

15 March 2012

**Savills plc**  
**(“Savills” or “the Group”)**

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2011

**Savills plc, the international real estate advisor, today announces a strong performance across the Group despite the anticipated slowdown in transaction volumes in Asia and difficult economic conditions in parts of Continental Europe**

Key financial highlights

- Group revenue up 7% to £721.5m (2010: £677.0m)
- Underlying Group profit before tax\* up 7% to £50.4m (2010: £47.3m)
- Group profit before tax up 9% to £40.0m (2010: £36.8m)
- Total Dividend for the year up 4%. Final ordinary and supplementary interim dividends total 10.35 pence per share (2010: 10p) taking the total dividend for the year to 13.5 pence per share (2010: 13p)

\* calculated on a consistent basis in accordance with note 5 to the preliminary statement

Operational highlights

- Continued strength in prime residential property; UK Residential transaction profits up 11% driven by strength in London
- Significant increase in revenue (+14%) and profit (+16%) from Global Property and Facilities Management business with a 23% increase in total area under management
- Profits in Mainland China (Ex. Hong Kong) increase by 43% to £7.3m (2010: £5.1m)
- Significant profit growth (+38%) at Cordea Savills, the Fund Management business
- Market share gains in Hong Kong and UK Commercial despite the reduced transaction market activity and consequential reduction in profits
- Sustained improvement in performance from transaction business in the United States
- New management team in Continental Europe took further restructuring action
- Completion of several complementary acquisitions of businesses and teams to further extend service and geographic offering

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

*“I am pleased to report a strong performance overall by Savills in variable global markets in 2011. Our positions in London and Asia, in both the Residential and Commercial markets, and a strong and growing non-transactional business provided the platform for this performance. Added to this, the relative recovery in our US business and strong profit growth in Cordea Savills enabled us to withstand the challenges in Continental Europe. We remain focused on reducing our losses in Continental Europe while at the same time supporting expansion in the core markets of France and Germany. Challenging markets can provide attractive expansion opportunities and we have been able to open additional offices in London, Germany, China, and the East and West Coast markets of the US.*

*We continued to progress our strategy, investing in both our transactional and non-transactional businesses through targeted recruitment and selective acquisitions as well as developing our brand strength as leading advisers in the Commercial and Prime Residential markets.*

*2012 has started well albeit that we anticipate a continuation of challenging transaction market conditions in the first half, with greater market confidence emerging to improve financial performance during the second half of the year. We anticipate further recovery in the US, relative stability in the prime Central London Residential and Commercial businesses and continued growth in Fund Management. In Asia, we expect a somewhat reduced volume of transactions but the impact of this should be largely mitigated by further growth in China and in our non-transactional businesses across the region. In Continental Europe it is not yet possible to see through to a sustained recovery; however, assuming the macro-economic situation remains largely unchanged, we expect to improve performance in the region in the current year.*

*Subject to unforeseen circumstances, we anticipate performing in line with expectations for the full year.”*

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Peter Hewer

**There will be an analyst presentation today at 9.00am at UBS, 1 Finsbury Avenue, London EC2M 2PP**

**Online interview with Jeremy Helsby, Group CEO will be available from 12:00 noon today at [www.savills.com](http://www.savills.com)**

## **Chairman's statement**

The Group's underlying profit before tax for the year increased by 7% to £50.4m (2010: £47.3m), on revenue which improved by 7% to £721.5m (2010: £677.0m). The Group's reported profit before tax increased by 9% to £40.0m (2010: £36.8m).

## **Overview**

2011 showed the strength of Savills position in the prime markets of the world's key cities and the benefits of the diversification strategy we have pursued in recent years. Our Residential Transaction Advisory revenue grew 11% primarily through the strength of our London business. The principal Commercial markets in which we operate experienced a strong first half. However, as we had long anticipated, markets in Asia, particularly Hong Kong, weakened in the final quarter resulting in lower profits from our Transactional businesses in the region. Our less volatile businesses comprising Property and Facilities Management, Consultancy and Fund Management continued to grow well. The performance of these businesses, whose combined revenue grew 12% to £443m (2010: £397m), enabled the Group to increase profits despite the effect of reduced transaction volumes in the year.

