

22 March 2017

Savills plc
(‘Savills’ or ‘the Group’)

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2016

Savills plc, the international real estate advisor, today announces record results as the Group benefits from market share growth in key markets and its broad spread of services across the globe.

Key financial highlights

- Group revenue up 13% to £1,445.9m (£1,355.3m in constant currency*, 2015: £1,283.5m)
- Underlying profit** up 12% to £135.8m (£126.8m in constant currency*, 2015: £121.4m)
- Group profit before tax up 1% to £99.8m (2015: £98.6m)
- Underlying profit margin stable at 9.4% (2015: 9.5%)
- Underlying basic EPS up 15% to 72.5p (2015: 63.2p)
- Total dividends for the year up 12% to 29.0p per share (2015: 26.0p)
- Total ordinary dividend up 21% to 14.5p and supplementary dividend up 3.6% to 14.5p

* Revenue and underlying profit for the year are translated at the prior year exchange rates to provide a constant currency comparative.

** Underlying profit before tax (‘underlying profit’) is calculated on a consistently reported basis in accordance with Note 3 to this Preliminary Statement.

Key operating highlights

The strength of our key commercial market positions, growth in Investment Management and the resilience of our residential businesses led to an improved performance for Savills in 2016.

- Transaction Advisory revenues up 7% driven by market share gains in Asia Pacific, particularly China, and strong growth in Continental European markets
- 52% growth in profits in Continental Europe following improved market conditions, improved Investment Management performance and the benefit of business development activity in recent years
- Further consistent growth from less transactional services – Property Management revenue up 21%; Consultancy revenue up 4%
- Savills Investment Management revenues and profits up over 60% in first full year of ownership of the former SEB Asset Management business
- Continued acquisitions of complementary businesses and teams across all regions to enhance service offering to clients

Commenting on the results, Jeremy Helsby, Group Chief Executive, said:

“Overall, Savills delivered another record performance in 2016 despite the geopolitical distractions in some of our markets. We benefited from the scale of our operations across the globe, which have grown substantially over recent years, as well as a highly resilient performance in the UK.

Our less transactional businesses, particularly Property Management and Investment Management grew strongly while our global Transaction Advisory business produced a solid performance despite variable conditions in many markets.

We entered 2017 with a continuation of global macro-economic concerns, rising bond yields, uncertainty over the impact of Brexit negotiations in the UK and Continental Europe and a new administration in the US.

Savills is a strong and diverse global firm and we continue to look at opportunities to develop our business. We have started the year well and our expectations for the full year remain unchanged.”

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There will be an analyst presentation today at 9.30am at Savills, 15 Finsbury Circus, London, EC2M 7EB.

A short video interview explaining our results, together with the results presentation is available on www.savills.com from 9.00am GMT.

Chairman's statement

Market share growth in key markets and the resilience afforded by the breadth of our operations, resulted in record revenue and profits in 2016.

Results

The Group's underlying profit for the year increased by 12% to £135.8m (2015: £121.4m), on revenue which improved by 13% to £1,445.9m (2015: £1,283.5m). The Group's statutory profit before tax increased by 1% to £99.8m (2015: £98.6m).

Overview

2016 was a year of significant geopolitical changes in many parts of the world. In addition, while investors globally have continued to increase their allocation to real estate in the search for secure income in a low interest rate environment, they have experienced a number of head winds including material rises in property taxes in a number of markets. Under these circumstances it was understandable that Savills saw an increase in the volatility of transactional activity in many of our markets. Furthermore, sterling's weakness against most major currencies boosted overseas investor interest in the UK. 2016 again demonstrated the importance of Savills strengths in the prime markets of many of the world's key cities, where we increased our share of market activity. Savills Investment Management substantially increased revenue and profits both organically and through the performance of the former SEB Asset Management AG ('SEB'), which was acquired in August 2015. Finally, currency movements had a meaningfully positive effect on the Group contributing approximately £9.0m in underlying profit on translation.

Our Transaction Advisory revenue grew by 7%, our Consultancy business revenue by 4% and our Property Management revenue by 21%, including the full year effect of the 2015 acquisition of Smiths Gore and the 2016 acquisition of GBR Phoenix Beard, both in the UK. Against the uncertain backdrop to world markets Savills commercial transaction business grew revenue by over 8% with strong performances in many markets including significant growth in Continental Europe. Our Residential businesses withstood changeable conditions and the imposition of tax increases in a number of the world's prime markets, with revenue growth of 3%. Finally, Savills Investment Management Assets Under Management ('AUM') reduced to €16.2bn (2015: €17.1bn) as a result of the distribution of sales proceeds to fund holders in advance of the anticipated liquidation of certain SEB mutual funds. Savills Investment Management revenue grew by over 60% year-on-year.

The Group's underlying profit margin was stable at 9.4% (2015: 9.5%) with the increased weighting of Investment Management and improved profitability in the UK Residential Transaction business and Continental Europe largely offsetting a reduction in margins in the US and in Property Management, which both included significant levels of expenditure on business development.

Business development

Savills strategy is to be a leading advisor in the key markets in which we operate. Our global strategy is delivered locally by our experts on the ground with flexibility to adapt quickly to changes in circumstances and opportunities. They are supported by our regional and cross-border investment and occupier service specialists. Over the last few years we have acquired a number of complementary businesses and added teams and individual hires to our strong core business.

During 2016, we continued to build our US presence with a number of team hires and the acquisition of a commercial brokerage business in North Carolina. In Asia Pacific, we made some significant hires in Australia and Mainland China in particular. In Continental Europe, we benefited from uncertainties facing some of our peer group to attract a number of seasoned professionals and teams across our network. In the UK, the acquisition of GBR Phoenix Beard substantially increased our presence in the Midlands and enhanced our property management and transactional capabilities there and in London. In addition, the acquisition of Chainbow Limited, a London-based residential block management company further enhanced our ability to serve the growing Private Rental Sector ('PRS') market.

Technology has become a focal area in the real estate industry over the last few years and we constantly review emerging opportunities to improve or grow through its application in our business. Having maintained a watching brief for some time, in June 2016, we made our first external

investment in this arena with the acquisition of a minority stake in YOPA, a new digital hybrid residential estate agency focused on the mass market in the UK.

Board

On 11 May, I became Chairman on the retirement of Peter Smith, and Tim Freshwater became Senior Independent Director on the retirement of Martin Angle. Under their watch Savills business showed commendable growth and I would like to thank both Peter and Martin for their enormous contributions to the business.

Dividends

An initial interim dividend of 4.4p per share (2015: 4.0p) amounting to £5.9m was paid on 5 October 2016, and a final ordinary dividend of 10.1p (2015: 8.0p) is recommended, making the ordinary dividend 14.5p for the year (2015: 12.0p). This increase reflects the continued growth of Savills less transactional profits, which underpin the ordinary dividend.

