley staff that are local to our offices and sites.

This year, 10% of Berkeley staff took part in Vertical Rush, climbing 200,000 steps and raising £56,000 for Shelter.

We are delighted that Berkeley and The Change Foundation won the Best Charity Partnership (Property & Construction) category at the Third Sector's Business Charity Awards for the Street Elite programme. This has helped almost 300 young people on the edge of gangs and crime to build the skills for work, with 15 Street Elite graduates now employed directly by Berkeley.

READ MORE ONLINE:
www.berkeleyfoundation.org.uk

Berkeley Foundation

2016 PERFORMANCE HIGHLIGHTS

£7.9m

has been committed to more than 85 charities since the Foundation launched five years ago

Third Sector Business Charity Awards Winner 2016

Third Sector Business Charity Awards 2016:

Charity Partnership (Property & Construction) for Street Elite (The Berkeley Group and The Change Foundation)

STRATEGIC REPORT
GOVERNANCE
FINANCIALS

Tough Mudder


Street Elite Festival


Berkeley supports Queen Elizabeth's Foundation for Disabled People


Three Peaks triathlon


Dragon boat racing at Woodberry Down

Volunteering at Providence Row


Berkeley staff abseiled down the ArcelorMittal Orbit

Staff at Vertical Rush 2016

Fulham Reach, Fulham

OUR BUSINESS MODEL

OUR BUSINESS IS ABOUT PLACEMAKING; IT IS ABOUT CREATING STRONG COMMUNITIES WHERE PEOPLE ENJOY A GREAT QUALITY OF LIFE.

READ MORE ONLINE:
www.berkeleygroup.co.uk/about-berkeley-group

OUR BUSINESS MODEL

THE PLACES THAT WE CREATE RANGE FROM A FEW HOMES IN MARKET TOWNS TO COMPLEX, MIXED-USE URBAN REGENERATION SCHEMES OF OVER 4,000 HOMES.

IDENTIFYING AND ACQUIRING LAND

We acquire land selectively with a focus on long-term, complex schemes where we can use our expertise to add value through creating new places.

Experience

Our experienced land teams understand our focus on investing selectively in the right locations in our core markets of London and the South of England, where there is underlying demand for new homes, good transport links and the scope to create successful new places.

Appraisal

We undertake a rigorous internal appraisal process to assess the opportunities and risks of potential acquisitions and pre-authorise all land offers at Board level, which enables us to act quickly, innovatively and decisively, and deliver on our offers.

Entrepreneurship

The Group thrives in adopting an entrepreneurial approach in taking on complex, challenging, brownfield land which others are often reluctant to undertake, but only where there are the right commercial fundamentals, the potential to add value and where we have the vision to create something special through the development process.

DESIGNING AND PLANNING NEW HOMES AND PLACES

We work with consultants, local authorities and communities and aim to create places characterised by the quality of their design, public realm, sustainability, transport links and access to jobs and amenities.

Consultation

We use professional architects and leading consultants and engineers to provide bespoke designs for every new scheme, however large or small, in consultation with local communities. With the knowledge gained from other developments, we strive to deliver schemes which are of high quality, sensitive to their heritage and surroundings and meet the aspirations of our customers and local and national stakeholders.

Social and environmental sustainability

We have addressed the challenge of understanding what makes a successful place by implementing a framework to promote quality of life and strength of community, which we now apply to our schemes. We have led the way in delivering environmentally sustainable living on largescale developments and continue to lead our sector in sustainable development.

Partnerships

We engage closely with our partners in the local authorities and communities surrounding each of our sites to understand stakeholders' needs and prevailing sensitivities and reflect these in our designs. We continue to build on our reputation for quality and for delivering on our promises, and thrive on the strong working relationships that we have developed.

BUILDING NEW HOMES AND PLACES

We are supporting the employment of some 13,800 people in our offices and on our schemes under construction, building new homes and places for current and future generations.

Intensive management

Each of our developments is led by a dedicated project team responsible for all aspects of detailed design, delivery, quality, health and safety, commercial appraisal and technical detail. The coordination of professional teams of consultants and contractors and strong communication throughout are critical in ensuring the smooth delivery of every project.

Health and safety

We place the utmost importance on the health, safety and wellbeing of our people and our subcontractor teams on site with dedicated health and safety managers overseeing all of our developments and health and safety matters monitored, prioritised and debated at every Board meeting in every company within the business. We are proud of our record in this area but seek continual improvement in our methodologies and approach.

Considerate construction

The reputation of Berkeley amongst its partners and stakeholders relies on all of our project teams engaging with surrounding communities, being a responsible and considerate neighbour and working with our suppliers and contractors to complete our schemes on time and budget. This year, more than half of our sites were recognised at the Considerate Constructors Scheme's National Site Awards. We are signed up to the Prompt Payment Code, and aim to develop strong, long-term relationships with our contractors and suppliers.

MARKETING AND SELLING HOMES

Whether first-time buyers, families, experienced investors, retailers, our partners in housing associations or providers of student accommodation, Berkeley strives to ensure that its customers receive an unparalleled service when buying from Berkeley.

Customer focus

Sales teams across the business have an in-depth knowledge of their developments and help our customers find the right home to suit their needs. They have the knowledge and understanding to explain the intricacies of every development, from the specification of each new home and the technical details to the on-site amenities and wider context of the scheme.

Meeting demand

We aim to forward sell our homes where possible to ensure that our buildings reflect what our customers want and enables us to provide a range of customer choices and a bespoke service across all of our developments. Our financial strength affords us the flexibility to evolve our product to meet our customers' tastes and be flexible in how and when we deliver it.

Modern living

We are constantly evolving our design, product and features, as well as the wider on-site amenities on each scheme, to help turn our developments into the homes that meet the expectations and aspirations of people today. Many of our commitments under Our Vision reflect changing priorities for our customers and help keep our homes at the forefront of modern living.

CUSTOMER SERVICE AND STEWARDSHIP

Customer satisfaction is the essential measure of whether our homes and our service meet the aspirations of our customers.

Customer journey

Dedicated customer relationship managers look after every stage of the customer journey and provide a high level of care and service after completion, which we expect to match the quality of our product across all of our schemes. We benchmark our performance on customer service not just across the sector but against the top businesses in the country, and look continually to improve our offering.

Estate management

Successful places need the right long-term management strategy and we work closely with appointed managing agents to set the right tone for our schemes long after they have been completed. We are committed to investigating and implementing excellent forms of estate management and community governance on our schemes.

Future-proofing

We recognise that technology advances rapidly, sometimes more quickly than we can build our schemes, and that we need to be at the forefront of employing new techniques and enabling the latest technology to serve our customers. Our current commitments under Our Vision includes the incorporation of evolving smart technology and connectivity in our new homes.

AWARDS

THE QUEEN'S AWARDS FOR ENTERPRISE: SUSTAINABLE DEVELOPMENT 2014
The Berkeley Group Holdings plc

Queen's Award for Enterprise: Sustainable Development 2014

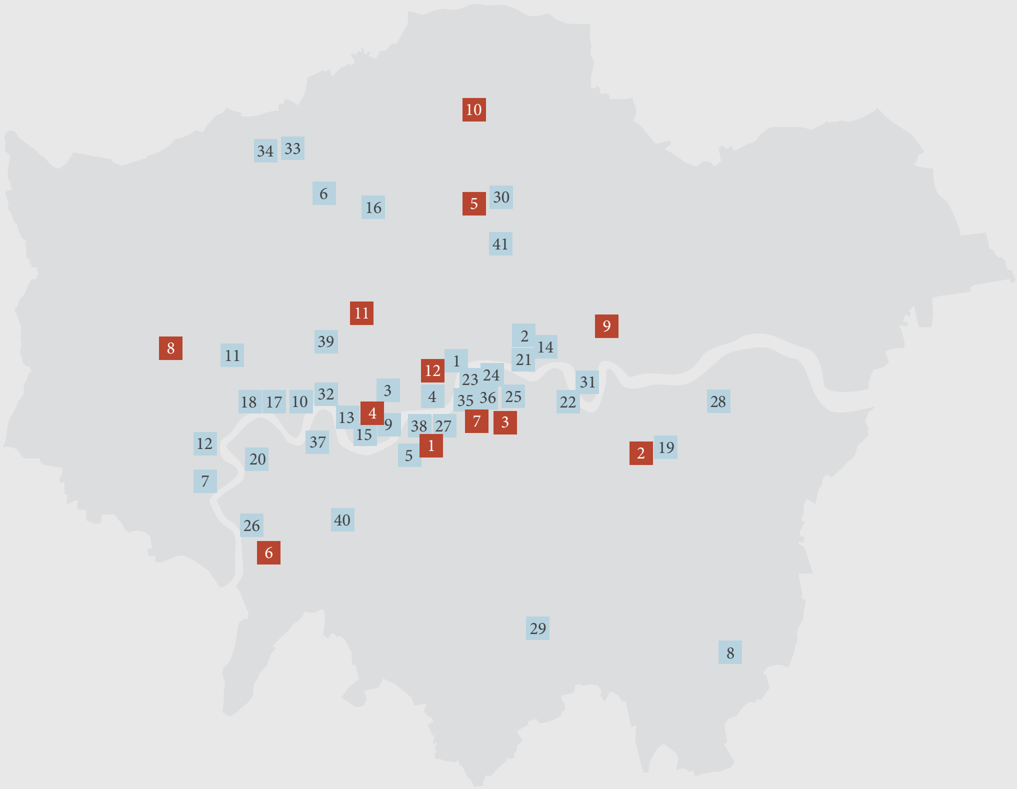
ServiceMark
Accredited from April '15 - April '18
The Institute of Customer Service

Institute of Customer Service ServiceMark achieved across all businesses

WHERE WE OPERATE

WE FOCUS ON LONDON AND THE SOUTH OF ENGLAND, MARKETS THAT WE KNOW AND UNDERSTAND.

LONDON



LONDON UNDER CONSTRUCTION

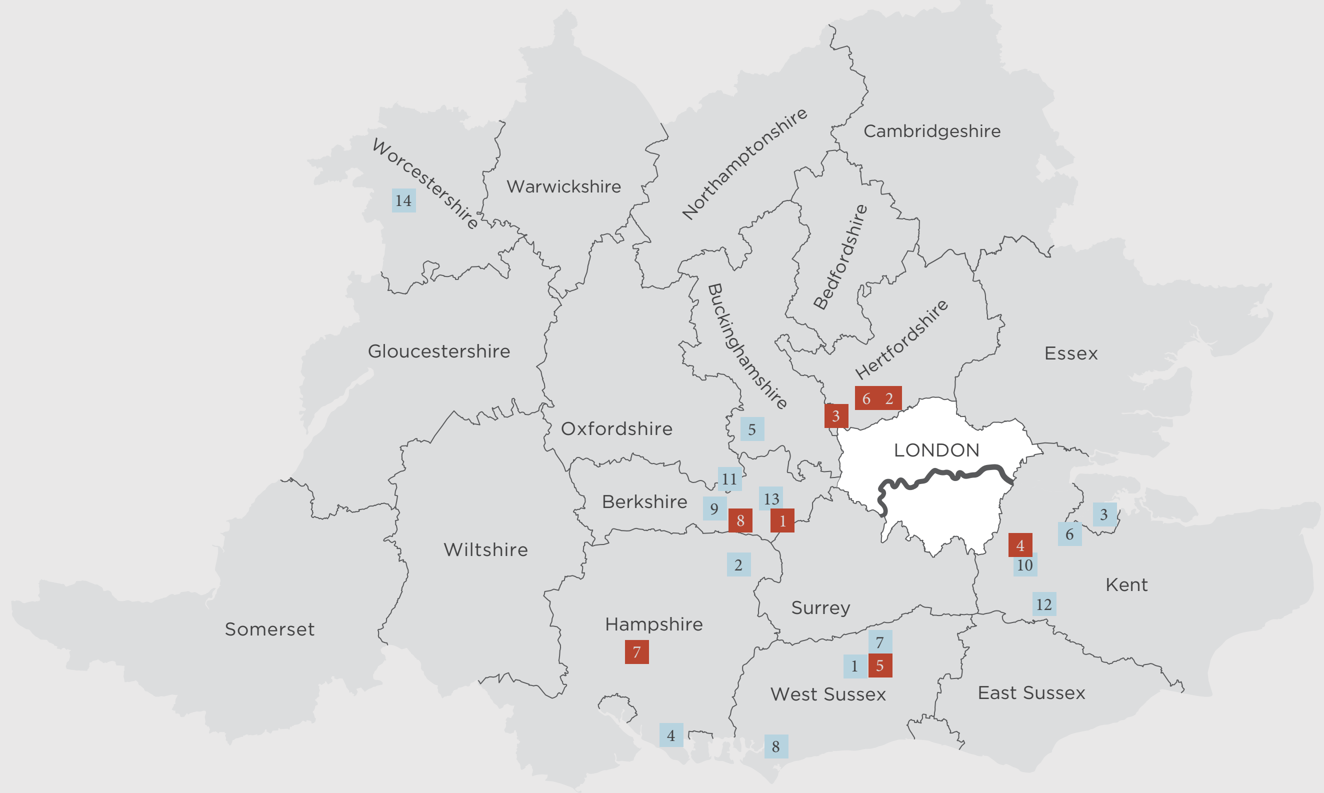
1 190 Strand
2 250 City Road, City of London
3 375 Kensington High Street & Kensington Row
4 Abell & Cleland House, Westminster
5 Battersea Reach
6 Beaufort Park, Hendon
7 Brewery Wharf, Twickenham
8 Brunswick Square, Orpington
9 Chelsea Creek
10 Chiswick Gate
11 Dickens Yard, Ealing
12 Fitzroy Gate, Isleworth
13 Fulham Reach, Hammersmith
14 Goodman's Fields, Aldgate
15 Hurlingham Gate & Walk, Fulham
16 Imperial Square, Finchley
17 Kew Bridge Road
18 Kew Bridge West, Brentford
19 Kidbrooke Village
20 Latchmere House, Richmond
21 London Dock, Wapping
22 Marine Wharf, Deptford
23 Merano, Albert Embankment
24 One Blackfriars, Southwark
25 One Tower Bridge
26 Queenshurst, Kingston
27 Riverlight, Battersea
28 Royal Arsenal Riverside
29 Saffron Square, Croydon
30 Smithfield Square, Hornsey
31 South Quay Plaza, Docklands
32 Sovereign Court, Hammersmith
33 St Joseph's, Mill Hill
34 Stanmore Place
35 The Corniche, Albert Embankment
36 The Dumont, Albert Embankment
37 The Villas, Barnes
38 Vista, Battersea
39 White City
40 Wimbledon Hill Park
41 Woodberry Park

LONDON FUTURE SITES

1 Battersea
2 Blackheath*
3 Chambers Wharf, Southwark
4 Fulham Gasworks*
5 Hornsey Gasworks*
6 Kingston
7 Oval Gasworks*
8 Southall
9 Stephenson Street*
10 Trent Park, Cockfosters*
11 West End Green, Paddington*
12 Westminster

*New sites contracted for acquisition during the year

SOUTH OF ENGLAND



SOUTH OF ENGLAND UNDER CONSTRUCTION

1 Barns Green
2 Fleet
3 Gillingham
4 Gosport
5 High Wycombe
6 Holborough
7 Horsham
8 North Bersted
9 Reading (2 sites)
10 Sevenoaks
11 Taplow
12 Tunbridge Wells
13 Warfield
14 Worcester

SOUTH OF ENGLAND FUTURE SITES

1 Ascot*
2 Borehamwood Gasworks*
3 Rickmansworth
4 Sevenoaks (2 sites)
5 Southwater*
6 Watford Gasworks*
7 Winchester
8 Wokingham*

*New sites contracted for acquisition during the year

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

“From traditional family homes in the countryside to city apartments and vibrant mixed-use schemes, the Berkeley Group is renowned for creating award winning homes.

Woodberry Down, Finsbury Park

HOW WE MANAGE RISK

Risk appetite

The Board is responsible for setting and monitoring the risk appetite for Berkeley when pursuing its strategic objectives. The Board's approach to, and appetite for risk is summarised below:

- **Cyclical market**
  Berkeley's business model is centred on the Board's appreciation of the risks of the cyclical market in which the business operates, in which market sentiment and transaction levels change, requiring us to adopt a flexible approach to our investment decisions.
- **Operational challenges**
  The business model also recognises the complexity of the planning and delivery of the sites Berkeley undertakes, and mitigates this risk by focusing its activities in London and the South East, recognising the importance of relationships and local knowledge and having highly skilled teams in place.
- **Autonomy and values**
  We have recognised brands and autonomous, talented and experienced teams who embrace Berkeley's core values in their approach. We create bespoke solutions for each site which requires experienced, intensive management and as such do not produce a standard product.
- **Strong financials**
  This translates into an approach that, at all times through the cycle, keeps financial risk low in recognition of the operational risks within the business (refer to page opposite).

Risk management framework

The assessment of risk and embedding risk management into the business is a key element of setting and delivering our strategy. Our approach combines a top-down strategic review and feedback of risk by the Board, coupled with a bottom up review and reporting of risk by each operating business.

The top down assessment of risk by the Board includes a review of the external environment in which Berkeley operates, coupled with a deep seated knowledge of our industry and operations based on the substantial experience of the Board. This takes into account the likelihood and impact of risks, whether pre-existing or emerging, which may materialise in the short or longer-term.

A fundamental principle of the operating structure of the Group is that the prime responsibility for assessing, managing and monitoring the majority of the risks rests with operational management, thus ensuring risk management is embedded in our day-to-day operations.

Risk registers at operational level are overlain by wider strategic risks facing the Group, such as macro-economic risk. This is then assessed and managed by the Board and Executive Committee.

The Audit Committee has responsibility for ensuring the effectiveness of risk management and internal controls on behalf of the Board. The controls and processes surrounding how we assess risk across the Group are explained further in the Corporate Governance report on page 76.

The principal operating risks and our approach to mitigating them are described in more detail on pages 58 to 65.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the longer term viability of the Group.

The Directors have undertaken their assessment over a five year period, as the majority of the Group's developments are long-term in nature and the Board's strategic planning reviews cover a five year timeframe. Furthermore, the Group owns or controls the land required for the next five years and accordingly there is sufficient detail within the individual site cash flow forecasts to enable a meaningful assessment over this period.

In making its assessment, the Directors have considered the principal risks facing the Group and how the Group mitigates such risks, which are summarised on pages 58 to 65 of the Strategic Report. The majority of risks to the Group are operational in nature primarily because the sites acquired are mostly complex, long-term regeneration schemes and therefore risk management is appropriately embedded in the day-to-day business processes and controls. The individual site cash flow forecasts, which are used to prepare the Group's consolidated cash forecasts, take account of these individual site operational risks.

The Group's business model, as set out on pages 49 and 50 of the Strategic Report, recognises these operational risks, and that the property market is inherently cyclical, and accordingly a core principal for the Group is to keep financial risk sufficiently low through forward selling where possible, maintaining a sound balance sheet and headroom within its financing activities. The Group's consolidated cash flow forecasts include appropriate allowances for discretionary investment and the quantum and timing of this is in turn subject to the delivery of the individual site operational cash flows. The viability assessment has considered the impact of reduced sales activity in the five year period from the current forecast levels as a result of adverse macro-economic conditions and the Directors have also taken into account appropriate mitigating actions which may be instigated in response, primarily around curtailed discretionary investment, such as lower new land purchases or deferment of new site starts, amongst others.

Based on the assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period commencing 1 May 2016.

KEEPING FINANCIAL RISK LOW

Berkeley keeps financial risk low by maintaining a strong balance sheet and simplicity and transparency in its approach to financing the business.

Exposure to financial risks

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 interest rate risk
The risk that Group financing activities are affected by fluctuations in market interest rates.

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.

Other financial risks
Berkeley contracts all of its sales and the vast majority of its purchases in sterling, and so has no significant exposure to currency risk, but does recognise that its credit risk includes receivables from customers in a range of jurisdictions who are themselves exposed to currency risk in contracting in sterling.

Management of financial risks

Berkeley adopts a prudent approach to managing these financial risks.

- **Treasury policy and central overview**
  The Board approves treasury policy and senior management control day-to-day operations. Relationships with banks and cash management are coordinated centrally as a Group function. The treasury policy is intended to maintain an appropriate capital structure to manage the financial risks identified and provide the right platform for the business to manage its operating risks.
- **Low gearing**
  The Group is currently financing its operations through shareholder equity, supported by over £107 million of net cash on the balance sheet. This in turn has mitigated its current exposure to interest rate risk.
- **Headroom provided by bank facilities**
  The Group extended its borrowing facilities in the year, and now has £575 million of committed, undrawn credit facilities maturing in March 2021. These facilities retain a further one year extension option. Berkeley has a strong working partnership with the six banks which provide the facilities (listed on page 147) and is key to Berkeley's approach to mitigating liquidity risk.
- **Forward sales**
  Berkeley's approach to forward selling new homes to customers provides good visibility over future cash flows, as expressed in cash due on forward sales which stands at £3,259 million at 30 April 2016. It also helps mitigate market credit risk by virtue of customers' deposits held from the point of unconditional exchange of contracts with customers. These deposits stood at £1,106 million at 30 April 2016 and provide security for Berkeley in the event of customer default at the point of completion of sales.
- **Land holdings**
  By investing in land at the right point in the cycle, holding a clear development pipeline in our land holdings and continually reviewing our existing holdings, we are not under pressure to buy new land when it would be wrong for the long-term returns for the business.
- **Detailed appraisal of spending commitments**
  A culture which prioritises an understanding of the impact of all decisions on the Group's spending commitments and hence its balance sheet, alongside weekly and monthly reviews of cash flow forecasts at operating company, divisional and Group levels, recognises that cash flow management is central to the continued success of Berkeley.

HOW WE MANAGE RISK

Continued

	Risk description	Approach to mitigating risk	Measurement	Annual change	Read more
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 is carefully targeted and underpinned by demand fundamentals and a solid viability case, even when markets are uncertain. 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.	The strength of the balance sheet is measured by monitoring our KPIs, principally net asset value per share, the profitability of the business through profit before tax and basic earnings per share, and the efficiency of the balance sheet through return on equity. Forward sales secured, cash levels and headroom of available bank facilities are all assessed to ensure financial risk is kept low.	The UK economy continues to grow, with unemployment and interest rates at historically low levels. The timing of interest rate rises remains uncertain, albeit consensus appears to be that increases will be deferred. →	**Chief Executive's Review (page 8)** **2016 Performance Highlights (page 2)** - Net asset value per share - Adjusted profit before tax - Adjusted basic earnings per share - Adjusted return on equity **Risk Appetite (page 56)**
POLITICAL OUTLOOK	Significant political events, including membership of the EU, may impact Berkeley's business through, for instance, the reluctance of buyers to make investment decisions due to political uncertainty and, subsequently, specific policies and regulation may be introduced that directly impact our business model.	Whilst we cannot directly influence political events, the risks are taken into account when setting our business strategy and operating model. In addition, we actively engage in the debate on policy decisions.	The impact that specific political events have, or could have on the business is regularly assessed.	There are significant political uncertainties at present, which has therefore increased the risk this year. ↗	**Chairman's Statement (page 6)** **Chief Executive's Review (page 8)**
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 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.	The impact that regulatory changes have, or could have on the business is regularly assessed.	During the year we have seen increased property taxation for second home/buy-to-let investors, as well as a number of other new regulatory changes which increase risk such as new HSE prosecution guidelines and the requirement to assess our supply chain for modern slavery. ↗	**Chairman's Statement (page 6)** **Chief Executive's Review (page 8)** **Directors' Report (page 100)** **Risk Appetite (page 56)**

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

HOW WE MANAGE RISK

Continued

	Risk description	Approach to mitigating risk	Measurement	Annual change	Read more
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 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.	Maintaining a strong financial position gives us the liquidity and flexibility to remain competitive when bidding for new land and gives vendors the confidence that Berkeley will deliver on any deals negotiated. We carefully monitor the level of estimated future gross margin in our land holdings as a key performance indicator. This reflects the future potential of the business from current land holdings valued at current prices and current costs.	Accessing good quality land is a core inherent risk of the business that we steadily manage in a cyclical market. We continue to focus on enhancing the value of our land bank and this risk is unchanged. →	**Trading and Financial Review (page 66)** **Business Model (page 50)** **2016 Performance Highlights (page 3)** - Gross margin on land holdings
PLANNING PROCESS	Delays or refusals in obtaining commercially viable planning permissions could result in the Group being unable to develop its land holdings. This could have a direct impact on the Group's ability to deliver its product and on its profitability.	The Group's strategic geographical focus and expertise places it in the best position to conceive and deliver the right consents for the land acquired. Full detailed planning and risk assessments are performed and monitored for each site without planning permission, both before and after purchase. Our assessment of the risk profile dictates whether sites are acquired either conditionally or unconditionally. The planning status of all sites is reviewed at both monthly divisional Board meetings and Main Board meetings. The Group works closely with local communities in respect of planning proposals and strong relationships are maintained with local authorities and planning officers.	We believe that our commitments to customer service, design, quality and placemaking can make us the developer of choice for local authorities, which will help deliver the right planning consents for our schemes. This has led to us securing further new consents this year to support the future business. By maintaining a strong balance sheet, and through a long-established reputation, our stakeholders in local communities trust our ability to deliver against any commitments that we make, whether financial or operational.	The planning process is complex but has been stable this year, and so the risk profile is steady. →	**Business Model (page 50)** **Our Vision** - Places (page 32)
RETAINING PEOPLE	An inability to attract, develop, motivate and retain talented employees could have an impact on the Group's ability to deliver its strategic priorities. Failure to consider the retention and succession of key management could result in a loss of knowledge and competitive advantage.	We have developed a series of commitments within Our Vision, our plan for the business, to ensure that we retain and develop the best people to support the business in the long-term. 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. We promote the engagement of our people with the business and its impact on wider society through the activities of the Berkeley Foundation.	Remuneration packages are designed with retention in mind and are explained within the Financials section of this report and accounted for in accordance with International Financial Reporting Standards. Consequently, they are appropriately reflected in our profit-related KPIs and senior management across the business has remained stable. Berkeley's Our People commitments are articulated within Our Vision. We measure the engagement of our people with the Berkeley Foundation as representative of their engagement with the business and its wider impact. Staff turnover rates are regularly monitored.	A stable senior team has continued to manage the normal pressures of people retention. →	**2016 Performance Highlights (pages 2 and 3)** **Our Vision** - Our People (page 40)