In Continental Europe the economic uncertainty reversed much of the optimism that had characterised the first six months in the core markets of Germany and France. As we do not expect a quick recovery in these markets, in the fourth quarter we implemented further restructuring of our Southern European businesses whilst, at the same time, continuing to invest in the core European cities.

Cordea Savills, the Group's Fund Management business, further improved performance throughout its European platform raising capital, winning some high quality mandates and increasing profits by 38%.

## **Business Development**

The industry saw significant consolidation activity during the year. Over the last decade, Savills strategy has been to bolt smaller acquisitions on to our strong core business, and we continue to implement this approach. Accordingly, during the year we made a number of acquisitions to improve our service or geographical offering to clients. These included the acquisition of Thomas Davidson & Partners, a UK Agency focused on the retail sector in London, Stadsmuren A.B. and Loudden A.B., property, project and facilities management businesses in Sweden, CKH Strata Property Management Limited in Singapore and in the UK, the London Planning Practice. These, together with the recruitment of individuals and small teams, complement our existing activities well. They inevitably have an impact on short term profitability but represent investment in future growth. Since the year end Cordea Savills has acquired an asset management business in Germany and we have further strengthened our Central London investment advisory business through the acquisition of Gresham Down Capital Partners LLP.

As part of our strategy to reshape the business for the long term, in April we announced the sale of the majority of our interest in Savills Private Finance Limited, the leading UK mortgage broker. Renamed SPF Private Clients Ltd., the business is majority owned by its management team, with Savills retaining an investment of 19.99%.

## **Dividends**

An initial interim dividend of 3.15p (net) per share (2010: 3.0p) amounting to £3.9m was paid on 25 October 2011, and an ordinary final dividend of 6.35p (2010: 6.0p) is recommended, making the ordinary dividend 9.5p for the year (2010: 9.0p). In addition, a supplemental interim dividend of 4p (2010: 4p) is 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 13.5p per share representing an increase of 4% on the 2010 aggregate dividend of 13p. The final ordinary dividend of 6.35p per ordinary share will, subject to shareholders' approval at the Group's Annual General Meeting on 9 May 2012, be paid alongside the supplemental interim dividend of 4p per share on 14 May 2012 to shareholders on the register at 10 April 2012.

## **Board and Governance**

Following the reorganisation of the Board and the Group Executive Board in 2010, the last twelve months has been a period in which the reorganised structure has bedded down well and has developed a strong modus operandi. During the second half of the year we commenced the search for two new non-executive directors. We announced in August that Tim Freshwater would join the Board and, since the year end we have announced that Clare Hollingsworth has agreed to join the Board in April. The Board is already benefiting from Tim's experience of Asian markets and Clare's knowledge of the service sector will add a further dimension to our discussions.

Tim Ingram, our Senior Independent Director, who joined the Board in 2002, will be retiring at the Annual General Meeting on 9 May 2012. Tim has been an important contributor to the growth and governance of Savills and we thank him for his wisdom and experience over the past ten years. Following Tim's retirement, Martin Angle will become the Senior Independent Director.

The Board believes that its directors and the Group's management team should reflect the diversity of Savills international business and that both are representative of the Group's culture and the markets in which we operate. We will continue to appoint those whose skills and experience we believe will make a real contribution to the continuing success of Savills.

### **People**

On behalf of the Board, I wish to express my thanks to all our people worldwide for their hard work, commitment and continued focus on client service enabling the Group to deliver a strong set of results in variable markets.

### **Outlook**

2012 has started well but we anticipate a continuation of challenging transaction market conditions in the first half, with greater market confidence emerging to improve financial performance during the second half of the year.

We anticipate further recovery in the US, relative stability in the prime Central London Residential and Commercial businesses and continued growth in Fund Management. In Asia, we expect a somewhat reduced volume of transactions but the impact of this should be largely mitigated by further growth in China and in our non-transactional businesses across the region. In Continental Europe it is not yet possible to see through to a sustained recovery however, assuming the macro-economic situation remains largely unchanged, we expect to improve performance in the region in the current year.

Subject to unforeseen circumstances, we anticipate performing in line with expectations for the full year.