In addition, a supplemental interim dividend of 14.5p (2015: 14.0p) was declared, based upon the underlying performance of our Transaction Advisory business. Taken together, the ordinary and supplemental dividends comprise an aggregate distribution for the year of 29.0p per share, representing an increase of 12% on the 2015 aggregate dividend of 26.0p. The final ordinary dividend of 10.1p per ordinary share will, subject to shareholders' approval at the Annual General Meeting on 9 May 2017, be paid alongside the supplemental interim dividend of 14.5p per share on 15 May 2017 to shareholders on the register at 18 April 2017.

People

I would like to express my thanks to all our staff worldwide for their hard work, commitment and continued focus on client service, enabling the Group to deliver this record performance in 2016.

Outlook

We have made a solid start to 2017 with a pipeline of business carried over from last year in many markets, although the impact of global macro-economic and political concerns on real estate markets worldwide is uncertain. At this stage, we expect some improvement in the US as corporate occupiers become acclimatised to the new administration, but we retain a more cautious view in relation to the effect of the Brexit negotiation period, particularly on sentiment in the UK residential and commercial markets. However, the strength of our international operations and our strong balance sheet, position us well to take advantage of variable market conditions. Accordingly, the Board's expectations for the year as a whole remain unchanged.

Nicholas Ferguson CBE
Chairman

Review of operations

The strength of our key commercial market positions and the resilience of our residential businesses drove an improved performance for Savills in 2016.

As anticipated, we experienced quieter market conditions in certain markets worldwide including the UK, Japan and a number of US cities, but saw improved trading in Continental Europe, Investment Management in both Europe and Asia, and a number of markets in the Asia Pacific region.

Savills geographic and business diversity were key to achieving the year's result. Our performance analysed by region was as follows:

	Revenue £m			Underlying profit/(loss) £m		
	2016	2015	% growth	2016	2015	% growth
UK	578.3	560.1	3	72.1	71.7	1
Asia Pacific	485.9	401.1	21	42.6	34.2	25
Continental Europe	170.6	129.8	31	13.5	8.9	52
North America	211.1	192.5	10	18.9	18.8	1
Unallocated cost	n/a	n/a	n/a	(11.3)	(12.2)	7
Total	1,445.9	1,283.5	13	135.8	121.4	12

On a constant currency basis Group revenue grew by 6% to £1,355.3m and underlying profit grew by 4% to £126.8m. Our Asia Pacific business represented 34% of Group revenue (2015: 31%) and our overseas businesses as a whole represented 60% of Group revenue (2015: 56%). Our performance by service line is set out below:

	Revenue £m			Underlying profit/(loss) £m		
	2016	2015	% growth	2016	2015	% growth
Transaction Advisory	660.8	618.0	7	80.0	76.9	4
Property and Facilities Management	472.8	390.7	21	23.6	21.1	12
Consultancy	240.3	230.3	4	25.9	24.7	5
Investment Management	72.0	44.5	62	17.6	10.9	61
Unallocated cost	n/a	n/a	n/a	(11.3)	(12.2)	7
Total	1,445.9	1,283.5	13	135.8	121.4	12

Overall, our Commercial and Residential Transaction Advisory business revenues together represented 46% of Group revenue (2015: 48%). Of this, the Residential Transaction Advisory business represented 11% of Group revenue (2015: 12%). Our Property and Facilities Management businesses continued to perform well, growing overall revenue by 21% and represented 33% of Group revenue (2015: 30%). Our Consultancy businesses represented 16% of revenue (2015: 18%) where improved international performances were counter-balanced by a reduction in particular in development advisory work in the UK. The Investment Management business, in the first full year of our ownership of SEB Asset Management, achieved substantial growth in revenue and profit, to represent 5% of revenue (2015: 3.5%).

Transaction Advisory

2016 clearly demonstrated both the importance of having a breadth of transactional business around the world, and having resilience in the UK derived from our strong market position in all main real estate transactional markets/sectors. This enabled us largely to withstand the effect of the significant reductions in UK market activity associated with Brexit and derive our growth from the performance of our international transaction teams across the rest of the globe. Of particular note was the resurgence in our Continental European business and a very strong performance in China. The Savills Residential business also proved highly resilient in changeable markets. This, together with the effect of sterling weakness, resulted in the increase in revenue and profit delivered by our Transaction Advisory business as a whole. Revenue grew by 7% to £660.8m (2015: £618.0m) and underlying profit increased by 4% to £80.0m (2015: £76.9m).

The effect of lower commercial transactional volumes in the UK market and business development costs in the US slightly reduced the underlying profit margin of the Transaction Advisory business as a whole to 12.1% (2015: 12.4%).

UK Residential

Revenue in our UK Residential business declined by 3% to £124.4m (2015: £127.9m). In the second hand estate agency business, a very strong first quarter, as buyers rushed to beat the increased Stamp Duty on second homes, was followed by low trading volumes in advance of the Brexit Referendum at the end of June. Then a relatively quiet, but encouraging summer gave rise to a strong autumn selling season albeit with a slowing of transactions in December. Our strength in the top end of the market, benefiting from the weaker sterling, and share gains in the “Core” London market (prices in the range £0.75m - £1.5m) helped to protect the volume of our exchanges in London, which declined by 5% against larger declines in the volume of market activity overall. Outside London, we experienced a 7% increase in exchanges year-on-year. Our average selling price in London increased slightly to £2.9m (2015: £2.8m) primarily as a result of the weighting effect of an increase in sales of properties over £20m year-on-year. Meanwhile, outside London our average selling price remained unchanged at £1.1m.

Revenue from sales of new developments continued to increase during the year, ending up 7% on 2015 buoyed by continued strong interest in high quality developments in both the London and Country markets and good levels of stock availability. In our other residential transaction businesses, there was a reduction in traded volumes of UK farms and estates as the potential impact of Brexit weighed on expectations of agricultural subsidies. In addition, our Institutional residential transactions team saw a 30% decrease in activity compared with the record 2015 performance, largely due to lack of suitable sites for PRS investors.

During the year we opened new residential offices in Maida Vale and Primrose Hill, focusing on the Core London market.

Overall, the UK Residential Transaction Advisory business showed significant resilience recording a 2% decrease in underlying profits to £17.5m (2015: £17.8m).

Asia Pacific Residential

The Residential Transaction Advisory business in Asia is focused primarily on new development, secondary sales and leasing of prime properties in selected markets. It excludes mixed use developments, which are accounted for within the Commercial Transaction Advisory business. Overall, the Asia Pacific Residential business recorded a 25% increase in revenue to £38.1m (2015: £30.5m), up 13% in constant currency. Growth was principally driven by the performance of our operations in Mainland China, Vietnam and Hong Kong which, together with improved profits in Singapore, outweighed flat activity in Australia and Taiwan and continued weakness in the mid market segment in Singapore. In Australia the effect of some non-recurring reorganisation costs took the business there into loss for 2016.

The net effect of all these factors resulted in a 6% increase in underlying profit to £3.3m (2015: £3.1m), in line with prior year in constant currency.