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

HOW WE MANAGE RISK

Continued

	Risk description	Approach to mitigating risk	Measurement	Annual change	Read more
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.	The level of cash due on secured forward sales is a KPI which measures the cash Berkeley expects to receive on contracted forward sales over the next three financial years. This provides both a good indication of past sales performance and visibility over future cash flows. Through our commitments to Customers in Our Vision, we have placed customer service, interaction with our purchasers and a commitment to market schemes in the UK first at the forefront of our business. We recognise this by measuring our performance through the Net Promotor score.	The London housing market has remained stable and there is good underlying demand, albeit transaction levels at the upper-end of the housing market have moderated from recent highs. ↗	**Chief Executive's Review (page 8)** **Business Model (page 51)** **2016 Performance Highlights (pages 2 and 3)** - Cash due on forward sales - Net promoter score **Our Vision** - Customers (page 22)
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.	The financial measure of cash due on forward sales provides an indication of the level of sales on which deposits have been taken and hence hedges against the risk of non-completion of sales.	An economic environment of continued low interest rates, combined with a stable return to economic growth, has supported mortgage availability, leading to a steady risk profile. →	**2016 Performance Highlights (page 3)** - Cash due on forward sales
ENVIRONMENT AND SOCIAL SUSTAINABILITY	Berkeley is 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. 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.	Our Vision includes specific commitments to enhance environmental and social sustainability considerations in the delivery of our schemes and operation of our business. These complement existing practices within the Group to focus on brownfield development, monitor carbon emissions and to be a considerate contractor on all of our schemes and welcomed in the communities within which we operate.	Berkeley's commitments within Our Vision focus on the long-term sustainability of our schemes and business, including operating a carbon positive business and ensuring that all new developments create a net biodiversity gain.	Our focus on this area remains a key differentiator of Berkeley and the risks and our approach continually evolve. →	**Our Vision** - Homes (page 26) - Places (page 32) - Operations (page 36)
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 has implemented a number of initiatives to improve health and safety standards on site, with workshops held with contractors during the year.	We continue to monitor RIDDOR reportable Accident Incident Rates, reported within Our Vision, and promote continual health and safety programmes across the business. Our Vision also includes a core commitment to promote the wellbeing of our staff and create healthy workplaces.	This consistently remains an operational priority for Berkeley. →	**2016 Performance Highlights (page 3)** - Accident Incident Rate **Our Vision** - Operations (page 36) - Our People (page 40)

BERKELEY ANNUAL REPORT 2016 / STRATEGIC REPORT

HOW WE MANAGE RISK

Continued

	Risk description	Approach to mitigating risk	Measurement	Annual change	Read more
BUILD COST AND PROGRAMME	Build costs are affected by the availability of skilled labour and the price and availability of materials, supplies and subcontractors. Changes to these prices and the availability of labour 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, 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.	Delivering new homes to customers on time and on budget are crucial to meeting our profit targets, as measured by our profit-related KPIs. Control and deployment of capital, whilst embracing the sector-leading commitments in Our Vision, is essential in promoting the long-term success of the business and delivering planned returns to shareholders by 2021.	During the year we have seen a moderation in cost inflation, principally through material costs, with pressure remaining on labour input costs. →	**2016 Performance Highlights (pages 2 and 3)** - Adjusted profit before tax - Adjusted basic earnings per share - Adjusted return on equity **Our Vision** - Operations (page 36)
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.	We believe that delivering a quality product in great places drives long-term profitability through the planning consents that we can secure, demand for the product and recommendations from our customers. Commitments for Homes and Places within Our Vision demonstrate Berkeley's targets for continual improvement of our product delivery, and our Customers' commitments provide assurance, especially in the area of customer service, that the product delivers the right experience for our customers.	Our strong focus on maintaining quality of design and product has remained steady. →	**2016 Performance Highlights (pages 2 and 3)** - Adjusted profit before tax - Adjusted basic earnings per share - Adjusted return on equity - Net promoter score **Our Vision** - Homes (page 26) - Places (page 32)
CYBER AND DATA RISK	The Group could suffer significant financial and reputational damage as a result of the corruption, loss or theft of data, whether inadvertent or via a deliberate, targeted cyber-attack.	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, whilst also recognising the changing landscape of cyber-risk. Consequently, Berkeley's systems and control procedures are designed to ensure that data confidentiality and integrity are not compromised. Our Information Security Programme mirrors the relevant core elements of the security standard ISO27001: Information Security Management. Whilst there is a primary focus upon stopping security breaches in the first instance, ongoing monitoring and scanning is also conducted. An IT Security Committee meets on a monthly basis to address all cyber security matters. During the year, the committee initiated a review under the Government's Cyber-Essentials scheme, which reviews compliance with key control areas. Additionally, a Group-wide security awareness programme has been rolled out. 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.	The Group has achieved certification under the Cyber-Essentials scheme. This accreditation was further extended to Cyber-Essentials Plus certification following the successful completion of penetration testing by an external party. This accreditation is subject to ongoing quarterly testing. The Group is also regularly subject to independent internal audits to ensure that its standard controls and procedures remain in line with current practice. The results of these audits are addressed accordingly.	There has been an increased awareness and focus upon emerging cyber-risk over the last year. ↗	

TRADING AND FINANCIAL REVIEW

Trading analysis

Revenue of £2,047.5 million in the year (2015: £2,120.0 million) included £1,994.1 million of revenue from operations (2015: £2,020.2 million) and £53.4 million from the sale of a portfolio of ground rent assets (2015: £99.8 million).

The £1,994.1 million of revenue from operations included £1,965.2 million of residential revenue (2015: £1,936.2 million), £2.3 million from land sales on two sites (2015: £12.3 million) and £26.6 million of commercial revenue (2015: £71.7 million).

3,776 new homes (2015: 3,355) were sold across London and the South of England at an average selling price of £515,000 (2015: £575,000). The changes to the average selling price are a result of mix with Berkeley completing two student developments in the current year, one in Bath and one in London which together comprise 638 units.

Revenue of £26.6 million from commercial activities (2015: £71.7 million) included the sale of some 119,000 sq ft of office, retail and leisure space across a number of the Group's developments including Fulham Reach in Hammersmith, Battersea Reach in Wandsworth and Goodman's Fields in central London. The £71.7 million of revenue last year was also from the sale of office, retail and leisure space across a number of the Group's developments, in particular an 89,000 sq ft hotel at Goodman's Fields.

During the year, the Group sold a portfolio of ground rent assets across some 43 sites for proceeds of £53.4 million and a gross profit of £51.0 million. In the prior year, the Group sold a portfolio of ground rent assets across some 60 sites for proceeds of £99.8 million and a gross profit of £85.1 million. Income and expenses associated with both sales have been recognised in the income statement through revenue and gross profit.

The adjusted gross margin percentage, excluding profit from the sale of ground rent assets, has increased to 32.6% (2015: 31.3%), and reflects the mix of homes sold in the year.

Overheads of £199.8 million (2015: £192.7 million) included a charge of £27.4 million in respect of the acceleration (there is no increase in the overall cost) of the accounting charge for the modifications to the 2011 LTIP following the changes to the shareholder returns programme made during the year. It also included an £8.3 million charge for Part B of the 2009 LTIP scheme which completed on 15 April 2016 with the vesting of the second tranche of awards. In the prior year, there was a charge of £47.0 million in respect of the Company's decision to settle the tax and national insurance liabilities arising on the vesting of options for participants in Part B of the 2009 LTIP scheme on 15 April 2015, in lieu of issuing shares to this value.

The result is that the Group's adjusted operating margin, excluding the profit from sale of the ground rent assets, has increased to 22.6% from 21.7% last year.

Berkeley's share of the results of joint ventures was a profit of £36.5 million (2015: £28.3 million) which reflects ongoing completions at 375 Kensington High Street and Stanmore Place within St Edward and the costs for St William in the initial pre-development stage of the joint venture.

The Group has remained cash positive throughout the year, and has exercised an option to extend the term of its current corporate banking facilities by a further year to 2021. The result is that net finance costs in the year have decreased from £12.7 million to £7.5 million with the prior year including a £3.9 million charge from amortising fees on the refinancing of the Group's bank facilities.

Income Statement for the year ended 30 April	2016 £'million	2015 £'million	Change £'million	%
Revenue	**2,047.5**	2,120.0	-72.5	-3.4%
- from operations	**1,994.1**	2,020.2	-26.1	-1.3%
- sale of ground rent assets	**53.4**	99.8		
Gross profit	**701.7**	716.8	-15.1	-2.1%
- from operations	**650.7**	631.7	+19.0	+3.0%
- sale of ground rent assets	**51.0**	85.1		
Operating expenses	**(199.8)**	(192.7)	-7.1	+3.7%
Operating profit	**501.9**	524.1	-22.2	-4.2%
Net finance costs	**(7.5)**	(12.7)	+5.2	
Share of joint ventures	**36.5**	28.3	+8.2	
Profit before tax	**530.9**	539.7	-8.8	-1.6%
Profit before tax – Adjusted*	**479.9**	454.6	+25.3	+5.6%
Income tax expense	**(126.8)**	(116.2)	-10.6	+9.1%
Profit after tax	**404.1**	423.5	-19.4	-4.6%
Earnings Per Share – Basic	**295.8p**	313.0p	-17.2p	-5.5%
Earnings Per Share – Adjusted*	**267.3p**	263.6p	+3.7p	+1.4%
Dividend Per Share	**190p**	180p	+10p	+5.6%
Pre-Tax Return on Equity – Adjusted*	**27.8%**	29.5%	-1.7%	

* 'Adjusted' figures exclude £53.4 million of revenue (2015: £99.8 million) and £51.0 million of profit (2015: £85.1 million) from the sale of ground rent assets

Adjusted pre-tax return on equity, excluding profit from the sale of ground rent assets, has decreased from 29.5% to 27.8%. Basic earnings per share has decreased by 5.5% from 313.0 pence to 295.8 pence, which takes into account the issue of a further 1.4 million shares issued in April to satisfy share awards under Part B of the 2009 LTIP scheme.

Taxation

The Group has an overall tax charge of £126.8 million for the year (30 April 2015: £116.2 million) and an effective tax rate of 23.9% (30 April 2015: 21.5%). The Group manages its tax affairs in an open and transparent manner with the tax authorities and observes all applicable rules and regulations in the countries in which it operates. Factors that may affect the Group's tax charge in future periods include changes in tax legislation and the resolution of open issues.

The Group holds tax provisions in respect of the potential tax liability that may arise on the resolution of open tax issues, however the amount ultimately payable may be higher or lower than the amount accrued thus reducing or improving the overall profitability and cash flow of the Group in future periods. The increase in the effective tax rate this year reflects an increase in the prior year tax provision, along with the repricing of deferred tax assets following changes to future corporate tax rates announced in the year.

Financial position

Net assets increased over the course of the year by £174.9 million, or 10.7%, to £1,812.8 million (2015: £1,637.9 million). This is after payment of £259.5 million of dividends and equates to a net asset value per share of 1,314 pence, up 9.6% from 1,199 pence at 30 April 2015.

Inventories have increased by £602.0 million from £2,654.1 million at 30 April 2015 to £3,256.1 million at 30 April 2016. Inventories include £384.1 million of land not under development (30 April 2015: £342.0 million), £2,853.9 million of work in progress (30 April 2015: £2,280.2 million) and £18.1 million of completed stock (30 April 2015: £31.9 million).

Trade and other payables are £1,858.9 million at 30 April 2016 (£1,635.5 million at 30 April 2015). These include £1,105.8 million of on account receipts from customers (30 April 2015: £920.9 million), which have increased as a result of strong trading in the year, and land creditors of £174.7 million (30 April 2015: £205.1 million). Provisions of £88.5 million (30 April 2015: £75.1 million) include post completion development obligations and other provisions.

The Group ended the year ungeared with net cash of £107.4 million (30 April 2015: £430.9 million). This is a decrease of £323.5 million during the year (2015: increase of £301.7 million) as a result of £530.8 million of cash generated from operations (2015: £528.4 million) and a net outflow of £436.8 million in working capital (2015: net inflow of £115.2 million), before tax and other net cash outflows of £158.0 million (2015: £106.7 million) and dividends of £259.5 million (2015: £243.5 million).

Banking

The Group's financial position is further supported by the extension of the Group's banking facilities during the year. On 23 March 2016, Berkeley extended its committed corporate banking facilities of £575 million, taking the maturity date of the Group's facilities from March 2020 to March 2021. This gives clarity of financing for five years, with the option held over a further one year extension, and extends the benefit of the materially reduced ongoing costs associated with the facility.

Joint ventures

Investments accounted for using the equity method have increased from £50.1 million at 30 April 2015 to £150.0 million at 30 April 2016. 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 funding into the St William joint venture along with profits generated in, but not distributed from, St Edward.

St Edward has four schemes currently in development at Stanmore Place, 375 Kensington High Street, 190 Strand and, launched in the first half of the year, a new site at Green Park in Reading. 240 homes were sold in the year at an average selling price of £1,329,000 (2015: 230 at £1,229,000), which reflects the mix of properties sold, predominantly at 375 Kensington High Street.

1,868 plots in Berkeley's land holdings relate to St Edward schemes. St Edward is continuing to identify opportunities to develop the joint venture through further sites to which it can add value, and controls a commercial site in Westminster which has a detailed planning consent but will not move into development until the premises are vacated by the current tenant.

3,599 plots in Berkeley's land holdings relate to St William schemes. Berkeley is working closely with National Grid to identify sites from across its portfolio to bring through into its land holdings. Of the 12 new sites acquired by the Group during the year, four were through St William.

TRADING AND FINANCIAL REVIEW

Continued

Balance Sheet as at 30 April	2016 £'million	Change £'million	2015 £'million
Investment in joint ventures	**150.0**	+99.9	50.1
Other non-current assets	**112.6**	-13.0	125.6
Inventories	**3,256.1**	+602.0	2,654.1
Debtors	**212.3**	+66.7	145.6
Deposits and on account receipts	**(1,105.8)**	-184.9	(920.9)
Other trade payables	**(831.3)**	-58.9	(772.4)
Provisions	**(88.5)**	-13.4	(75.1)
Capital employed	**1,705.4**	+498.4	1,207.0
Net cash	**107.4**	-323.5	430.9
Net assets	**1,812.8**	+174.9	1,637.9
NAVPS	**1,314p**	+115p	1,199p

Analysis of Inventory as at 30 April	2016 £'million	Change £'million	2015 £'million
Land not under development	**384.1**	+42.1	342.0
Work in progress: land cost	**975.8**	+177.2	798.6
	1,359.9	+219.3	1,140.6
Work in progress: build cost	**1,878.1**	+396.5	1,481.6
Completed units	**18.1**	-13.8	31.9
Inventory	**3,256.1**	+602.0	2,654.1

Abridged cash flow for year ended 30 April	2016 £'million	2015 £'million
Adjusted profit before tax	**479.9**	454.6
Profit on sale of ground rents	**51.0**	85.1
Increase in inventory	**(602.0)**	(172.9)
Increase in customer deposits	**184.9**	179.2
Other working capital movements	**(21.2)**	108.9
Proceeds from the sale of a rental fund	**12.8**	-
Net (investment in) / receipts from joint ventures	**(63.2)**	39.6
Tax paid	**(100.8)**	(140.5)
Other movements	**(5.4)**	(8.8)
Cash (outflow) / inflow before dividends	**(64.0)**	545.2
Dividends	**(259.5)**	(243.5)
(Decrease) / increase in net cash	**(323.5)**	301.7
Opening net cash	**430.9**	129.2
Closing net cash	**107.4**	430.9

Land

Berkeley has made strong progress in delivering value into and from its land holdings during the year. At 30 April 2016, the Group (including joint ventures) controlled some 42,858 plots with an estimated future gross margin of £6,146 million. This compares with 37,473 plots and an estimated future gross margin of £5,272 million at 30 April 2015. Of the total land holdings plots, 33,786 plots (2015: 34,215) are owned and included on the balance sheet and 9,072 plots (2015: 3,258) are contracted sites which cannot be moved into development as they do not have an implementable planning consent and/or as there are constraints and challenges surrounding, for example, vacant possession, CPO requirements or utilities provision which need to be resolved. We also hold a strategic pipeline of long-term options for in excess of 5,000 plots.

12 new sites have been added to the land bank in the year. The acquisitions have included a range of sites from outside of London in desirable locations such as Ascot, Wokingham and Southwater and in London at Cockfosters, Blackheath and West End Green in Paddington, along with the large, complex and long-term regeneration sites of Stephenson Street, the Oval Gasworks, and within St William, the former gasworks sites at Fulham, Hornsey, Watford and Borehamwood. Five of the sites have been acquired unconditionally and seven are contracted on a subject to planning or vacant possession basis.

Berkeley has secured 30 planning consents this year, nine on schemes which did not previously have an implementable planning consent and 21 revised consents. The new consents include White City for over 1,450 homes to be delivered over the next 15 years, St William's scheme in Battersea, West End Green in Paddington and on other developments in Southwater, Taplow, Winchester, Latchmere, Kingston and Cranleigh, some of which remain subject to finalisation of Section 106 agreements. These schemes are all in good locations underpinned by strong demand.

The revised consents include the securing of an improved masterplan at Southall along with a resolution to grant detailed planning for the first phase on this long-term regeneration scheme. The first phase comprises some 620 units over nine blocks with 1.4 acres of public parkland. The affordable housing will be delivered ahead of the private units. Our core long-term regeneration schemes now comprise Royal Arsenal, Kidbrooke Village, Woodberry Down, Beaufort Park, Southall and Stephenson Street, which we acquired in the year. The latter site comprises some 27 acres adjacent to West Ham station and offers real placemaking potential to regenerate this area of East London, providing an equal mix of private affordable and private rental homes.

The Group's land holdings at 30 April 2016 are across some 77 sites, of which 56 (73%) have an implementable planning consent and are in construction, a further seven (9%) have at least a resolution to grant planning but the consent is not yet implementable and 14 (18%) remain in the planning process. Of this latter category, 11 are subject to conditional contracts.

This shows the underlying strength of the Group's land bank which will be developed over the next 20 years. The estimated future gross margin represents management's risk-adjusted assessment of the potential development outturn 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. The increase in gross margin in the year is due to both acquisitions and value added through improvements secured both to current and future schemes, a core part of the Group's activities.

Land holdings as at 30 April	2016	Change	2015
Owned	**33,786**	- 429	34,215
Contracted	**9,072**	+ 5,814	3,258
Plots	**42,858**	+ 5,385	37,473
Estimated sales value	**£20,758m**	+ £3,683m	£17,075m
Average selling price *	**£484k**	+ £28k	£456k
Average plot cost	**£63k**	+ £5k	£58k
Land cost (%)	**12.9%**	+ 0.2%	12.7%
Estimated gross margin	**£6,146m**	+ £874m	£5,272m
Gross margin (%)	**29.6%**	- 1.3%	30.9%

* Adjusted ASP with joint venture revenue at 100% is £529k (2015: £486k)

BERKELEY ANNUAL REPORT 2016 / GOVERNANCE

GOVERNANCE

Battersea Reach, Wandsworth

BOARD OF DIRECTORS

CHAIRMAN AND EXECUTIVE DIRECTORS

Tony Pidgley CBE N

Co-founder of the Company in 1976. 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 was elected President of the London Chamber of Commerce and Industry in September 2013, and a trustee of both Open City London and the Sir Simon Milton Foundation. He is Chairman of the Nomination Committee.

Rob Perrins BSC (Hons) FCA

Joined the Company in 1994. 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 Chief Executive on 9 September 2009. He is also a Governor of Wellington College and Aston University.

Richard Stearn FCA

Re-joined Berkeley on 13 April 2015 as Group Finance Director, having previously worked for the company from 2002 to 2011 as Group Financial Controller. Prior to re-joining Berkeley, Richard spent three years at Quintain Estates and Development plc, becoming its Finance Director in July 2012. He trained and practiced for 12 years as a chartered accountant with PwC.

Karl Whiteman BSC (Hons)

Joined Berkeley in 1996 as a Construction Director and currently leads the Berkeley Homes East Thames division. He joined the Board on 10 September 2009 as a Divisional Executive Director.

Sean Ellis BSC (HonS)

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

Greg Fry FCA

Joined the Group in 1982 and is currently Chairman of St George, 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 8 September 2010.

NON-EXECUTIVE DIRECTORS

Sir John Armitt N R

Appointed a Non-executive Director on 1 October 2007 and became Deputy Chairman on 5 September 2012. He is currently Chairman of National Express Group PLC and the City and Guilds Group, a member of the Transport for London Board and the National Infrastructure Commission and President of the Institution of Civil Engineers. Sir John was Chairman of the Olympic Delivery Authority (2007 - 2014). From 2001 to 2007, he was Chief Executive of Network Rail and its predecessor, Railtrack. Sir John is the Senior Independent Director.

Adrian Li

Appointed a Non-executive Director on 2 September 2013. He is currently Executive Director and Deputy Chief Executive of The Bank of East Asia, Ltd. He is an Independent Non-executive Director of Sino Land Company Ltd., Tsim Sha Tsui Properties Ltd., Sino Hotels (Holdings) Ltd., China State Construction International Holdings Ltd. and COSCO Pacific Ltd. He is a member of the International Advisory Board of Abertis Infraestructuras, S.A.

Alison Nimmo CBE A

Appointed a Non-executive Director on 5 September 2011, Alison is Chief Executive of The Crown Estate. 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 trustee of the UK's Green Building Council.

Veronica Wadley N A

Appointed a Non-executive Director on 3 January 2012. She is currently Chair of the Arts Council London and a National Council member of Arts Council England. Until 1 May 2016, she was a Senior Advisor to the Mayor of London. Previously Editor of The Evening Standard, she is also an Independent Director of Times Newspapers Holdings Ltd.

Glyn Barker BSc (Hons) FCA A R

Appointed a Non-executive Director on 3 January 2012 following a 35 year career with PwC. He held a number of senior posts within PwC including Managing Partner, Head of Assurance and most recently its UK Vice Chairman as well as establishing and running their Transactions Services Business. Glyn is a Non-executive Director of Aviva plc and Transocean Limited, Chairman of the law firm Irwin Mitchell and Interserve plc and a Director of the English National Opera Company. He is Chairman of the Remuneration Committee.

Andy Myers BEng ACA A R

Appointed a Non-executive Director on 6 December 2013, he is currently Chief Financial Officer at McLaren Technology Group Limited, having previously held senior finance roles in Rolls Royce plc and BMW/Rover Group. He is Chairman of the Audit Committee.

Diana Brightmore-Armour FCCA, MCT N

Appointed a Non-executive Director on 1 May 2014, Diana is currently the UK, Europe & Middle East CEO of The Australia and New Zealand Banking Group Ltd and previously held the position of CEO, Corporate Banking at Lloyds Banking Group (2004-2012). Diana has 30 years of international experience in banking, corporate finance, financial management, treasury and audit.

COMPANY SECRETARY

E A Driver

Key

N Nomination Committee
A Audit Committee
R Remuneration Committee

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance in respect of the main principles of the UK Corporate Governance Code 2014 (the Code):

- Leadership
- Effectiveness
- Accountability
- Remuneration
- Relations with shareholders

This section, including the Audit Committee Report and the Directors' Remuneration Report, details how the Company has applied the main principles and provisions of the Code. The Company's business model is explained in the Strategic Report. It is the Board's view that it has been fully compliant with the Code throughout the 2015/16 financial year. A copy of the Code is available on the Financial Reporting Council's website www.frc.org.uk

Leadership

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 material 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.

Effectiveness

Composition, Diversity and Independence

At the date of this report the Board comprises thirteen Directors: the Chairman, five Executive Directors and seven independent Non-executive Directors. The biographies of these directors are set out on pages 72 and 73.

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 and experience is maintained. Currently women comprise 23% of the Board. The Board has chosen not to set specific representation targets for women on the Board 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 Board considers that all of the current Non-executive Directors were independent throughout the year. The Non-executive Directors, led by the Senior Independent Director Sir J 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 Chief Executive 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 general meetings and for ensuring that each Director contributes to effective decision-making. The Group Chief Executive 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 four times during 2015/16 and there were no absences other than A Nimmo CBE was unable to attend the meeting on 8 September 2015 due to unavoidable personal circumstances.

In addition to the above formal meetings of the whole Board, the Non-executive Directors meet with the Group Chairman. The Group Chief Executive 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 election by shareholders at the first opportunity after their appointment and thereafter at intervals of no more than three years.

In accordance with the requirements of the Code, all Directors offer themselves for re-election at the Annual General Meeting to be held on 6 September 2016.

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 Code requires that the Board undertakes an annual evaluation of its own performance and that of its committees and individual directors with an externally facilitated evaluation conducted at least every three years. The Board evaluation for 2016 was, in accordance with Code Provision B.6.2, externally facilitated by Claire Howard Consultancies, who have no other connection with the Company. Following planning sessions with the Group Chairman and Group Solicitor and review of selected documents, confidential face to face meetings were held with each of the Main Board Directors and the Group Solicitor. The Board evaluation meetings were free-flowing and covered, Inter alia, the following areas:

- Strategy, strategic direction and role of the Board
- People, organisational development and succession planning
- Board and Committee composition, dynamics and culture
- Structure and operation of the Board and its Committees
- Conduct and outcome of last year's Board evaluation and how to get the best out of this one

The review concluded that the Board continues to work effectively and that all the Directors remain passionate about, and committed to, the business and its future prospects. Recommendations from the previous year's Board Evaluation either had been, or were being, implemented.

The Board has a pivotal role in preserving the organisation's culture and ultimately its success. In line with all successful organisations, succession planning and talent management are seen as key success factors for the business and the Board continues to focus on this area. The autonomous structure of the Group also provides strength in depth which further mitigates this risk.

Recommendations from the 2015/16 Evaluation were included in the papers for the June 2016 Board Meeting and agreed actions will be implemented over the coming year as appropriate.

