

11 MARCH 2009

**SAVILLS PLC**  
**(“Savills” or “the Group”)**

**PRELIMINARY STATEMENT OF RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**RESILIENT RESULT FOR SAVILLS IN AN UNPRECEDENTED PROPERTY MARKET**

Savills plc, the international real estate advisor, is pleased to announce its results for the year ended 31 December 2008.

**Financial Highlights**

Underlying Results\*

- Revenue: £568.5m (2007: £650.5m)
- Underlying profit before tax: £33.2m (2007: £85.5m)
- Underlying basic earnings per share: 18.1p (2007: 46.1p)
- Year end net cash: £45.7m (2007: £77.5m)

Reported IFRS results

- Revenue: £568.5m (2007: £650.5m)
- Loss before tax: £7.7m (2007: profit £85.9m)
- Basic loss per share: 9.3p (2007: earnings 45.5p)
- Proposed final dividend: 3.0p per share (2007: 12.0p), making 9.0p for the year (2007: 18.0p)

\*Underlying profit is calculated by adjusting reported pre-tax profit before exceptional items by profit on disposals of £0.5m (2007: £0.7m), share based payment adjustment of £3.3m (2007: (£4.8m)) and amortisation of intangibles and impairment of goodwill and available-for-sale investments of £4.2m (2007: £5.1m).

**Operational Highlights**

- Cost savings of £22m secured
- New 3-year, £80m facility agreed
- Continued diversification away from transactional volumes
- Profitable growth across UK and Asia Pacific property management businesses
- Profitable UK Commercial and Residential businesses
- Selective investment in establishing new teams

**Board Appointment**

- Appointment of Simon Shaw as new Group Chief Financial Officer

**Strategic Priorities**

- Outstanding client service
- Absolute focus on cost discipline and prudent capital management

- Maintenance of balance sheet strength
- Selectively invest for future growth

**Jeremy Helsby, Group Chief Executive of Savills plc, commented:**

“This is a resilient performance in unprecedented global property markets. Today’s results demonstrate the strength of our business model and ability to deliver value for shareholders in both strong and weak markets.

With 2009 looking to be another challenging year, our robust balance sheet and committed bank facilities until October 2011 are a major strength. The steps we are taking to reduce costs combined with our strategy of reducing dependence on transactional income will continue to serve us well.

We remain alert to the challenges ahead and will continue to focus on cost discipline, prudent capital management and, most importantly, providing the very highest service to our clients.

Globally, markets have continued to deteriorate and in the light of these difficult conditions the Board is adopting a very cautious outlook for 2009.

A return to higher levels of activity will depend on how quickly confidence returns to the financial markets. However we remain well positioned to seize opportunities as, and when, they arise.”

**For further information, contact:**

**Savills 020 7409 8844**

Jeremy Helsby, Group Chief Executive  
Danny O'Donnell, Group Financial Controller

**Tulchan Communications 020 7353 4200**

John Sunnucks

**There will be an analyst presentation today at 9am at RBS Hoare Govett, 250 Bishopsgate, London EC2M 4AA**

**To watch an interview with Jeremy Helsby, Chief Executive Officer, talking about the 2008 full year results, visit [www.savills.com](http://www.savills.com)**

---

**CHAIRMAN’S STATEMENT**

2008 was a difficult year which saw our markets deteriorate progressively with no region immune to the economic downturn. Through a combination of the hard work of our people, rigorous early focus on our cost base and the benefits of our diversified business model, both in terms of geography and services, we have produced a resilient performance.

Results

The Group’s underlying profit before tax was £33.2m (2007:£85.5m) on revenues of £568.5m (2007: £650.5m). After exceptional items, the Group’s reported loss before tax was £7.7m (2007: profit £85.9m).

### Developments

Despite the tough markets, we have continued to diversify our business, investing selectively in establishing new teams, such as our UK Corporate Finance Advisory team, a Valuations team in China, a Retail consultancy team in Amsterdam and Corporate Recovery teams in the UK, US and Asia. New offices were opened in Mexico, the Channel Islands, Belgium and Germany. We have also strengthened existing teams and integrated some to capitalise on their combined resources and skills base.

In 2008, the Group disposed of its 50% stake in Infinergy Limited to its joint venture partner in that business for £23m payable in three instalments: £4m on completion, £9m in October 2008 and £10m in December 2009. The 2008 payments have been received and the 2009 payment is supported by a bank guarantee. This sale realised an exceptional profit on disposal of £16.9m.

### Cost savings

In virtually all our businesses we pay salaries that are generally below market rates. These are augmented by profit shares (commonly known as bonuses) and commissions based on the performance of the business unit concerned. The lower level of activity across the Group has been matched by a fall in the amount of variable remuneration; profits before bonuses and commissions were down by 52%, and bonuses and commissions fell by 47%.

We have taken action on other costs and have achieved savings of £22m during 2008, excluding profit related bonuses and commissions. The cost of achieving these savings was £2m. The full annualised benefit of these savings will be close to £28m. Our cost base remains under continuous review and we have already identified approximately £20m of further savings which will be secured in 2009.

### Impairments

We have reviewed the carrying value of goodwill and intangibles in connection with previously acquired businesses and our co-investments in Cordea Savills managed funds. We have considered the effect of the global financial crisis and future levels of activity, and have recognised an impairment charge of £45.4m. In addition, we have incurred costs in relation to the closure of some offices. These costs have been identified as exceptional and excluded from the underlying results.

### Dividend

In light of the significantly lower level of profits in 2008 and continued difficult trading conditions, the Board has recommended a reduced final dividend for 2008 of 3.0p per share to those shareholders on the register on 14 April 2009, payable on 13 May 2009. The Board considers the preservation of cash to be of paramount importance both to safeguard the business against the risk of markets deteriorating further and to enable the Group to seize opportunities as they present themselves. The recommended final dividend gives a total rebased ordinary dividend for the year ended 31 December 2008 of 9.0p (2007: 18.0p).

### Board

On 7 May 2008, Aubrey Adams retired from Savills after 18 years (eight of which were as Group Chief Executive). I would like to thank Aubrey for his tremendous contribution to the business. Jeremy Helsby, who succeeded Aubrey, has already had a significant impact on the Group.

On 26 November 2008, we announced that Mark Dearsley, Group Finance Director, had decided to leave the Company to join Partnership Assurance with effect from 13 February 2009. Mark made an important contribution in a short time and leaves the Group in a strong position.

We engaged an outside advisor to assist us in the appointment of Mark's successor and I am pleased to announce that Simon Shaw will join the Board as Group Chief Financial Officer on 16 March 2009. Simon, is a chartered accountant and is currently non-executive Chairman of Synairgen plc. He was Chief Financial Officer of Gyrus Group PLC from 2003 until its sale to Olympus Corporation in 2008, having previously been Chief Operating Officer of Profile Therapeutics plc between 1998 and 2003. Between 1991 and 1997 he was a corporate financier, latterly at Hambros Bank Limited. Simon is also a member of the techMARK Advisory Group of the London Stock Exchange, which advises the Exchange on matters of Technology and Mediscience.

#### Our people

2008 has been a difficult year which has seen streamlining in many areas of our business. On behalf of the Board, I wish to express my thanks to all our people worldwide for all their support and help during this difficult time.

#### Outlook

Globally, markets have continued to deteriorate and in the light of these difficult conditions the Board is adopting a very cautious outlook for 2009.

A return to higher levels of activity will depend on how quickly confidence returns to the financial markets. However we remain well positioned to seize opportunities as, and when, they arise.

We are well placed in relation to many of our competitors, and our strong financial position and robust balance sheet, with committed bank facilities until 2011 are a major strength. The steps we are taking to reduce costs combined with our strategy of reducing dependence on transactional income will continue to serve us well and we are confident that we are positioned to seize the opportunities when they arise.

**Peter Smith, Chairman**

## **REVIEW OF OPERATIONS**

### Group Chief Executive's Review

In the most difficult of markets and with unprecedented harsh trading conditions, Savills has achieved underlying pre-tax profits for the year of £33.2m. I am very pleased with these results which were earned from our businesses across the globe. These are a testament to the robustness and flexibility of the Savills business model, the spread of our business, the quality of our people and the loyalty of our clients.

In 2008, we had to make a number of difficult decisions in respect of redundancies and restructuring. Whilst we continue to actively managing our cost base during 2009 and beyond, we will not take actions which could damage our business or limit growth opportunities when markets recover. This is how we ensure that we can best serve our clients and constitutes real investment in our business.

### My priorities

My aim, since becoming Chief Executive last May, has been to make sure we stay focused on our strategy, continuing to advance our aspiration to be the real estate advisor of choice in our chosen markets, whilst also continually monitoring the markets and adapting our services and business model to suit the extreme conditions in which we now find ourselves.

In my new role I have spent much time visiting many of our offices, both in the UK and overseas, listening to our people and our clients and making sure we are working as a team, cross selling our services and getting the most from each other. I have prioritised three areas on which to concentrate to ensure we emerge from this recession a stronger and better business.