Asia Pacific Commercial

The Asia Pacific Commercial business performed strongly in 2016, driven by improved revenue and profits in Mainland China, Australia and Singapore, which largely offset the impact of market volume related declines in Korea and Japan. In Mainland China the significant recruitment activity of our Investment sales team over the previous 18 months resulted in substantial revenue growth of over 50% from transactions concluded mainly in Southern China. In Australia the twin effects of historical recruitment and restructuring under new leadership resulted in a significant increase in transactional revenue through increased market share, particularly in Sydney, despite overall market trading volumes declining by over 15% year-on-year. In Singapore, the recruitment of a leading tenant representation team in 2015 and improved investment activity, helped to double our commercial transaction revenues year-on-year. Our investment market share in Hong Kong remained strong at over 50%. In Japan, our transactional revenues declined by 12% (29% in constant currency) against a backdrop of a 37% fall in overall market volumes.

Reported revenue rose by 16% to £129.7m (2015: £111.9m) which represented a 4% increase in constant currency.

The positive effect of sterling weakness offset business development and service expansion costs in the region, leading the Asia Pacific Commercial Transaction Advisory business to record a 26% increase in underlying profit to £20.6m (2015: £16.3m). This represented a 12% increase in constant currency.

UK Commercial

Revenue from UK commercial transactions decreased 13% to £86.0m (2015: £98.8m), reflecting a much stronger performance in the second half of the year. Overall this was a resilient performance in the context of a significant reduction in the volume of investment transactions in the UK market, which declined 28% year-on-year. The weakness of sterling after the Brexit Referendum began to catalyse international investor interest over the summer, although there being little distress among owners, there was a significant mismatch between demand and supply of stock. Since then, a large majority of the stock traded, particularly in central London has been acquired by overseas investors, particularly from Asia Pacific and the Middle East. These dynamics strongly favoured Savills, with our direct representation in both those markets and across the regional markets of the UK, consequently we picked up significant market share to lead the ranking of UK commercial acquisition advisers for 2016. In addition the leasing markets were generally characterised by lower levels of occupier demand as corporates took stock of the effect of the Brexit Referendum, the potential impacts of the Brexit negotiation, limited supply and rising rents.

The Central London leasing market saw a 21% reduction in take up of City offices year-on-year as occupiers elected to extend current leases pending greater certainty. The vacancy rate in the City rose to 5.7% against a backdrop of average rental increases of between 8% and 11% on the year. Take-up in the West End of London was down 9% on the total for 2015 at 3.9m sq ft, with new supply taking the vacancy rate up to 3.7% from below 3% a year earlier and average prime rents increased by circa 3%.

With less exposure to financial services tenants, our regional office businesses saw more resilient levels of take up over the year with overall take up circa 8% lower than 2015. The retail and logistics sectors, of which the latter showed record take up in 2016, provided greater resilience to our regional transactional businesses during the year.

Against the back drop of substantially declining market volumes the strength of Savills position in the domestic market and our international reach ensured that the underlying profit of the UK Commercial Transaction Advisory business only decreased by 13% to £14.7m (2015: £16.9m) with the margin stable at 17.1% (2015: 17.1%).

North America

During the year, we continued to build on our North American tenant representation platform, Savills Studley, through both recruitment and bolt-on acquisition. Our North American revenue grew by 10% to £211.1m (2015: £192.5m). In constant currency this equated to a year-on-year decline of 3% as corporate occupiers tended to hold off substantial or complex space decisions in advance of the US

Presidential Election. The pipeline of activity for 2017 shows a number of sizeable transactions deferred from 2016 which are expected to close in the current year.

We continued to grow our occupier services platform with the North American business contributing significantly to our global occupier services business, referring significant client projects to many parts of the Savills Asia Pacific, UK and European network.

In addition to occupier services, a number of cities such as, New York, Chicago, and Washington enjoyed strong performances during the year and offset the continued reduction in oil industry-related activity in our Texas offices.

Our North American business posted a 1% increase in underlying profit for the year to £18.9m (2015: £18.8m), an 11% decline in constant currency, primarily due to recruitment and business development costs incurred during the year.

Continental Europe

The Continental European Commercial Transaction Advisory business saw revenue increase by 27% to £71.5m (2015: £56.4m). In constant currency the increase was 14%. As the strength of transaction markets in Ireland over the last three years dissipated, Germany, France and the Netherlands all saw substantial increases in revenue from both investment and leasing/tenant representation. Newer teams in Italy and Poland also contributed significant performances.

During the year we continued to build on our Continental European platform with recruitment into investment, leasing and tenant representation services in Italy, the Netherlands, Poland and Belgium.

Despite these additional costs, the Continental European Transaction Advisory business recorded an increase in underlying profit of 25% to £5.0m (2015: £4.0m), up 3% in constant currency.

Property and Facilities Management

Our Property and Facilities Management businesses continued to perform well, growing revenue by 21% (13% in constant currency) to £472.8m (2015: £390.7m). Underlying profit increased by 12% to £23.6m (2015: £21.1m), up 5% in constant currency.

Asia Pacific

The Asia Pacific region grew revenue by 20% (8% in constant currency) to £273.8m (2015: £227.7m). The Property and Facilities Management business is a significant strength in the region, representing 57% of Savills Asia Pacific revenue and complementing our Transaction Advisory businesses in the region. The total square footage under management in the region was down 20% to approximately 1.4bn sq ft (2015: approximately 1.8bn sq ft), primarily due to developers taking the management of stalled development sites in-house. Revenue growth in Hong Kong, Japan and Korea offset marginal declines in Australia, Singapore, Thailand and Vietnam. In Hong Kong, which represented approximately 55% of Asia Pacific Property and Facilities Management revenue, the business grew revenue by 8% in local currency. Overall the underlying profit of the Asia Pacific Property Management business grew 15% (4% in constant currency) to £14.5m (2015: £12.6m).

UK

Overall, our UK Property Management teams, comprising Commercial, Residential and Rural, grew revenue by 19% to £158.9m (9% excluding acquisitions) (2015: £133.9m) as a result of the full year effect of the acquisition of Smiths Gore in May 2015 and the acquisition of GBR Phoenix Beard in August 2016, a leading firm in the Midlands. In addition, the Property Management business won some significant new contracts across the country. The Residential management business and the UK Commercial business together grew area under management by 32% to approximately 289m sq ft (2015: 218m sq ft). Our Residential Property Management businesses, including Lettings, increased revenue by 6%. The effect of expansion in our Rural and Energy Projects business and the costs of integrating the two acquisitions temporarily affected underlying profit, which grew 4% to £11.3m (2015: £10.9m).