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 Directors of 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 had in place at 30 April 2016 an appropriate policy which insures Directors against certain liabilities, including legal costs, which they may incur in carrying out their duties. This remains in place.

Board Committees

The Board has delegated certain matters to individual Executives and to the specific committees of the Board; audit, remuneration and nomination. The main 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.

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 Chief Executive, R C Perrins, chairs this Committee and other members comprise, A W Pidgley CBE, R J Stearn, K Whiteman, S Ellis and G J Fry alongside other senior management employees.

Audit Committee

The Audit Committee is responsible for monitoring and reviewing the financial reporting and accounting policies of the Company, reviewing the adequacy of internal controls and the activities of the Group's internal audit function and overseeing the relationship with the external auditor. The Audit Committee comprises four independent Non-executive Directors. The Committee is chaired by A Myers and the other members at 30 April 2016 were A Nimmo CBE, G Barker and V Wadley.

A Myers and G Barker are both considered to have recent and relevant experience. A Myers is qualified as a chartered accountant and is currently Chief Financial Officer at McLaren Technology Group Limited and G Barker is also qualified as a chartered accountant, having previously held a number of senior posts within PwC including Managing Partner and Head of Assurance.

The Committee met formally on three occasions during the year to 30 April 2016 with no absences.

An explanation of the role and activities of the Audit Committee during the year is contained in the Audit Committee report on pages 78 and 79.

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.

At 30 April 2016, the Committee comprised G Barker, Sir J Armitt and A Myers who are independent Non-executive Directors. The Committee was chaired by G Barker.

The Committee met formally on three occasions during the year to April 2016 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 Chief Executive and Group Finance Director regarding the remuneration of their Executive colleagues.

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 80 to 98.

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.

CORPORATE GOVERNANCE REPORT

CONTINUED

The Committee is chaired by the Group Chairman, A W Pidgley CBE, and at 30 April 2016 includes Sir J Armitt, V Wadley and D Brightmore-Armour who are all independent Non-executive Directors.

The Committee met formally on two occasions during the year to 30 April 2016 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.

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.

Accountability

Key risks and internal control

The Board acknowledges that it has overall responsibility for ensuring that the Group's system of internal control complies with the Code 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 2016 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 a Group level.

Risk assessment

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

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

A Group Risk Management Report is presented at each Group Main Board Meeting, which overlays wider strategic risks than those covered by the operations. This sets out the annual changes in the risk profile of the Group, the impact and mitigation of these risks.

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 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 at divisional and Group level 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 employees, where Directors, management, employees and external stakeholders can report in confidence any concerns they may have of malpractice, financial irregularity, breaches of any Group procedures, or other matters. The policy is available to view on the Group's website.

Bribery Act and Anti-Money Laundering Regulations

The Board has responsibility for complying with the requirements of the Bribery Act 2010 and The Money Laundering Regulations 2007 and is charged with overseeing the development and implementation of the Group's policies and procedures and monitoring ongoing compliance.

Remuneration

The principles and details of Directors' remuneration are contained in the Directors' Remuneration Report on pages 80 to 98.

Relations with shareholders

The Company encourages active dialogue with its current and prospective shareholders through ongoing meetings or calls 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 and Interim Management Statements. In addition, the corporate website provides 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") on 6 September 2016 at 11:00am where the Group Chairman, the Group Chief Executive 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.

In accordance with the Code, 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.

AUDIT COMMITTEE REPORT

The Board of Directors presents its Audit Committee Report for the year ended 30 April 2016 which has been prepared on the recommendation of the Audit Committee ("the Committee").

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.

Details of the composition, experience and the number of meetings of the Committee are reported on page 75 of the Corporate Governance Report.

Role and responsibilities of the Audit committee

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 as follows:

- **Financial Reporting**
  Monitoring the integrity of the financial reporting of the Company and reviewing significant financial reporting matters and accounting policies;
- **Internal Control and Internal Audit**
  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
- **External Audit**
  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.

This report considers each of these responsibilities in turn, and how the Committee has discharged them during the year.

Financial reporting

At each of the Audit Committee meetings, the Group Chief Executive and/or the Group Finance Director presented, and the Committee debated, the results and business plan of the Group and any significant financial reporting judgements relevant to this.

The Committee reviewed, prior to their publication, the financial disclosures in the Group's Annual Report and Accounts, Preliminary Announcement, Half Year Results Announcement and the contents of interim management statements issued during the year. The Committee's review incorporated consideration of the appropriateness of the relevant accounting policies and financial reporting judgements adopted therein.

The Committee's review of the Annual Report concentrated on whether, taken as a whole, it was fair, balanced and understandable and provided the information necessary for users of the Annual Report to assess the Group's business strategy and performance.

The views of the Group's auditor, which was in attendance at each meeting of the Committee during the year, were taken into account in reaching its conclusions on these matters.

The significant matters considered by the Committee during the 2015/16 financial year included:

- **Carrying value of inventories and margin recognition**
  Inventories comprise land not under development, work in progress and completed units, which are held in the balance sheet at the lower of cost and net realisable value. This requires a periodic assessment by the management team of each of Berkeley's sites which is sensitive to assumptions in terms of future sales prices and construction costs and recognises the inherently cyclical nature of the property market and the risks of delivery. These assumptions are also relevant to the determination of profit recognised on properties sold. The conclusions of this assessment were reported by exception to the Committee in a financial overview paper prior to release of the Group's annual results.
- **Provisions**
  The Committee recognises that accounting for provisions relies on management judgement in estimating the quantum and timing of outflows of resources to settle any associated legal or constructive obligations. The Group holds provisions for post-completion development obligations, onerous leases, estate liabilities and litigation. The basis for determining these provisions was presented to the Committee for their consideration. The Committee reviewed the relevant papers and discussed the assumptions underlying this determination with management and the Group's external auditor, and concluded that it was satisfied that the assumptions adopted were appropriate.

  A table of movements in provisions over the period is included in note 17 to the financial statements.
- **Revenue recognition**
  The Committee recognises that the Group's accounting policy for revenue recognition, namely that properties are treated as sold and profits are recognised when contracts are exchanged and building work is physically complete, involves an element of judgement in determining the point at which building work is physically complete. The Committee reviewed the quantum of properties not yet legally completed at each balance sheet date, in conjunction with the review undertaken by the Group's external auditor and concluded that the judgements were appropriate.
- **Share-based payments**
  The Committee recognises that accounting for share-based payments represents a complex accounting area and particularly so in a year in which there was a modification to a scheme (2011 LTIP). The Committee reviewed the impact of this modification in conjunction with the external auditor's assessment and concluded that the judgement and application were appropriate.
- **Compliance with laws and regulations**
  The Committee recognises that the Company is subject to laws and regulations across a number of areas including, but not limited to, anti-bribery, anti-money laundering and sanctions checking. The Committee considered the Group's approach to reviewing and updating its policies with respect to compliance with laws and regulations. In performing this review, it considered relevant legal matters. The Committee was satisfied that there were no material instances of non-compliance.

Other matters considered by the Committee included management's assessment of the going concern status of the Group at the balance sheet date, and the Board's assessment of the viability statement. The Committee concurred with the approach adopted on all of these matters.

Since the year end, the Committee has completed its review of the 2016 Annual Report and has confirmed to the Board that it considers it to be fair, balanced and understandable.

Internal control and internal audit

The Committee undertook its annual review of the Group's Internal Control Framework during the year. This review focused on the system of risk management and internal control in place which is explained in more detail on page 76 of the Corporate Governance Report, and covered:

- the key risks facing the Group;
- the key elements of the Group's control processes to mitigate these risks;
- the operations and effectiveness of internal audit.

A paper was also presented to the Committee which summarised the Group's consideration, controls and monitoring of fraud risk across its activities.

The Committee also considered any internal control recommendations raised by the Group's auditors during the course of the external audit and the company's response to dealing with such recommendations.

A report summarising the recent activities of the Internal Audit function within Berkeley was presented to each of the Committee meetings during the year. These reports covered:

- a summary of the key findings arising from the most recent formal internal audits undertaken;
- management responses to any control weaknesses identified, the closure of any open items and any recurring themes;
- the outcome of other operational review work undertaken by the internal audit function;
- the internal audit plan for the coming year, for debate with and the approval of the Committee.

The Committee was satisfied that the scope, extent and effectiveness of the Internal Audit function are appropriate for the Group.

External audit

KPMG LLP ("KPMG") was appointed as the Company's auditor in the year ended 30 April 2014.

Approach

KPMG presented its audit strategy to the Audit Committee during the year. The strategy document identified its assessment of the key risks of the business for the purpose of the audit, the scope of their work and updated the Committee on regulatory changes for the current year.

KPMG reported to the Committee at the year end, prior to the public announcement of the Company's results, in which it set out its assessment of the Company's judgements and estimates in respect of these risks and any other findings arising from its work.

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

Independence of the external auditors

As part of its audit strategy presentation, and through the audit tender process, KPMG identified the safeguards in place within its internal processes and procedures to protect, in respect of its own role, the independence of its audit.

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 2016 was within the limits of this ratio. Audit and non-audit fee disclosures are set out in Note 5 of the Consolidated Financial Statements.

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 such that the Group's auditors are the only practical appointment.

Non-audit work carried out by all accounting firms, including the auditors, is formally reported to the Audit Committee at each meeting. There is open dialogue between KPMG and the Company's senior finance team to monitor any proposed new instructions.

The Committee has concluded that it is comfortable that the auditors are independent.

Appointment of KPMG

On completion of the audit, the Committee reviewed the performance and effectiveness of KPMG with feedback from executive management. The Committee has resolved to propose KPMG's re-appointment at the 2016 Annual General Meeting.

The Committee remains mindful of evolving best practice under the UK Corporate Governance Code 2014, and will monitor the new requirements of the Financial Reporting Council and the European Union in determining its future approach to re-tendering the external audit appointment.

A Myers
Chairman, Audit Committee
21 June 2016

DIRECTORS' REMUNERATION REPORT

Annual statement from Chairman of the Remuneration Committee

Dear Shareholder

This Remuneration Report is split into two parts:

(i) **Our Remuneration at a Glance** sets out a summary of Berkeley's Directors' Remuneration policy and the key remuneration decisions made by the Committee for the financial year ending 30 April 2016.

(ii) **The Annual Report on Remuneration** sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the 2015/16 financial year.

The Annual Report on Remuneration, together with this letter, is subject to an advisory shareholder vote at the AGM on 6 September 2016. The sections of this report that have been subject to audit are labelled accordingly.

In line with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Directors' Remuneration Policy has not been presented in this report given that the Policy was approved at the 2014 AGM and it is not intended to move a similar resolution again at the 2016 AGM. The Directors' Remuneration Policy is available to view in full on the Company's website at www.berkeleygroup.co.uk/investor-information/corporate-governance.

Corporate performance

Berkeley has delivered strong performance and growth over 2015/16, with the key highlights being:

- Dividends paid to shareholders of £259 million (2015: £243 million)
- Adjusted pre-tax return on shareholders' equity of 27.8% (2015: 29.5%)
- Net asset value increased by 10.7% to £1,813 million (2015: £1,638 million)
- Future anticipated gross margin in the land bank up 16.6% to £6,146 million (2015: £5,272 million)
- Adjusted earnings per share increased by 1.4% to 267.3 pence (2015: 263.6 pence)

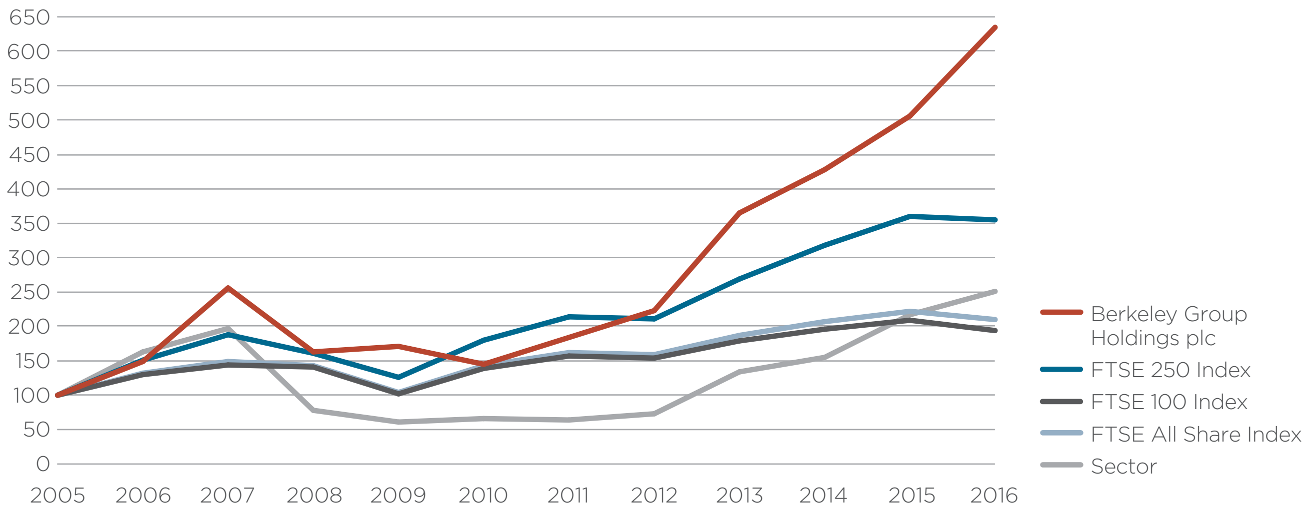
The results continue to underline the Group's strategy of balancing earnings in the near term and creating a sustainable business, delivering value to shareholders over the long term. Berkeley's Return on Equity compared with the sector over the last eight years illustrates the relative performance of the Company:

	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Berkeley	16.2%	13.3%	15.3%	21.2%	22.4%	27.5%	29.5%*	27.8%*
Sector highest	16.2%	13.3%	15.3%	21.2%	22.4%	27.5%	29.5%	27.8%
Sector lowest	(73.4%)	(44.2%)	(6.2%)	(0.4%)	3.4%	3.5%	12.2%	16.0%
Sector average (excluding Berkeley)	**(26.0%)**	**(18.1%)**	**1.0%**	**4.8%**	**8.5%**	**11.4%**	**18.2%**	**22.3%**

* Adjusted figures exclude gross margin from the sale of ground rents

Berkeley's total shareholder return, when compared to the companies in the sector and also the FTSE 250, FTSE 100 and FTSE All Share indices, illustrates the value delivered to shareholders over the long term.

Total shareholder return from 30 April 2005 (%)



Berkeley's remuneration policy aims to encourage, reward and retain the Executives and ensure that their actions are aligned with the Company's strategy. In particular, the emphasis on performance related pay aligns the Executives with the performance of the business which is coupled with long term incentives that lock in the Executive team for up to 10 years, which is far longer than is typical in most publicly listed companies.

Incentive outcomes

On the back of continued strong corporate performance and also the performance of the Executives, the remuneration decisions and incentive outcomes from the performance this year are:

- The Executive Directors earned 100% of the maximum annual contribution under the Bonus Plan following performance against the stretching Net Asset Value growth, Return on Equity and Divisional PBT targets (see page 84 for details);
- The balance of the 2009 LTIP Part B awards vested during the year. The exercise of these awards resulted in a significant increase in shareholding for A W Pidgley, R C Perrins, G J Fry, K Whiteman and S Ellis (see page 85 for details).

Operation of Policy in 2016/17

Salary

The Executive Directors have received salary increases for 2016/17 of approximately 2.9% compared to average salary increases across the Group of 5.1%.

Bonus

Since 2011, Divisional Directors' bonus targets have been set by reference to both Group and Divisional targets with an equal weighting. Following a review of the operation of the Bonus Plan for 2016/17 and onwards, the Committee has determined that the bonus payable for all the Executive Directors will be determined by reference to the Group performance conditions only. The change has been made on the basis that the Committee wants the Executive Directors as a team to be focused on the strategic drivers of the business, being Return on Equity and growth in Net Asset Value following the increased focus on annual dividends as a result of the changes made to the Group's strategic delivery during the year.

Divisional performance continues to be an important part of the Committee's assessment of performance. Therefore, for the Divisional Directors the Committee will take into account their respective Division's performance when determining bonus payments for 2016/17 and future years. While the maximum amount of bonus for Divisional Directors will be determined by the satisfaction of the Group targets; at the discretion of the Committee the failure of a particular Division to meet its individual targets may result in a reduction to the bonus amount paid to the relevant Divisional Director.

As with prior years we have disclosed our Group targets for the 2016/17 bonus year in full on pages 86 and 87.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Changes to the 2011 LTIP

It is a key element of the Berkeley Remuneration philosophy that the remuneration arrangements are directly linked to the achievement of the Company's corporate strategy. In December 2015, the Company announced two changes to the delivery of the corporate strategy:

- The increase in the targeted cumulative dividends paid by no later than 30 September 2021 by £3.34, from £13.00 to £16.34;
- The introduction of annual phased payments of dividends.

As a result of these changes the Remuneration Committee conducted a thorough review of the operation of the 2011 LTIP and determined that it should be amended in the following way:

- The exercise price payable for the options should be increased by £3.34. This means that the total exercise price from the date of grant has increased from £13.00 to £16.34;
- The introduction of phased vesting of options to match the dividend payments;
- In addition, the Committee took the opportunity to amend the 2011 LTIP to bring it up to date for corporate governance best practice by (i) introducing malus and clawback provisions and (ii) capping the maximum value the participants can receive under the Plan.

In line with the rules of the 2011 LTIP and the Regulations, the proposed changes to the operation of the Plan and consequential changes to the Company's Remuneration Policy required shareholder approval, and approval was sought and received at a General Meeting held on 16 February 2016.

In advance of seeking formal shareholder approval at the Meeting, the Company conducted an extensive consultation exercise with the Company's top shareholders. I and the other members of the Remuneration Committee were extremely appreciative of the input received from shareholders as part of this process and the support we received for the changes and ultimately the approval at the General Meeting (94.07% voted in favour of the amendments).

It should also be noted that as these proposed changes reduced the potential benefit received by participants their approval was required and the participants unanimously agreed to these changes.

Full details of the changes made to the 2011 LTIP are set out on pages 87 to 89. In addition, the notice for the General Meeting on 16 February 2016 provides further information on the background to these changes.

In addition, the Committee determined to increase the minimum shareholding requirement for R C Perrins so that the requirement for both the Group Chairman and the Group Chief Executive are the same at 400% of salary.

In conclusion

The Annual Report on Remuneration together with this letter will be subject to an advisory shareholder vote at the forthcoming AGM in September 2016. Details of voting at last year's Annual General Meeting, where 85.43% of those voting supported the resolution to approve the Annual Report on Remuneration, are set out on page 98 of this report.

I look forward to receiving your support for the resolution seeking approval of the Annual Report on Remuneration at our forthcoming AGM.

G Barker
Chairman, Remuneration Committee

OUR REMUNERATION AT A GLANCE

Ahead of the detail behind payments for 2015/16, I would like to take this opportunity to outline the Committee's policy, key decisions and performance outcomes during the past year.

Summary of Directors' Remuneration Policy

Element	Policy summary description	Maximum opportunity
Executive Directors		
Base salary	Core element of remuneration, set at a level which is sufficiently competitive to recruit and retain Executive Directors of the appropriate calibre and experience to achieve the Company's business strategy. In setting levels of base salary, the Committee takes into account the following factors: – 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; – The performance of the individual Executive Director and the Group; – Pay and conditions throughout the Group.	Where an Executive is extremely experienced and has a long-track record of proven performance salaries may be in the upper decile when compared to companies of broadly comparable size and complexity – in particular those within the comparator group and those in the FTSE 250. In general salary rises will be limited to the level provided to employees of the Company as a whole.
Pension and benefits	The Company's policy is either to provide a contribution to a pension arrangement or provide payments in lieu of pension. Other benefits are provided to the Executive Directors including a fully expensed company car or cash allowance alternative, medical insurance and other benefits may be provided from time to time.	The maximum contribution or payment in lieu is 25% of salary. Levels of benefits are defined by market rates.
Annual bonus	The Bonus Plan aligns rewards to the key objectives linked to short to medium term performance whilst ensuring that there is a balance between incentivising the Executive Directors, providing a sustainable ongoing level of return to shareholders and ensuring the long term sustainability of the Company. Under the Bonus Plan, awards are earned annually over a six year plan period, subject to stretching performance targets. 50% of a participant's plan account will be paid out annually for the first five years with 100% of the balance paid at the end of the sixth plan year.	300% of salary.
Long term Incentives	No plan available for new grants during the three year Policy Period unless, on recruitment, where a new Executive Director may be eligible to participate in the 2011 LTIP and also provided the total number of awards granted to all participants do not exceed the limits agreed with shareholders at the 2011 AGM.	
Shareholding requirement	The Committee operates a system of shareholder guidelines to encourage long-term share ownership by the Executive Directors. This should be achieved within five years of appointment for Executive Directors.	400% of base salary for the Group Chairman and Group Chief Executive. 200% of base salary for other Executive Directors.
Non-executive Directors		
Fees	Each Non-executive Director receives a fee which relates to membership of the Board and additional fees are paid for Committee Chairmanship.	In setting fees, the Board looks at the upper quartile fee levels of companies of broadly similar size and complexity - in particular those within the comparator group and those in the FTSE 250. In general fee rises will be limited to the level provided to employees of the Company as a whole.

The Directors' Remuneration Policy is available to view in full on the Company's website at www.berkeleygroup.co.uk/investor-information/corporate-governance.

DIRECTORS' REMUNERATION REPORT

CONTINUED

How have we performed against our 2015/16 Bonus Plan objectives?
The following table sets out the various performance metrics targeted by the Bonus Plan and how the Company has performed against these metrics in respect of 2015/16. It should be noted that this is the first year of operation of the six-year Bonus Plan that was approved by shareholders at the 2014 AGM.

Bonus Plan performance conditions		Targets set at the start of the year	Actual performance outcome	Percentage of bonus element earned following assessment against the performance targets
Group performance condition – 100% weighting for the Group Executives, 50% weighting for Divisional Directors	Return on Equity	ROE of 25% (maximum target)	27.8% ROE[1]	100%
	Net Asset Value	Net Asset Value Growth of 5% (maximum target)	10.7% Net Asset Value Growth	
Divisional PBT performance condition – 50% weighting for Divisional Directors	Divisional PBT targets	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.	100% of Divisional PBT target achieved[2]	100%

Notes
1. Adjusted Return on Equity excludes gross margin from the sale of ground rents
2. Divisional PBT performance condition for the Divisional Directors – the percentage achievement of target is shown as the average performance for each Division. Disclosure of PBT targets are considered to be commercially sensitive as the disclosure of such details could be detrimental to the Company's future strategic plans. The Committee will disclose these targets when they are no longer considered commercially sensitive which is anticipated to be at the end of a period of two years.

The Committee is satisfied that there is strong alignment between Company performance and the remuneration of the Executive Directors. As a result of strong performance during the year, the Committee determined that the Executive Directors would receive bonus payments equal to 100% of their maximum bonus potential as set at the start of the year. Further details are set out in the Annual Report on Remuneration on pages 91 and 92.

Other remuneration outcomes during the year

The balance of the awards granted under the 2009 LTIP Part B vested on 15 April 2016. These awards vested following the achievement of the Net Assets per share performance condition underpin of £9.00. Actual Net Assets per share were £12.89 at 31 October 2015 and £13.14 at 30 April 2016. The exercise of these awards resulted in a significant increase in shareholding for A W Pidgley, R C Perrins, G J Fry, K Whiteman and S Ellis.

Shareholder approval was received at the 2011 AGM to amend the rules of the 2009 LTIP 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. The exercise price of the 2009 LTIP Part B awards at the date of vesting was £3.06 following £5.34 of dividends being paid during the vesting period. Full details are disclosed on page 93.

Single total figure of Remuneration for Executive Directors for 2015/16

The table below summarises the 2015/16 single total figure of remuneration:

Executive Director £'000	Salary	Benefits	Annual bonus	Multi-year performance incentive[1]	Pensions	Total
A W Pidgley	850	49	1,275	19,170	145	21,489
R C Perrins	515	33	773	9,585	87	10,993
R J Stearn	350	17	350	–	53	770
G J Fry	355	29	311	6,390	53	7,138
K Whiteman	335	28	335	3,195	50	3,943
S Ellis	335	20	369	2,236	50	3,010

Notes
1. 2015/16 Multi-year performance incentive – the amounts relate to the balance of the 2009 LTIP Part B awards that vested in 2015/16.

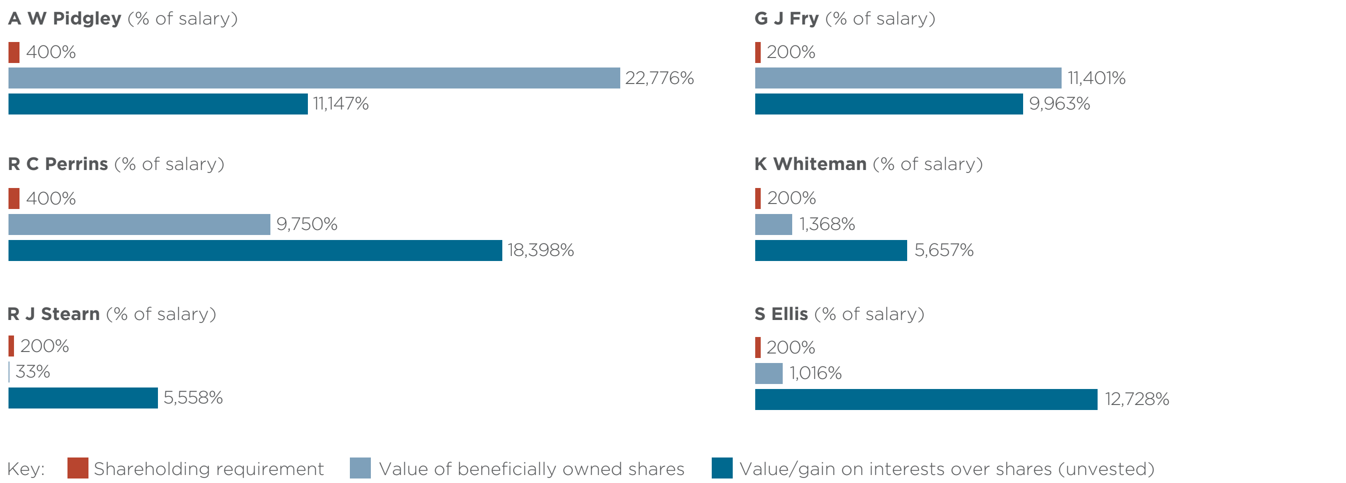
Total equity exposure at 30 April 2016

The following table and chart sets out all subsisting interests in the equity of the Company held by the Executive Directors at 30 April 2016:

Executive Director	Beneficially owned shares	Scheme interests – Options and awards over shares		
		2011 LTIP – Option interests subject to conditions	Other awards subject to conditions[1]	Total interests held
A W Pidgley	6,463,855	5,000,000	–	5,000,000
R C Perrins	1,676,598	5,000,000	–	5,000,000
R J Stearn	3,867	954,328	45,672	1,000,000
G J Fry	1,351,327	1,866,503	–	1,866,503
K Whiteman	153,003	1,000,000	–	1,000,000
S Ellis	113,659	2,250,000	–	2,250,000

Notes
1. Buy out awards granted to R J Stearn on joining Berkeley on 13 April 2015. Full details were provided in the Directors' Remuneration Report for 2014/15.