The first is client service - to ensure that we all remain absolutely focused on and committed to always going "the extra mile" for our clients. In bad times, as well as good, clients want to be advised by the very best. They also want to know that their advisors are part of a wider integrated network that provides them with access to market intelligence, contacts and the highest quality advice. We must continually listen to our clients, understand their changing needs in these difficult markets and adapt our services to meet their requirements.

My second priority is to ensure that Savills is well positioned. In the past, Savills has successfully seized growth opportunities as and when they arose, and grown in times of weak markets. With the world around us changing rapidly, we must continually think forward, understand trends, interpret these trends mean for our clients and adapt our business accordingly. We must constantly evolve our ways of working to develop the right structures and systems to improve our client service and provide the optimum environment for our talented people to operate in. We must strive to deliver the highest levels of service to our clients, with the greatest efficiency.

To this end, in 2008, we established a new Group Executive Board (GEB) which comprises the Heads of our major businesses, the Group Chief Financial Officer and Group Company Secretary, with the aim of ensuring that we have a cohesive and integrated management structure and approach. The GEB is responsible for the day to day management of the Group. It is also responsible for making strategic recommendations to the plc Board and then for executing Savills' global growth strategy. This ensures that best business practices across our global network are captured and shared. It also allows us to offer our clients an integrated and international platform and consistency of service under the Savills Brand.

My third priority is to ensure that, even in these difficult times, we are looking to invest for the future. In 2008, the focus has been on maximising opportunities from our existing teams and in investing in new business streams (such as corporate finance) and new markets (such as Belgium and Mexico). Out of uncertainty comes opportunity and in weak markets there is usually a "flight to quality" by clients. We have certainly experienced this at Savills, particularly in our Consultancy, Property Management and Valuation businesses globally where clients require quality advice and a trusted name on their reports. We believe this "flight to quality" will continue in 2009 and, across all property sectors due to the strength of the Savills Brand and reputation. We aim to take market share as a result of this ongoing trend.

Our strong balance sheet and profitable track record will help us to remain the employer of choice and continue to attract top quality people in our chosen markets. We continue to invest in our businesses and to hire exceptional talent in areas where we expect to see future growth.

#### Awards

I am delighted that the quality of our work and the strength of the Savills Brand have been recognised with a number of awards. In the recent Business Superbrand table Savills has been ranked the number one Superbrand in the Real Estate Sector. This is a fantastic accolade and demonstrates the strength of the Savills Brand in our industry.

In Ireland, Savills became the first property agent to win three accolades at the annual Irish Property Awards. We were awarded Retail Agent of the year, Investment Agent of the year, and Residential Agent of the year.

In the UK, we won Industrial Agent of the Year, Scottish Professional Team of the year, and North West Investment Team of the year. Our Property Management teams also won three industry recognised management awards including an Investor in People (IIP) accreditation. Our Planning and Regeneration team were named Planning Consultancy of the Year by the Royal Town Planning Institute. All these awards demonstrate the very high quality of our teams across the country.

#### People and Culture

If we are to achieve our aim of being the global real estate advisor of choice we must ensure that our unique Savills culture endures and that all of us at Savills share a common set of agreed core values. It is important that these core values are agreed upon and nurtured throughout the business.

A key focus, as always, is to retain and attract the best individuals in all our chosen markets. In order to provide better career progression for our people in the UK, we have launched the Savills Leadership Programme. Through this we will identify our future leaders and develop them through an inspirational training and leadership programme to ensure that Savills' strengths and culture continue in the future.

Our people recognise the attractions of working at Savills and we are delighted that, for the second year running, Savills has won The Times Graduate Recruitment Awards, Best Property Employer prize. This is in addition to being the Target Property Employer of Choice for three consecutive years. This is an important achievement, and we take great pride in the fact that Savills is a destination of choice for so many graduates.

#### Market Outlook

During 2008, property, like all asset classes, suffered significant falls in value across the world. However, as we enter 2009, we believe that these significant falls in values, coupled with dramatic falls in sterling against most major currencies, will provide an interesting and exciting buying opportunity for some investors, particularly international investors, which may see 2009 as a unique opportunity to invest in UK property.

However, due to the continuing lack of bank debt finance and forced sellers in the market, and scarcity of high quality investment grade product in the UK, we believe that the volume of transactions in 2009 will be significantly lower than in recent years. In Europe property values have not fallen as far and as quickly as in the UK with the result that there remains a mismatch between vendors expectation on price and buyers' requirements.

Until this gap is reduced, transaction volumes in Europe will remain low.

In Asia due to the volatility of their markets there is a considerable reluctance from investors, particularly international, to commit to property acquisitions. However, these markets will soon represent buying opportunities for experienced local buyers, many of whom are private and have cash available.

During 2008 we continued to invest in our capital markets teams, particularly in Europe, and we intend to maintain these teams throughout the downturn to ensure that we are in the best position to advise our clients when markets improve.

#### Conclusion

My first year as Savills Group CEO has, undoubtedly, been a very challenging year. These results demonstrate that we have a flexible business model that can deliver value for shareholders in both strong and weak markets.

With the outlook remaining uncertain, we anticipate a difficult year ahead. However, the strength of our balance sheet, the diversity of our business streams and the quality of our people mean we are well positioned to ride out the downturn and then deliver controlled, sustainable long-term growth for our shareholders.

We remain alert to the challenges ahead and will continue to focus on cost discipline, prudent capital management and, most importantly, providing the very highest service to our clients.

**Jeremy Helsby, Group Chief Executive**

## **SAVILLS MARKETPLACE OVERVIEW**

### UK

#### *UK Commercial*

2008 opened very much a continuation of 2007's trends in the UK commercial property investment markets. The ongoing shortage of debt led to rising yields and falling capital values across all sectors. The total investment volume transacted in the UK's commercial property market was around 60% down on 2007.

The second half of 2008 saw the beginnings of the economic downturn start to impact on the leasing markets across the UK. Leasing activity in most segments of the market was lower than the previous year, with the City of London office market being one of the hardest hit areas of the country. However, even in this market tenants were still active, in many cases capitalising on falling rents and more attractive incentive packages.

At a national level, retail and industrial rents were broadly stable over the course of 2008, and office rents showed a marginal fall on the previous year. Take-up levels were in line with long term average levels.

The UK recession will undoubtedly impact on tenant demand, vacancies and rents in 2009. However, the shortage of debt available since the middle of 2007 is limiting the prospect of an oversupply of speculative development. Vacancy rates will rise in many locations this year, but we do not expect them to reach the levels seen in the last recession.

In the investment market we expect that 2009 will see prime yields stabilising. The low cost of debt finance, weakness of sterling and higher than average yields are beginning to stimulate investor interest in the UK commercial property market, particularly from non-domestic investors. While we do not expect a significant uplift in investment turnover this year, we anticipate that longer term secure income streams will attract increasingly strong investor interest as the year progresses.

#### *UK Residential*

Significantly reduced access to mortgage finance precipitated a dramatic downturn in the mainstream residential property market in 2008 causing the value of the average UK home to fall by 16%. In the Prime Central London market the annual fall was slightly higher at 18%, as city bonus demand which drove exceptional price growth in 2006 and 2007 largely dried up. The impact on turnover was also acute as the credit squeeze became a credit crisis, with the number of UK sales recorded by HMRC falling from 1.6 million in 2007 to just 900,000 in 2008.

Price falls in the new homes sector were more pronounced than in the second hand markets as new build premiums were eradicated. This combined impact of reduced rates of sale and an absence of development finance translated into much larger falls in the underlying development land market of 50% in the year.

In the early part of the year the very top end of the Prime London market appeared to continue at pre-crisis levels, but this changed as the year progressed and in the last quarter falls in the ultra prime markets caught up with the rest of the market.

Looking forward, we expect another year of low transaction numbers in 2009, given ongoing mortgage constraints and weak buyer sentiment. However, demand from cash rich investors and up-sizers is likely to emerge as price falls work their way through the market. This will make residential investment property start to look especially attractive to foreign buyers benefiting from the weakness of sterling. Whilst owner occupier affordability has already been restored by the combined effect of price falls to date and the reduction in the cost of finance, a more widespread recovery will be dependent on much wider availability of mortgage finance and a more positive outlook for the economy.

### Europe

2008 was the year that signalled the end of the strong yield compression that we saw over the last four years in Europe's commercial property markets. The economic and financial turmoil that followed the credit crisis in the US limited debt market liquidity restricting leveraged investors, who were the driving force in the investment market. The drop in investment demand for commercial property coupled with falling economic sentiment has led to falling capital values.

Yields softened across most of Europe's commercial property markets in 2008. Prime capital values dropped by around 20% on average across all commercial property sectors in 2008, with the Paris and Dublin office markets demonstrating the strongest yield correction.

Europe's economy has also weakened and this has dampened occupational demand. The shortage of debt has restricted construction activity, therefore slowing down the development cycle.