*Peter Smith*  
*Chairman*

## Review of Operations

The strength of our key Commercial and Residential market positions underpinned a strong performance for Savills in 2011. We had anticipated a reduction in the volume of market activity in the second half of the year, so it was gratifying to see Group revenue grow to £721.5m (2010: £677.0m), 7% ahead of the previous year.

Our Asia Pacific business delivered an excellent performance overall against the back drop of slowing transaction markets. The London prime residential business continued to build upon its outstanding performance of 2010 and the UK Commercial business increased market share despite reduced transaction volumes in the market. The US business continued to show evidence of recovery and Cordea Savills, our fund management company, grew significantly. In Continental Europe, where our business is significantly transactional, markets were challenging during the second half of the year. As a result of this we suffered increased losses in the region. Despite this, the strength of the Group enabled us to increase our underlying profit before tax ('underlying profit') by 7% to £50.4m (2010: £47.3m). On a statutory basis, profit before tax increased 9% to £40.0m (2010: £36.8m).

Savills geographic and business diversity were the key to achieving this result. Despite a reduction in transaction volumes in a number of the Asian markets in which we operate, our dynamic Asia Pacific business continued to represent over 41% of Group revenue (2010: 41%) thanks to growth in our substantial non-transactional businesses, particularly Property and Facilities Management. Our overseas businesses as a whole represented over 51% of Group revenue (2010: 51%). The continued strength of international demand for prime residential property resulted in our Residential Agency growing to 16% of total revenue (2010: 15%). The value of our Residential brand and market position allied to our commercial offerings in the leading markets of the world are reflected in these results.

Our Prime Commercial and Residential Transaction business revenues represented together just over 38% of Group revenue (2010: 40%) despite the second half slow down in commercial volumes in Hong Kong, the UK and Continental Europe.

Our Property and Facilities Management businesses continued to perform well and now represent just below 39% of revenue (2010: 36%). Consultancy remained stable at 20% of Revenues (2010: 20%).

## Segmental Reviews

<b>Transaction Advisory</b>	<b>2011</b>	<b>2010</b>	
<b>Revenue £m</b>	<b>275.3</b>	<b>270.7</b>	<b>+2%</b>
<b>Underlying profit before tax £m</b>	<b>24.2</b>	<b>30.8</b>	<b>-21%</b>

In many markets 2011 represented two contrasting halves, the first half characterised by good transaction volume growth; the second half by falling levels of activity, particularly in Hong Kong and Continental Europe. Our strength in certain core markets enabled Savills to increase market share despite lower volumes.

### UK Residential

The Prime Residential market, where Savills is a market leader, continued to perform strongly, particularly in Prime Central London which has increasingly come to be seen by international investors as a store of value in turbulent economic conditions. The Residential Transaction Advisory business increased revenue by 9% to £95.0m (2010: £86.8m) primarily as a result of a strong performance from the London market which, being more dependent on equity funding and overseas buyers, is less affected by the state of the mortgage market. In the broader market the availability of mortgage finance remained a significant obstacle for buyers and transaction volumes reflected this. Despite the recovery in prime residential markets since 2008, we have yet to see significant movement from London to the Home Counties. In the fourth quarter, we started to see signs that owners were beginning to consider such a move again, prompted by the relative purchasing power they now enjoy thanks to London's strength over the last two years. At the beginning of 2012, the prime Central London postcodes continue to be in strong demand with multiple cash buyers for each home. Assuming there is no significant adjustment to property taxation, we do not currently see any particular reason for this to change. During the year we opened new offices in Mayfair, St John's Wood and Chelsea and we have a number of new offices scheduled to open in London in 2012 and 2013.

Our New Homes business had another very strong year with significant Central London developments such as One Hyde Park performing well. The Residential Transaction Advisory business as a whole recorded an 11% increase in underlying profit to £14.8m (2010: £13.3m).