Continental Europe

In Continental Europe revenue grew by 38% (23% in constant currency) to £40.1m (2015: £29.1m) with growth particularly in France, the Netherlands, Spain and Sweden. By the year end the total area under management had increased by 16% to 55.2m sq ft. Improvements in profitability in most locations were largely offset by expansion costs of Project Management in France and the Netherlands and business development costs in France and Poland. The net effect of these factors was a marginal improvement in the underlying loss for the year to £2.2m (2015: loss £2.4m).

Consultancy

Global Consultancy revenue increased by 4% to £240.3m (2015: £230.3m), 2% in constant currency and underlying profit grew by 5% to £25.9m (2015: £24.7m), 3% in constant currency.

UK

Consultancy revenue in the UK was broadly flat at £183.1m (2015: £182.8m). Strong performances in Hospitality and Leisure, Building and Project Consultancy, Planning and Professional and Finance Services were offset by reduced activity in Development, Rural and Energy Consultancy, each of which were affected by the uncertainty before and after the Brexit Referendum. Overall underlying profit from the UK Consultancy business increased by 2% to £22.2m (2015: £21.8m).

Asia Pacific

Revenue in the Asia Pacific Consultancy business increased by 22% to £37.9m (2015: £31.0m), 11% in constant currency. Singapore and Australia both grew valuation consultancy revenue significantly as a result of team recruitment in late 2015, with Vietnam, Korea and Taiwan contributing further growth. In Mainland China and Hong Kong, consultancy revenues were stable year-on-year. Underlying profit increased by 9% to £2.4m (2015: £2.2m) as the cost of recruitment increased and additional professional indemnity costs were incurred in Australia.

Continental Europe

Our Continental European Consultancy business, which principally comprises valuation and underwriting advisory services, saw revenue increase by 17% (5% in constant currency) to £19.3m (2015: £16.5m). There were stronger performances in Germany, France, Spain, Poland and the Netherlands in particular. Profitability was improved in all locations as the effect of uncovered recruitment costs from last year diminished. This led to an increase in underlying profit for the year of 86% (46% in constant currency) to £1.3m (2015: £0.7m).

Investment Management

2016 was a record year for Savills Investment Management which increased revenue by 62% (51% in constant currency) to £72.0m (2015: £44.5m). Assets Under Management ('AUM') decreased to €16.2bn (2015: €17.1bn), as the effect of liquidation distributions to unit holders in the former SEB German Open Ended Funds outweighed the €1.7bn of new capital raised in the year. During the year, transactions of approximately €5.1bn were executed on behalf of fund investors, equally divided between acquisitions and disposals. The SEB Asset Management business which was acquired in August 2015 was renamed Savills Fund Management during the year and substantially integrated with our existing business, but largely remained focused on the orderly dissolution of four German Open Ended Funds, which were in regulatory controlled wind down at the time of the acquisition. These funds achieved a larger volume of disposals of European, Asian and US assets during the year than we originally anticipated. This in turn contributed to the 61% improvement in underlying profit to £17.6m (2015: £10.9m), 47% in constant currency.

Summary

Overall in 2016, Savills delivered a record performance across the Group despite the geopolitical distractions in some of our markets. Growth in our overseas and Investment Management businesses together with a highly resilient performance in the UK were key to this result.

Our non-transactional operations and in particular our Investment Management business grew strongly while our global Transaction Advisory business produced a solid performance in variable conditions in many markets.

Financial review

Underlying profit margin

Underlying profit margin was stable at 9.4% (2015: 9.5%) with marginal reductions in the UK and North America, the latter due primarily to the effect of recruitment costs in advance of the delivery of revenue. These were largely offset by improvement in Continental Europe and Asia Pacific.

Taxation

The tax charge for the year reduced to £32.1m (2015: £33.7m) reflecting an effective tax rate on reported profits of 32.2% (2015: 34.2%). The improvement on the 2015 reported effective rate reflects a prior year tax credit adjustment. In both years, the Group's effective reported tax rate is higher than the UK effective rate of tax of 20.0% (2015: 20.25%), reflecting the geographic mix of profits and the effect of non-deductible acquisition costs. Of these, the most significant is the charge for employment-linked deferred consideration in respect of the 2014 acquisition of Studley Inc.

The underlying effective tax rate at 26.1% (2015: 28.3%), was lower, primarily because of the prior year tax credit adjustment.

Restructuring and acquisition-related costs

During the year the Group recognised a total of £34.5m in restructuring and acquisition-related costs (2015: £24.9m). These comprised an aggregate restructuring charge of £5.8m primarily in relation to the integration of the Smiths Gore and SEB acquisitions (2015: £1.6m) and acquisition-related costs of £28.7m (2015: £23.3m). These costs consist of £1.5m (2015: £2.8m) of transaction related costs and £3.9m in respect of Savills Investment Management's 2014 acquisition of Merchant Capital (Japan). In addition, there was a £23.3m (2015: £20.5m) charge for future consideration payments which are contingent on the continuity of recipients' employment in the future. This charge primarily relates to the 2014 acquisition of Studley.

These charges have been excluded from the calculation of underlying profit in line with Group policy.

Earnings per share

As a result of the restructuring and acquisition costs referred to above, basic earnings per share increased 4% to 48.8p (2015: 47.0p). Adjusted on a consistent basis for restructuring, acquisition-related costs, impairment charges, profits and losses on disposals, certain share-based payment adjustments and amortisation of acquired intangible assets (excluding software), underlying basic earnings per share increased by 15% to 72.5p (2015: 63.2p).

Fully diluted earnings per share increased by 3% to 47.7p (2015: 46.4p). The underlying fully diluted earnings per share increased by 14% to 71.0p (2015: 62.3p).

Cash resources, borrowings and liquidity

Year end gross cash and cash equivalents increased 23% to £223.6m (2015: £182.4m). This principally reflected improved profits during the period and currency gains on cash balances held in non sterling currencies.

Gross borrowings at year end increased to £35.8m (2015: £31.4m). These principally include £34.0m drawn under the Group's multi-currency revolving credit facility ('RCF').

Cash is typically retained in a number of subsidiaries in order to meet the requirements of commercial contracts or capital adequacy. In addition, cash in certain territories is retained to meet future growth requirements where to remit it would result in the Group suffering withholding taxes.

The Group's net inflow of cash is greater in the second half of the year. This is as a result of seasonality in trading and the major cash outflows associated with dividends, profit related remuneration payments and related payroll taxes in the first half. The Group cash inflow for the year from operating activities was £93.3m (2015: £122.0m). As much of the Group's revenue is transactional in nature, the Board's strategy is to maintain low levels of gearing, but retain sufficient credit facilities to enable it to meet cash requirements during the year and finance the majority of business development opportunities as they arise. The Group has a RCF of £250m, with an accordion facility of a further £50m, which expires on 15 December 2020.

Capital and shareholders' interests

During the year no new shares (2015: 0.7m) were issued to participants under the Performance Share Plan. 1.9m (2015: 1.9m) new shares were issued in the second of three instalments of deferred consideration for the acquisition of Studley. 1.9m shares remain to be issued on 30 May 2017. In accordance with IFRS, all EPS measures for the year include the dilutive effect of this future obligation. The total number of ordinary shares in issue at 31 December 2016 was 139.8m (2015: 137.9m).