In the final quarter of 2008 we saw the first signs of falling rents in the office and warehousing markets of the countries that have been hardest hit by the current downturn. Rental growth still remains positive for prime retail properties. However, the retail markets are exposed to declining consumer confidence and retail sales, caused by the fear of rising unemployment and falling housing markets. Therefore we expect retail rents to come under pressure in 2009, especially in markets with large development pipelines.

Following the deterioration of economic fundamentals in recent months and the forecasts of recession in the major European economies we expect occupier demand to weaken further. Rental growth should remain negative and more incentives are expected to be offered by landlords. These factors should cause some further decompression of yields.

Although investment volumes in real estate have dropped we do not anticipate property will lose its attractiveness as an asset class as it remains an attractive option for the long term investors, offering the benefits of diversification and a stable income stream.

In 2009 we expect to see a rise in forced sales in many markets, which should create opportunities for equity driven investors to re-enter the market in a less competitive environment. We expect the main targets of investors in 2009 will be the more liquid and transparent markets, with their investment strategy focusing on secure income streams.

### Asia Pacific

While the main theme of late 2007 in the Asian property markets was one of their immunity to the credit crunch, 2008 has clearly disproved any theories on decoupling. 2008 saw investment volumes down across

Asia as shortages of debt inhibited many investors and developers, and non-domestic players refocused on their home markets.

In tune with the rest of the global economy, the second half of 2008 saw the beginnings of a significant slowdown in the very strong economic growth that had been seen in the region in recent years. Leasing and sales volumes were down on the previous year in most markets, especially those most directly exposed to demand from the international banking and finance communities. Despite falling take-up and residential transaction levels, some areas continued to see relatively low vacancy rates and this delivered rental and pricing stability in those markets.

Property markets generally follow stock markets and in this respect the current volatility in global indices does not bode well for the sector. Fresh concerns over the state of the banking sector coupled with growing signs that dramatically slower export growth around the region is affecting employment and incomes together mean that property values can be expected to continue to slide through the first half of 2009. Elevated supply levels will exaggerate these falls in some markets. Although we have seen some evidence of end user activity, we do not expect funds to return to the market until late 2009 at the earliest.

## US

The US investment sales market slowed dramatically in 2008, particularly during the second half of the year. 2008 marked the end of a long bull market that was fuelled by an abundance of low cost debt financing, lax underwriting standards and strong economic growth. During the second half of 2008, the credit markets became largely frozen and rapidly eroding fundamentals led many qualified buyers to sit on the sidelines, even if they had equity. As a result, there was an 87% decrease in total US investment sales volume between Q1 2007 and Q4 2008, with only \$17.9 billion of sales in Q4 2008. During the same time period, Manhattan sales volume decreased 93%, to \$1.2 billion.

In 2009, the erosion of underlying market fundamentals is expected to continue, and pricing is anticipated to fall further before bottoming out. Buyers will continue to be extremely cautious until they believe market conditions have begun to stabilise. The US government's Troubled Asset Relief Program (TARP) and the additional stimuli put in place by the government may encourage banks to make more loans to qualified buyers. The stimulus programmes implemented by the US government will hopefully begin to take effect, encouraging both foreign and domestic buyers to pursue assets more aggressively as fundamentals stabilise and they view pricing as attractive.

## **GROUP STRATEGY**

### Introduction:

Savills is a long established, international real estate advisor. From over 180 offices around the world we offer a broad range of specialist advisory and transactional services to our clients globally. Our success has been built on an entrepreneurial culture which our clients recognise and appreciate and a team which has a passion and a pride in its work and the business. This has enabled us to attract and retain many of the most talented people in the real estate sector.

We have always focused on adapting our business to the changing market place and ensuring that our services and advice meet the changing needs of our clients globally, never more so than now. We believe that this challenging market will deliver opportunities for growth and that we must be ready to take advantage of these opportunities if and when they arise.

### Savills vision

Our aim is to become the real estate advisor of choice in our chosen markets. We recognise that to achieve this goal we must continually think forward, anticipate trends and above all understand what those trends mean for our clients and our business.

In the past, Savills has successfully seized opportunities and taken market share in weaker markets. Savills has always been cautious in its expansion plans and as a result has a strong balance sheet which will help us to fund any growth opportunities that may arise.

#### Savills strategy – focused expansion and making more of our existing assets

Our strategy for 2008-2010 remains unchanged:

- Building scale and brand recognition in our chosen global markets.
- Continued expansion/integration of global cross border investment teams.
- Exploring selectively new opportunities in the strongest emerging economies.
- Expand the Residential brand globally.
- Providing a “best in class” client service.
- Increasing our non-transactional revenue/profit.

#### Build scale and brand recognition

Out of uncertainty comes opportunity and with our track record of prudent financial management, our strong balance sheet and our ability to adapt, we will continue to invest selectively in areas where we see future growth. Historically, we have achieved our most profitable growth in weaker markets and we think that the markets in 2009 could present further opportunities.

We will focus on expanding our market share in those cities and countries that are the source of international capital and investment as well as having substantial domestic markets of their own. We will strengthen and grow market share in existing markets by continuing to look for attractive investment opportunities and through the selective hiring of exceptional individuals and teams. Our preference is to grow organically but when, and if, there is a compelling case, we would not rule out acquisitions.

In 2008, we made bolt on acquisitions in Netherlands, Germany and China and established new businesses in Belgium and Mexico. We opened new offices in Germany and China and recruited new teams into a number of businesses, including a Corporate Finance team in London.

#### Continued expansion of cross-border investment

The aim is to establish a leadership position in this market through improved client relationship management and teamwork. Some of our leading investment agents have been taken out of their previous roles to concentrate on developing cross-border business and clients. We have continued with secondments and also recruited a number of individuals and teams to strengthen our cross-border investment capability.

#### Explore new opportunities

We opened a new office in Mexico to exploit investor interest in this market. We are continuing to review entry strategies and timing into other emerging markets including India, Russia and the Middle East.

#### Expand residential globally

We continue to believe that Savills' nationwide prime Residential business in the UK and our New Homes and Development businesses in a number of major cities around the world give us a real advantage over our commercial competitors in advising our clients on mixed development opportunities worldwide. Savills is probably unique in the combined strength of its Residential and Commercial businesses and we intend to be

ready to take advantage of this strength when markets improve. It also supports the Savills brand positioning as 'premium' and 'international'. We will continue to search for attractive opportunities to drive this expansion.

#### Providing "best in class" client services

We work hard to maximise our client relationships to ensure that they receive the very best service from Savills at every level. We will continue to strengthen, invest in, and build on the services we offer which range from transactions and corporate finance, through to valuation, consultancy, property management and, in some markets, facilities management.

We are determined to attain the highest standards of professional integrity, building long term advisory relationships with our clients based on trust.

#### Increasing our non-transactional income

We will continue to invest in and expand our Consultancy and Property/Facilities Management teams across all markets. In the UK, our Valuation and Planning teams continue to win market share and our Property Management portfolio in China alone grew from 431.0 million sq ft (2007) to 643.7 million sq ft (2008).

## **SEGMENTAL REVIEWS**

### **Transaction advice**

By the end of 2008, all transactional markets were feeling the effect of the global financial crisis.

<b>Year to 31 December</b>	<b>2008 £m</b>	<b>2007 £m</b>	<b>Change</b>
Revenue	208.4	304.1	(31%)
Underlying profit before tax	3.2	48.6	(93%)

Our Transactional Advice business comprises four major elements:

- Capital Markets – we advise a wide range of investors including institutions, REITS, sovereign funds, property companies and private clients on buying or selling commercial property throughout Europe, Asia and the US.
- Occupational/Corporate Services – we provide letting advice to property owners and represent tenants and owner occupiers in negotiations on acquiring/disposing of their accommodation including offices, retail and industrial as well as leisure, hotels and healthcare facilities. We continue to support the business needs of global corporate occupiers in providing a full range of strategic, advisory, professional, transactional and management services across varied property portfolios and asset classes.
- Residential – we act for vendors of residential properties and also have a specialist purchasing business in the UK.
- Development – we advise on acquisitions and disposal of development land/sites, optimising transactions from the client's perspective, maximising proceeds, minimising costs and applying best-case financial modelling.

#### *UK Commercial*

Trading conditions in our UK Commercial business were tough throughout the year and worsened considerably in the fourth quarter following the collapse of Lehman Brothers in September and the resultant shocks that then went through the UK banking system. The deals which were completed were struck at significantly discounted levels compared to those of 2007, with an increasing focus on long dated prime

property with high quality tenants. The lack of bank finance has combined with uncertainty over values to keep those equity investors looking to invest in UK real estate on the sidelines.

Our Occupational business in the UK benefited from a good start to the year. The regional markets started to lose momentum in the second half of the year with a number of transactions being put on hold. The South East and Central London office markets were most quickly impacted by the downturn. The London City market experienced very little take up with significant rental falls, while the London West End market proved more stable, although rents came under pressure in the second half of the year. Industrial and distribution markets proved more resilient throughout the year, although this was dependent on location, and finalising deals was slow. Across the retail markets, whilst there have been a number of failed retailers this has had minimal impact on our results.