The following charts show the minimum shareholding requirements for the Executive Directors, the value of the shares they currently own and the value of share incentives held. All the Executive Directors exceed their minimum shareholding requirements other than R J Stearn who has only recently been appointed and has five years to meet the requirements.



DIRECTORS' REMUNERATION REPORT

CONTINUED

Statement of implementation of remuneration policy in the following financial year

Executive Directors

The remuneration policy and its implementation for the forthcoming financial year is summarised below.

Salary: The salaries for 2016/17 are set out below:

Executive Director	2015/16 Salary £'000	2016/17 Salary £'000	% change	FTSE 250 - £'000 Lower Quartile	FTSE 250 - £'000 Median	FTSE 250 - £'000 Upper Quartile
A W Pidgley	850	875	2.9	465	542	618
R C Perrins	515	530	2.9	472	547	617
R J Stearn	350	360	2.9	310	361	415
G J Fry	355	365	2.8	293	347	398
K Whiteman	335	345	3.0	293	347	398
S Ellis	335	345	3.0	293	347	398

In reviewing the salaries of the Executive Directors for 2016/17, the Committee has also taken account of the employment conditions and salary increases awarded to employees throughout the Group, which were on average 5.1%.

Benefits and Pension: No changes are proposed to benefits or pension in 2016/17.

Bonus Plan: The maximum bonus potentials for the year ending 30 April 2017, the second year of operation of the new Bonus Plan approved by shareholders at the 2014 AGM, are set out below. These are the same as those provided to each Executive Director for the last financial year.

Executive Director	A W Pidgley	R C Perrins	R J Stearn	G J Fry	K Whiteman	S Ellis
Maximum Bonus (% of salary)	300%	300%	200%	175%	200%	220%

From 2016/17 onwards the Committee has determined the bonus payable for all the Executive Directors will be determined by reference to Group performance conditions only. The Committee's rationale for the change is set out in the Chairman's Annual Statement. The table below sets out the targets in respect of the forthcoming year for all Executive Directors.

Group performance condition (year ending 30 April 2017)

Performance Requirement Matrix			Net Asset Value Growth						
			<0%	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%
			0.0%	50.0%	60%	70.0%	80.0%	90.0%	100.0%
Return on Equity	<25.0%	0%	Bonus Plan Deduction	0%	0%	0%	0%	0%	0%
Return on Equity	25.0%	50%	0%	25%	30%	35%	40%	45%	50%
Return on Equity	26.0%	60%	0%	30%	36%	42%	48%	54%	60%
Return on Equity	27.0%	70%	0%	35%	42%	49%	56%	63%	70%
Return on Equity	28.0%	80%	0%	40%	48%	56%	64%	72%	80%
Return on Equity	29.0%	90%	0%	45%	54%	63%	72%	81%	90%
Return on Equity	30.0%	100%	0%	50%	60%	70%	80%	90%	100%

The Committee when setting the Group performance conditions follows the approach agreed with shareholders as part of the approval of the Bonus Plan. The Committee committed to setting performance conditions to ensure that over the six year plan period on average the following ranges were achieved:

- ROE range 20% to 25% p.a.;
- NAV Growth range 0% to 5% p.a.

The Committee believes that taking into account the market faced by the Company and the strategy set that the above targets are suitably challenging given the incentive opportunity that can be earned. The ROE targets have been increased to reflect the Company's expectations on revenue performance over the next period. The NAV Growth targets remain the same as the Committee believes they provide the appropriate dynamic tension with the requirement to pay dividends whilst maintaining the Company's asset base.

Long-term incentives: The current Executive Directors will not be granted additional options under the 2011 LTIP.

Non-executive Directors

The following table sets out the fee rates for the Non-executive Directors in the year ended 30 April 2016 and those rates which will apply in the year ending 30 April 2017:

Non-executive Director	2015/16 £'000	2016/17 £'000	% change
Deputy Chairman and SID fees	109.25	112.5	3.0
Basic Fee	60.25	62.0	2.9
Additional fee for chairmanship of Audit or Remuneration Committee	12.5	12.5	–

In reviewing the fees of the Non-executive Directors for 2016/17, the Committee has also taken account of the employment conditions and salary increases awarded to employees throughout the Group, which were on average 5.1%.

Changes to the 2011 LTIP approved by shareholders at the General Meeting held on 16 February 2016

In 2011, Berkeley put in place a clear framework to deliver £13 per share to shareholders over a ten year period, as the market began to recover from the global financial crisis.

At the time this challenging ambition represented 183% of the prevailing net asset value per share. It was anticipated that the return would realise the significant majority of the value of the balance sheet and the potential within the land bank.

Berkeley is ahead of this plan in terms of profitability and cash generation, following a period of land investment at the right time in the cycle and a favourable London market with ongoing stability following the May 2015 General Election result. This was reflected in the £2 billion three year cumulative PBT ambition the Company set out with its results for the year ended 30 April 2015.

Berkeley had also achieved the first milestone under the plan of returning £4.34 to shareholders by 30 September 2015 and was on course to deliver the two remaining milestones in September 2018 and September 2021.

In December 2015, the Company announced that it was increasing the 2021 target from £13.00 per share to £16.34 per share, with the remaining £12 to be paid in annual dividends of £2 per share over the next six years (equating to 100% of current NAV), with sufficient capital retained for incremental investment in the business.

Rationale for revision to strategic delivery

The Company announced in June 2015, as part of the annual results for the year to 30 April 2015, a plan to deliver pre-tax profits of £2 billion over the three year period to 30 April 2018. This reflected three principle factors:

- London had emerged from the financial crisis firmly at the centre of the global economy, attracting both investment and talent to stimulate demand in the under-supplied Capital;
- Berkeley's strategy enabled it to acquire a number of outstanding sites in the period from 2009 to 2013 that are now being delivered;
- The May 2015 General Election result had provided the UK and, specifically, the London market with the ongoing stability that business required to make long-term investment decisions.

At this point in the cycle, the Company had sufficient visibility to enhance the dividend return programme while retaining sufficient capital to invest in opportunities that will add incremental value to the future business.

Summary of amendments to the 2011 LTIP

At the 16 February 2016 General Meeting the following changes were approved by shareholders:

- An increase in the exercise price payable for the options by £3.34. This means that the total exercise price from the date of grant has increased from £13.00 to £16.34;
- The introduction of phased vesting of options to match the dividend payments.

In addition, the Committee amended the 2011 LTIP to bring it up to date for corporate governance best practice by:

- Introducing malus and clawback provisions;
- Capping the maximum value the participants can receive under the Plan.

DIRECTORS' REMUNERATION REPORT

CONTINUED

The following table summarises the key terms of the 2011 LTIP and the main difference between the old operation of the 2011 LTIP and the amended operation:

Term	2011 LTIP	2011 LTIP Amended
Number of Options Capable of being Granted	**19,616,503** Actual number granted 17,045,831. Executive Directors at the date of the original shareholder approval of the Plan in 2011 cannot be granted additional options.	**19,616,503** This provision of the Plan remains unchanged.
Exercise Price	£13.00	£16.34
Impact of Dividend Payments on Exercise Price	The exercise price of options reduces by any dividend payments made.	The exercise price of options both unvested and vested but unexercised will continue to be reduced by subsequent dividend payments.
Dividend Target	The following table sets out the dividend targets: (see table A below)	The following table sets out the dividend targets: (see table B below)
Vesting Timing / Lapse of Options	The operation of the 2011 LTIP provided for vesting: – on 30 September 2021 dependent on the proportion of the £13 paid (subject to meeting the gateways set out below); OR – if earlier full vesting at the point the £13 of return has been provided to shareholders. The following table sets out the circumstances when options would lapse: (see table C below)	The following table sets out the amended vesting timetable and its relationship to the dividend payments made by the Company: (see table D below)

Dividend Target – 2011 LTIP (table A):

Date	Dividend Paid
By Sept 2015	434 pence
By Sept 2016	
By Sept 2017	
By Sept 2018	433 pence
By Sept 2019	
By Sept 2020	
By Sept 2021	433 pence
TOTAL	£13.00

Dividend Target – 2011 LTIP Amended (table B):

Date	Dividend Paid
By Sept 2015	434 pence
By Sept 2016	200 pence
By Sept 2017	200 pence
By Sept 2018	200 pence
By Sept 2019	200 pence
By Sept 2020	200 pence
By Sept 2021	200 pence
TOTAL	£16.34

Vesting Timing / Lapse of Options – 2011 LTIP (table C):

Gateway	Position
Sept 2015	If 434 pence of dividend not paid options lapse.
Sept 2018	If 867 pence of dividend not paid. Calculation of number of options vesting performed and the balance lapses. Exercise price continues to decrease as dividends are paid until Sept 2021.
Sept 2021	If £13 of dividend not paid same process as above.

Vesting Timing / Lapse of Options – 2011 LTIP Amended (table D):

Date	Dividend Paid	Cumulative Dividends Paid	% of Option Vesting
By Sept 2016	434 pence	£4.34	26.5%
	200 pence	£6.34	6.5%
By Sept 2017	200 pence	£8.34	13.4%
By Sept 2018	200 pence	£10.34	13.4%
By Sept 2019	200 pence	£12.34	13.4%
By Sept 2020	200 pence	£14.34	13.4%
By Sept 2021	200 pence	£16.34	13.4%
TOTAL	£16.34		100%

Notes:
1. If the annual dividend payment is not made for the relevant year that tranche of the option will lapse.
2. If in a subsequent year the cumulative dividends paid reach the targeted level, the tranche for that year will vest; however, tranches where the annual dividend payment was not made for the relevant year will remain lapsed.

Term	2011 LTIP	2011 LTIP Amended
Overall Cap on Value	No cap on value.	The new mechanism is as follows: – The total value of options at vesting is capped based on the following formulae: Number of shares subject to the Plan x £35 per share. – The value of an option for the purpose of the cap is calculated as the gain on vesting (market price of a share on vesting less the exercise price x number of shares vesting); – The cap is allocated proportionately to each vesting. Any element of unused cap will roll forward to the next vesting.
Sale Restriction	The rules of the Plan provide that there is a sale restriction on shares resulting from the exercise of vested options of 10% per annum, after taking into account any shares sold to meet the tax liability on exercise; this sale restriction falls away on 30 September 2021. It should be noted that the sale restriction continues to apply to shares following cessation of employment other than in the case of death.	This provision of the Plan remains unchanged.
Cessation of Employment	The rules of the Plan provide that options which are not exercisable will lapse unless the cessation of employment is for "good leaver" reasons set out in the rules of the Plan. If the participant is a good leaver the amount of the option capable of exercise will be based on the dividend paid up to that date and an estimation of the dividends capable of being paid at that date. The option will be exercisable at the beginning of the option period (earliest of £13 being returned and 30 September 2021). Any dividends paid from the date of termination will continue to reduce the exercise price until the beginning of the option period.	The Plan remains substantially unchanged.
Change of Control	The rules of the Plan provide that options vest in full on a change of control. The exercise price is £13 less any dividends paid. The Remuneration Committee has discretion to make adjustments to the timing of the exercise and the exercise price to ensure equitable treatment for executives and shareholders.	This provision of the Plan remains unchanged apart from the consequential change to the original exercise price which under the amended Plan is increased from £13 to £16.34 and the introduction of an overall cap in value provided.
Malus & Clawback	No malus and clawback provisions for current options.	Malus and clawback provisions have been incorporated into all options granted under the Plan (including existing in-flight options).

Position of participants

The changes required the consent of participants, which the Committee received, as the changes reduce the potential value of the options compared to the current position; by:

- Increasing the exercise price payable by £3.34;
- Capping the potential value received under the Plan; and
- Introducing malus and clawback.

In addition, the proposals result in participants not being able to receive the £3.34 of dividends on their shares which would have been the case had the exercise price stayed at £13.00.

DIRECTORS' REMUNERATION REPORT

CONTINUED

ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Report contains details of how the Company's 2015/16 remuneration policy for Directors was implemented during the financial year that ended on 30 April 2016. An advisory resolution to approve this report will be put to shareholders at the AGM.

Single total figure of remuneration (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director paid in the 2015/16 financial year. Comparative figures for 2014/15 have also been provided.

Executive Director (£'000)	Salary		Benefits[1]		Annual bonus		Multi-year performance incentive		Pensions		Other[4]		Total	
	2016	2015	2016	2015	2016	2015	2016[2]	2015[3]	2016	2015	2016	2015	2016	2015
A W Pidgley	850	825	49	48	1,275	2,475	19,170	19,808	145	140	–	–	21,489	23,296
R C Perrins	515	500	33	31	773	1,500	9,585	10,241	87	85	–	–	10,993	12,357
R J Stearn	350	19	17	1	350	–	–	–	53	3	–	1,609	770	1,632
G J Fry	355	344	29	26	311	602	6,390	6,281	53	52	–	–	7,138	7,305
K Whiteman	335	324	28	30	335	567	3,195	3,427	50	49	–	–	3,943	4,397
S Ellis	335	324	20	20	369	713	2,236	2,646	50	49	–	–	3,010	3,752

Notes
1. Benefits include a fully expensed company car or cash allowance alternative and medical insurance.
2. 2015/16 Multi-year performance incentive – the amounts relate to the 2009 LTIP Part B awards that vested on 15 April 2016.
3. 2014/15 Multi-year performance incentive – the amounts relate to awards that were released under the Bonus Plan and the 2009 LTIP Part B awards that vested on 15 April 2015.
4. Other – this represents buy out compensation awarded to R J Stearn on joining Berkeley on 13 April 2015 (cash payment and shares granted on 13 April 2015). Full details are provided in the 2014/15 Directors' Remuneration Report.

The table below sets out the single total figure of remuneration and breakdown for each Non-executive Director.

Non-Executive Director (£'000)	Basic fees		Additional fees[1]		Total fees	
	2016	2015	2016	2015	2016	2015
J Armitt	109.25	106.0	–	–	109.25	106.0
A Nimmo	60.25	58.5	–	–	60.25	58.5
G Barker	60.25	58.5	12.5	12.5	72.75	71.0
V Wadley	60.25	58.5	–	–	60.25	58.5
A Li	60.25	58.5	–	–	60.25	58.5
A Myers	60.25	58.5	12.5	8.3	72.75	66.8
D Brightmore-Armour	60.25	58.5	–	–	60.25	58.5

Notes
1. Additional fees represent fees paid for the role of Committee Chairmanship.
2. Non-executive Directors do not participate in any of the Company's incentive arrangements nor do they receive benefits.

Additional details in respect of single total figure table (Audited)

Taxable benefits

Taxable benefits comprise a fully expensed company car or cash allowance alternative and medical insurance.

Annual Bonus

In respect of the year under review, the Executive Directors' performance was carefully reviewed by the Committee and performance against the Bonus Plan targets is summarised below:

Executive Director	Maximum Annual Bonus	Weighting – % of maximum paid for Group Performance	Weighting – % of maximum paid for Divisional Performance	Annual Bonus Contribution to Plan Account for 2015/16 £'000	Annual Bonus Contribution to Plan Account for 2015/16 % of maximum
A W Pidgley	300%	100%	0%	2,550	100%
R C Perrins	300%	100%	0%	1,545	100%
R J Stearn	200%	100%	0%	700	100%
G J Fry	175%	50%	50%	621	100%
K Whiteman	200%	50%	50%	670	100%
S Ellis	220%	50%	50%	737	100%

Assessment of Group performance condition

The matrix of targets against which performance has been assessed for the year ended 30 April 2016 is set out below:

Performance Requirement Matrix			Net Asset Value Growth						
			<0%	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%
			0.0%	50.0%	60%	70.0%	80.0%	90.0%	100.0%
Return on Equity	<20.0%	0%	Bonus Plan Deduction	0%	0%	0%	0%	0%	0%
	20.0%	50%	0%	25%	30%	35%	40%	45%	50%
	21.0%	60%	0%	30%	36%	42%	48%	54%	60%
	22.0%	70%	0%	35%	42%	49%	56%	63%	70%
	23.0%	80%	0%	40%	48%	56%	64%	72%	80%
	24.0%	90%	0%	45%	54%	63%	72%	81%	90%
	25.0%	100%	0%	50%	60%	70%	80%	90%	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 that could be earned for 2015/16.
2. Straight line bonus vesting between points.
3. Return on Equity (ROE) is defined as profit before tax divided by average shareholders' funds.
4. Net Asset Value Growth is defined as the annual percentage increase in the Net Asset Value.

Actual performance against the maximum targets for 2015/16 is set out below:

Bonus Plan year	Return on Equity		Net Asset Value Growth	
	Maximum Target	Actual	Maximum Target	Actual
2015/16	25.0%	27.8%*	5.0%	10.7%

* Adjusted ROE for the year ended 30 April 2016 excludes gross margin from the sale of ground rents.

For the 2015/16 financial year, the annual Bonus Plan contribution based on performance against the Group performance targets matrix equated to 100% of the maximum annual bonus subject to this condition.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Assessment of Divisional PBT performance condition

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. For the 2015/16 financial year, the annual Bonus Plan contribution based on performance against the Divisional PBT targets equated to 100% of maximum annual bonus subject to this condition.

Division	Percentage of bonus element paid for threshold performance	Percentage of bonus element paid for maximum performance	Level of actual performance as a percentage of the maximum performance target	Percentage of bonus element earned following assessment against the performance target
St George	0%	100%	100%	100%
Berkeley Homes East Thames	0%	100%	100%	100%
St James Group	0%	100%	100%	100%

The Committee believes the actual details of the targets set for the Divisions remain commercially sensitive and therefore they have not been disclosed. The Committee will disclose these targets when they are no longer considered commercially sensitive which is anticipated to be at the end of a period of two years.

The Committee exercised no discretion in determining incentive outcomes for the year ended 30 April 2016.

From 2016/17 onwards the Committee has determined the bonus payable for all the Executive Directors will be determined by reference to Group performance conditions only. The Committee's rationale for the change is set out in the Chairman's Annual Statement. The Group targets for 2016/17 are detailed on pages 86 and 87.

Bonus earned but deferred under the Bonus Plan

Under the Bonus Plan, the earned bonus for the year is added to each individual Director's plan account. On the basis that this is the first year of the operation of the new Bonus Plan (approved by shareholders at the 2014 AGM), in line with the Plan rules, 50% of the bonus award for 2015/16 will be paid in cash with the remainder deferred.

Executive Director	a. Plan account brought forward[1]	b. Plan account brought forward[1]	c. Contribution into plan account for the financial year 2015/16	d. Plan account balance following contribution for financial year 2015/16	e. Amount released following contribution for financial year 2015/16 (50% of column d)	f. Amount released – annual bonus (50% of column c)	g. Amount released – Multi-year (column e less column f)	h. Plan account carried forward	i. Plan account carried forward[2]
	Shares	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Shares
A W Pidgley	–	–	2,550	2,550	1,275	1,275	–	1,275	42,571
R C Perrins	–	–	1,545	1,545	773	773	–	773	25,793
R J Stearn	–	–	700	700	350	350	–	350	11,686
G J Fry	–	–	621	621	311	311	–	311	10,371
K Whiteman	–	–	670	670	335	335	–	335	11,185
S Ellis	–	–	737	737	369	369	–	369	12,304
Total	**–**	**–**	**6,823**	**6,823**	**3,412**	**3,412**	**–**	**3,412**	**113,910**

Notes
1. 2015/16 is the first year of operation on the new Bonus Plan therefore no shares have been brought forward from a prior Bonus Plan year.
2. Converted at a share price of £29.95 at 30 April 2016.
3 All amounts are rounded to the nearest £'000.

Long-term incentives

The balance of the Part B options granted under the 2009 LTIP vested on 15 April 2016. The table below sets out the numbers of options over shares that vested for each Executive Director and the achievement against the conditions required for vesting.

Executive Director	Number of options over shares granted (50% of the 2009 LTIP Part B)[1]	Performance measures	Performance outcome	Percentage of options vesting	Number of options over shares vesting (50% of the 2009 LTIP Part B)	Value of gain on vested options over shares on 15 April 2016 (£'000)[2]
A W Pidgley	750,000	Continued employment to the vesting date and the satisfaction of the underpin condition that Net Assets per share are at least £9.00 at 15 April 2016	Achieved – Net Assets per share of £12.89 at 31 October 2015 and £13.14 at 30 April 2016	100%	750,000	19,170
R C Perrins	375,000			100%	375,000	9,585
G J Fry	250,000			100%	250,000	6,390
K Whiteman	125,000			100%	125,000	3,195
S Ellis	87,500			100%	87,500	2,236

Notes
1. The original exercise price was adjusted from £8.40 to £3.06 to reflect the payment of dividends during the vesting period of £5.34 – as approved by shareholders at the 2011 AGM.
2. The value of options at vesting is calculated using the closing middle market share price of £28.62 on 15 April 2016, the date the options vested and became exercisable, less the exercise price of £3.06 per share.

The above participants exercised their vested 2009 LTIP Part B awards on 15 April 2016.

Total pension entitlements (Audited)

No Executive Directors participate in any defined benefit arrangements. S Ellis is a member of a defined contribution scheme, and R J Stearn was until December 2015. They received contributions equal to 15% of salary.

No amounts were paid into pension arrangements in respect of A W Pidgley, R C Perrins, G J Fry and K Whiteman during the year ended 30 April 2016, who instead received payments in lieu of a pension contribution from the Company (2015/16: percentages of salary 17%, 17%, 15% and 15% respectively). R J Stearn received payments in lieu of pension contributions from the Company from January 2016 onwards at 15% of salary.

2011 LTIP (Audited)

As agreed at the time of his recruitment and in accordance with the Company's recruitment policy, the Company committed to granting R J Stearn 954,328 options over shares under the 2011 LTIP in two tranches. The first tranche of 704,328 options over shares were granted on 3 July 2015. The second tranche of 250,000 options over shares were granted on the 15 April 2016 following the first anniversary of R J Stearn's commencement of employment. Full details of the remuneration on R J Stearn's recruitment, including these awards, was set out in the 2014/15 Directors' Remuneration Report approved by shareholders at the 2015 AGM.

Type of award	Number of 2011 LTIP options	Face Value of 2011 LTIP options	Dates of vesting	Conditions and Exercise Price
Options over shares	704,328	£23,883,762	Phased vesting between 30 September 2016 and September 2021.	See summary on pages 88 and 89 of this report.
	250,000	£7,155,000		

Notes
1. The Face Value of the options has been calculated using the closing middle market share price on the date of grant, being £33.91 for the first tranche and £28.62 for the second tranche.

Payments to past Directors (Audited)

No additional disclosable payments to past Directors were made during the year.

Payments for loss of office (Audited)

No payments for loss of office were made during the year.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Service contracts

Details of the service contracts or letters of appointment for the Directors are as follows:

Executive Director	Date of contract/letter of appointment	Notice period by Company or Director
A W Pidgley	24 June 1994	12 months
R C Perrins	15 July 2002	12 months
R J Stearn	3 October 2014	12 months
G J Fry	27 June 1996	12 months
K Whiteman	15 January 1996	12 months
S Ellis	5 May 2004	12 months
Non-executive Director		
J Armitt	1 October 2007	n/a
A Nimmo	5 September 2011	n/a
G Barker	3 January 2012	n/a
V Wadley	3 January 2012	n/a
A Li	2 September 2013	n/a
A Myers	6 December 2013	n/a
D Brightmore-Armour	1 May 2014	n/a

All service contracts and letters of appointments are available for viewing at the Company's registered office. The Company's practice is to appoint the Non-executive Directors under letters of appointment, which are renewable annually on 1 May. They 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.

Directors' shareholding and share interests (Audited)

The Company has a shareholding requirement for both Executive and Non-executive Directors, linked to base salary or net fee they receive from the Company. In the case of the Group Chairman and Group Chief Executive this is 400% of base salary, for other Executive Directors 200% of base salary and for the Non-executive Directors 100% of net fees. This should be achieved within five years of appointment for Executive Directors and three years of appointment for Non-executive Directors.

Using the Company's closing share price of £29.95 on 30 April 2016, compliance with these requirements was as follows:

Executive Director[1]	Obligation (% base salary)	% base salary at 30 April 2016	Achievement at 30 April 2016
A W Pidgley	400%	22,776%	√
R C Perrins	400%	9,750%	√
R J Stearn	200%	33%	x
G J Fry	200%	11,401%	√
K Whiteman	200%	1,368%	√
S Ellis	200%	1,016%	√

Note
1. To be achieved within 5 years of appointment.

Non-executive Director[2]	Obligation (% NED net fees)	% NED net fees at 30 April 2016	Achievement at 30 April 2016
J Armitt	100%	431%	√
A Nimmo	100%	343%	√
G Barker	100%	713%	√
V Wadley	100%	557%	√
A Li	100%	857%	√
A Myers	100%	142%	√
D Brightmore-Armour	100%	86%	x

Note
2. To be achieved within 3 years of appointment.