Savills Pension Scheme

The funding level of the Savills Pension Scheme, which is closed to future service-based accrual, deteriorated during the year as a result of a reduction in long-term interest rates on the rate at which liabilities are discounted. The plan deficit at the year end amounted to £40.8m (2015: £15.8m).

Net assets

Net assets as at 31 December 2016 were £407.0m (2015: £365.0m). This movement reflected increased tangible assets, receivables and cash balances derived from the Group's trading performance, the effect of acquisitions and the impact of sterling weakness against all major currencies.

Foreign currency

The Group operates internationally and is exposed to foreign exchange risks. As both revenue and costs in each location are generally denominated in the same currency, transaction related risks are relatively low and generally associated with intra group activities. Consequently, the overriding foreign currency risk relates to the translation of overseas profits and losses into sterling on consolidation. The Group does not actively seek to hedge risks arising from foreign currency translations due to their non-cash nature. In a period when sterling weakened against all major currencies, the net impact of foreign exchange rate movements was material representing a £90.6m increase in revenue (2015: £12.5m increase) and an increase of £9.0m in underlying profit (2015: £1.3m increase).

Savills plc
Consolidated income statement
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
Revenue	2	1,445.9	1,283.5
Less:			
Employee benefits expense		(953.5)	(858.1)
Depreciation		(12.7)	(11.2)
Amortisation of intangible assets		(6.9)	(5.7)
Other operating expenses		(382.7)	(321.3)
Other operating income		2.5	1.1
Profit on disposal of joint ventures and associates		0.5	2.9
Loss on disposal of available-for sale investments		(0.4)	-
Operating profit		92.7	91.2
Finance income		1.6	1.8
Finance costs		(2.4)	(1.3)
		(0.8)	0.5
Share of post-tax profit from joint ventures and associates		7.9	6.9
Profit before income tax		99.8	98.6
Comprising:			
- underlying profit before tax	2, 3	135.8	121.4
- restructuring and acquisition-related costs	3	(34.5)	(24.9)
- other underlying adjustments	3	(1.5)	2.1
		99.8	98.6
Income tax expense	4	(32.1)	(33.7)
Profit for the year		67.7	64.9
Attributable to:			
Owners of the parent		66.9	64.3
Non-controlling interests		0.8	0.6
		67.7	64.9
Earnings per share			
Basic earnings per share	6(a)	48.8p	47.0p
Diluted earnings per share	6(a)	47.7p	46.4p
Underlying earnings per share			
Basic earnings per share	6(b)	72.5p	63.2p
Diluted earnings per share	6(b)	71.0p	62.3p

Savills plc
Consolidated statement of comprehensive income
for the year ended 31 December 2016

	2016	2015
	£m	£m
Profit for the year	67.7	64.9
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit pension scheme obligation	(35.2)	(3.5)
Tax on items that will not be reclassified	7.2	0.7
Total items that will not be reclassified to profit or loss	(28.0)	(2.8)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value (loss)/gain on available-for-sale investments	(0.6)	0.4
Currency translation differences	52.6	4.2
Tax on items that may be reclassified	(0.7)	2.5
Total items that may be reclassified subsequently to profit or loss	51.3	7.1
Other comprehensive income for the year, net of tax	23.3	4.3
Total comprehensive income for the year	91.0	69.2
Total comprehensive income attributable to:		
Owners of the parent	90.0	68.6
Non-controlling interests	1.0	0.6
	91.0	69.2

Savills plc
Consolidated statement of financial position
at 31 December 2016

	Note	2016 £m	2015 £m
Assets: Non-current assets			
Property, plant and equipment		59.7	57.0
Goodwill		309.8	269.9
Intangible assets		29.2	25.4
Investments in joint ventures and associates		28.9	26.7
Deferred income tax assets		36.5	33.4
Available-for-sale investments		20.8	13.2
Retirement benefits		-	1.3
Derivative financial instruments		0.1	-
Non-current receivables		9.6	4.6
		494.6	431.5
Assets: Current assets			
Work in progress		5.3	5.7
Trade and other receivables		419.4	374.2
Current income tax receivable		4.3	1.2
Derivative financial instruments		0.2	0.1
Cash and cash equivalents		223.6	182.4
		652.8	563.6
Liabilities: Current liabilities			
Borrowings	10	35.8	31.4
Derivative financial instruments		0.3	0.2
Trade and other payables		550.2	455.7
Current income tax liabilities		17.5	12.0
Employee benefit obligations		9.2	7.3
Provisions for other liabilities and charges		10.2	8.8
		623.2	515.4
Net current assets		29.6	48.2
Total assets less current liabilities		524.2	479.7
Liabilities: Non-current liabilities			
Trade and other payables		44.9	69.0
Retirement and employee benefit obligations		57.0	27.3
Provisions for other liabilities and charges		11.7	15.7
Deferred income tax liabilities		3.6	2.7
		117.2	114.7
Net assets		407.0	365.0
Equity: Capital and reserves attributable to owners of the parent			
Share capital		3.5	3.4
Share premium		91.1	91.1
Shares to be issued		11.3	22.9
Other reserves		103.9	39.1
Retained earnings		195.8	207.8
		405.6	364.3
Non-controlling interests		1.4	0.7
Total equity		407.0	365.0

Savills plc
Consolidated statement of changes in equity
for the year ended 31 December 2016

Attributable to owners of the parent

	Share capital £m	Share premium £m	Shares to be issued £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2016	3.4	91.1	22.9	39.1	207.8	364.3	0.7	365.0
Profit for the year	-	-	-	-	66.9	66.9	0.8	67.7
<i>Other comprehensive income/(loss):</i>								
Remeasurement of defined benefit pension scheme obligation	-	-	-	-	(35.2)	(35.2)	-	(35.2)
Fair value loss on available-for- sale investments	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Tax on items directly taken to reserves	-	-	-	-	6.5	6.5	-	6.5
Currency translation differences	-	-	-	52.4	-	52.4	0.2	52.6
Total comprehensive income for the year	-	-	-	51.8	38.2	90.0	1.0	91.8
<i>Transactions with owners:</i>								
Employee share option scheme:								
- Value of services provided	-	-	-	-	13.4	13.4	-	13.4
Purchase of treasury shares	-	-	-	-	(23.2)	(23.2)	-	(23.2)
Shares issued	0.1	-	(11.6)	11.6	-	0.1	-	0.1
Dividends	-	-	-	-	(35.4)	(35.4)	(0.9)	(36.3)
Transfer between reserves	-	-	-	1.4	(1.4)	-	-	-
Transactions with non-controlling interests	-	-	-	-	(3.6)	(3.6)	0.6	(3.0)
Balance at 31 December 2016	3.5	91.1	11.3	103.9	195.8	405.6	1.4	407.0