Commercial Development activity slowed rapidly during the year, with sources of development finance drying up, although a number of transactions were completed.

Overall, revenues in our UK Commercial transactional businesses were down 35% to £51.9m and underlying profit before tax fell 56% to £7.8m (2007: £17.7m).

#### *European Commercial*

In the first half of 2008 European investment markets were still active with all asset classes in demand from both local and international investors, resulting in falling yields. As 2008 progressed, the markets progressively worsened and the relatively low yields resulted in Europe being seen by many investors as less attractive than the UK, a view compounded by the less attractive lease structures prevalent in many markets. Revenues were down 25% to £34.2m, resulting in an underlying loss before tax of £7.8m (2007: profit before tax £3.8m).

#### *US Commercial*

The US transactional markets were effectively closed for much of the year, with our revenues down 46% on the previous period. Savills LLC did not complete any transactions in the fourth quarter as a result of the combination of tenant defaults and lack of bank debt combined with a severe loss of confidence by investors. We enter 2009 with a stronger pipeline of opportunities from a range of high quality institutional clients. We opened an office in Mexico during 2008 and are working on several assignments in that country. After charging acquisition related finance costs, the underlying loss before tax for 2008 was £3.9m (2007: profit before tax £0.2m).

#### *Asia Pacific Commercial*

Asia proved resilient for most of 2008 with many local private buyers providing much of the buyer interest in the region. Hong Kong, Singapore and China continued to be strong markets for Savills and we were pleased with the progress made by our newer businesses in Taiwan and Vietnam. Following the collapse of Lehman Brothers, and the further tightening in the credit markets, Asian markets retreated sharply with few buyers able, or prepared, to raise finance to make further acquisitions. Notwithstanding the difficulties of the final quarter, Asia Pacific recorded an underlying profit before tax of £4.3m (2007: £9.6m) on revenues down 7% to £56.2m. This result benefited from favourable currency movements. The increase in underlying profits in local currency was 59%.

#### *UK Residential*

2008 was a difficult year for our Residential business, with both values and transaction volumes falling as the economic downturn continued and mortgage finance became scarcer. More specifically, prime markets were hit by job losses and reduced earning expectations in the City which, together with a lack of finance in the

lower tiers of the prime markets, resulted in significantly reduced demand. The highest value markets generally fared better than other sectors of the market across 2008, albeit weakened demand was evident in the final quarter even in the ultra prime sector. As a consequence, overall transaction volumes in 2008 were 44% lower than 2007.

New Homes transactions fell dramatically as it became increasingly difficult to sell new developments. This area of our business was particularly affected by the withdrawal of investors from the market and the reluctance of the UK banks to lend against this asset class.

In response to the current market conditions, our Residential Transactional business teams have been reduced in size and, where possible, amalgamated. We announced a small number of office closures where the business would not be sustainable in the medium term.

Development land values fell by just under 50% during 2008 in response to significantly reduced house prices, scarcity of development finance and the financial pressure on developers resulting from reduced rates of sale of completed units. In order to respond to current market difficulties, we have created a new business stream providing advice on distressed properties using in-house professional advisory skills along with LPA receivership advice.

In 2008, UK Residential transactional revenues were down 44% to £64.2m and, notwithstanding significant cost saving initiatives, underlying profits before tax fell 84% to £2.8m (2007: £17.3m).

#### Future plans

We expect transactional revenues to be further tested in 2009 as the financial crisis continues and debt finance remains scarce. We will continue to develop our Transactional businesses within the existing footprint, focusing on working closely with clients to identify all opportunities in the market.

We will continue to invest in our US business in 2009. We believe that the US will lead the way out of this global recession, and, when it does, we aim to be well positioned to take advantage of capital flows both into, and out of, North America.

#### **Consultancy**

Our Consultancy businesses produced a resilient result in the face of the credit crunch and its impact on real estate values and transaction volumes.

<b>Year to 31 December</b>	<b>2008 £m</b>	<b>2007 £m</b>	<b>Change</b>
Revenue	131.8	141.5	(7%)
Underlying profit before tax	16.3	22.3	(27%)

Our Consultancy business covers a wide range of professional property services including:

- Valuation – a professional service typically focusing on valuations for bank lending purposes covering a wide range of property types from offices to mixed development sites to care homes.
- Building Consultancy – providing a wide range of advice on all aspects of building including structural surveys, dilapidations, project management, fit outs, energy performance, rights of light and service charge auditing.
- Housing Consultancy – advising housing associations and institutions on all aspects of housing including investment planning and procurement, asset management and stock condition surveys.
- Planning Consultancy – providing advice on all aspects of planning and potential development opportunities.

- Landlord and Tenant – advising on all issues stemming from rent reviews and lease renewals.
- Development – advising on all aspects of development whether assisting owners, developers or local authorities on matters ranging from site assembly to costing and feasibility studies.
- Rating – providing professional advice on rateable values, securing allowances for building works and external disruptions and empty rates relief.
- Capital Allowances – providing general consultancy, analysis and valuation together with negotiation and agreement with HMRC to reduce client tax liabilities.

#### *UK Commercial*

Our Valuations team is one of the UK's leading practices and had a busy year. During the year we merged our Residential and Commercial Valuation to form a team of 56 consultants. The combined Valuation team also established a Recoveries team to offer strategic advice to clients which taps into the full range of Savills' Consultancy, Agency and Financial Services disciplines. Whilst transaction-related revenues were down, we saw increased volumes of instructions from most UK and European clients assessing their loan exposure. Our Housing Consultancy team had a strong year advising local authorities and housing associations. The Landlord & Tenant team continued to be involved in many of the highest value office and industrial/warehouse properties throughout the UK. Our Planning Consultancy team continued its successful track record with developers, land owners, funders, local authorities, Regional Development Agencies and English Partnerships. Underlying profit before tax in 2008 was £10.3m (2007: £13.1m) on revenues of £76.9m (2007: £84.0m).

#### *European Commercial*

We continued to grow our European Valuation teams in 2008, notwithstanding the lower volume of transactions. Reflecting the cost of this investment, whilst revenues at £11.5m were ahead of 2007 (£10.7m), underlying profit before tax at £0.8m was lower than 2007 (£2.0m).

#### *Asia Pacific Commercial*

In Asia, the professional services markets continued to grow although this slowed markedly towards the end of the year due to the global financial turmoil. During the year, new teams were added in Taiwan and China and we increased our shareholding in Savills (Vietnam) Ltd, enabling us to offer our services to a wider market.

Underlying profit before tax in 2008 was £2.0m (2007: £1.6m) on revenues of £19.4m (2007: £16.4m).

#### *UK Residential*

Our UK Residential Valuation team saw growth in loan security valuations in the early part of the year. However, as lenders' credit restrictions came into force, the volume of instructions reduced. Our UK Residential Housing Consultancy team had a very strong year developing procurement and investment advice and asset management consultancy to local authorities and housing associations. Costs of £1.1m (2007: £1.4m) were incurred supporting the development of Infinergy Limited in the period up to the sale of our interest in this business. Reflecting these increased costs, underlying profit before tax in 2008 was £3.2m (2007: £5.6m) on revenues of £24.0m (2007: £30.4m).

#### Future plans

We will seek to selectively broaden the range of consultancy services we offer in 2009.

#### **Property Management**

2008 was a strong year for our property management businesses with significant progress being made in many markets.

<b>Year to 31 December</b>	<b>2008 £m</b>	<b>2007 £m</b>	<b>Change</b>
Revenue	191.4	159.7	20%
Underlying profit before tax	14.2	10.9	29%

Our Property Management business consists of five main elements:

- Property Management – management of property for owners including rent and service charge collections via a dedicated centralised accounting function with key client accounting and reporting.
- Facilities Management – providing a comprehensive range of services to occupiers including all services relating to a building, project management and strategic advice.
- Asset Management – reviewing tenant mix, lease terms, re-branding and marketing strategies, refurbishment and development opportunities for clients property investments.
- Land and Farm Management – in the UK we provide a specialist service to manage agricultural land including managing farms.
- Corporate Real Estate – providing a wide range of property management advice to corporate clients managing their property assets.

#### *UK Commercial*

Our UK Property Management team has grown strongly through a mixture of recruitment and winning new mandates. We expanded our Corporate team, helping clients align their real estate strategy to their business strategy, maximising the value from property expenditure. Underlying profit before tax in 2008 was £4.6m (2007: £3.0m) on revenues of £45.5m (2007: £38.9m).

#### *European Commercial*

Europe experienced increasing margin pressure as landlords looked to reduce property related costs. As a result, although revenue increased to £21.9m (2007: £18.1m), we incurred an underlying loss before tax of £1.2m (2007: profit £0.1m).