The table below summarises the Directors' interests in shares at 30 April 2016.

		Scheme interests – Options and awards over shares		
Executive Director	Beneficially owned shares[1]	2011 LTIP - Option interests subject to conditions	Other awards subject to conditions[2]	Total Interests held
A W Pidgley	6,463,855	5,000,000	–	5,000,000
R C Perrins	1,676,598	5,000,000	–	5,000,000
R J Stearn	3,867	954,328	45,672	1,000,000
G J Fry	1,351,327	1,866,503	–	1,866,503
K Whiteman	153,003	1,000,000	–	1,000,000
S Ellis	113,659	2,250,000	–	2,250,000
Non-executive Director				
J Armitt	9,112	–	–	–
A Nimmo	4,000	–	–	–
G Barker	10,042	–	–	–
V Wadley	6,500	–	–	–
A Li	10,000	–	–	–
A Myers	2,000	–	–	–
D Brightmore-Armour	1,000	–	–	–

Notes
1. Beneficial interests include shares held directly or indirectly by connected persons.
2. Other share awards subject to conditions relate to the buy out shares awarded to R J Stearn on joining Berkeley on 13 April 2015 (the performance conditions on these shares had been met at the point of the buy-out). Full details were set out in the 2014/15 Directors' Remuneration Report. In the event that dealing restrictions were to apply when awards vest, the Company decided that share awards would be converted into a nil-cost option over the same number of shares on 29 April 2016. The change provides no additional benefit to R J Stearn.
3. The balance of the 2009 LTIP Part B awards vested and were exercised during the year by the Executive Director participants (see page 93 for details).
4. There have been no changes in the shareholdings of the Directors between 30 April 2016 and the date of the Annual Report and Accounts, other than in respect of R J Stearn, whose beneficially owned shares increased to 12,450 on 15 June 2016 following the vesting and exercise of the first tranche of nil cost options under note 2 above at a share price of £29.54.

STRATEGIC REPORT GOVERNANCE FINANCIALS

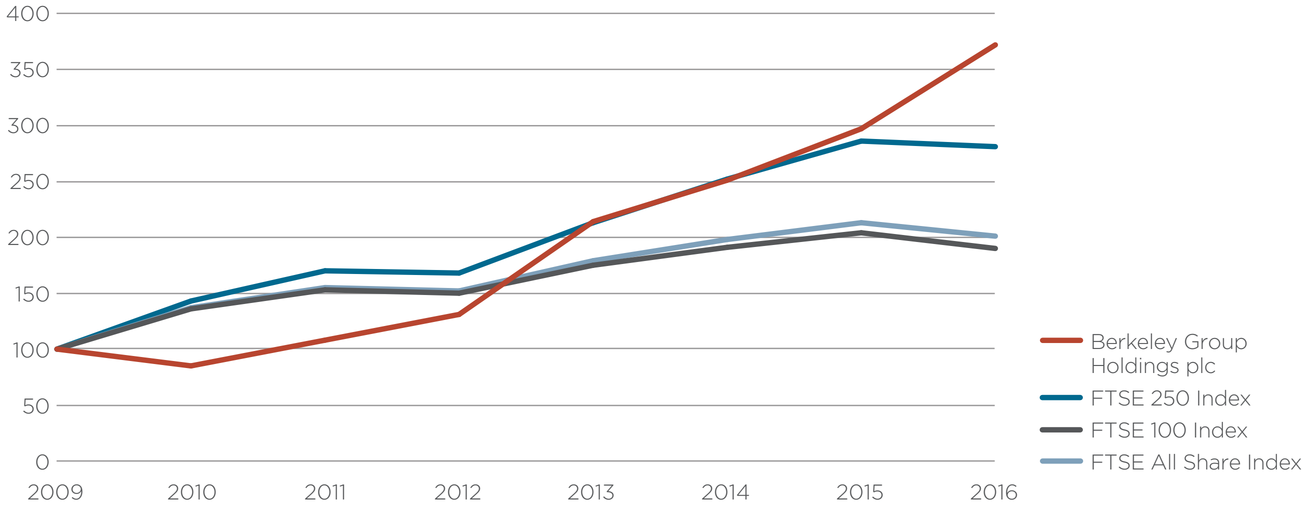
DIRECTORS' REMUNERATION REPORT

CONTINUED

Performance and Group Chairman and Group Chief Executive pay over past 7 years

The graph below shows the Company's performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE 250, FTSE 100 and the FTSE All Share indices. The Company considers these the most relevant indices for total shareholder return disclosure required under these Regulations.

Total shareholder return from 30 April 2009 (%)



Notes
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.

The table below shows the remuneration of the Group Chairman and Group Chief Executive for each of the financial years shown above. Given the nature of the roles of A W Pidgley and R C Perrins, the table below provides this information for both individuals.

Executive Director	Single total figure of remuneration (£'000)[1] A W Pidgley Group Chairman	R C Perrins Chief Executive	Annual bonus pay-out (as % maximum opportunity)[2]	Multi-year incentive vesting awards (as % maximum opportunity)
2015/16	21,489	10,993	100%	100% / See Note 5
2014/15	23,296	12,357	100%	100% / See Note 4
2013/14	3,757	2,271	100%	See Note 3
2012/13	3,638	2,198	100%	See Note 3
2011/12	2,799	1,692	100%	See Note 3
2010/11	2,033	1,226	100%	n/a
2009/10	2,406	1,127	100%	n/a

Notes
1. Single figure of total remuneration for each year has been calculated in accordance with the Regulations.
2. From 2010/11 onwards the annual bonus pay-out figures represent annual Company contributions under the Bonus Plan, introduced in 2010/11 and then the new six year Bonus Plan put in place for 2015/16
3. 2011/12, 2012/13 and 2013/14 Multi-year vesting awards represent deferred awards that were released during the year under the initial Bonus Plan. In accordance with the initial Bonus Plan rules the Company's contribution is earned based on the satisfaction of the annual performance conditions. Part of the Company contribution is provided as a deferred award. 100% of these deferred awards will be paid out unless there has been forfeiture during the deferral period and subject to continued employment at the date of release. At the year ended 30 April 2015, the last financial year of the initial Bonus Plan, there were no forfeiture events under the Bonus Plan.
4. 2014/15 Multi-year vesting represents the 2009 LTIP Part B awards that vested during the year and the deferred Bonus Plan awards as per note 3 above.
5. 2015/16 Multi-year vesting represents the 2009 LTIP Part B awards that vested during the year.

Percentage change in Group Chairman's and the Group Chief Executive's remuneration

The table below compares the percentage increase in the Group Chairman's and Group Chief Executive's pay (including salary, taxable benefits and annual bonus) between 2014/15 and 2015/16, with the wider employee population. The Company considers the full-time employee population, excluding the Main Board, to be an appropriate comparator group and the most stable point of comparison:

	2014/15 to 2015/16 year on year change (%) A W Pidgley Group Chairman	R C Perrins Chief Executive	Group employees
Base salary	3.0%	3.0%	5.2%
Taxable benefits	1.5%	4.8%	6.1%
Annual bonus	3.0%	3.0%	2.1%

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2015/16 and 2014/15 financial years compared with distributions to shareholders.

	2015/16 (£m)	2014/15 (£m)	% change
Remuneration of Group employees (including Directors)	194	177	10%
Distributions to shareholders	259	243	7%

Statement of implementation of Remuneration Policy for 2016/17

The details surrounding the statement of implementation of our Remuneration Policy for 2016/17 can be found in 'Our Remuneration at a glance' on pages 86 to 89.

Consideration by the Directors of matters relating to Directors' remuneration

Members of the Committee

The Committee currently comprises of three Independent Non-executive Directors, G Barker (Chairman), Sir J Armitt and A Myers. 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 the running of the business.

Director	Number of meetings during financial year	Number of meetings attended
G Barker	3	3
Sir J Armitt	3	3
A Myers	3	3

Role of the Committee and activities

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, Bonus Plans, share options, other share based incentives and pensions;
- Determine the performance conditions for the 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;
- 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. These can be downloaded from the section dealing with Investor Relations on the Berkeley website (www.berkeleygroup.co.uk).

DIRECTORS' REMUNERATION REPORT

CONTINUED

The Committee's activities during the 2015/16 financial year included:

Meeting	Items discussed
June 2015	– Annual performance targets under the Bonus Plan – Draft Remuneration Report for the year ended 30 April 2015 – Pay review for the Group for the year ended 30 April 2015
November 2015	– Approve grant of options under 2011 LTIP to R J Stearn – Amendments to the 2011 LTIP
March 2016	– Executive Remuneration Benchmarking report – 2009 LTIP Part B vesting

Advisors to the Committee

In determining the Executive Directors' remuneration for the year, the Committee consulted with the Group Chairman, A W Pidgley, the Group Chief Executive, R C Perrins and the Group Finance Director, R J Stearn. No Director played a part in any discussion about his own remuneration.

PricewaterhouseCoopers LLP (PwC) are the independent remuneration advisor to the Committee. PwC also provided Berkeley with tax advisory services during the year. The Committee reviewed the nature of the other services provided by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fixed fees of £50,000 were provided to PwC during the year in respect of remuneration advice received.

Statement of Voting at General Meeting

The table below shows the binding vote approving the Directors' Remuneration Policy at the AGM on 1 September 2014 and the advisory vote on the Annual Report on Remuneration at the AGM held on 8 September 2015.

	Votes for	%	Votes against	%	Votes withheld
Directors' Remuneration Policy	95,528,881	95.88	4,090,177	4.11	4,238,568
Annual Report on Remuneration	78,082,883	85.43	13,276,012	14.52	3,887,483

The Committee extensively consulted with its top shareholders on the changes made to the 2011 LTIP. The feedback the Committee received was largely supportive reflected in the vote of 94.07% on the amendments to the 2011 LTIP on 16 February 2016. The majority of shareholders raised no concerns on the Company's remuneration generally during this consultation exercise.

The Directors Remuneration Report has been approved by the Board.

By Order of the Board

G Barker
Chairman, Remuneration Committee
21 June 2016

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated and company financial statements for the year ended 30 April 2016.

Principal activities and review of the business

The Company is the UK 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 Strategic Report can be found on pages 2 to 69 of the Annual Report which provide more detailed commentaries on the business performance during the year together with the outlook for the future. In particular, information in respect of the principal financial and operating risks of the business is set out on pages 56 to 65 of the Strategic Report.

Trading results and dividends

The Group's consolidated profit after taxation for the financial year was £404.1 million (2015: £423.5 million). The Group's joint ventures contributed a profit after taxation of £36.5 million (2015: £28.3 million).

An interim dividend of 90 pence per share was paid to shareholders on 17 September 2015 and a further interim dividend of 100 pence per share was paid to shareholders on 22 January 2016. A further interim dividend of 100 pence per share is proposed, payable on 15 September 2016 to shareholders on the register on 12 August 2016.

Post balance sheet event

There are no post balance sheet events.

Share capital

The Company had 138,257,183 ordinary shares in issue at 30 April 2016 (2015: 136,657,183). No shares are held in treasury. Authority will be sought from shareholders at the forthcoming Annual General Meeting to renew the authority given at the 2015 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 19 to the consolidated financial statements.

Information on the Group's share option schemes is set out in note 6 to the consolidated financial statements. Details of the Long-Term Incentive Schemes and Long-Term Incentive Plans for key executives are set out within the Directors' Remuneration Report on pages 80 to 98.

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 72 and 73. All of these Directors served throughout the year under review.

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 election at the first opportunity after their appointment to the Board. However, in accordance with the UK Corporate Governance Code 2014 all of the Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

The Directors' interests in the share capital of the Company and its subsidiaries are shown in the Directors' Remuneration Report on page 85. At 30 April 2016 each of the Executive Directors were deemed to have a non-beneficial interest in 338,061 (2015: 100,156) ordinary shares held by the Trustees of The Berkeley Group Employee Benefit Trust ("EBT"). The Trustee of the EBT has agreed not to vote on any shares held in the EBT at any general meeting.

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 6 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 21 June 2016:

	Number of ordinary shares held	% of issued share capital	Nature of holdings
First Eagle Investment Management LLC	12,284,017	8.99	Indirect
BlackRock Inc.	7,572,565	5.54	Indirect
A W Pidgley	6,463,855	4.68	Direct
Standard Life Investments	6,443,253	4.76	Indirect/Indirect

DIRECTORS' REPORT

CONTINUED

Donations

The Group made no political donations (2015: £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.

All disclosures concerning diversity of the Group's Directors, senior management and employees (as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) are contained within the Strategic Report on page 43.

During the year, the Group has introduced a Human Rights, Modern Slavery and Child Labour Policy in support of human rights which is implicit in all of its pre-existing corporate policies and procedures. The Group believes these policies to be effective in promoting and protecting human rights by establishing clear ethical standards for ourselves and our expectations for those external parties who work with the Group or on our behalf.

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. The Group's framework for the business, Our Vision, sets out its integrated approach to managing sustainability within the context of the wider aims for the business. This approach is outlined within the Strategic Report and more extensive information is available on Berkeley's website. The Group believes that this integrated approach demonstrates how sustainability is embedded within the day-to-day operations of its business.

The Group remains committed to enhancing its high standards through continuous improvement. The Board is responsible for setting the strategic objectives and continues to monitor strategic development and progress against commitments and Key Performance Indicators. The Sustainability Working Group is responsible for delivering these objectives and reviewing progress against targets.

Greenhouse gas emissions

	2016	2015 (Revised)
Scope 1 (tCO_2e)	2,364 A	2,422
Scope 2 (tCO_2e)	11,780 A	11,380
Scope 3 (tCO_2e)	13,651 A	14,620
Total (tCO_2e)	27,795 A	28,422
Emissions intensity (tCO_2e/person)	2.28	2.59

A Information for the year ended 30 April 2016 has been subject to limited assurance by PricewaterhouseCoopers LLP. For further details of the assurance provided see the independent assurance report found at berkeleygroup.co.uk/sustainability/reports-and-case-studies.

The Group has reported on greenhouse gas emissions for which it is responsible, as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The emissions disclosed are aligned to the Group's financial reporting year, are considered material to its business and have the following parameters:

Scope 1 – direct emissions relating to office, sales and development site activities; and work-related travel in company owned vehicles;

Scope 2 – indirect emissions from electricity and heat consumed for office, sales and development site activities;

Scope 3 – other indirect emissions relating to office, sales and development site activities; work-related travel in leased and employee owned vehicles; business air travel; transmission and distribution losses of purchased electricity and heat; and upstream emissions.

Emissions include 50% of those resulting from the Group's joint ventures on the basis of its equity share.

The intensity ratio has been calculated using the total number of direct employees across the Group and the number of contractors working on our sites.

The UK Government Environmental Reporting Guidelines 2013 and UK Government GHG Conversion Factors for Company Reporting 2015 have been used to calculate and report the Group's greenhouse gas emissions.

2015 data has been revised based on more accurate data now being available for energy consumption within the period. Further details on these changes and the methodology adopted for the overall calculations can be found at berkeleygroup.co.uk/sustainability/reports-and-case-studies.

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 of either National Grid or Berkeley may give the other joint venture partner the ability to sell its interest in the 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.

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 appoint KPMG 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 6 September 2016. 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.

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 99.

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' 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 Directors' 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 on pages 72 and 73 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;

b. the Strategic Report, together with 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, including those that would threaten its business model, future performance, solvency or liquidity; and

c. the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial performance and position, business model and strategy.

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 Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are all described in the Trading and Financial Review on pages 66 to 69.

The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group, including the return of £2.2 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.

By order of the Board

E A Driver
Company Secretary
The Berkeley Group Holdings plc
Registered number: 5172586
21 June 2016

FINANCIALS

Hurlingham Walk, Fulham

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

Opinions and conclusions arising from our audit

1) Our opinion on the financial statements is unmodified
We have audited the financial statements of The Berkeley Group Holdings plc for the year ended 30 April 2016 set out on pages 110 to 145.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Our audit approach
Materiality
– £24.0 million (2015 – £22.5 million) representing 5.0% of normalised profit before tax (2015 – 5.0%).
Scope
– 88% (2015 – 88%) of total group revenue
– 93% (2015 – 94%) of total profits and losses before tax
– 88% (2015 – 86%) of total group assets
Key recurring risks identified for which our assessment of significance has not changed from the prior year
– Carrying value of inventories and profit recognition;
– Revenue recognition;
– Provisions;
– Share-based payment recognition; and
– Compliance with Laws and Regulations

2) Our assessment of risks of material misstatement
In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

The risk	Our response
Carrying value of inventories and profit recognition (inventories: £3,256.1 million (2015 - £2,654.1 million), gross profit: £701.7 million (2015 - £716.8 million)) Refer to page 78 (Audit Committee report), pages 115 to 117 (accounting policy) and page 127 (financial disclosures). The Group recognises profit on each sale by reference to the overall site margin, which is the forecast profit percentage for a site that may comprise multiple phases and can last a number of years. The recognition of profit is therefore dependent on the Group's estimate of future selling prices and build costs, which form the basis of their forecasts, including an appropriate allowance for risk. Future selling prices are dependent on market conditions, which can be difficult to predict and be influenced by broader political and economic factors. Future build costs are subject to a number of variables including the accuracy of designs, market conditions in respect of materials and sub-contractor cost and construction issues. Inventory represents the costs of land, materials, design and related production and site costs to date. It is held at the lower of cost and net realisable value, the latter also being based on the forecast for the site. As such errors in these forecasts can impact the assessment over the carrying value of inventories and gross profit. There is also a risk that costs are inappropriately capitalised within inventories or that the allocation of costs that relate to the whole site, such as land and infrastructure, is inappropriate across development phases, resulting in a material misstatement of inventory or gross profit.	Our audit procedures in respect of this area included: Testing the Group's controls by checking approvals over reviewing and updating selling price and cost forecasts, authorising and recording of costs. We inspected the site forecasts on a sample basis and challenged the assumptions for future costs and sales. We corroborated a sample of forecast costs back to supplier agreements or tenders. We also consider, based on the risks highlighted by build cost review meetings and wider industry cost indices, the appropriateness of allowances made for cost increases and for risks inherent in longer term developments. We corroborated forecast sales prices against recent prices achieved in the relevant local market, and considered factors that may influence the achievable price on future sales. We compared the margin recognised in the year on any units sold to the forecast site margin over the life of the development. We inspected the minutes and attended a selection of management's build cost review meetings. At these meetings management review actual costs and revenues against detailed site budgets. Estimates of future costs and selling prices in the forecasts are challenged by management including reference to tendered works packages, actual costs incurred and forward sales reservation prices. Our inspection of the minutes and attendance at a selection of meetings included assessing whether the appropriate individuals attended the meetings and that the valuations and costs to complete forecasts for all developments were discussed, challenged and the valuations updated as appropriate. We agreed a sample of additions in the inventory balance to invoice and/or payment, including checking that they were allocated to the appropriate site and development phase and met the definition of inventory costs. For all new land acquisitions we inspected purchase contracts to understand the terms and any deferred or contingent payments. We re-performed the calculation of such amounts to check the amounts recorded. For a sample of both pre-development and active sites we evaluated the reliance on planning and other third party actions to achieve the forecast and considered the impact on carrying values. We evaluated the sensitivity of the forecast margin to a change in sales prices and costs and considered whether this indicated a risk of impairment of the inventory balance. We considered the adequacy of the Group's disclosures over inventory and the degree of judgement and estimation involved in arriving at the forecast, resultant profit and carrying value of inventory.

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

The risk	Our response
Revenue recognition (£232.3 million (2015 – £215.6 million)) Refer to page 78 (Audit Committee report) and page 115 (accounting policy). It is the Group's policy to recognise 100% of revenue on property units when contracts are exchanged and the building work is physically complete, being the point at which the Group is satisfied it has discharged its obligations to the buyer. Contract exchange, including the payment of a deposit, may have occurred sometime in the past. However, the legal completion of the sale, being the point at which the balance of the sale is paid for and title transfers, remains dependent on the receipt of final payment. The recognition of revenue is generally before legal completion, and as such is potentially more subjective than recognising at this latter point. The risk is that the unit is not physically complete or that the buyer is unable to complete the purchase, as should either of these be the case the revenue should not be recognised. The group also recognised revenue and resultant profit on the disposal of a portfolio of ground rents in the period. The risk pertaining to the sale of ground rents is whether the risks and rewards of ownership of the assets have transferred to the purchaser at the balance sheet date and that the transaction is presented appropriately in the financial statements.	Our audit procedures in respect of this area included: Testing controls over property sales including: – documentation evidencing internal and third party physical inspection and confirmation of build complete status; and – customer background checks including checks of availability of funds For a sample of property sales in the year, we inspected the paperwork confirming legal completion. For a sample of sales recorded close to the year end where the final payment was not yet received, we performed the following tests: – performed site visits to verify build completion status; – inspected the internal sign-off sheets to check that sales recorded in the year had gone through the Group's approval process for sale of properties; – after the year end, and up to the date of signing the audit report, we confirmed whether final payments from buyers had been made and appeared as receipts in the bank statements. Where significant amounts were still outstanding we considered other information, such as correspondence agreeing subsequent payment and reasons for this, or reasons for known rescissions, in evaluating the recoverability of these amounts and appropriateness of related revenue recognition. We also performed a physical inspection on a sample of properties for which the sale had not been recognised to check that these did not meet this criterion for revenue recognition. We reviewed the contract for the sale of ground rent assets in the period. We considered the treatment in conjunction with the revenue recognition principles of the group's accounting policy to ascertain if revenue and profit is appropriately recognised in the correct accounting period. In particular we considered the transfer of risks and rewards made under the agreement and timing of these. We have recalculated the profit on disposal recorded for the transaction, and verified revenue recorded to the sale agreement. We have also considered the adequacy of the Group's disclosures in respect of the judgements taken in recognising revenue for property units prior to legal completion and the adequacy of the disclosure of the Group's accounting policy with regards sales of ground rent assets, and the disclosure of the specific transaction undertaken in the period.

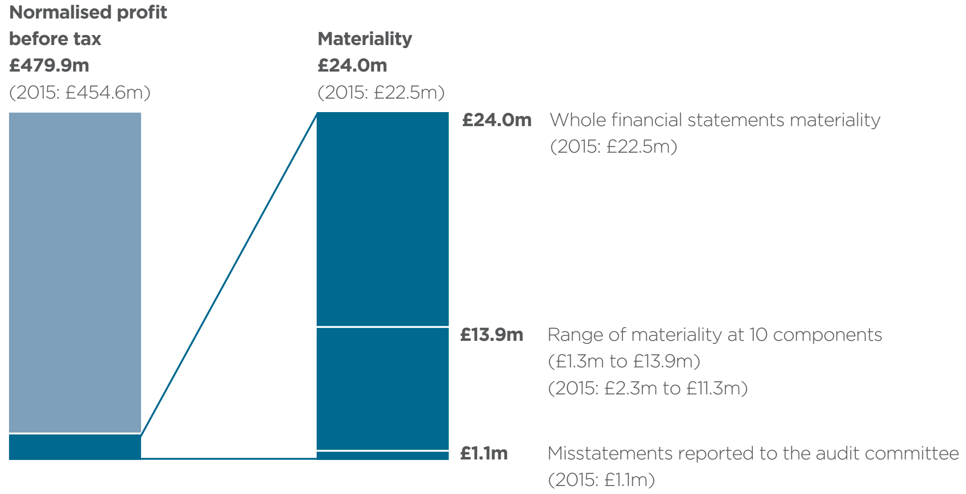
The risk	Our response
Provisions (£88.5 million (2015 – £75.1 million)) Refer to page 78 (Audit Committee report), page 116 (accounting policy) and page 128 (financial disclosures). The Group holds provisions in respect of claims and construction related liabilities that have arisen, or that prior claims experience indicates may arise, subsequent to the completion of certain developments, as well as in relation to other matters of litigation including legal disputes. The determination and valuation of provisions is judgmental by its nature and there is a risk that the estimate is incorrect and the provision is materially misstated.	Our audit procedures in respect of this area included: Enquiring of Group Directors and divisional management, and inspecting board minutes for actual and potential claims arising in the year, and challenging whether provisions are required for these claims. For all significant known issues and claims provided for we inspected the calculation of the provision held and compared this to third party evidence, where available. For claims that past events indicated may arise, we evaluated settled and potential issues and considered any differences in the development portfolio then and now, such as increasing complexity of construction, as evidence for the calculation of the provision. In respect of open matters of litigation, we had discussions with the Group's internal and external legal advisors and reviewed correspondence in respect of these matters. We assessed each provision against the requirements of the relevant accounting standards and assessed whether the Group's disclosures present the potential liabilities of the Group in accordance with accounting standards.
Share-based payment recognition (£42.9 million (2015 – £55.5 million)) Refer to page 78 (Audit Committee report), page 117 (accounting policy) and pages 120 and 121 (financial disclosures). Share-based payments is a complex accounting area including assumptions utilised in the fair value calculations and judgements regarding accounting for modifications. There is a risk in the financial statements that amounts are incorrectly recognised and/or inappropriately disclosed. The Group has made changes to share-based long term incentive plan awards which vest in September 2016 and in future periods. This requires further complex accounting considerations regarding classification and treatment of modifications which could result in a material impact to the Income Statement.	Our audit procedures in respect of this area included: We made inquiries of the directors to understand the share-based payment schemes in place and the changes made to the awards. We have also inspected communications made to scheme members regarding these changes, and evidence of shareholder approval. We considered whether changes to the schemes met the criteria to be treated as a modification to the scheme and whether the resulting accounting treatment was appropriate. For equity-settled options we recalculated the estimated charge which reflected the best estimate of the number of options expected to vest. For cash-settled schemes we inspected the vesting price and recalculated the amounts to be recognised in the financial statements. For all schemes, we verified the inputs to the calculations by reference to, where appropriate, external data. We considered the adequacy of the Group's disclosures in respect of the treatment of share-based payments in the financial statements, including the judgement over equity or cash settlement, and over the disclosure of this choice in its accounting policies.
Compliance with Laws and Regulations Refer to page 78 (Audit Committee report). The Group is subject to a number of laws and regulations. These include, but are not limited to, anti-bribery, anti-money laundering, sanctions checking and those relevant to publicly traded companies. Failure to comply with any of these applicable laws and regulations could have a material financial and reputational impact on the business. The Directors reviewed their policies in these areas during the year and did not record any material instances of non-compliance.	Our audit procedures in respect of this area included: Obtaining an understanding of the relevant legal and regulatory framework within which the Group operates and assessing the design and operation of its key controls over this framework. We discussed the applicable policies and procedures with divisional and group management, including internal legal counsel. We reviewed Board papers, and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance. We reviewed the Group's documentation and correspondence with respect to relevant legal matters. We had discussions with the Group's internal and external legal advisors in respect of these matters.