Attributable to owners of the parent

	Share capital £m	Share premium £m	Shares to be issued £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
Balance at 1 January 2015	3.4	90.1	34.9	22.5	178.6	329.5	0.8	330.8
Profit for the year	-	-	-	-	64.3	64.3	0.6	64.9
<i>Other comprehensive income/(loss):</i>								
Remeasurement of defined benefit pension scheme obligation	-	-	-	-	(3.5)	(3.5)	-	(3.5)
Fair value gain on available-for- sale investments	-	-	-	0.4	-	0.4	-	0.4
Tax on items directly taken to reserves	-	-	-	-	3.2	3.2	-	3.2
Currency translation differences	-	-	-	4.2	-	4.2	-	4.2
Total comprehensive income for the year	-	-	-	4.6	64.0	68.6	0.6	69.2
<i>Transactions with owners:</i>								
Employee share option scheme:								
- Value of services provided	-	-	-	-	11.1	11.1	-	11.1
Purchase of treasury shares	-	-	-	-	(14.9)	(14.9)	-	(14.9)
Shares issued	-	1.0	(12.0)	12.0	-	1.0	-	1.0
Dividends	-	-	-	-	(30.3)	(30.3)	(0.4)	(30.7)
Transactions with non-controlling interests	-	-	-	-	(0.7)	(0.7)	(0.3)	(1.0)
Balance at 31 December 2015	3.4	91.1	22.9	39.1	207.8	364.3	0.7	365.0

Savills plc
Consolidated statement of cash flows
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	7	117.8	140.5
Interest received		1.6	2.0
Interest paid		(1.3)	(0.6)
Income tax paid		(24.8)	(19.9)
Net cash generated from operating activities		93.3	122.0
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.2	0.2
Proceeds from sale of available-for-sale investments		5.1	-
Proceeds from sale of interests in joint ventures and associates		2.0	5.3
Dividends received from joint ventures and associates		7.5	4.8
Repayment of loans by joint ventures		1.2	-
Acquisition of subsidiaries, net of net borrowings acquired	9	(4.4)	(24.4)
Deferred consideration paid in relation to current and prior year acquisitions		(6.8)	(40.3)
Purchase of property, plant and equipment		(12.8)	(20.0)
Purchase of intangible assets		(4.7)	(1.7)
Purchase of investment in joint ventures, associates and available-for-sale investments		(12.6)	(6.0)
Net cash used in investing activities		(25.3)	(82.1)
Cash flows from financing activities			
Proceeds from issue of share capital		0.1	1.0
Proceeds from borrowings		144.6	139.3
Repayments of borrowings		(141.2)	(112.0)
Purchase of own shares for Employee Benefit Trust		(23.2)	(14.9)
Purchase of non-controlling interests	8	(3.3)	(1.0)
Proceeds from disposal of non-controlling interests	8	0.3	-
Dividends paid	5	(36.3)	(30.7)
Net cash used in financing activities		(59.0)	(18.3)
Net increase in cash, cash equivalents and bank overdrafts		9.0	21.6
Cash, cash equivalents and bank overdrafts at beginning of year		182.2	158.1
Effect of exchange rate fluctuations on cash held		32.2	2.5
Cash, cash equivalents and bank overdrafts at end of year		223.4	182.2

NOTES

1. Basis of preparation

The results for the year ended 31 December 2016 have been extracted from the audited financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information in this statement does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2016, 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 IFRS 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 ended to 31 December 2016	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
Revenue						
United Kingdom						
- commercial	86.0	145.3	130.4	25.9	-	387.6
- residential	124.4	37.8	28.5	-	-	190.7
Total United Kingdom	210.4	183.1	158.9	25.9	-	578.3
Continental Europe	71.5	19.3	40.1	39.7	-	170.6
Asia Pacific						
- commercial	129.7	37.9	273.8	6.4	-	447.8
- residential	38.1	-	-	-	-	38.1
Total Asia Pacific	167.8	37.9	273.8	6.4	-	485.9
North America	211.1	-	-	-	-	211.1
Revenue	660.8	240.3	472.8	72.0	-	1,445.9
Underlying profit/(loss) before tax						
United Kingdom						
- commercial	14.7	16.3	8.7	6.4	(11.3)	34.8
- residential	17.5	5.9	2.6	-	-	26.0
Total United Kingdom	32.2	22.2	11.3	6.4	(11.3)	60.8
Continental Europe	5.0	1.3	(2.2)	9.4	-	13.5
Asia Pacific						
- commercial	20.6	2.4	14.5	1.8	-	39.3
- residential	3.3	-	-	-	-	3.3
Total Asia Pacific	23.9	2.4	14.5	1.8	-	42.6
North America	18.9	-	-	-	-	18.9
Underlying profit/(loss) before tax	80.0	25.9	23.6	17.6	(11.3)	135.8

Year ended to 31 December 2015	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
Revenue						
United Kingdom						
- commercial	98.8	138.3	107.1	16.7	-	360.9
- residential	127.9	44.5	26.8	-	-	199.2
Total United Kingdom	226.7	182.8	133.9	16.7	-	560.1
Continental Europe	56.4	16.5	29.1	27.8	-	129.8
Asia Pacific						
- commercial	111.9	31.0	227.7	-	-	370.6
- residential	30.5	-	-	-	-	30.5
Total Asia Pacific	142.4	31.0	227.7	-	-	401.1
North America	192.5	-	-	-	-	192.5
Revenue	618.0	230.3	390.7	44.5	-	1,283.5
Underlying profit/(loss) before tax						
United Kingdom						
- commercial	16.9	15.4	9.2	4.3	(12.2)	33.6
- residential	17.8	6.4	1.7	-	-	25.9
Total United Kingdom	34.7	21.8	10.9	4.3	(12.2)	59.5
Continental Europe	4.0	0.7	(2.4)	6.6	-	8.9
Asia Pacific						
- commercial	16.3	2.2	12.6	-	-	31.1
- residential	3.1	-	-	-	-	3.1
Total Asia Pacific	19.4	2.2	12.6	-	-	34.2
North America	18.8	-	-	-	-	18.8
Underlying profit/(loss) before tax	76.9	24.7	21.1	10.9	(12.2)	121.4

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board (GEB). The GEB assesses the performance of operating segments based on a measure of underlying profit before tax which adjusts reported pre-tax profit by profit/(loss) on disposals, share-based payment adjustment, significant restructuring costs, acquisition-related costs, amortisation of acquired intangible assets (excluding software) and impairments.

The Other segment includes costs and other expenses at holding company and subsidiary levels, which are not directly attributable to the operating activities of the Group's business segments.

A reconciliation of underlying profit before tax to reported profit before tax is provided in Note 3.

3. Underlying profit before tax

The Directors seek to present a measure of underlying performance which is not impacted by exceptional items or items considered non-operational in nature. This measure is described as 'underlying' and is used by management to assess and monitor performance.