#### *Asia Pacific Commercial*

In Asia, property and facilities management is a cornerstone of our business and helps us secure additional advisory instructions as well as providing contractual income streams. During the year, we continued to expand our business and now manage 823.3m sq ft (2007: 610.6m sq ft) primarily due to growth in China. During 2008 we increased our investment into ancillary facility management services by setting new business lines that addressed environmental and waste management issues in Hong Kong. We also, diversified into other lines of business such as retirement home and serviced apartment management. In China, we concentrated on winning new business and have formed joint ventures with a number of companies. In 2008 we established a property management business in Singapore to compliment our successful agency business.

Underlying profit before tax in 2008 was £8.4m (2007: £6.2m) on revenues of £109.3m (2007: £90.0m).

#### *UK Residential*

Our UK Residential Property Management business includes our Residential lettings business and Estates Management. The lettings business had a very strong year reflecting the challenges in the Residential transaction markets where falling prices and reduced demand created both a supply of properties to let and tenants. Our Rural practice business also had another good year winning a series of new management mandates.

Underlying profit before tax in 2008 was £2.4m (2007: £1.6m) on revenues of £14.7m (2007: £12.7m).

### Future plans

We will continue to focus on growing our Property Management operations through winning of instructions and internal linkage to our transactional business.

### **Financial Services**

<b>Year to 31 December</b>	<b>2008 £m</b>	<b>2007 £m</b>	<b>Change</b>
Revenue	17.4	29.8	(42%)
Underlying (loss)/profit before tax	(1.0)	5.1	-

Our Financial Services business comprises Savills Private Finance (SPF) and Savills Capital Advisors (SCA). SPF is primarily an independent advisor for residential and commercial mortgages. It is a market leader at the top end of the residential mortgage broking market sourcing loans from a wide range of banks for new purchases, remortgages and investment acquisitions. SPF also provides insurance broking services and financial planning advice to larger clients. SCA was created in 2008 to provide corporate finance and M&A advice. It also engages in equity raising and debt structuring.

### Performance in 2008

#### *SPF*

All geographical areas of the UK have been affected by the lack of debt finance from banks and the greatly reduced volume of property transactions. We took early steps to reduce costs and have benefited from the diversity of our offerings. General insurance and financial planning performed strongly.

#### *SCA*

We recruited a new team during the year to complement our small existing team. This enlarged team is making a significant impact and is already winning mandates. As with any team lift, there were start up costs as the team got up to speed.

### Future plans

We expect 2009 to be a challenging year in mortgage broking with further contraction in the UK lending market, particularly for the residential mortgage and commercial debt markets, anticipated. We are looking to drive other service areas in order to reduce our reliance on residential mortgage broking services for delivering profitability in order to ensure our continued success. We are excited by the prospects of our corporate finance business and the additional breadth they offer to our Commercial teams.

### **Fund Management**

<b>Year to 31 December</b>	<b>2008 £m</b>	<b>2007 £m</b>	<b>Change</b>
Revenue	19.5	15.4	27%
Underlying profit before tax	3.6	4.1	(12%)

<b>As at 31 December</b>	<b>2008 £bn</b>	<b>2007 £bn</b>	<b>Growth</b>
Funds under management	3.0	3.5	(14%)

Cordea Savills manages pooled funds in the UK and Europe for institutional investors. It focuses on market and sector specialist funds as well as core pan-European funds. Through a limited liability partnership, Savills owns 60% of this business; the remaining 40% being owned by members of the Cordea Savills management team. Cordea Savills was created in 2004 by combining the existing UK-based Savills Fund Management business with an external management team with international fund management experience. It is now well established and regarded with around £2.9 billion of assets under management. When the business was created, it was agreed that Savills and the management team would review the options for taking it forward in terms of ownership and capital structure after an initial five-year period. To this end, from April 2009, the management team can require Savills to sell to a new partner they introduce, or Savills can buy the management interests by paying £1 more than a new partner offers. Together with the management team, Savills is considering the best way to take this business forward through the next stages of its development.

#### Performance in 2008

2008 has been a year of consolidation after previous years of strong growth. Our strategy has focused on ensuring we have the right people and processes across the business.

Revenue increased to £19.5m (2007: £15.4m) with funds under management of £3.0bn (2007: £3.5bn) at the year end. The decrease in funds under management was due to declines in property valuations and the disposal of a number of funds. Underlying profit before tax was £3.6m (2007: £4.1m) reflecting the investment in additional people to manage and support the funds launched in 2007 as well as several non-recurring items, including abortive costs from deciding not to launch a fund due to adverse market conditions.

#### Future plans

Cordea Savills will continue to appraise investment markets and sectors for suitable opportunities, although we expect that equity raising for new fund launches will generally continue to be very challenging through 2009.

## **FINANCIAL REVIEW**

#### Financial highlights

- Revenue of £568.5m (2007: £650.5m).
- Underlying profit before tax £33.2m (2007: £85.5m).
- Underlying basic earnings per share 18.1p (2007: 46.1p).
- Continued investment in the business through acquisitions, investment in recruiting new teams and opening new offices.
- Cost savings of £22m achieved.
- New £80m long-term facility completed in October 2008.
- £45.7m net cash at 31 December 2008 (2007:£77.5m).

#### Business Development

During the year we completed small acquisitions both in the UK (in aggregate £0.8m (2007: £12m)), and overseas (in aggregate £15.1m (2007: £31.5m)).

On 12 June 2008, the Group disposed of its 50% stake in Infinergy Limited to our joint venture partner in that business. The sale proceeds were £23.0m, of which £13.0m was received during the year and £10.0m is due

in December 2009. The final payment includes interest of £1m and is underwritten by bank guarantees. Profit on disposal before tax net of associated costs on disposal was £16.9m.

#### Cash flow and liquidity

At the year end, the Group had cash and cash equivalents of £75.3m (2007: £110.7m) and borrowings of £29.6m (2007: £33.2m). The borrowings represent the outstanding £20.9m of the term loan taken out to finance the acquisition of Savills US in 2007 which will be repaid in equal instalments up to maturity in 2012, and £8.7m in respect of loan notes payable in respect of businesses previously acquired by the Group. The Group's cash flow profile is highly seasonal, with significant cash outflows in the second quarter of the year for dividends, taxation and staff bonuses. The cash outflow in 2008 in particular reflects the payment of the high level of bonuses earned in 2007 that were paid. The Group cash outflow from operating activities of £5.5m during 2008 (2007: cash generated £102.8m).

The Group retains cash balances throughout the year in a number of subsidiaries. This reflects various factors including: fiscal – minimising withholding tax on remittance where future investment is anticipated; commercial – where cash is required to support commercial contracts; regulatory – where our regulated businesses have minimum capital requirements; and where there are minority shareholders. This position remains under review to ensure the Group has the optimal capital structure.

Overall, the Group has low financial gearing which the Board believes is appropriate given the transactional nature of many of its revenue streams and that the business is people based with low tangible assets.

Existing net cash balances, available bank facilities and expected cash flows for the year provide the Group with the resources to fund operating and investment activities. At the year end the Group had undrawn facilities of £102.2m (2007: £16.8m). During the year a three-year, £80m facility (which matures in October 2011) was put in place.

#### Taxation

The underlying tax charge has fallen to £12m from £26.9m in 2007, a decrease of £14.9m. The underlying tax rate is 36.1% (2007: 31.5%), an increase of 4.6%. This increase is mainly due to the £1.8m impact (2007: £2.1m) of the continued fall in the share price below the fair value price at the date of grant of share based incentives. This accounts for 5.5 percentage points of the increased underlying tax charge. The lower overseas tax rates offset the effect of any permanent disallowables.

#### Earnings per share and dividend

Basic loss per share was 9.3p (2007: earnings of 45.5p). Adjusting for exceptional items, profit on disposals, share-based payments, amortisation of intangibles and impairment of goodwill and available-for-sale investments, underlying basic earnings per share were 18.1p (2007: 46.1p).

The Board is recommending a final dividend of 3.0p, making 9.0p for the full year.

#### Key performance indicators

The Group uses a number of key performance indicators (KPIs) to measure its performance and highlight the impact of management actions. These KPIs are detailed in the Savills Report and Accounts for year end 31 December 2008. The Group continues to review the mix of KPIs to ensure that these best measure our performance against our strategic objectives, in both financial and non-financial areas.

#### Financial policies and risk management

The Group has financial risk management policies which cover financial risks considered material to the Group's operations and results. These policies are subject to continuous review in the light of developing regulation, accounting standards and practice. Compliance with these policies is mandatory for all Group companies and is reviewed regularly by the GEB and Board.

#### *Treasury policies and objectives*

The Group Treasury policy is designed to reduce the financial risks faced by the Group, which primarily relate to funding and liquidity, interest rate exposure and currency rate exposures. The Group does not engage in trades of a speculative nature. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's financial instruments comprise borrowings, cash and liquid resources and various other items such as trade receivables and trade payables that arise directly from its operations. Further details of financial instruments are provided in Note 24 of the Report and Accounts.

#### *Interest rate risk*

The Group finances its operations through a mixture of retained profits and bank borrowings, at both fixed and floating interest rates.