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

CONTINUED

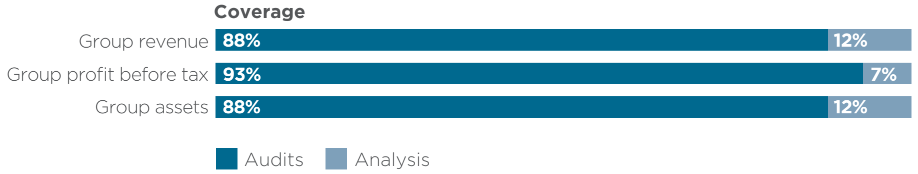
3) Our application of materiality and an overview of the scope of our audit
Materiality for the Group financial statements as a whole was set at £24.0 million (2015 – £22.5 million), determined with reference to a benchmark of Group profit before taxation, normalised to exclude profit from sale of ground rent assets, of £479.9 million (2015 – £454.6 million), of which it represents 5% (2015: 5%). Our approach to the audit of disposals of ground rent assets has been discussed within our response to the risk surrounding revenue recognition.

We reported to the audit committee any corrected or uncorrected identified misstatements exceeding £1.1 million (2015 – £1.1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.



Of the group's 15 (2015: 14) reporting components, we subjected 10 (2015: 8) to audits, all performed by the group team. These components accounted for 88% (2015 – 88%) of Group revenue; 93% (2015 – 94%) of Group profit before taxation and 88% (2015 – 86%) of Group total assets.

For the remaining components, we performed analysis and certain detailed procedures at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.



4) Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5) We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of longer-term viability on page 56, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the five years to 30 April 2021; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6) We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required 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 Directors' 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 101 and 56, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 74 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities
As explained more fully in the Directors' Responsibilities Statement set out on page 101, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Sean McCallion (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
21 June 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 30 April	Notes	2016 £m	2015 £m
Revenue		**2,047.5**	2,120.0
Revenue includes:			
Revenue from operations		**1,994.1**	2,020.2
Revenue from sale of ground rent assets	3	**53.4**	99.8
Cost of sales		**(1,345.8)**	(1,403.2)
Gross profit		**701.7**	716.8
Gross profit includes:			
Gross profit from operations		**650.7**	631.7
Gross profit from sale of ground rent assets	3	**51.0**	85.1
Net operating expenses		**(199.8)**	(192.7)
Operating profit		**501.9**	524.1
Finance income	4	**3.1**	3.0
Finance costs	4	**(10.6)**	(15.7)
Share of results of joint ventures using the equity method	11	**36.5**	28.3
Profit before taxation for the year	2, 5	**530.9**	539.7
Income tax expense	7	**(126.8)**	(116.2)
Profit after taxation for the year		**404.1**	423.5

Earnings per ordinary share:			
Basic	8	**295.8p**	313.0p
Diluted	8	**268.7p**	276.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April	Notes	2016 £m	2015 £m
Profit after taxation for the year		**404.1**	423.5
Other comprehensive expense:			
Items that will not be reclassified to profit or loss			
Remeasurements of the net defined benefit asset/liability	6	**(0.6)**	(0.6)
Deferred tax on remeasurements of the net defined benefit asset/liability	7	**0.1**	0.1
Total items that will not be reclassified to profit or loss		**(0.5)**	(0.5)
Items that may be reclassified subsequently to profit or loss			
Change in value of other investments	12	**–**	1.0
Total items that may be reclassified subsequently to profit or loss		**–**	1.0
Items reclassified to profit or loss			
Change in value of other investments	12	**(2.0)**	–
Total items reclassified to profit or loss		**(2.0)**	–
Other comprehensive income for the year		**(2.5)**	0.5
Total comprehensive income for the year		**401.6**	424.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets	9	**17.2**	17.2
Property, plant and equipment	10	**23.5**	23.5
Investment properties	10	**–**	0.2
Investments accounted for using the equity method	11	**150.0**	50.1
Other investments	12	**–**	12.0
Deferred tax assets	18	**71.9**	72.7
		262.6	175.7
Current assets			
Inventories	13	**3,256.1**	2,654.1
Trade and other receivables	14	**212.3**	145.6
Cash and cash equivalents	15, 24	**107.4**	430.9
		3,575.8	3,230.6
Total assets		**3,838.4**	3,406.3
Liabilities			
Non-current liabilities			
Trade and other payables	16	**(90.3)**	(131.7)
Provisions for other liabilities	17	**(68.3)**	(61.1)
		(158.6)	(192.8)
Current liabilities			
Trade and other payables	16	**(1,768.6)**	(1,503.8)
Current tax liabilities		**(78.2)**	(57.8)
Provisions for other liabilities	17	**(20.2)**	(14.0)
		(1,867.0)	(1,575.6)
Total liabilities		**(2,025.6)**	(1,768.4)
Total net assets		**1,812.8**	1,637.9
Equity			
Shareholders' equity			
Share capital	19	**6.9**	6.8
Share premium	19	**49.8**	49.6
Capital redemption reserve	20	**24.5**	24.5
Other reserve	20	**(961.3)**	(961.3)
Retained profit	20	**2,692.9**	2,518.3
Total equity		**1,812.8**	1,637.9

The financial statements on pages 110 to 139 were approved by the board of directors on 21 June 2016 and were signed on its behalf by:

R J Stearn
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 May 2015		6.8	49.6	24.5	(961.3)	–	2,518.3	1,637.9
Profit after taxation for the year		–	–	–	–	–	404.1	404.1
Other comprehensive income for the year		–	–	–	–	–	(2.5)	(2.5)
Total comprehensive income for the year		–	–	–	–	–	401.6	401.6
Issue of ordinary shares	19	0.1	0.2	–	–	–	–	0.3
Purchase of ordinary shares		–	–	–	–	–	(1.2)	(1.2)
Transactions with shareholders:								
Credit in respect of employee share schemes	6	–	–	–	–	–	28.8	28.8
Deferred tax in respect of employee share schemes	7	–	–	–	–	–	4.9	4.9
Dividends to equity holders of the Company	21	–	–	–	–	–	(259.5)	(259.5)
At 30 April 2016		**6.9**	**49.8**	**24.5**	**(961.3)**	**–**	**2,692.9**	**1,812.8**

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1 May 2014		6.8	49.3	24.5	(961.3)	4.1	2,317.9	1,441.3
Profit after taxation for the year		–	–	–	–	–	423.5	423.5
Other comprehensive income for the year		–	–	–	–	–	0.5	0.5
Total comprehensive income for the year		–	–	–	–	–	424.0	424.0
Reserves transfer from revaluation reserve	20	–	–	–	–	(4.1)	4.1	–
Issue of ordinary shares	19	–	0.3	–	–	–	–	0.3
Transactions with shareholders:								
Credit in respect of employee share schemes	6	–	–	–	–	–	2.7	2.7
Deferred tax in respect of employee share schemes	7	–	–	–	–	–	13.1	13.1
Dividends to equity holders of the Company	22	–	–	–	–	–	(243.5)	(243.5)
At 30 April 2015		6.8	49.6	24.5	(961.3)	–	2,518.3	1,637.9

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April	Notes	**2016 £m**	2015 £m
Cash flows from operating activities			
Cash generated from operations	24	**94.0**	643.6
Proceeds from sale of investment properties		**0.2**	8.3
Interest received		**3.0**	3.2
Interest paid		**(2.7)**	(5.4)
Income tax paid		**(100.8)**	(140.5)
Net cash flow from operating activities		**(6.3)**	509.2
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(4.9)**	(4.6)
Proceeds on disposal of financial assets		**12.8**	–
Dividends from investments	11	**–**	12.3
Proceeds on disposal of property, plant and equipment		**2.1**	0.6
Movements in loans with joint ventures	11	**(63.2)**	27.3
Net cash flow from investing activities		**(53.2)**	35.6
Cash flows from financing activities			
Proceeds from issue of shares		**0.3**	0.4
Purchase of own shares		**(4.8)**	–
Increased/(Repayment of) borrowings		**–**	(1.0)
Dividends paid to Company's shareholders	21	**(259.5)**	(243.5)
Net cash flow from financing activities		**(264.0)**	(244.1)
Net (decrease)/increase in cash and cash equivalents		**(323.5)**	300.7
Cash and cash equivalents at the start of the financial year		**430.9**	130.2
Cash and cash equivalents at the end of the financial year	15, 24	**107.4**	430.9

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 99.

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 117.

The following new standards, amendments to standards and interpretations are applicable to the Group and are mandatory for the first time for the financial year beginning 1 May 2015: IAS 19 Defined Benefit Plans Employee Contributions (Amendment) and Annual improvements to 2010-12 Cycle.

These standards have not had a material impact on the results of the Company for the year ended 30 April 2016.

The following new standards, amendments to standards and interpretations have been issued, but are not yet effective for the financial year ending 30 April 2016 and have not been adopted early: Annual improvements Cycle 2012-14; IAS 12 Income Taxes (Amendment); IAS 7 Cashflow Statements (Amendment); IFRS 9 Financial Instruments; IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

The Group will consider the impact of relevent forthcoming standards.

The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group 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 Group has adequate resources to continue its operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis of accounting in preparing its consolidated financial statements.

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.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration substantive rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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.

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) Joint ventures

Joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

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 they do not meet the size thresholds to be disclosed as a separate reportable segment.

Revenue

Revenue represents the amounts receivable from the sale of properties, investment properties and ground rent assets 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. Ground rent assets are treated as sold when contracts are exchanged, all material conditions precedent to the sale have been satisfied and the risks and rewards of ownership have transferred to the purchaser. See Accounting estimates and judgements below for further disclosures on revenue recognition.

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.

Expenditure

Expenditure recorded in inventory is expensed through cost of sales at the time of the related property sale. The amount of cost related to each property includes its share of the overall site costs including, where relevant, its share of forecast costs to complete. 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. See Accounting estimates and judgements below for further disclosures on cost recognition.

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 the notes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1 Accounting policies continued

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.

Sales of investment properties are recognised in revenue and cost of sales. These are considered to be similar in nature to the underlying property sales of the Group.

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 cost. Where such land is purchased on deferred settlement terms, and the cost 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 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. See Accounting estimates and judgements below for further disclosures on recognition of provisions.

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

Equity-settled
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, taking into account only service and non-market conditions.

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.

Cash-settled
The cost of cash settled transactions is recognised as an expense over the vesting period measured by reference to the fair value of the corresponding liability which is recognised on the balance sheet. The liability is remeasured at fair value at each balance sheet date until settlement with changes in fair value recognised in the income statement.

See Accounting estimates and judgements below for further disclosures on recognition of share based payments.

Dividends
Dividend distributions to shareholders are recognised as a liability in the period in which the dividends are appropriately authorised and approved for payout and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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. These assessments and allocations evolve over the life of the development in line with the risk profile, and accordingly the margin recognised reflects these evolving assessments, particularly in relation to the Group's long-term developments.

(b) Provisions
The Group makes assumptions to determine the timing and its best estimate of the quantum of its construction and other liabilities for which provisions are held.

(c) Revenue recognition
Assumptions are made which complement external certifications to assess whether the building work for properties sold is physically complete and hence whether the Group's revenue recognition criteria have been satisfied.

(d) 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.

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.

In addition to its development activities, the Group held 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 separate reportable segments. Revenue and operating profit for the year ended 30 April 2016 included £0.2 million and £nil, respectively, on the sale of 1 other investment property. Revenue and operating profit for the year ended 30 April 2015 included £8.3 million and £1.3 million, respectively, on the sale of 53 other investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2 Segmental disclosure continued

Segment results

	2016 £m	2015 £m
Profit before tax		
Residential-led mixed-use development	**530.9**	539.4
Other activities	**–**	0.3
	530.9	539.7

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. Segmental profit before tax on other activities is stated after charging external and intercompany interest and depreciation.

Segment assets

	2016 £m	2015 £m
Assets		
Residential-led mixed-use development	**3,838.4**	3,406.1
Other activities	**–**	0.2
	3,838.4	3,406.3

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 Disposal of ground rent assets

During the year ended 30 April 2016, the Group sold a portfolio of ground rent assets for consideration of £53.4 million (2015: £99.8 million) and a gross profit of £51.0 million (2015: £85.1 million). Income and expenses associated with this sale have been recognised in the income statement through revenue and gross profit in accordance with the Group's accounting policy for revenue and expenditure.

4 Net finance costs

	2016 £m	2015 £m
Finance income	**3.1**	3.0
Finance costs:		
Interest payable on bank loans and non-utilisation fees	**(2.8)**	(4.8)
Amortisation of facility fees	**(1.0)**	(5.7)
Other finance costs	**(6.8)**	(5.2)
	(10.6)	(15.7)
Net finance costs	**(7.5)**	(12.7)

Finance income predominantly represents interest earned on cash deposits.

Amortisation of facility fees in 2015 includes fees expensed in relation to a refinancing of the Group's revolving credit facilities in 2012, which was superseded by the refinancing of the facilities in 2015. During 2016, this facility was extended by a further year. See note 25 for further information.

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

5 Profit before taxation

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

	2016 £m	2015 £m
Staff costs (note 6)	**287.3**	270.3
Depreciation of property, plant and equipment (note 10)	**3.1**	2.7
(Profit)/loss on sale of fixed assets	**(0.2)**	0.2
Profit on sale of investment properties	**–**	(1.3)
Rental income from investment properties	**–**	(0.1)
Profit on sale of other investments	**(2.8)**	–
Direct operating expense in relation to investment properties including depreciation	**–**	0.1
Operating lease costs	**2.8**	2.6
Fees paid and payable to the Company's current auditor for the audit of the Parent Company and consolidated financial statements	**0.4**	0.3
Fees paid and payable to the Company's current auditor for other services:		
– Audit of the Company's subsidiaries	**0.1**	0.1
– Audit related assurance services	**0.1**	0.1
– Taxation advisory services	**0.1**	0.1

The value of inventories expensed and included in the cost of sales is £1,264.6 million (2015: £1,325.4 million).

In addition to the above services, the Group's current auditor has been asked to act 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 £10,000 (2015: £10,000).

Fees paid in the year to the Group's current auditor for audit-related assurance services relate to the interim review and other non-statutory audit services.

6 Directors and employees

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

	2016 £m	2015 £m
Staff costs		
Wages and salaries	**194.3**	176.7
Social security costs	**43.9**	32.8
Share-based payments	**42.9**	55.5
Pension costs	**6.2**	5.3
	287.3	270.3

The average monthly number of persons employed by the Group during the year was 2,277 (2015: 2,045).

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 as included in the Income Statement during the year are as follows:

	2016 £m	2015 £m
Directors' remuneration	**2.9**	3.8
Amount charged under long term incentive scheme	**33.9**	41.7
Company contributions to the defined contribution pension schemes	**0.1**	0.1
Payments for loss of office	**–**	0.5
	36.9	46.1

The Directors' Remuneration Report includes disclosure of the gains made by Directors on the exercise of share options during the year, which was £40.6 million in aggregate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

6 Directors and employees continued

During the 2014/2015 financial year, the Company dismissed its finance director, N Simpkin, who issued legal proceedings in an Employment Tribunal against the Company on the 28 November 2014. On the 20 November 2015 N Simpkin served High Court proceedings on the Company. The proceedings are being defended by the Company with the assistance of external professional advisers.

Equity-settled share based payments

The Group operates two 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 and the 2011 Long-Term Incentive Plan was £38.1 million (2015: £55.5 million). The charge to the income statement attributable to key management is £27.4 million (2015: £33.0 million).

There were no exercisable share options at the end of the year.

2009 Long-Term Incentive Plan

Part B

Part B of the 2009 Long-Term Incentive Plan covers 2,905,000 (2015: 6,830,000) share options with an exercise price of £3.06. The options were conditional on continued employment at the relevant vesting date and the satisfaction of the underpin condition that Net Assets per Share are at least £9.00 at 15 April 2016. During the year, 140,000 options lapsed on the departure of employees (2015: 280,000) prior to the shares vesting on 15 April 2016, leaving 2,765,000 options to vest. In accordance with the scheme, these options became exercisable by the relevant employees on 15 April 2016. As a result, 2,487,121 shares were issuable to the participants, representing 2,765,000 options that vested under 2009 LTIP Part B, less 277,879 of shares equivalent to the exercise price on vesting of £3.06 per share. The Company elected to enable participants to choose to allow the Company to settle the income tax and national insurance liabilities of the participants of the Scheme in lieu of issuing shares to them for an equivalent value. This reduced the number of shares issuable by a further 1,125,026 to 1,362,095 which were issued on 15 April 2016. The share price at the date of vesting was £29.76. As at 30 April 2016 there were no options outstanding (2015: 2,905,000).

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. In December 2015, a revision to the plan was proposed to return an additional £0.5 billion to shareholders.

A 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 16 February 2016. The key features of the 2011 LTIP are:

- if the Company returns £2.3 billion to shareholders over a ten year period via a series of dividend payments (£16.34 per share) and share buy backs by the milestone dates referred to below, participants will be entitled to exercise options and receive a number of ordinary shares in the capital of the Company at the end of each period.
- the maximum number of shares capable of being earned by all participants is 19,616,503 shares, being 13% of the fully diluted share capital of the Company at the date of approval of the plan. The number of options vesting at each milestone date is detailed on page 88 of the Directors Remuneration report.
- the exercise price of options granted under the 2011 LTIP will be £16.34 per share less an amount equal to the value of all dividends paid between the date of approval of the 2011 LTIP and vesting dates, beginning in September 2016 with five annual vestings thereafter, provided the exercise price cannot be less than zero.

The cumulative distributions required by the plan on or before the relative milestone dates are set out below:

	Cumulative distributions
30 September 2016	£6.34 per share
30 September 2017	£8.34 per share
30 September 2018	£10.34 per share
30 September 2019	£12.34 per share
30 September 2020	£14.34 per share
30 September 2021	£16.34 per share

The fair value of the options granted during that year, determined using the current market pricing model, was £3.17 for options which then 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%

As a result of the modification during the year, there was an acceleration of the fair value cost of the options, but not an increase in the overall fair value.

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

During the year zero options lapsed on the departure of employees (2015: 3,250,000) and there were 954,328 additional options granted during the year (2015: 975,000). As at 30 April 2016 there were 17,045,831 options outstanding (2015: 16,091,503).

Cash-settled share based payments

Bonus Banking Plan.

Under the Bonus Banking Plan, in the Directors' Remuneration Report on page 92, 50% of the balance on the plan account at the end of the financial year is deferred in notional shares in the Company. The notional shares will be settled in cash each year excluding the year ending 30 April 2021 when the scheme will fully vest and at which point 50% of the remaining balance at that date will be settled in equity, and 50% in cash. Accordingly the plan is accounted for as cash settled, with only the proportion expected to vest in shares at the end of the plan accounted for as equity settled. This amount is not of significant quantum to warrant individual disclosure.

The liability has been accrued over the vesting period. The income statement is charged with an estimate for the vesting of notional shares awarded subject to service and non-market performance conditions. The charge for 2016 was £6.5 million (2015: £8.7 million).

The total carrying amount of liabilities for the Bonus Banking Plan at the end of the year was £5.5 million (2015: £13.1 million).

Senior Management share appreciation rights

Certain key members of senior management have been awarded cash bonuses deferred in notional shares in the Company. The notional shares have a contractual life of five years after the bonus is allocated, and are settled in cash subject to continued employment by the Company and individual and divisional performance criteria.

The liability is accrued over the vesting period. The income statement is charged with an estimate for the vesting of notional shares awarded subject to service and non-market performance conditions. The charge for 2016 was £16.9 million (2015: £13.7 million).

The total carrying amount of liabilities for share appreciation rights at the end of the year was £43.6 million (2015: £26.7 million)

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 £5.2 million (2015: £4.5 million) were paid into the defined contribution schemes during the year.

Defined benefit plan

As at 30 April 2016, the Group operated one defined benefit pension scheme which was closed to future accrual with effect from 1 April 2007. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 335 past employees. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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 1 May 2013 and finalised in December 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 4.00% per annum and pension increases of 3.25% per annum. The market value of the Berkeley Final Salary Plan assets as at 1 May 2013 was £16.2 million and covered 97% 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 2013 valuation, the Group agreed with the Trustees of the Scheme to make additional contributions to the Scheme of £0.2 million for the remainder of the year (1 December 2013 to 30 April 2015) to address the Scheme's deficit after which required contributions were reduced to zero. Notwithstanding this the Group made additional voluntary contributions of £0.6 million during the year (2015: £0.5 million).

For the purposes of IAS 19, the 2013 valuation was updated for 30 April 2016.

The most significant risks to which the plan exposes the group are:

Inflation risk: A rise in inflation rates will lead to higher plan liabilities as a large proportion of the defined benefit obligation is indexed in line with price inflation. This effect will be limited due to caps on inflationary increases to protect the plan against extreme inflation.

Interest rate risk: A decrease in corporate bond yields would result in an increase to plan liabilities although this effect would be partially offset by an increase in the value of the plan's bond holdings.

Mortality risk: An increase in life expectancy would result in an increase to plan liabilities as a significant proportion of the Pension Schemes' obligations are to provide benefits for the life of the member.

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

	2016 £m	2015 £m
Present value of defined benefit obligations	**(15.9)**	(16.6)
Fair value of plan assets	**18.1**	18.1
Net surplus	**2.2**	1.5
Effect of the asset ceiling	**(2.2)**	(1.5)
Net amount recognised on the statement of financial position	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

6 Directors and employees continued

Movement in net defined benefit asset:

	Defined Benefit Obligation		Fair Value Plan Assets		Net Defined Benefit Asset	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Balance at 1 May	**(16.6)**	(14.8)	**18.1**	16.0	**1.5**	1.2
Included in income statement						
Net interest	**(0.6)**	(0.6)	**0.6**	0.7	**–**	0.1
Included in other comprehensive income						
Remeasurements:						
Actuarial (loss)/gain arising from:						
– demographic assumptions	**–**	–	**–**	–	**–**	–
– financial assumptions	**0.5**	(1.8)	**–**	–	**0.5**	(1.8)
– experience adjustments	**0.3**	0.1	**–**	–	**0.3**	0.1
Return on plan assets (excluding interest income)	**–**	–	**(0.7)**	1.4	**(0.7)**	1.4
Other						
Contributions by the employer	**–**	–	**0.6**	0.5	**0.6**	0.5
Benefits paid out	**0.5**	0.5	**(0.5)**	(0.5)	**–**	–
Balance at 30 April	**(15.9)**	(16.6)	**18.1**	18.1	**2.2**	1.5

Cumulative actuarial gains and losses recognised in equity:

	2016 £m	2015 £m
Cumulative amounts of losses recognised in the statement of comprehensive income at 1 May	**(5.6)**	(5.0)
Net actuarial losses recognised in the year	**0.2**	(0.3)
Change in the effect of the asset ceiling	**(0.7)**	(0.3)
Cumulative amounts of losses recognised in the statement of comprehensive income at 30 April	**(6.1)**	(5.6)

The fair value of the assets were as follows:

	30 April 2016 Long-term Value £m	30 April 2015 Long-term Value £m
UK Equities	**0.8**	0.8
Global Equities	**3.2**	3.1
Emerging Market Equities	**1.2**	1.4
Emerging Market Debt	**0.9**	0.9
High Yield Bonds	**0.9**	0.9
Diversified Growth Fund	**3.3**	3.0
Property	**1.7**	1.7
Government Bonds (over 15 years)	**1.0**	0.9
Government Bonds (5 to 15 years)	**1.8**	1.7
Index Linked Gilts (over 5 years)	**1.9**	1.9
Corporate Bonds	**1.3**	1.3
Cash	**0.1**	0.5
Fair value of plan assets	**18.1**	18.1

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA- rated. All other plan assets are not quoted in an active market.

History of asset values

	30 April 2016 £m	30 April 2015 £m	30 April 2014 £m	30 April 2013 £m	30 April 2012 £m
Fair value of scheme assets	**18.1**	18.1	16.0	16.0	14.0
Present value of scheme liabilities	**(15.9)**	(16.6)	(14.8)	(14.6)	(13.3)
Net surplus in the plan	**2.2**	1.5	1.2	1.4	0.7

Actuarial assumptions

The major assumptions used by the actuary for the 30 April 2016 valuation were:

Valuation at:	**30 April 2016**	30 April 2015
Discount rate	**3.50%**	3.50%
Inflation assumption (RPI)	**3.00%**	3.30%
Inflation assumption (CPI)	**2.10%**	2.40%
Rate of increase in pensions in payment post-97 (Pre-97 receive 3% p.a. increases)	**3.00%**	3.30%

The mortality assumptions are the standard S1PA CMI_2015_X [1.0%] (2015: 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 24.3 years respectively (2015: 22.0 and 24.3). The life expectancy of male and female deferred pensioners (now aged 40) retiring at age 65 after the balance sheet date is 23.7 years and 26.2 years respectively (2015: 23.7 and 26.1).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased as a result of a change in the respective assumptions.

	Change in Assumption	Change in defined benefit obligation
Discount rate	-0.25% p.a	+4.0%
Rate of inflation	+0.25% p.a	+2.7%
Rate of mortality	+1 year	+3.0%

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. In practice, changes in some of the assumptions are correlated and so each assumption change is unlikely to occur in isolation, as shown above.

Funding

The Group expects to pay £0.6 million in contributions to its defined benefit plan in the year ending 30 April 2017 (i.e. the next annual reporting period), albeit it has no obligation to do so.