	2016	2015
	£m	£m
Reported profit before tax	99.8	98.6
Adjustments:		
Amortisation of acquired intangible assets (excluding software)	4.0	3.6
Share-based payment adjustment	(2.4)	(2.8)
Net profit on disposal of available-for-sale investments, joint ventures and associates	(0.1)	(2.9)
Restructuring costs	5.8	1.6
Acquisition-related costs	28.7	23.3
Underlying profit before tax	135.8	121.4

The adjustment for share-based payments 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 above addresses this by adding to or deducting from profit the difference between the IFRS 2 charge in relation to outstanding bonus-related share awards and the estimated value of the current year bonus pool to be awarded in deferred shares. This adjustment is made in order to better match the underlying staff cost in the year with the revenue recognised in the same period.

Net profit on disposal includes £0.5m recognised in relation to the disposal of the Group's joint venture interest in Savills Solar Ltd and a loss on disposal of £0.4m in relation to the disposal of the Group's available-for-sale investment, Cordea Savills Italian Opportunities Fund 2.

Acquisition-related costs include £18.4m of provisions for the future payments in relation to the acquisition of Studley, Inc. which are expensed through the income statement to reflect the requirement for the recipients to remain actively engaged in the business at the payment date. Acquisition-related costs also include £3.9m for payments in relation to Savills Investment Management's acquisition of Merchant Capital (Japan) in May 2014, and £1.5m of transaction related costs and £4.9m of provisions for future payments relating to acquisitions in the United Kingdom (primarily GBR Phoenix Beard and Smiths Gore), North America and Continental Europe.

Restructuring costs includes costs of integration activities in relation to significant business acquisitions (primarily Smiths Gore in the United Kingdom and Savills Investment Management's acquisition of SEB).

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.

	2016	2015
	£m	£m
United Kingdom		
- Current tax	14.1	13.2
- Deferred tax	(3.3)	(1.4)
Foreign tax		
- Current tax	16.1	14.7
- Deferred tax	5.2	7.2
Income tax expense	32.1	33.7

5. Dividends

	2016 £m	2015 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend for 2015 of 8.0p per share (2014: 7.25p)	10.7	9.4
Supplemental interim dividend for 2015 of 14.0p per share (2014: 12.0p)	18.8	15.6
Interim dividend of 4.4p per share (2015: 4.0p)	5.9	5.3
	35.4	30.3

In addition, the Group paid £0.9m (2015: £0.4m) of dividends to non-controlling interests.

The Board recommends a final dividend of 10.1p (net) per ordinary share (amounting to £13.5m) is paid, alongside the supplemental interim dividend of 14.5p per ordinary share (amounting to £19.5m), to be paid on 15 May 2017 to shareholders on the register at 18 April 2017. These financial statements do not reflect this dividend payable.

The total paid and recommended ordinary and supplemental dividends for the 2016 financial year comprises an aggregate distribution of 29.0p per ordinary share (2015: 26.0p per ordinary share).

6(a). Basic and diluted earnings per share

	2016 Earnings £m	2016 Shares million	2016 EPS pence	2015 Earnings £m	2015 Shares million	2015 EPS pence
Year to 31 December						
Basic earnings per share	66.9	137.2	48.8	64.3	136.8	47.0
Effect of additional shares issuable under option	-	3.0	(1.1)	-	1.9	(0.6)
Diluted earnings per share	66.9	140.2	47.7	64.3	138.7	46.4

6(b). Underlying basic and diluted earnings per share

	2016 Earnings £m	2016 Shares million	2016 EPS pence	2015 Earnings £m	2015 Shares million	2015 EPS pence
Year to 31 December						
Basic earnings per share	66.9	137.2	48.8	64.3	136.8	47.0
- Amortisation of acquired intangible assets (excluding software) after tax	2.2	-	1.6	2.0	-	1.5
- Share-based payment adjustment after tax	(1.8)	-	(1.3)	(2.2)	-	(1.6)
- Net profit on disposal of available-for-sale investments joint ventures and associates after tax	-	-	-	(1.9)	-	(1.4)
- Restructuring costs after tax	4.7	-	3.4	1.5	-	1.1
- Acquisition related costs after tax	27.5	-	20.0	22.7	-	16.6
Underlying basic earnings per share	99.5	137.2	72.5	86.4	136.8	63.2
Effect of additional shares issuable under option	-	3.0	(1.5)	-	1.9	(0.9)
Underlying diluted earnings per share	99.5	140.2	71.0	86.4	138.7	62.3

7. Cash generated from operations

	2016	2015
	£m	£m
Profit for the year	67.7	64.9
Adjustments for:		
Income tax (Note 4)	32.1	33.7
Depreciation	12.7	11.2
Amortisation of intangible assets	6.9	5.7
Net profit on disposal of available-for-sale investments, joint ventures and associates	(0.1)	(2.9)
Net finance cost/(income)	0.8	(0.5)
Share of post-tax profit from joint ventures and associates	(7.9)	(6.9)
Decrease in employee and retirement obligations	(6.3)	(5.5)
Exchange movements on operating activities	2.4	(0.8)
Decrease in provisions	(3.0)	(2.8)
Charge for share-based compensation	13.4	11.1
Operating cash flows before movements in working capital	118.7	107.2
Decrease/(increase) in work in progress	0.3	(0.9)
Increase in trade and other receivables	(17.1)	(47.3)
Increase in trade and other payables	15.9	81.5
Cash generated from operations	117.8	140.5

8. Transactions with non-controlling interests

During the year, the Group undertook the following transactions with non-controlling interests:

(a) Acquisitions of additional interest in subsidiaries

Under IFRS 10, transactions with non-controlling interests must be accounted for as equity transactions, therefore no goodwill has been recognised. Acquisition costs related to these transactions were not significant.

In August 2016, the Group acquired the remaining 45% of the shares in Savills Property Management Pte Ltd (Singapore), for consideration of £2.8m. This takes the Group's shareholding to 100%. The carrying amount of the subsidiary's net assets on the date of acquisition was £0.4m. The Group recognised a decrease in non-controlling interest of £0.2m. The amount charged to retained earnings in respect of the transaction was £2.6m.

In September 2016, the Group acquired the remaining 2% of the shares in Savills (Vietnam) Ltd for consideration of £0.5m. This takes the Group's shareholding to 100%. The carrying amount of the subsidiary's net assets on the date of acquisition was £1.3m. The Group recognised a decrease in non-controlling interest of £nil. The amount charged to retained earnings in respect of the transaction was £0.5m.

(b) Disposal of interests in subsidiaries

In September 2016, the Group disposed of 15% of the shares in Savills Investment Management SGR S.p.A for cash consideration of £0.3m. The carrying amount of the subsidiary's net assets on the date of disposal was £3.6m. The Group recognised an increase in non-controlling interest of £0.5m. The amount charged to retained earnings in respect of this transaction was £0.2m.