#### *Liquidity risk*

The Group prepares an annual funding plan approved by the Board which sets out the Group's expected financing requirements for the next 12 months. These requirements will be met with our existing cash balances, loan facilities and expected cash flows for the year.

#### *Foreign currency risk*

Our policy is for each business to borrow in local currencies where possible. The Group does not actively seek to hedge risks arising from foreign currency transactions due to their non-cash nature and the high costs associated with such hedging.

#### Net interest

Net finance income in the year was £2.5m (2007: £2.1m), reflecting surplus cash held on deposit and a currency fair value gain on the US loan repayment, offset by a full year of interest on the US loan.

#### Capital and shareholders' interests

##### *Minority interests*

Minority interests decreased to £2.4m (2007: £5.9m) reflecting losses in Europe and the US offset by profits within the Cordea Fund Management business.

##### *Share capital*

During the year ended 31 December 2008, no shares were issued to participants in the Savills Executive Share Option Scheme (2001 Scheme) or to participants in the Savills Sharesave Scheme. No shares were issued to the QUEST. No shares were repurchased for cancellation during the year (2007: 3.5m). The total number of ordinary shares in issue at 31 December 2008 was 131.8m (2007: 131.8m).

##### *Net assets*

Net assets as at 31 December 2008 were £211.0m compared to £223.6m as at 31 December 2007. Goodwill and intangibles remained in line with the previous year, as impairment charges made in 2008 were offset by foreign currency movements and additional acquisitions.

#### *Savills Pension Plan*

In common with the vast majority of defined benefit schemes operated by UK companies, the funding level of the Plan deteriorated during the year as asset values and interest rates fell. The deficit at year end amounted to £24.6m (2007 : £10.0m). We have engaged with the Plan Trustee to review the options. The next formal actuarial valuation of the Plan is due at April 2010.

#### Forward-looking statement

In preparing this Review of Operations and Financial Review, whilst we have provided a detailed management commentary on our markets, activities and prospects, all forward looking statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future.

**SAVILLS plc**  
**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2008

	Notes	Pre-exceptional items Year ended 31.12.08 £m	Exceptional items Year ended 31.12.08 £m	Year ended 31.12.08 £m	Year ended 31.12.07 £m
Revenue	<b>2</b>	568.5	-	<b>568.5</b>	<b>650.5</b>
<b>Less:</b>					
Employee benefits expense		(357.4)	(0.6)	<b>(358.0)</b>	<b>(382.3)</b>
Depreciation		(7.2)	-	<b>(7.2)</b>	<b>(6.2)</b>
Amortisation and impairment of intangible assets		(5.0)	(37.0)	<b>(42.0)</b>	<b>(5.7)</b>
Other operating expenses		(176.4)	(13.2)	<b>(189.6)</b>	<b>(174.3)</b>
Other operating income		0.2	-	<b>0.2</b>	<b>0.7</b>
Profit on disposal of associate, joint ventures and available-for-sale investments		0.5	16.9	<b>17.4</b>	<b>0.7</b>
<b>Operating profit/(loss)</b>	<b>2</b>	<b>23.2</b>	<b>(33.9)</b>	<b>(10.7)</b>	<b>83.4</b>
Finance income		7.0	-	7.0	4.5
Finance costs		(4.5)	-	(4.5)	(2.4)
		2.5	-	<b>2.5</b>	<b>2.1</b>
Share of post tax profit from associates and joint ventures		0.5	-	<b>0.5</b>	<b>0.4</b>
<b>Profit/(loss) before income tax</b>		<b>26.2</b>	<b>(33.9)</b>	<b>(7.7)</b>	<b>85.9</b>
Income tax expense (including foreign tax credit of £0.4m, December 2007 - charge of £6.1m)	<b>4</b>	(8.7)	4.1	<b>(4.6)</b>	<b>(28.0)</b>
<b>Profit/(loss) for the year</b>		<b>17.5</b>	<b>(29.8)</b>	<b>(12.3)</b>	<b>57.9</b>
<b>Attributable to:</b>					
Equity shareholders of the Company		18.2	(29.5)	<b>(11.3)</b>	<b>55.3</b>
Minority interest		(0.7)	(0.3)	<b>(1.0)</b>	<b>2.6</b>
		17.5	(29.8)	<b>(12.3)</b>	<b>57.9</b>
<b>Earnings per share</b>					
Basic earnings per share	<b>7(a)</b>			<b>(9.3p)</b>	<b>45.5p</b>
Diluted earnings per share	<b>7(a)</b>			<b>(9.3p)</b>	<b>44.3p</b>
<b>Underlying earnings per share</b>					
Basic earnings per share	<b>7(b)</b>			<b>18.1p</b>	<b>46.1p</b>
Diluted earnings per share	<b>7(b)</b>			<b>17.5p</b>	<b>44.9p</b>
<b>Dividends per share</b>					
Full year dividends proposed	<b>5</b>			<b>9.0p</b>	<b>18.0p</b>
Dividends paid	<b>5</b>			<b>18.0p</b>	<b>17.0p</b>

**SAVILLS plc**  
**CONSOLIDATED BALANCE SHEET**  
**at 31 December 2008**

	Notes	31.12.08 £m	31.12.07 £m
<b>Assets: Non-current assets</b>			
Property, plant and equipment		23.7	21.7
Goodwill		133.5	138.7
Intangible assets		21.7	21.8
Investments in associates and joint ventures		10.9	8.9
Deferred income tax assets		22.4	12.9
Available-for-sale investments		16.2	21.6
Financial assets at fair value through profit or loss		-	1.5
Derivative financial instruments		-	0.2
		228.4	227.3
<b>Assets: Current assets</b>			
Work in progress		2.8	3.2
Trade and other receivables		164.5	196.1
Derivative financial instruments		2.6	0.3
Cash and cash equivalents		75.3	110.7
		245.2	310.3
<b>Liabilities: Current Liabilities</b>			
Borrowings	10	13.2	10.7
Trade and other payables		167.2	234.3
Current income tax liabilities		2.4	11.6
Employee benefit obligations		3.5	2.7
Provisions for other liabilities and charges		7.3	2.2
		193.6	261.5
<b>Net current assets</b>		51.6	48.8
<b>Total assets less current liabilities</b>		280.0	276.1
<b>Liabilities: Non-current Liabilities</b>			
Borrowings	10	16.4	22.5
Derivative financial instruments		1.2	0.2
Trade and other payables		14.9	12.0
Retirement and employee benefit obligations		29.8	13.8
Provisions for other liabilities and charges		1.2	1.8
Deferred income tax liabilities		5.5	2.2
		69.0	52.5
<b>Net assets</b>		211.0	223.6
<b>Equity: Capital and reserves attributable to equity holders of the Company</b>			
Share capital	11	3.3	3.3
Share premium	11	83.0	83.0
Other reserves	11	29.5	3.9
Retained earnings	11	92.8	127.5
		208.6	217.7

<b>Minority interest</b>	<b>11</b>	2.4	5.9
<b>Total equity</b>		211.0	223.6

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2008

	Notes	Year ended 31.12.08 £m	Year ended 31.12.07 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	<b>8</b>	14.1	124.3
Interest received		4.8	4.5
Interest paid		(3.4)	(2.3)
Income tax paid		(21.0)	(23.7)
<b>Net cash (used in)/generated from operating activities</b>		<b>(5.5)</b>	<b>102.8</b>
<b>Cash flows from investing activities</b>			
Cash disposed on sale of subsidiary, net of sale proceeds		(0.4)	-
Proceeds from sale of property, plant and equipment		0.2	0.1
Proceeds from sale of associates, joint ventures and available-for-sale investments		11.7	5.2
Dividends received		0.8	0.5
Net loans to associates and joint ventures		2.0	(1.4)
Acquisition of subsidiaries, net of cash acquired	<b>9</b>	(10.1)	(32.3)
Purchase of property, plant and equipment		(8.5)	(11.6)
Purchase of intangible assets		(1.3)	(1.0)
Purchase of investment in associates, joint ventures and available-for-sale investments		(3.5)	(26.8)
<b>Net cash used in investing activities</b>		<b>(9.1)</b>	<b>(67.3)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	0.4
Proceeds from borrowings	<b>10</b>	25.0	20.3
Repurchase of own shares		-	(21.8)
Purchase of own shares for Employee Benefit Trust		-	(18.9)
Repayments of borrowings	<b>10</b>	(35.9)	(7.8)
Dividends paid	<b>11</b>	(25.1)	(22.1)
<b>Net cash used in financing activities</b>		<b>(36.0)</b>	<b>(49.9)</b>
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>		<b>(50.6)</b>	<b>(14.4)</b>
Cash, cash equivalents and bank overdrafts at beginning of the year		110.4	123.7
Effect of exchange rate fluctuations on cash held		15.5	1.1
<b>Cash, cash equivalents and bank overdrafts at end of year</b>		<b>75.3</b>	<b>110.4</b>