7 Taxation

The tax charge for the year is as follows:

	2016 £m	2015 £m
Current tax		
UK corporation tax payable	**(107.5)**	(130.2)
Adjustments in respect of previous years	**(14.9)**	4.8
	(122.4)	(125.4)
Deferred tax	**(4.4)**	9.2
	(126.8)	(116.2)

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

	2016 £m	2015 £m
Deferred tax on remeasurements of the net defined benefit asset/liability (note 18)	**0.1**	0.1

Tax on items recognised directly in equity is as follows:

	2016 £m	2015 £m
Deferred tax in respect of employee share schemes (note 18)	**4.9**	13.1
Current tax in respect of employee share schemes (note 18)	**(7.0)**	(11.5)
	(2.1)	1.6

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7 Taxation continued

The tax charge assessed for the year differs from the standard rate of UK corporation tax of 20% (2015: 20.92%).

The differences are explained below:

	2016 £m	2015 £m
Profit before tax	**530.9**	539.7
Tax on profit at standard UK corporation tax rate	**106.2**	113.2
Effects of:		
Expenses not deductible for tax purposes	**0.8**	0.5
Tax effect of share of results of joint ventures	**1.9**	0.9
Adjustments in respect of previous periods	**14.9**	1.9
Effect of change in rate in tax (note 18)	**1.6**	–
Other	**1.4**	(0.3)
Tax charge	**126.8**	116.2

Corporation tax is calculated at 20% of the estimated assessable profit for the year.

The Group manages its tax affairs in an open and transparent manner with the tax authorities and observes all applicable rules and regulations in the countries in which it operates. Factors that may affect the Group's tax charge in future periods include changes in tax legislation and the resolution of open issues. The Group holds tax provisions in respect of the potential tax liability that may arise on the resolution of open tax issues, however the amount ultimately payable may be higher or lower than the amount accrued thus reducing or improving the overall profitability and cash flow of the Group in future periods. The adjustments in respect of previous periods reflects the status of open issues.

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

8 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.

	2016 £m	2015 £m
Profit attributable to shareholders (£m)	**404.1**	423.5
Weighted average number of shares (m)	**136.6**	135.3
Basic earnings per ordinary share (p)	**295.8**	313.0

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 2016, the Group had two (2015: three) categories of potentially dilutive ordinary shares: 16.8 million (2015: 16.1 million) share options under the 2011 LTIP and 5,000 (2015: 0.5 million) share options under the Bonus Banking plan.

2.8 million share options vested on 15 April 2016 under the 2009 LTIP Part B scheme and 1.4 million were issued to participants, with the Company settling the option price and participants' tax liability in respect of the balance, in lieu of issuing shares. In 2015, 2.9 million share options vested and were issued on 15 April 2015 under Part B of the 2009 LTIP scheme.

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.

	2016 £m	2015 £m
Profit used to determine diluted EPS (£m)	**404.1**	423.5
Weighted average number of shares (m)	**136.6**	135.3
Adjustments for:		
Share options – 2009 LTIP Part B (m)	**1.3**	3.5
Share options – 2011 LTIP (m)	**12.5**	13.6
Bonus Banking plan shares	**–**	0.5
Shares used to determine diluted EPS (m)	**150.4**	152.9
Diluted earnings per ordinary share (p)	**268.7**	276.9

9 Intangible assets

	Goodwill £m
Cost	
At 1 May 2015 and 30 April 2016	17.2
Accumulated impairment	
At 1 May 2015 and at 30 April 2016	–
Net book value	
At 1 May 2015 and at 30 April 2016	17.2
Cost	
At 1 May 2014 and 30 April 2015	17.2
Accumulated impairment	
At 1 May 2014 and at 30 April 2015	–
Net book value	
At 1 May 2014 and at 30 April 2015	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 10.18% (2015: 12.06%) 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 2015	16.6	8.7	4.5	29.8	0.2
Additions	2.6	1.6	0.7	4.9	–
Disposals	(1.8)	(0.3)	(0.7)	(2.8)	(0.2)
At 30 April 2016	**17.4**	**10.0**	**4.5**	**31.9**	**–**
Accumulated Depreciation					
At 1 May 2015	1.0	3.8	1.5	6.3	–
Charge for the year	0.3	2.1	0.7	3.1	–
Disposals	(0.2)	(0.3)	(0.5)	(1.0)	–
At 30 April 2016	**1.1**	**5.6**	**1.7**	**8.4**	**–**
Net book value					
At 1 May 2015	15.6	4.9	3.0	23.5	0.2
At 30 April 2016	**16.3**	**4.4**	**2.8**	**23.5**	**–**

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10 Property, plant and equipment and investment property continued

	Property, plant and equipment				
	Freehold property £m	Fixtures and fittings £m	Motor vehicles £m	Total £m	Investment properties £m
Cost					
At 1 May 2014	16.3	6.0	4.0	26.3	7.5
Additions	0.3	2.9	1.4	4.6	–
Disposals	–	(0.2)	(0.9)	(1.1)	(7.3)
At 30 April 2015	16.6	8.7	4.5	29.8	0.2
Accumulated Depreciation					
At 1 May 2014	0.7	2.3	1.3	4.3	0.3
Charge for the year	0.3	1.7	0.7	2.7	–
Disposals	–	(0.2)	(0.5)	(0.7)	(0.3)
At 30 April 2015	1.0	3.8	1.5	6.3	–
Net book value					
At 1 May 2014	15.6	3.7	2.7	22.0	7.2
At 30 April 2015	15.6	4.9	3.0	23.5	0.2

The market value of the investment properties held at 30 April 2016 is £nil (30 April 2015: £0.3 million), following the sale of the remaining Investment properties during the year.

11 Investments

	2016 £m	2015 £m
Unlisted shares at cost	**11.0**	11.0
Loans	**79.1**	15.7
Share of post-acquisition reserves	**60.3**	23.9
Elimination of profit on transfer of inventory to joint ventures	**(0.4)**	(0.5)
	150.0	50.1

Details of the joint ventures are provided in note 27.

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

	2016 £m	2015 £m
At 1 May	**50.1**	61.4
Profit after tax for the year	**36.5**	28.3
Dividends from investments	**–**	(12.3)
Net increase/(decrease) in loans to joint ventures	**63.4**	(27.3)
At 30 April	**150.0**	50.1

Net increase/(decrease) in loans to joint ventures includes movements in unlisted shares at cost. The current year movement includes a £0.2 million (2015: £nil) non-cash movement.

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

	2016 £m	2015 £m
Current assets	**374.3**	196.1
Current liabilities	**(168.4)**	(92.4)
Non-current liabilities	**(55.9)**	(53.6)
	150.0	50.1
Revenue	**161.6**	141.5
Costs	**(124.9)**	(111.1)
Operating profit	**36.7**	30.4
Interest charges	**–**	(1.9)
Profit before taxation	**36.7**	28.5
Tax charge	**(0.2)**	(0.2)
Share of post tax profit of joint ventures	**36.5**	28.3

12 Other investments

Other investments comprise available-for-sale financial assets.

	2016 £m	2015 £m
At 1 May	**12.0**	11.0
Additions	**–**	–
Disposals	**(10.0)**	–
Fair value adjustment taken through other comprehensive income	**(2.0)**	1.0
At 30 April	**–**	12.0

Other investments comprise available for sale financial assets. These related to the Group's investment in 100,000 units in a fund into which in 2014 the Group sold 534 rental properties. In accordance with IFRS 7 'Financial Instruments: Disclosures', these financial assets have been classified as Level 2 within the fair value hierarchy and were held at £12.0 million at 30 April 2015.

In the year to 30 April 2016, the Group completed the sale of this investment for proceeds of £12.8 million which realised a profit on disposal of £2.8 million of which £2.0 million had been previously recognised in the Consolidated Statement of Comprehensive Income and has therefore been recycled through the Consolidated Income Statement within operating expenses in the current period.

Further disclosures relating to financial assets are set out in note 25.

13 Inventories

	2016 £m	2015 £m
Land not under development	**384.1**	342.0
Work in progress	**2,853.9**	2,280.2
Completed units	**18.1**	31.9
	3,256.1	2,654.1

14 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**189.8**	123.9
Other receivables	**14.5**	13.7
Prepayments and accrued income	**8.0**	8.0
	212.3	145.6

Further disclosures relating to trade receivables are set out in note 25.

15 Cash and cash equivalents

	2016 £m	2015 £m
Cash and cash equivalents	**107.4**	430.9

16 Trade and other payables

	2016 £m	2015 £m
Current		
Trade payables	**(478.0)**	(391.9)
Deposits and on account contract receipts	**(1,105.8)**	(920.9)
Loans from joint ventures	**(0.1)**	(0.1)
Other taxes and social security	**(63.2)**	(39.4)
Accruals and deferred income	**(121.5)**	(151.5)
	(1,768.6)	(1,503.8)
Non-current		
Trade payables	**(90.3)**	(131.7)
Total trade and other payables	**(1,858.9)**	(1,635.5)

All amounts included above are unsecured. The total of £63.2 million (2015: £39.4 million) for other taxes and social security includes £30.5 million (2015: £24.7 million) 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 25.

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17 Provisions for other liabilities and charges

	Total £m
At 1 May 2015	(75.1)
Utilised	2.0
Released	18.8
Charged to the income statement	(34.2)
At 30 April 2016	**(88.5)**

	Total £m
At 1 May 2014	(57.1)
Reclassified from accruals	(5.9)
Utilised	4.5
Released	24.5
Charged to the income statement	(41.1)
At 30 April 2015	(75.1)

Analysis of total provisions:

	2016 £m	2015 £m
Non-current	**68.3**	61.1
Current	**20.2**	14.0
Total	**88.5**	75.1

Provisions for other liabilities and charges primarily relate to 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, based on historic experience, but which are uncertain in terms of timing and quantum. In addition, the Group holds provisions for litigation, for onerous leases on properties leased by the Group and for the Group's exposure to specific estate liabilities on historic sites developed by the Group. These are not individually significant in terms of quantum to warrant separate disclosure.

18 Deferred tax

The movement on the deferred tax account is as follows:

	Accelerated capital allowances £m	Retirement benefit obligations £m	Short-term timing differences £m	Total £m
At 1 May 2015	0.4	–	72.3	72.7
Transfer to corporation tax receivable	–	–	5.6	5.6
(Charged)/credited to the income statement in year	0.4	–	(3.2)	(2.8)
Adjustment in respect of change of tax rate from 20% to 19%/17% (note 7)	–	–	(1.6)	(1.6)
Credited/(Charged) to income statement in the year	0.4	–	(4.8)	(4.4)
Credited to equity at 20%	–	0.1	7.1	7.2
Adjustment in respect of change of tax rate from 20% to 19%/17% (note 7)	–	–	(2.2)	(2.2)
Realisation of deferred tax asset on vesting of employee share scheme	–	–	(7.0)	(7.0)
Credited to equity in year (note 7)	–	0.1	(2.1)	(2.0)
At 30 April 2016	**0.8**	**0.1**	**71.0**	**71.9**

	Accelerated capital allowances £m	Retirement benefit obligations £m	Short-term timing differences £m	Total £m
At 1 May 2014	0.3	–	60.8	61.1
Transfer to corporation tax receivable	–	–	0.7	0.7
(Charged)/credited to the income statement in year	0.1	(0.1)	9.2	9.2
Credited to equity at 20%	–	0.1	13.1	13.2
Realisation of deferred tax asset on vesting of employee share scheme	–	–	(11.5)	(11.5)
Credited to equity in year (note 7)	–	0.1	1.6	1.7
At 30 April 2015	0.4	–	72.3	72.7

Deferred tax is calculated in full on temporary differences at the tax rates that are expected to apply for the period when the asset is realised and the liability is settled using a tax rate of 19/17% as appropriate (2015: 20%). There is no unprovided deferred tax (2015: nil) at the balance sheet date.

All deferred tax assets are available for offset against deferred tax liabilities and hence the net deferred tax asset at 30 April 2016 is £71.9 million (2015: £72.7 million).

Deferred tax assets of £42.8 million (2015: £49.0 million) are expected to be recovered after more than one year.

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

	2016 £m	2015 £m
Deferred tax on remeasurements of the net defined benefit asset/liability (note 7)	**0.1**	0.1
Deferred tax in respect of employee share schemes (note 7)	**(2.1)**	1.6
Movement in the year	**(2.0)**	1.7
Cumulative deferred tax credited to equity at 1 May	**28.7**	27.0
Cumulative deferred tax credited to equity at 30 April	**26.7**	28.7

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19 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		Share Capital		Share Premium	
	2016 No '000	2015 No '000	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Issued						
At start of year	**136,657**	135,357	**6.8**	6.8	**49.6**	49.3
Issued in year	**1,600**	1,300	**0.1**	–	**0.2**	0.3
At end of year	**138,257**	136,657	**6.9**	6.8	**49.8**	49.6

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.

On 24 March 2016, 1.6 million ordinary shares (2015: 1.3 million) were allotted and issued to the Employee Benefit Trust.

On 21 April 2016, 1.4 million ordinary shares (2015: 1.3 million) were transferred from the Employee Benefit Trust to Executive Directors and Senior Management to satisfy the exercise of options under the 2009 Long Term Incentive Plan Part B.

At 30 April 2016 there were 0.3 million shares held in trust (2015: 0.1 million) by the Employee Benefit Trust. The market value of these shares at 30 April 2016 was £10.1 million (2015: £2.5 million).

20 Reserves

The movement in reserves is set out in the Consolidated Statement of Changes in Equity on page 112.

Other reserve
The other reserve of negative £961.3 million (2015: negative £961.3 million) 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 previously consisted of balances in relation to two separate transactions. Recognition of associated fair value adjustments reduced both of these balances to £nil in the year to 30 April 2015. No additional reserves arose in the year to 30 April 2016.

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 £20.3 million 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. Transfers of £3.9 million in the year to 30 April 2015 out of retained earnings were recognised as the associated fair value adjustments. At 30 April 2015 the balance in the revaluation reserve relating to the acquisition of St James Group Limited was £nil.

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 £0.6 million 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 £0.2 million in the year to 30 April 2015 out of retained earnings were recognised as the associated fair value adjustments. At 30 April 2015 the balance in the revaluation reserve relating to the acquisition of the five entities that were previously joint ventures with SAAD Investments Company Limited was £nil.

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
On 2 July 2015 the Company acquired and transferred to the Company's Employee Benefit Trust 0.1 million (2015: none) of its own shares through purchases on the London Stock Exchange at a total cost of £4.8 million (2015: £nil). On 6 July 2015, 0.1 million ordinary shares (2015: nil) were transferred from the Employee Benefit Trust to Executive Directors to satisfy the exercise of options under the Bonus Banking Plan.

21 Dividends per share

The dividends paid in 2016 were a total of £259.5 million, £136.6 million in January 2016 (100 pence per share) and £122.9 million in September 2015 (90 pence per share) (2015: £243.5 million being £121.75 million in September 2014, 90 pence per share, and £121.75 million in January 2015, 90 pence per share). A further interim dividend of £137.9 million (100 pence per share) has been declared for payment on 15 September 2016. These financial statements do not reflect this further interim dividend.

22 Contingent liabilities

Certain companies within the Group have given performance and other trade guarantees on behalf of other members of the Group in the ordinary course of business. The Group has performance agreements in the ordinary course of business of £15.1 million which are guaranteed by third parties (2015: £19.5 million). The Group considers that the likelihood of an outflow of cash under these agreements is low and that no provision is required.

23 Operating leases – minimum lease payments

The total future aggregate minimum lease payments of the Group under non-cancellable operating leases are set out below:

	2016 £m	2015 £m
Amounts due within:		
Within one year	**1.8**	1.6
Between one and five years	**2.5**	2.8
After five years	**1.8**	1.7
	6.1	6.1

24 Notes to the consolidated cash flow statement

Reconciliation of profit after taxation for the year to cash generated from operations:

	2016 £m	2015 £m
Profit after taxation for the year	**404.1**	423.5
Adjustments for:		
– Taxation	**126.8**	116.2
– Depreciation	**3.1**	2.7
– (Profit)/Loss on sale of fixed assets	**(0.2)**	0.2
– (Profit)/Loss on sale of financial assets	**(2.8)**	–
– Profit on sale of investment properties	**–**	(1.3)
– Finance income	**(3.1)**	(3.0)
– Finance costs	**10.6**	15.7
– Share of results of joint ventures after tax	**(36.5)**	(28.3)
– Non-cash charge in respect of share-based payments	**28.8**	2.7
Changes in working capital:		
– Increase in inventories	**(602.0)**	(172.9)
– (Increase)/decrease in trade and other receivables	**(67.8)**	7.6
– Increase in trade and other payables	**233.6**	281.1
– Decrease in employee benefit obligations	**(0.6)**	(0.6)
Cash generated from operations	**94.0**	643.6

Reconciliation of net cash flow to net cash:

	2016 £m	2015 £m
Net (decrease)/increase in cash and cash equivalents, including bank overdraft	**(323.5)**	300.7
Net cash outflow from decrease in borrowings	**–**	1.0
Movement in net cash/(debt) in the year	**(323.5)**	301.7
Opening net cash	**430.9**	129.2
Closing net cash	**107.4**	430.9

Net cash:

As at 30 April	**2016 £m**	2015 £m
Cash and cash equivalents	**107.4**	430.9
Current borrowings	**–**	–
Net cash	**107.4**	430.9

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25 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. In 2012 the Group put in place a long-term strategic plan to see £13 per share returned to shareholders over the following 10 years. This plan was revised in December 2015 and the return to shareholders increased to £16.34 per share. This plan, reported in more detail in the Strategic Report on page 9, 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 2016 was £1,705.4 million (2015: £1,207.0 million). The increase in capital employed in the year of £498.4 million reflects an increase in net assets 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:

	2016 £m	2015 £m
Current		
Trade receivables	**189.8**	123.9
Cash and cash equivalents	**107.4**	430.9
	297.2	554.8
Non-current		
Available-for-sale financial assets	**–**	12.0
	–	12.0
Total financial assets	**297.2**	566.8

Trade receivables and available-for-sale financial assets are non-interest bearing. Of the current trade receivables balance of £189.8 million (30 April 2015: £123.9 million), £174.7 million (30 April 2015: £119.1 million) was not past due, with £7.5 million being 0–30 days past due (30 April 2015: £4.8 million, 0–30 days past due).

Cash and cash equivalents are short-term deposits held at either floating rates linked to LIBOR or fixed rates.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets that are measured at fair value:

2016	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets					
Available-for-sale financial assets	12	–	–	–	–
Total assets		–	–	–	–

2015	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets					
Available-for-sale financial assets	12	–	12.0	–	12.0
Total assets		–	12.0	–	12.0

Financial instruments: financial liabilities

The Group's financial liabilities can be summarised as follows:

	2016 £m	2015 £m
Current		
Trade payables	**(478.0)**	(391.9)
Loans from joint ventures	**(0.1)**	(0.1)
Accruals and deferred income	**(121.5)**	(151.5)
	(599.6)	(543.5)
Non-current		
Trade payables	**(90.3)**	(131.7)
	(90.3)	(131.7)
Total financial liabilities	**(689.9)**	(675.2)

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.

The maturity profile of the Group's non-current financial liabilities, all of which are held at amortised cost, is as follows:

	2016 £m	2015 £m
In more than one year but not more than two years	**(36.6)**	(67.4)
In more than two years but not more than five years	**(32.2)**	(32.3)
In more than five years	**(21.5)**	(32.0)
	(90.3)	(131.7)

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).

Current trade receivables include £8.1 million relating to amounts owed by St Edward Homes Limited in respect of the inventory sold by the Group in 2009 (Note 26). This is held at its 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. At 30 April 2016 a rate of 0.67% was applied (2015: 0.85%).

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 2016 a rate of 0.67% was applied (2015: 0.85%). 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:

	2016 £m	2015 £m
In less than one year	**(599.6)**	(543.5)
In more than one year but not more than two years	**(36.9)**	(68.0)
In more than two years but not more than five years	**(33.0)**	(33.0)
In more than five years	**(23.3)**	(35.0)
	(692.8)	(679.5)

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 2016, profit after tax for the year would have been £1,143,000 higher (2015: £1,014,000 higher). 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 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 Capital management, financial instruments and financial risk management continued

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 (2015: £nil), nor are there any material provisions held against trade receivables (2015: £nil), and £7.5 million trade receivables are past their due date (2015: £4.8 million).

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:

	2016				2015			
	Available £m	Drawn £m	Undrawn £m	Termination £m	Available £m	Drawn £m	Undrawn £m	Termination £m
Revolving credit facility	575	–	575	Mar-21	575	–	575	Mar-20
	575	–	575		575	–	575	

On 23 March 2016, Berkeley extended its committed corporate banking facilities of £575 million, taking the maturity date of the Group's facilities from March 2020 to March 2021.

At 30 April 2016 the total drawn down balance of the facility was £nil (2015: £nil). In addition, at 30 April 2016 there were no bank bonds in issue (2015: £5.0 million).

The revolving credit facility is secured by debentures provided by certain Group holding companies over their assets. The facility agreement contains financial covenants, which is normal for such agreements, with all of which the Group is in compliance.

26 Related party transactions

The Group has entered into the following related party transactions:

Transactions with directors

In terms of new transactions in the 2016 financial year:

i) During the financial year, A W Pidgley paid £378,593 (2015: £25,470) and R C Perrins paid £155,167 (2015: £nil) to the Group for works carried out at their homes under the Group's own build scheme. This is a scheme whereby eligible employees may enter into an arrangement, at commercial rates, in accordance with the relevant policies of the Group. There were no balances outstanding at the year end.

ii) Berkeley Homes plc has entered into an agreement with Langham Homes, a company controlled by 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 and there were no outstanding balances at 30 April 2016. In the year ended 30 April 2015, a fee of £173,000 was paid under this agreement when an associated land purchase became unconditional. Langham Homes continues to introduce land to the Group and in the event that any further land purchases are agreed, further fees may be payable to Langham Homes in future periods.

iii) K Whiteman, a Director of the Company, contracted to purchase an apartment at Royal Arsenal Riverside for £650,000 on 12 April 2016 from Berkeley Homes plc, a wholly owned subsidiary of the Company. The contract between Berkeley Homes plc and K Whiteman is a standard form sale and purchase agreement used by the Company on its developments, save that as K Whiteman's purchase of his apartment is for a value in excess of £100,000, it is conditional upon the agreement of shareholders which will be sought at the Annual General Meeting in September 2016. K Whiteman paid a ten per cent deposit of £65,000 on exchange of contracts which will only be returned to him in the event that shareholders do not approve the transaction.

Director property purchases previously disclosed and not yet completed, which have all received shareholder approval, include:

- G J Fry – purchases of an apartment at Sovereign Court for £819,950 in 2014 and Brewery Wharf for £565,000 in 2015,
- R C Perrins – purchase of an apartment at 190 Strand for £2,100,000 in 2013,
- 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 year R C Perrins paid a contractual deposit on account of £210,000 and D Brightmore Armour paid contractual deposits on account of £286,000 for the apartment and £10,120 for the storage room. These were in addition to contractual deposits paid in previous years. During the year, G J Fry paid an additional £17,043 for enhancements to specification in relation to his apartment at Sovereign Court and £23,770 for enhancements to specification in an apartment already owned at Chelsea Creek. At 30 April 2016, any contractual deposits due to date had been paid to the Group, there were no current balances outstanding and the properties were still under construction and so the sales had not yet completed.

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 2016 an amount of £8,091,000 was outstanding and included within trade receivables (2015: £14,449,000).