(c) Other transactions with non-controlling interests

The Group acquired the remaining 0.72% of the shares in Savills (Aust) Holdings Pty Ltd taking the Group's shareholding to 100%, £0.3m has been charged to retained earnings with a corresponding increase in non-controlling interest to reflect the 100% shareholding.

	2016 £m
Net carrying amount of non-controlling interests acquired/(disposed)	(0.3)
Net consideration (paid)/received to/from non-controlling interests	(3.0)
Net excess of consideration (paid)/received recognised in parent's equity	(3.3)
Other transactions with non-controlling interests	(0.3)
Total charge to parent's equity in relation to transactions with non-controlling interests in the year	(3.6)

9. Acquisition of subsidiaries

The fair values of the assets acquired and liabilities assumed are provisional and will be finalised within 12 months of the acquisition date. These are summarised below:

	Provisional fair value to the Group		
	GBR Phoenix Beard £m	Other £m	Total £m
Property, plant and equipment	0.1	-	0.1
Intangible assets	3.2	0.4	3.6
Current assets: Trade and other receivables	1.2	-	1.2
Cash and cash equivalents	0.4	-	0.4
Total assets	4.9	0.4	5.3
Current liabilities: Trade and other payables	2.2	0.1	2.3
Current income tax liability	0.1	-	0.1
Borrowings	0.7	-	0.7
Deferred income tax liabilities	0.6	-	0.6
Net assets acquired	1.3	0.3	1.6
Goodwill	2.5	1.9	4.4
Purchase consideration	3.8	2.2	6.0
Consideration satisfied by:			
Net cash paid	3.8	0.3	4.1
Deferred consideration owing at reporting date	-	1.9	1.9
	3.8	2.2	6.0

(a) GBR Phoenix Beard Holdings Limited ('GBR Phoenix Beard')

On 12 August 2016 the Group acquired 100% of GBR Phoenix Beard, a leading West Midlands property agent with offices in Birmingham, London and Leeds. The business provides commercial management and consultancy services and will strengthen the Group's presence in the Midlands region and contribute to the growth of the UK consultancy business.

Total acquisition consideration is provisionally determined at £3.8m and was settled in cash on completion.

The selling shareholders will also receive £1.0m payable in instalments by the fifth anniversary of completion, subject to remaining actively engaged in the business at the payment date. Additionally, earn-out consideration of up to £5.2m is also payable in instalments by the fourth anniversary of completion and is subject to achievement of certain income targets, as well as remaining actively engaged with the business at the payment date. Further to this, £0.2m was paid to key employees on completion with a further £0.3m payable on the third anniversary of completion. As required by IFRS 3 (revised) these payments are charged to the income statement over the relevant period of active engagement (2016: £1.1m).

Transaction costs of £0.3m were also expensed as incurred to the income statement.

Goodwill of £2.5m and intangible assets of £3.2m relating to existing management contracts have been provisionally determined. Goodwill is attributed to the experience, reputation and expertise of the fee earners and is not expected to be deductible for tax purposes.

The acquired business contributed revenue of £4.6m and underlying operating profit of £0.3m to the Group for the period from acquisition to 31 December 2016. Had the acquisition been made at the beginning of the financial year, revenue would have been £14.8m and underlying operating profit would have been £0.9m.

The fair value of current trade and other receivables is £1.2m and includes trade receivables with a fair value of £0.8m. The gross contractual amount for trade receivables is £0.9m, of which £0.1m is expected to be uncollectible.

(b) Other acquisitions

During the year, the Group also acquired the trade and assets of Cresa Partners Charlotte, Inc., a US based commercial brokerage firm in the North Carolina region and the trade and assets of Chainbow Ltd, a residential management business based in London specialising in both management and consultancy services to the block management and private rented sector.

Cash consideration for these transactions amounted to £0.3m. The remainder of the acquisition consideration relates to the discounted value of deferred consideration of up to £1.9m, subject to achievement of certain income targets.

A further £4.2m is payable to certain key staff and is subject to service conditions, £2.8m was paid at closing and £1.4m is payable in June 2017. As required by IFRS 3 (revised) these payments are expensed to the income statement over the relevant period of employment.

Transaction costs of £0.2m were also expensed as incurred to the income statement.

Goodwill of £1.9m and intangible assets of £0.4m relating to management and customer contracts have been provisionally determined. Goodwill is attributable to the experience and expertise of key staff and strong industry reputation and is not expected to be deductible for tax purposes.

The acquired businesses contributed revenue of £1.8m and underlying operating losses of £0.2m to the Group for the period from acquisition to 31 December 2016. Had the acquisitions been made at the beginning of the financial year, revenue would have been £2.9m and underlying operating losses would have been £0.5m.

10. Borrowings

	2016	2015
Current	£m	£m
Bank overdrafts	0.2	0.2
Unsecured bank loans due within one year or on demand	35.6	31.2
	35.8	31.4

The Group maintains a £250.0m revolving credit facility ('RCF'), which expires on 15 December 2020 and can be increased by an additional £50.0m Accordion facility. As at 31 December 2016 £34.0m (2015: £30.0m) of the £250.0m RCF was drawn.

The Group has the following undrawn borrowing facilities:

	2016	2015
	£m	£m
Floating rate		
- expiring within one year or on demand	23.2	19.8
- expiring between 1 and 5 years	216.0	220.0
	239.2	239.8

11. Related party transactions

There were no significant related party transactions during the year. All related party transactions take place on an arm's-length basis under the same terms as those available to other customers in the ordinary course of business.

As at 31 December 2016, loans outstanding to joint ventures amounted to £nil (2015: £1.2m).

12. Contingent liabilities

In common with comparable professional services businesses, the Group is involved in a number of disputes in the ordinary course of business. Provision is made in the financial statements for all claims where costs are likely to be incurred and represents the cost of defending and concluding claims. The Group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the Group.

13. Events after the balance sheet date

Cresa Partners Orange County, LP

On 7 February 2017, the Group acquired 100% of the equity interest in Cresa Partners Orange County, LP, for total consideration of US\$19.0m.

An exercise to determine total acquisition consideration and the fair value of the assets acquired and liabilities assumed is underway.

Directors' responsibility statement

The Savills Report and Accounts for year end 31 December 2016 contains a responsibility statement in the following form:

Each of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic 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.

For the purposes of Section 418 of the Companies Act 2006, each of the Directors as at the date of the approval of the Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the External 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 External Auditors are aware of that information.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

On behalf of the Board

Jeremy Helsby
Group Chief Executive

Chris Lee
Group Legal Director and Company Secretary

22 March 2017

Forward-looking statements

The financial information contained in this announcement has not been audited. Certain statements made in this announcement are forward-looking statements and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations.

Copies of the Annual Report and Accounts for the year ended 31 December 2016 will be circulated to shareholders on 3 April 2017 and will also be available from the investor relations section of the Company website at www.savills.com or from:

Savills plc, 33 Margaret Street, London, W1G 0JD
Telephone: 020 7499 8644

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

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