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE**  
for the year ended 31 December 2008

	Year ended 31.12.08 £m	Year ended 31.12.07 £m
(Loss)/profit for the year	(12.3)	57.9
Revaluation of available-for-sale investments	(0.5)	0.6
Actuarial (loss)/gain on defined benefit pension scheme	(16.3)	5.8
Tax on items directly taken to reserves	4.3	(5.0)
Foreign exchange translation differences	27.0	5.7
Net income recognised directly in equity	14.5	7.1
<b>Total recognised income and expense for the year</b>	<b>2.2</b>	<b>65.0</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	2.8	62.4
Minority interest	(0.6)	2.6
	2.2	65.0

## NOTES

### 1. Basis of preparation

The results for the year ended 31 December 2008 have been extracted from the audited financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial information in this statement does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2008, on which the auditors have given an unqualified audit report, have not yet been filed with the Registrar of Companies.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

### 2. Segment analysis

Year to 31 December 2008	Trans- actional Advice £m	Consult- ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Unalloc- ated* £m	Total £m
<b>Revenue</b>							
United Kingdom							
- Commercial	51.9	76.9	45.5	19.5	1.6	-	195.4
- Residential	64.2	24.0	14.7	-	15.8	-	118.7
	116.1	100.9	60.2	19.5	17.4	-	314.1
Rest of Europe	34.2	11.5	21.9	-	-	-	67.6

Asia Pacific	56.2	19.4	109.3	-	-	-	184.9
America	1.9	-	-	-	-	-	1.9
<b>Total revenue</b>	<b>208.4</b>	<b>131.8</b>	<b>191.4</b>	<b>19.5</b>	<b>17.4</b>	<b>-</b>	<b>568.5</b>
<b>Operating (loss)/profit</b>							
United Kingdom							
- Commercial	7.1	11.4	4.5	3.9	(0.1)	(9.1)	17.7
- Residential	(9.0)	20.2	1.5	-	(2.5)	(1.9)	8.3
	(1.9)	31.6	6.0	3.9	(2.6)	(11.0)	26.0
Rest of Europe	(22.2)	(0.6)	(4.4)	-	-	(4.9)	(32.1)
Asia Pacific	1.8	2.0	3.5	-	-	-	7.3
America	(11.9)	-	-	-	-	-	(11.9)
<b>Operating (loss)/profit</b>	<b>(34.2)</b>	<b>33.0</b>	<b>5.1</b>	<b>3.9</b>	<b>(2.6)</b>	<b>(15.9)</b>	<b>(10.7)</b>
Finance income							2.5
Share of post tax profit/(loss) from associates & joint ventures	1.0	(1.1)	0.9	(0.3)	-	-	0.5
<b>Loss before income tax</b>							<b>(7.7)</b>
Income tax expense							(4.6)
<b>Loss for the year</b>							<b>(12.3)</b>

<b>Year to 31 December 2007</b>	Trans- actional Advice £m	Con- sultancy £m	Property & Facilities Management £m	Fund Manage- ment £m	Financial Services £m	Unalloc- ated* £m	Total £m
<b>Revenue</b>							
United Kingdom							
- Commercial	79.4	84.0	38.9	15.4	3.5	-	221.2
- Residential	115.0	30.4	12.7	-	26.3	-	184.4
	194.4	114.4	51.6	15.4	29.8	-	405.6
Rest of Europe	45.4	10.7	18.1	-	-	-	74.2
Asia Pacific	60.6	16.4	90.0	-	-	-	167.0
America	3.7	-	-	-	-	-	3.7
<b>Total revenue</b>	<b>304.1</b>	<b>141.5</b>	<b>159.7</b>	<b>15.4</b>	<b>29.8</b>	<b>-</b>	<b>650.5</b>
<b>Operating profit</b>							
United Kingdom							
- Commercial	15.9	14.2	3.0	4.1	1.0	(3.0)	35.2
- Residential	17.8	5.7	0.7	-	3.5	-	27.7
	33.7	19.9	3.7	4.1	4.5	(3.0)	62.9
Rest of Europe	3.9	2.1	(0.3)	-	-	-	5.7
Asia Pacific	8.9	1.6	4.1	-	-	-	14.6
America	0.2	-	-	-	-	-	0.2
<b>Operating profit/(loss)</b>	<b>46.7</b>	<b>23.6</b>	<b>7.5</b>	<b>4.1</b>	<b>4.5</b>	<b>(3.0)</b>	<b>83.4</b>
Finance income							2.1

Share of post tax profit/(loss) from associates & joint ventures	1.1	(1.4)	0.7	-	-	-	0.4
<b>Profit before income tax</b>							85.9
Income tax expense							(28.0)
<b>Profit for the year</b>							57.9

The unallocated segment includes holding company costs, Group bonuses and other expenses not directly attributable to the operating activities of the Group's business segments.

\*For the purpose of the segmental information above, and to assist in the comparison of segmental information, the benefit arising from the amortisation of the share based payment charge as discussed in more detail in Note 6 is retained within the unallocated segment.

### 3. Exceptional items

	Year ended 31.12.08 £m	Year ended 31.12.07 £m
Restructuring costs	5.4	-
Impairment of goodwill	32.5	-
Impairment of intangibles	4.5	-
Impairment of available-for-sale investments	6.9	-
Impairment of financial assets at fair value through profit or loss	1.5	-
Profit on disposal of Infinergy joint venture	(16.9)	-
<b>Total</b>	<b>33.9</b>	<b>-</b>

Impairment of goodwill and intangibles mainly consist of impairment of businesses acquired near the top of the market and located in Ireland, New York, Korea & the Home Counties in the UK.

Restructuring costs mainly consist of onerous lease costs related to the closure of a number of offices within the UK residential business stream.

Impairment of available-for-sale investments relates to co-investment assets held within Cordea Savills managed funds where the market value at 31 December 2008 was below cost.

### 4. Income tax expense

The income tax expense has been calculated on the basis of the underlying rate in each jurisdiction adjusted for any disallowable charges.

	Year ended 31.12.08 £m	Year ended 31.12.07 £m
United Kingdom		
- Current tax	8.7	21.4
- Deferred tax	(3.7)	0.5
Foreign tax		
- Current tax	2.7	7.0
- Deferred tax	(3.1)	(0.9)
	<b>4.6</b>	<b>28.0</b>

### 5. Dividends

	Year ended 31.12.08 £m	Year ended 31.12.07 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend for 2007 of 12.0p per share (2006 - 11.0p)	14.7	13.4
Interim dividend of 6.0p per share (2007- 6.0p)	7.3	7.3
	22.0	20.7
<hr/>		
Proposed final dividend for the year ended 31 December 2008 of 3.0p per share	3.7	-

The final dividend in respect of the year ended 31 December 2008 is to be proposed at the Annual General Meeting on 6 May 2009. These financial statements do not reflect this dividend payable.

#### 6(a). Underlying profit before tax

	Year ended 31.12.08 £m	Year ended 31.12.07 £m
Reported profit before exceptionals and income tax	26.2	85.9
<b>Adjustments:</b>		
- Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments	4.2	5.1
- Share based payment adjustment	3.3	(4.8)
- Profit on disposal of associate, joint ventures and available-for-sale investments	(0.5)	(0.7)
Underlying profit before tax	33.2	85.5

The Directors regard the above adjustments necessary to give a fair picture of the underlying results of the Group for the period.

The impairment of goodwill and available-for-sale investments relates to the year to 31 December 2007 which were not considered exceptional.

The adjustment for share based payment relates to the impact of the accounting standard for share based compensation. The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment is the difference between the IFRS 2 charge for the schemes that form part of the bonus pool and the value of the annual share award.