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27 Subsidiaries and joint ventures

(a) Subsidiaries

At 30 April 2016 the Company had the following 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 and ancillary activities

Ancestral Homes Limited	Berkeley Forty-Two Limited
Battersea Reach Estate Company Limited	Berkeley Fourteen Limited
Berkeley (Canalside) Limited	Berkeley Group Pension Trustees Limited
Berkeley (Inner City Partnerships) Limited	Berkeley Group Services Limited
Berkeley (SQP) Limited	Berkeley Group SIP Trustee Limited
Berkeley (Virginia Water) Limited	Berkeley Guarantee One Limited
Berkeley Affordable Homes Limited	Berkeley Homes (Barn Elms) Limited
Berkeley Asset MSA Limited	Berkeley Homes (Capital) PLC
Berkeley Build Limited	Berkeley Homes (Carmelite) Limited
Berkeley College Homes Limited	Berkeley Homes (Central & West London) Plc
Berkeley Commercial Developments Limited	Berkeley Homes (Central London) Limited
Berkeley Commercial Investments Limited	Berkeley Homes (Chertsey) Limited
Berkeley Commercial Limited	Berkeley Homes (Chiltern) Limited
Berkeley Community Villages Limited	Berkeley Homes (City & East London) Limited
Berkeley Construction Limited	Berkeley Homes (City) Limited
Berkeley Developments Limited	Berkeley Homes (Dorset) Limited
Berkeley Eighteen Limited	Berkeley Homes (East Anglia) Limited
Berkeley Eighty Limited	Berkeley Homes (East Kent) Limited
Berkeley Eighty-Nine Limited	Berkeley Homes (East London) Limited
Berkeley Eighty-One Limited	Berkeley Homes (East Thames) Limited
Berkeley Eighty-Three Limited	Berkeley Homes (Eastern Counties) Limited
Berkeley Eighty-Two Limited	Berkeley Homes (Eastern) Limited
Berkeley Enterprises Limited	Berkeley Homes (Essex) Limited
Berkeley Festival Development Limited	Berkeley Homes (Festival Waterfront Company) Limited
Berkeley Festival Hotels Limited	Berkeley Homes (Fleet) Limited
Berkeley Festival Investments Limited	Berkeley Homes (Greater London) Limited
Berkeley Festival Limited	Berkeley Homes (Hampshire) Limited
Berkeley Fifty Limited	Berkeley Homes (Hertfordshire & Cambridgeshire) Limited
Berkeley Fifty-Eight Limited	Berkeley Homes (Home Counties) plc
Berkeley Fifty-Five Limited	Berkeley Homes (Kent) Limited
Berkeley Fifty-Four Limited	Berkeley Homes (North East London) Limited
Berkeley Fifty-Nine Limited	Berkeley Homes (North Western) Limited
Berkeley Fifty-One Limited	Berkeley Homes (Oxford & Chiltern) Limited
Berkeley Fifty-Seven Limited	Berkeley Homes (PCL) Limited
Berkeley Fifty-Three Limited	Berkeley Homes (South East London) Limited
Berkeley Fifty-Two Limited	Berkeley Homes (South London) Limited
Berkeley First Limited	Berkeley Homes (South Western House No.1) Limited
Berkeley Five Limited	Berkeley Homes (South) Limited
Berkeley Forty Limited	Berkeley Homes (Southern) Limited
Berkeley Forty-Eight Limited	Berkeley Homes (Stanmore) Limited
Berkeley Forty-Five Limited	Berkeley Homes (Surrey) Limited
Berkeley Forty-Four plc	Berkeley Homes (Thames Gateway) Limited
Berkeley Forty-Nine Limited	Berkeley Homes (Thames Valley) Limited
Berkeley Forty-Seven Limited	Berkeley Homes (Three Valleys) Limited
Berkeley Forty-Six Limited	Berkeley Homes (Urban Developments) Limited
Berkeley Forty-Three Limited	Berkeley Homes (Urban Living) Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 Subsidiaries and joint ventures continued

Residential led mixed-use development and ancillary activities

Berkeley Homes (Urban Renaissance) Limited	Berkeley One Hundred and Forty Three Limited
Berkeley Homes (West London) Limited [1]	Berkeley One Hundred and Four Limited
Berkeley Homes (Western) Limited [1]	Berkeley One Hundred and Nine Limited
Berkeley Homes Group Limited	Berkeley One Hundred and Ninety Eight Limited
Berkeley Homes plc	Berkeley One Hundred and Ninety Five Limited
Berkeley London Residential Limited	Berkeley One Hundred and Ninety Four Limited
Berkeley Manhattan Limited	Berkeley One Hundred and Ninety Limited
Berkeley Ninety Limited	Berkeley One Hundred and Ninety Nine Limited
Berkeley Ninety-Eight Limited	Berkeley One Hundred and Ninety One Limited
Berkeley Ninety-Five Limited	Berkeley One Hundred and Ninety Seven Limited
Berkeley Ninety-Four Limited	Berkeley One Hundred and Ninety Six Limited
Berkeley Ninety-Nine Limited	Berkeley One Hundred and Ninety Three Limited
Berkeley Ninety-One Limited	Berkeley One Hundred and Ninety Two Limited
Berkeley Ninety-Seven Limited	Berkeley One Hundred and One Limited
Berkeley Ninety-Six Limited	Berkeley One Hundred and Seven Limited
Berkeley Ninety-Three Limited	Berkeley One Hundred and Seventeen Limited
Berkeley Number Four Limited	Berkeley One Hundred and Seventy Eight Limited
Berkeley Number Seven Limited	Berkeley One Hundred and Seventy Five Limited
Berkeley Number Six Limited	Berkeley One Hundred and Seventy Four Limited
Berkeley One Hundred and Eight Limited	Berkeley One Hundred and Seventy Limited
Berkeley One Hundred and Eighteen Limited	Berkeley One Hundred and Seventy Nine Limited
Berkeley One Hundred and Eighty Eight Limited	Berkeley One Hundred and Seventy One Limited
Berkeley One Hundred and Eighty Five Limited	Berkeley One Hundred and Seventy Seven Limited
Berkeley One Hundred and Eighty Limited	Berkeley One Hundred and Seventy Six Limited
Berkeley One Hundred and Eighty Nine Limited	Berkeley One Hundred and Seventy Three Limited
Berkeley One Hundred and Eighty One Limited	Berkeley One Hundred and Seventy Two Limited
Berkeley One Hundred and Eighty Seven Limited	Berkeley One Hundred and Six Limited
Berkeley One Hundred and Eighty Three Limited	Berkeley One Hundred and Sixteen Limited
Berkeley One Hundred and Eighty Two Limited	Berkeley One Hundred and Sixty Five Limited
Berkeley One Hundred and Fifteen Limited	Berkeley One Hundred and Sixty Four Limited
Berkeley One Hundred and Fifty Eight Limited	Berkeley One Hundred and Sixty One Limited
Berkeley One Hundred and Fifty Five Limited	Berkeley One Hundred and Sixty Six Limited
Berkeley One Hundred and Fifty Four Limited	Berkeley One Hundred and Sixty Three Limited
Berkeley One Hundred and Fifty Limited	Berkeley One Hundred and Sixty Two Limited
Berkeley One Hundred and Fifty Nine Limited	Berkeley One Hundred and Thirteen Limited
Berkeley One Hundred and Fifty One Limited	Berkeley One Hundred and Thirty Eight Limited
Berkeley One Hundred and Fifty Seven Limited	Berkeley One Hundred and Thirty Five Limited
Berkeley One Hundred and Fifty Six Limited	Berkeley One Hundred and Thirty Four Limited
Berkeley One Hundred and Fifty Three Limited	Berkeley One Hundred and Thirty Limited
Berkeley One Hundred and Fifty Two Limited	Berkeley One Hundred and Thirty Nine Limited
Berkeley One Hundred and Five Limited	Berkeley One Hundred and Thirty One Limited
Berkeley One Hundred and Forty Eight Limited	Berkeley One Hundred and Thirty Seven Limited
Berkeley One Hundred and Forty Five Limited	Berkeley One Hundred and Thirty Six Limited
Berkeley One Hundred and Forty Four Limited	Berkeley One Hundred and Thirty Three Limited
Berkeley One Hundred and Forty Limited	Berkeley One Hundred and Thirty Two Limited
Berkeley One Hundred and Forty Nine Limited	Berkeley One Hundred and Three Limited
Berkeley One Hundred and Forty One Limited	Berkeley One Hundred and Twenty Eight Limited
Berkeley One Hundred and Forty Seven Limited	Berkeley One Hundred and Twenty Five Limited
Berkeley One Hundred and Forty Six Limited	Berkeley One Hundred and Twenty Four Limited

Residential led mixed-use development and ancillary activities

Berkeley One Hundred and Twenty Limited	Berkeley Two Hundred and Six Limited
Berkeley One Hundred and Twenty Nine Limited	Berkeley Two Hundred and Three Limited
Berkeley One Hundred and Twenty One Limited	Berkeley Two Hundred and Two Limited
Berkeley One Hundred and Twenty Seven Limited	Berkeley Two Hundred Limited
Berkeley One Hundred and Twenty Six Limited	Berkeley Urban Renaissance Limited
Berkeley One Hundred and Twenty Three Limited	Berkeley Ventures Limited
Berkeley One Hundred and Twenty Two Limited	BH (City Forum) Limited
Berkeley One Hundred and Two Limited	Boardcable Limited
Berkeley One Hundred Limited	Bromyard House (Car Park) Limited
Berkeley Partnership Homes Limited	Bromyard House (Freehold) Limited
Berkeley Portsmouth Harbour Limited	Bromyard House (North) Limited
Berkeley Portsmouth Waterfront Limited	Bromyard House Limited
Berkeley Properties Limited	BWW Management Limited
Berkeley Residential Limited	Castle Court Putney Wharf Limited
Berkeley Ryewood Limited	Charco 143 Limited
Berkeley Seven Limited	Chelsea Bridge Wharf (Block A) Limited
Berkeley Seventy Limited	Chelsea Bridge Wharf (Block B) Limited
Berkeley Seventy-Four Limited	Chelsea Bridge Wharf (Block P) Limited
Berkeley Seventy-Nine Limited	Chelsea Bridge Wharf (C North) Limited
Berkeley Seventy-One PLC	Chelsea Bridge Wharf (C South) Limited
Berkeley Seventy-Seven Limited	Chelsea Bridge Wharf (Management Company) Limited
Berkeley Seventy-Six Limited	Chelsea Bridge Wharf Car Park Limited
Berkeley Seventy-Three Limited	Clare Homes Limited
Berkeley Seventy-Two Limited	Community Housing Action Limited
Berkeley Sixty Four Limited	Community Villages Limited
Berkeley Sixty Limited	CPWGCO 1 Limited
Berkeley Sixty-Eight Limited	Drummond Road (Number 1) Limited
Berkeley Sixty-Five Limited	Drummond Road (Number 2) Limited
Berkeley Sixty-Nine Limited	Ely Business Park Limited
Berkeley Sixty-One Limited	Exchange Place No 2 Limited
Berkeley Sixty-Six Limited	Fishguard Bridge Limited
Berkeley Special Projects Limited	Fishguard Tunnel Limited
Berkeley STE Limited	Great Woodcote Park Management Limited
Berkeley Strategic Land Limited	Hertfordshire Homes Limited
Berkeley Sustainable Communities Limited	Historic Homes Limited
Berkeley SW Management Limited	Imperial Wharf (Block C) Limited
Berkeley Thirty-Eight Limited	Imperial Wharf (Block J) Limited
Berkeley Thirty-Nine Limited	Imperial Wharf (Riverside Tower) Residential Limited
Berkeley Thirty-Three Limited	Kensington Westside No 2 Limited
Berkeley Three Limited	Lisa Estates (St Albans) Limited
Berkeley Twenty Limited	One Tower Bridge Limited
Berkeley Twenty-Eight Limited	PEL Investments Limited
Berkeley Twenty-Four Limited	Putney Wharf Estate Limited
Berkeley Twenty-Nine Limited	Quod Erat Demonstrandum Properties Limited
Berkeley Twenty-Seven Limited	Retirement Homes Limited
Berkeley Twenty-Three Limited	Riverside West (Block C) Commercial Limited
Berkeley Twenty-Two Limited	Riverside West (Block C) Residential Limited
Berkeley Two Hundred and Five Limited	Riverside West (Block D) Commercial Limited
Berkeley Two Hundred and Four Limited	Riverside West (Block D) Residential Limited
Berkeley Two Hundred and One Limited	Riverside West Car Park Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 Subsidiaries and joint ventures continued

Residential led mixed-use development and ancillary activities

Royal Clarence Yard (Marina) Limited	St George Wharf (Block D) Commercial Limited
Royal Clarence Yard (Phase A) Limited	St George Wharf Car Park Limited
Royal Clarence Yard (Phase B) Limited	St George Wharf Hotel Limited
Royal Clarence Yard (Phase C) Limited	St George's Hill Property Co Limited
Royal Clarence Yard (Phase E) Limited	St James (West London) Limited
Royal Clarence Yard (Phase G) Management Co Limited	St James Group Limited
Royal Clarence Yard (Phase H) Limited	St James Homes Grosvenor Dock Limited
Royal Clarence Yard (Phase I) Limited	St James Homes Limited
Royal Clarence Yard (Phase K) Management Co Limited	St John Homes Limited
Royal Clarence Yard Estate Limited	Stanmore Relocations Limited
Sandgates Developments Limited	Tabard Square (Building A) Limited
Sitesecure Limited	Tabard Square (Building B) Limited
SJC (Highgate) Limited	Tabard Square (Building C) Limited
St Edward Homes Number Five Limited	Tabard Square (Car Park) Limited
St Edward Homes Number Four Limited	TBG (1) 2009 Limited
St Edward Homes Number One Limited	TBG (3) 2009 Limited
St Edward Homes Number Three Limited	TBG (4) Limited
St Edward Homes Number Two Limited	TBG (5) LLP
St Edward Limited	The Berkeley Festival Waterfront Company Limited
St George (Crawford Street) Limited	The Berkeley Group plc
St George (Queenstown Place) Limited	The Millennium Festival Leisure Company Limited
St George Blackfriars Limited	The Oxford Gateway Development Co Limited
St George Central London Limited (2)	The Tower, One St George Wharf Limited
St George City Limited (2)	Thirlstone (JLP) Limited
St George Commercial Limited	Thirlstone Commercial Limited
St George Developments Limited	Thirlstone Homes (Western) Limited
St George Eastern Limited	Thirlstone Homes Limited
St George Kings Cross Limited	Thirlstone plc
St George London Limited	Woodside Road Limited
St George North London Limited (2)	Berkeley Two Hundred and Eight Limited
St George Partnerships Limited	Berkeley Homes (Holdings) Limited
St George plc	Berkeley Two Hundred and Eleven Limited
St George Project Management Limited	Berkeley Two Hundred and fourteen Limited
St George Properties Limited	Berkeley Two Hundred and Nine Limited
St George Real Estate Limited	Berkeley Two Hundred and Seven Limited
St George Regeneration Limited	Berkeley Two Hundred and Ten Limited
St George South and Central London Limited	Berkeley Two Hundred and Thirteen Limited
St George South London Limited (2)	Berkeley Two Hundred and Twelve Limited
St George Southern Limited	Kentdean Limited
St George West London Limited (2)	St George Inner Cities Ltd
St George Western Limited	St George Investments ltd
St George Wharf (Block B) Limited	St George Wharf (Block C) Limited

(1) Agency companies of Berkeley Homes plc

(2) Agency companies of St George PLC

(3) Agency companies of St James Group Limited

(4) The Berkeley Group plc is the only direct subsidiary of the Parent Company and is an intermediate holding company

Other activities

BRP Investments No.1 Limited (Jersey)	Berkeley (Hong Kong) Limited (Hong Kong)
BRP Investments No.2 Limited (Jersey)	Berkeley Carnwath Road Limited (Isle of Man)
St George Battersea Reach Limited (Jersey)	Berkeley Commercial Investment Properties Limited (Jersey)
TBG (Jersey) 2009 Limited (Jersey)	Berkeley Residential (Singapore) Limited (Singapore)
Aragon (Investments) Limited (Jersey)	Real Star Investments Limited (3) (Jersey)
Berkeley Investments (IOM) Limited (Isle of Man)	Berkeley Whitehart Investments Limited (Jersey)
Berkeley Homes Special Contracts plc (Scotland)	Comiston Properties Ltd (Bahamas)
Berkeley Property Investments Limited (Jersey)	

The brackets following company names above denote place of registration.

(b) Joint Ventures

At 30 April 2016 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 otherwise indicated 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
St William Homes LLP*	Residential-led mixed-use development
Berkeley Carlton Holdings Limited	Residential-led mixed-use development
Berkeley Sutton Limited	Residential-led mixed-use development
Community Housing Initiatives Limited**	Residential-led mixed-use development
SEH Manager Limited	Residential-led mixed-use development
SEH Nominee Limited	Residential-led mixed-use development
SES Manager Limited	Residential-led mixed-use development
SES Nominee Limited	Residential-led mixed-use development
Thirlstone Centros Miller Limited	Residential-led mixed-use development
UB Developments Limited	Residential-led mixed-use development
Diniwe One Limited	Residential-led mixed-use development
Diniwe Two Limited	Residential-led mixed-use development
St Katherine Homes LLP	Residential-led mixed-use development
St Edward Home Partnership Freeholds	Residential-led mixed-use development
St Edward (Strand) Partnership Freeholds	Residential-led mixed-use development
One Tower Bridge Partnership	Residential-led mixed-use development
St George Little Britain (No 1) Limited	Residential-led mixed-use development
St George Little Britain (No 2) Limited	Residential-led mixed-use development
Strand Property Unit Trust	Residential-led mixed-use development
Berkeley Breamore (Oceana) Limited	Residential-led mixed-use development
STKM Limited	Residential-led mixed-use development

* Accounting date of 31 March

** Accounting date of 31 December

COMPANY BALANCE SHEET

As at 30 April	Notes	2016 £m	2015 £m
Fixed assets			
Investments	C5	**1,412.7**	1,400.6
		1,412.7	1,400.6
Current assets			
Debtors	C6	**26.8**	21.4
Cash at bank and in hand		**0.9**	0.9
		27.7	22.3
Current liabilities			
Creditors (amounts falling due within one year)	C7	**(634.0)**	(618.2)
Net current liabilities		**(606.3)**	(595.9)
Total assets less current liabilities and net assets		**806.4**	804.7
Capital and reserves			
Called-up share capital	C8	**6.9**	6.8
Share premium account		**49.8**	49.6
Capital redemption reserve		**24.5**	24.5
Profit and loss account		**725.2**	723.8
Total shareholders' funds		**806.4**	804.7

The financial statements on pages 140 to 145 were approved by the board of directors on 21 June 2016 and were signed on its behalf by:

R J Stearn
Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
At 1 May 2015		6.8	49.6	24.5	723.8	804.7
Profit after taxation for the year		–	–	–	229.5	229.5
Issue of ordinary shares	C8	0.1	0.2	–	–	0.3
Purchase of ordinary shares		–	–	–	(1.2)	(1.2)
Transactions with shareholders:						
Credit in respect of employee share schemes		–	–	–	28.8	28.8
Deferred tax in respect of employee share schemes	C6	–	–	–	3.8	3.8
Dividends to equity holders of the Company	C9	–	–	–	(259.5)	(259.5)
At 30 April 2016		**6.9**	**49.8**	**24.5**	**725.2**	**806.4**

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
At 1 May 2014		6.8	49.3	24.5	700.4	781.0
Re-measurement of deferred tax on employee share schemes	C6	–	–	–	13.6	13.6
At 1 May 2014		6.8	49.3	24.5	714.0	794.6
Profit after taxation for the year		–	–	–	249.3	249.3
Issue of ordinary shares	C8	–	0.3	–	–	0.3
Transactions with shareholders:						
Credit in respect of employee share schemes		–	–	–	2.7	2.7
Deferred tax in respect of employee share schemes	C6	–	–	–	1.3	1.3
Dividends to equity holders of the Company	C9	–	–	–	(243.5)	(243.5)
At 30 April 2015		6.8	49.6	24.5	723.8	804.7

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and, as set out below, where advantage of FRS 101 reduced disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position of the Company is provided in note C6.

The accounting policies adopted for the Parent Company, The Berkeley Group Holdings plc, are otherwise consistent with those used for the Group which are set out on pages 114 to 117.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

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.

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 Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are all described in the Trading and Financial Review on pages 66 to 69.

The Group has significant financial resources and the Directors have assessed the future funding requirements of the Group, including the return of £2.2 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.

Based on 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, notwithstanding its net current liability position of £606.3 million (30 April 2015: £595.9 million). For this reason they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 two 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. Amounts recognised in respect of executive directors of the Company's subsidiaries are recognised as an addition to cost of Investment.

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.

C1 Accounting policies continued

Dividends

Dividend distributions to shareholders are recognised as a liability in the period in which the dividends are appropriately authorised and approved for payout and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

C2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging the following amounts:

	2016 £m	2015 £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 5 of the consolidated financial statements.

C3 Directors and employees

	2016 £m	2015 £m
Staff costs		
Wages and salaries	**7.3**	12.9
Social security costs	**14.0**	7.6
Share-based payments	**21.7**	19.2
	43.0	39.7

The average monthly number of persons employed by the company during the year was 10, all of whom are Directors (2015: 10).

Directors

Details of Directors' emoluments are set out in the Remuneration Report on pages 80 to 98.

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 6 of the Consolidated Financial Statements. Contributions amounting to £57,623 (2015: £49,650) 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 and the 2011 Long-Term Incentive Plan was £21.7 million (2015: £19.2 million). Further information on the Company's share incentive schemes are included in the Remuneration Report on pages 80 to 98 as well as note 6 to the Consolidated Financial Statements.

C4 The Berkeley Group Holdings plc profit and loss account

The profit for the year in the Company is £229.5 million (2015: profit of £249.3 million).

C5 Investments

	2016 £m	2015 £m
Investments in shares of subsidiary undertaking at cost at 1 May	**1,400.6**	1,397.0
Additions	**12.1**	3.6
Investment in shares of subsidiary undertaking at cost at 30 April	**1,412.7**	1,400.6

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 (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 subsidiaries are given within note 27 of the Consolidated Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

C6 Debtors

	2016 £m	2015 £m
Current		
Deferred tax	**26.8**	21.4

The movements on the deferred tax asset are as follows:

	2016 £m	2015 £m
At 1 May	**6.5**	6.0
Remeasurement of deferred tax on employee share schemes	**14.9**	13.6
At 1 May	**21.4**	19.6
Deferred tax in respect of employee share schemes credited to reserves	**8.1**	3.1
Realisation of deferred tax asset on vesting of employee share scheme	**(2.7)**	(1.3)
At 30 April	**26.8**	21.4

Deferred tax is calculated in full on temporary differences at the tax rates that are expected to apply for the period when the asset is realised and the liability is settled using a tax rate of 19/17% as appropriate (2015: 20%). Accordingly, all temporary differences have been calculated. There is no unprovided deferred tax (2015: nil) at the balance sheet date.

The deferred tax asset of £26.8 million relates to short-term timing differences (2015: £6.5 million).

On transition to FRS 101 deferred tax has been remeasured in relation to employee share scheme awards on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Accordingly deferred tax assets and retained earnings at the opening balance sheet date of 1 May 2014 have increased by £13.6 million, from £6.0 million to £19.6 million and from £700.4 million to £714.0 million respectively. Deferred tax assets and retained earnings at the current year opening balance sheet date of 1 May 2015 have increased by £14.9 million, from £6.5 million to £21.4 million and from £708.9 million to £723.8 million respectively.

C7 Creditors: amounts falling due within one year

	2016 £m	2015 £m
Amounts owed to subsidiary undertakings	**(609.7)**	(610.1)
Other taxation and social security	**(24.3)**	(8.1)
	(634.0)	(618.2)

All amounts included above are unsecured. The interest rate on £649.9 million (2015: £624.9 million) of the balance owed to subsidiary undertakings is 4.0% (2015: 4.0%), with no fixed repayment date. At 30 April 2016 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

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.

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

	Ordinary shares		Share Capital		Share Premium	
	2016 No '000	2015 No '000	2016 £m	2015 £m	2016 £m	2015 £m
Issued						
At start of year	**136,657**	135,357	**6.8**	6.8	**49.6**	49.3
Issued in year	**1,600**	1,300	**0.1**	–	**0.2**	0.3
At end of year	**138,257**	136,657	**6.9**	6.8	**49.8**	49.6

On 2 July 2015 the Company acquired and transferred to the Company's Employee Benefit Trust 0.1 million (2015: none) of its own shares through purchases on the London Stock Exchange at a total cost of £4.8 million (£nil). On 6 July 2015, 0.1 million ordinary shares (2015: nil) were transferred from the Employee Benefit Trust to Executive Directors to satisfy the exercise of options under the Bonus Banking Plan.

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C8 Called-up share capital continued

On 24 March 2016, 1.6 million ordinary shares (2015: 1.3 million) were allotted and issued to the Employee Benefit Trust.

On 21 April 2016, 1.4 million ordinary shares (2015: 1.3 million) were transferred from the Employee Benefit Trust to Executive Directors to satisfy the exercise of options under the 2009 Long Term Incentive Plan Part B.

At 30 April 2016 there were 0.3m shares held in trust (2015: 0.1m). The market value of these shares at 30 April 2016 was £10.1 million (2015: £2.5 million).

The movements in the year are disclosed in note 19 and note 20 of the Consolidated Financial Statements.

C9 Dividends per share

The dividends paid in 2016 were a total of £259.5 million, £136.6 million in January 2016 (100 pence per share) and £122.9 million in September 2015 (90 pence per share) (2015: £243.5 million being £121.75 million in September 2014, 90 pence per share, and £121.75 million in January 2015, 90 pence per share). A further interim dividend of £137.9 million (100 pence per share) has been declared for payment on 15 September 2016. These financial statements do not reflect this further interim dividend.

C10 Related party transactions

The Company has not undertaken related party transactions during the year with entities that are not wholly owned subsidiaries of The Berkeley Group Holdings plc. Transactions with wholly owned members of The Berkeley Group Holdings plc are exempt under FRS 101 with reduced disclosure.

FIVE YEAR SUMMARY

Years ended 30 April	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income statement					
Revenue from operations	**2,047.5**	2,020.2	1,620.6	1,372.6	1,041.1
Operating profit	**501.9**	524.1	374.8	280.1	226.4
Share of results of joint ventures	**36.5**	28.3	12.1	(1.3)	(2.2)
Net finance (costs)/income	**(7.5)**	(12.7)	(6.9)	(8.1)	(9.4)
Profit before taxation	**530.9**	539.7	380.0	270.7	214.8
Taxation	**(126.8)**	(116.2)	(87.1)	(61.0)	(56.7)
Profit after taxation	**404.1**	423.5	292.9	209.7	158.1
Profit attributable to:					
Shareholders	**404.1**	423.5	292.9	209.7	158.5
Non-controlling interest	**–**	–	–	–	(0.4)
	404.1	423.5	292.9	209.7	158.1
Basic earnings per ordinary share	**295.8p**	313.0p	221.8p	160.0p	121.0p
Statement of financial position					
Capital employed	**1,705.4**	1,207.0	1,312.1	1,277.7	1,157.7
Net cash/(debt)	**107.4**	430.9	129.2	44.7	(57.9)
Net assets	**1,812.8**	1,637.9	1,441.3	1,322.4	1,099.8
Non-controlling interest	**–**	–	–	–	–
Shareholders' funds	**1,812.8**	1,637.9	1,441.3	1,322.4	1,099.8
Net assets per share attributable to shareholders(1)	**1,314p**	1,199p	1,066p	1,009p	839p
Ratios and statistics					
Return on capital employed(2)	**31.0%**	34.8%	29.9%	22.9%	21.9%
Return on equity after tax(3)	**25.5%**	25.2%	21.2%	17.3%	15.6%
Return on equity before tax(4)	**27.8%**	29.5%	27.5%	22.4%	21.2%
Units sold(5)	**3,776**	3,355	3,742	3,712	3,565

(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 adjusted* 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 adjusted* profit after taxation attributable to shareholders as a percentage of the average of opening and closing shareholders' funds.

(4) Calculated as adjusted* 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.

* Adjusted figures exclude the benefit of profit on the sale of ground rent assets.

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FINANCIAL DIARY

Annual General Meeting and Interim Management Statement	**6 September 2016**
Half year end	**31 October 2016**
Interim Results Announcement for the six months ending 31 October 2016	**2 December 2016**
Interim Management Statement	**March 2017**
Year end	**30 April 2017**
Preliminary Announcement of Results for the year ending 30 April 2017	**June 2017**
Publication of 2017 Annual Report	**August 2017**

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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

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Barclays Bank plc
HSBC Bank plc
Lloyds TSB Bank plc
Santander UK plc
Svenska Handelsbanken AB (Publ)
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