#### (b) Underlying segmental analysis

Year to 31 December 2008	Trans- actional Advice £m	Consult- ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Unalloc- ated £m	Total £m
United Kingdom							
- Commercial	7.8	10.3	4.6	3.6	(0.1)	(3.1)	23.1

- Residential	2.8	3.2	2.4	-	(0.9)	-	7.5
	10.6	13.5	7.0	3.6	(1.0)	(3.1)	30.6
Rest of Europe	(7.8)	0.8	(1.2)	-	-	-	(8.2)
Asia Pacific	4.3	2.0	8.4	-	-	-	14.7
America	(3.9)	-	-	-	-	-	(3.9)
Underlying profit /(loss) before tax	3.2	16.3	14.2	3.6	(1.0)	(3.1)	33.2

<b>Year to 31 December 2007</b>	Trans- actional Advice	Consult- ancy	Property & Facilities Manage- ment	Fund Manage- ment	Financial Services	Unalloc- ated	Total
	£m	£m	£m	£m	£m	£m	£m
United Kingdom							
- Commercial	17.7	13.1	3.0	4.1	1.0	(5.5)	33.4
- Residential	17.3	5.6	1.6	-	4.1	-	28.6
	35.0	18.7	4.6	4.1	5.1	(5.5)	62.0
Rest of Europe	3.8	2.0	0.1	-	-	-	5.9
Asia Pacific	9.6	1.6	6.2	-	-	-	17.4
America	0.2	-	-	-	-	-	0.2
Underlying profit /(loss) before tax	48.6	22.3	10.9	4.1	5.1	(5.5)	85.5

#### 7. (a) Basic and diluted earnings per share

<b>Year to 31 December</b>	Earnings 2008 £m	Shares 2008 million	EPS 2008 Pence	Earnings 2007 £m	Shares 2007 million	EPS 2007 Pence
Basic earnings per share	(11.3)	121.7	(9.3)	55.3	121.6	45.5
Effect of additional shares issuable under option	-	3.7	-	-	3.2	(1.2)
Diluted earnings per share	(11.3)	125.4	(9.3)	55.3	124.8	44.3

#### (b) Underlying basic and diluted earnings per share

<b>Year to 31 December</b>	Earnings 2008 £m	Shares 2008 million	EPS 2008 Pence	Earnings 2007 £m	Shares 2007 million	EPS 2007 Pence
Basic earnings per share before exceptionals	18.2	121.7	15.0	55.3	121.6	45.5
- Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments after tax	3.0	-	2.5	4.6	-	3.8
- Share based payment adjustment after tax	2.4	-	2.0	(3.4)	-	(2.8)
- Profit on disposal of subsidiary, associate, joint ventures and available-for-sale investments after tax	(1.6)	-	(1.4)	(0.5)	-	(0.4)
Underlying basic earnings per share						

	22.0	121.7	18.1	56.0	121.6	46.1
Effect of additional shares issuable under option	-	3.7	(0.6)	-	3.2	(1.2)
Underlying diluted earnings per share	22.0	125.4	17.5	56.0	124.8	44.9

## 8. Cash generated from operations

	Year ended 31.12.08 £m	Year ended 31.12.07 £m
(Loss)/profit for the year	(12.3)	57.9
<i>Adjustments for:</i>		
Income tax (Note 4)	4.6	28.0
Depreciation	7.2	6.2
Amortisation of intangibles and impairment of assets	42.0	5.7
Other non-cash exceptional items	13.8	-
Finance income	(2.5)	(2.1)
Share of post tax profit from associates and joint ventures	(0.5)	(0.4)
Profit on disposal of associate, joint venture and available-for-sale investments	(17.4)	(0.7)
Exchange movement on operating activities	0.6	-
Loss on sale of property, plant and equipment	0.3	0.7
Profit on disposal of available-for-sale investments included within operating income	-	(0.7)
Increase in provisions	0.9	0.4
(Decrease)/increase in employee and retirement obligations	(1.5)	0.2
Charge for share based compensation	10.0	8.1
Operating cash flows before movements in working capital	<b>45.2</b>	<b>103.3</b>
Decrease in work in progress	0.3	0.4
Decrease/(increase) in debtors	71.6	(20.4)
(Decrease)/increase in creditors	(103.0)	41.0
Cash generated from operations	14.1	124.3

## 9. Acquisitions and disposals

The following acquisitions were made during the year:

Name	Date	Holding acquired	Total holding at 31 December 2008
GoField & Only BV	March 2008	100.0%	100.0%
Savills Nederland BV	March 2008	17.0%	78.0%
Savills (Vietnam) Limited	April 2008	32.2%	64.4%
White GmbH	May 2008	100.0%	100.0%
Jago Dean PR Ltd	May 2008	100.0%	100.0%
Savills Italy SRL	December 2008	18.9%	83.4%

Details of net assets and goodwill are as follows:

Provisional fair  
value to Group  
£m

Property, plant and equipment		1.1
Deferred tax assets		0.1
Current assets:	Trade and other receivables	1.4
	Cash and cash equivalents	1.5
Total assets		<u>4.1</u>
Current liabilities:	Trade and other payables	(1.8)
	Current income tax liabilities	(0.2)
Net assets		<u>2.1</u>
Minority share of net assets acquired		(0.2)
Fair value of net assets acquired		<u>1.9</u>
Goodwill		11.6
Other intangibles		2.4
Purchase consideration & costs		<u>15.9</u>
Analysis of purchase consideration & costs		
Purchase consideration		15.7
Acquisition costs		0.2
		<u>15.9</u>
Consideration and costs satisfied by:		
Cash		11.6
Transfer from investment in joint venture		2.1
Deferred consideration & other payables owing at balance sheet date		2.2
		<u>15.9</u>

For all acquisitions there was no difference between the provisional fair value and carrying value of net assets acquired. Acquisitions have been accounted for using the purchase method. The purchase of an additional 32.2% share in Savills (Vietnam) Limited takes our total investment to 64.4%.

During the period, a number of small businesses were acquired for cash consideration of £11.6m and deferred consideration of £2.2m. Goodwill on acquisition of £11.6m has been provisionally determined.

On 12 June 2008, the Group disposed of its 50% stake in Infinergy Limited to its joint venture partner. Proceeds of £13.0m were received during the year with £10.0m due in December 2009. The last payment includes interest of £1m. The deferred payment is underwritten by an ABN AMRO guarantee.

## 10. Borrowings

Movements in borrowings are analysed as follows:	£m
Opening amount as at 1 January 2007	19.3
Additional borrowings	20.3
Repayments of borrowings	(7.8)
Exchange rate movements	1.4
Opening amount as at 1 January 2008	33.2
Additional borrowings	25.0
Repayments of borrowings (including overdrafts)	(36.2)
Exchange rate movements	7.6

Closing amount as at 31 December 2008	29.6
---------------------------------------	------

	31.12.08	31.12.07
	£m	£m
<b>Current</b>		
Bank overdrafts due within one year or on demand	-	0.3
Unsecured bank loans due within one year or on demand	5.6	4.3
Loan notes	7.6	6.1
	13.2	10.7
<b>Non-current</b>		
Unsecured bank loans	15.3	15.1
Loan notes	1.1	7.4
	16.4	22.5

	31.12.08	31.12.07
	£m	£m
The Group has the following undrawn borrowing facilities:		
Floating rate		
- expiring within one year or on demand	22.2	16.8
- expiring between 2 and 5 years	80.0	-
	102.2	16.8

During the year, the Group arranged a new bank facility amounting to £80m to replace the previous £10m facility in place at 31 December 2007. This facility is a 36 month revolving credit facility to October 2011 and provides additional flexibility. No amount was outstanding at year end.

## 11. Reconciliation of changes in equity

	Attributable to equity holders of the Group				Minority interest £m	Total Equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m		
<b>Balance at 1 January 2008</b>	<b>3.3</b>	<b>83.0</b>	<b>3.9</b>	<b>127.5</b>	<b>5.9</b>	<b>223.6</b>
Total recognised income and expense for the year	-	-	25.5	(22.7)	(0.6)	<b>2.2</b>
Employee share option scheme:						
- Value of services provided	-	-	-	10.0	-	<b>10.0</b>
Dividends	-	-	-	(22.0)	(3.1)	<b>(25.1)</b>
Disposals (net of tax)	-	-	0.1	-	-	<b>0.1</b>
Acquisitions	-	-	-	-	0.2	<b>0.2</b>
<b>Balance at 31 December 2008</b>	<b>3.3</b>	<b>83.0</b>	<b>29.5</b>	<b>92.8</b>	<b>2.4</b>	<b>211.0</b>

	Attributable to equity holders of the Group				Minority interest £m	Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m		
<b>Balance at 1 January 2007</b>	<b>3.4</b>	<b>82.4</b>	<b>(1.8)</b>	<b>124.5</b>	<b>4.3</b>	<b>212.8</b>
Total recognised income and expense for the year	-	-	5.9	56.5	2.6	<b>65.0</b>
Employee share option scheme:						

- Value of services provided	-	-	-	8.1	-	<b>8.1</b>
- Exercise of options	-	0.2	-	(0.2)	-	-
Issue of share capital	-	0.4	-	-	-	<b>0.4</b>
Purchase of own shares	(0.1)	-	0.1	(21.8)	-	<b>(21.8)</b>
Purchase of treasury shares	-	-	-	(18.9)	-	<b>(18.9)</b>
Dividends	-	-	-	(20.7)	(1.4)	<b>(22.1)</b>
Disposals (net of tax)	-	-	(0.3)	-	-	<b>(0.3)</b>
Acquisitions	-	-	-	-	0.4	<b>0.4</b>
<b>Balance at 31 December 2007</b>	<b>3.3</b>	<b>83.0</b>	<b>3.9</b>	<b>127.5</b>	<b>5.9</b>	<b>223.6</b>

The 2008 Annual Report will be circulated to shareholders on 2 April 2009. Copies of the Report will be available from the investor relations section of the Company website at: [www.savills.com](http://www.savills.com) and also from:

Savills plc, 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ  
Telephone:020 7409 9928 Fax:020 7330 8405 Email: [companysecretariat@savills.com](mailto:companysecretariat@savills.com)

In addition, with prior notice, copies in alternative formats i.e. large print, audio tape, braille are available if required from:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

**End**