## **UK Commercial**

Revenue from UK Commercial transactions remained broadly level at £47.9m (2010: £48.2m). This performance was in line with the market which saw volumes marginally down year-on-year. Trading conditions in the first part of the year remained strong, but deteriorated through the second half, with market volumes in the fourth quarter down 26% year-on-year. London continued to be the focal point driven by overseas investment interest in both prime retail and office properties. However the market slowed substantially at the end of the year prompted by the Euro crisis and the lack of demand in the City occupier market. In contrast, our regional UK Investment and Retail businesses enjoyed improved conditions compared with the previous year.

Taking advantage of variable market conditions and potential distress among some of its competitors, the UK Commercial business made some significant hires of sector specialists together with some small acquisitions. This had a short term impact on profitability which resulted in Transaction Advisory profits falling to £4.6m (2010: £7.7m). The benefit of this investment in new teams, including the post year end acquisition of Gresham Down, will be felt in future periods.

## **Asia Pacific Commercial**

Against a backdrop of falling market volumes in Hong Kong and Singapore, the Asia Pacific Transaction Advisory business had a somewhat stronger year than we anticipated. Revenue fell by 6%, in comparison to the record revenue earned in 2010, to £80.2m (2010: £85.5m). On a constant currency basis this represented a reduction of 7% year-on-year. The Hong Kong market saw a decline in volume in line with our expectations. However our business successfully increased its leading market share.

At the start of 2012 we have seen some significant deal activity. However, we still expect transaction volumes in Hong Kong to decline during the first half as the lack of debt availability for commercial investment continues to have an adverse effect on demand.

In mainland China, our business continued to grow strongly with Transaction Advisory revenue increasing by over 36% year-on-year thanks in part to the ongoing investment in our retail and office leasing teams. Our businesses in Australia, Singapore, Vietnam and South Korea all showed revenue growth over the previous year. Overall, the Asia Pacific Commercial Transaction Advisory business recorded a 16% decline in underlying profit to £11.2m (2010: £13.4m) reflecting the decline in revenue. The decrease in underlying profit in constant currency was 14%.

## **Asia Pacific Residential**

The Residential Transaction Advisory business in Asia is focused primarily on new developments and secondary sales and leasing of prime properties in the region. It excludes mixed use developments, which represent a significant proportion of the region's development and are accounted for within the Commercial Transaction Advisory business. Overall the Asia Pacific residential business grew revenue by 18% to £19.9m (2010: £16.9m) which reflected a strong first half followed by the anticipated reduction in transaction volumes in Hong Kong and Singapore due in part to fiscal measures imposed by their respective Governments. The Group's Global Residential initiative necessitated expansion and start up costs in Australia which, together with initial losses in the new Kowloon Tong office, caused a short term decrease of 12% in underlying profit for the region to £3.8m (2010: £4.3m).

## **Continental European Commercial**

The Continental European Commercial business saw revenue decline by 14% to £26.0m (2010: £30.2m). In constant currency the underlying decrease was 15%. This reflected the lack of confidence which emerged in most European markets in the second half of 2011. In France, Transaction Advisory revenue was up year-on-year, boosted by significant investment particularly in our leasing teams. Germany and Ireland were relatively flat in comparison to 2010 and other territories saw declines of between 10% and 50%. In the fourth quarter Germany's performance, which had been strong in the first half, swiftly declined prompted by economic uncertainty and the fact that the German banks had materially reduced lending into the sector. Having already been through two years of restructuring, we made further cuts in Italy, Spain and the Netherlands, giving rise to a small restructuring charge and impairment provision. The European Transaction business experienced underlying losses of £8.8m (2010: £4.3m loss). The Continental European business is an important part of the Savills international network and enables us to serve client needs around the world. It is illustrative of its importance to us that one of the largest transactions undertaken in New York in 2011 was on behalf of a Spanish client. As capital flows increasingly into real estate from many different parts of the world we expect to see more of this type of activity over time.

At the start of 2012, it is difficult to see any improvement in Continental European markets, which we anticipate will remain tough throughout the year until more certainty emerges at a macro-economic level. However we do expect to reduce losses in the region in 2012.

### US Commercial

The revenue of our New York based Investment Advisory business increased by 100% (constant currency: 113%) to £6.3m (2010: £3.1m). US transaction markets continued to show recovery through the first half as the CMBS financing market became more active. The second half was more muted as the Euro crisis caused the debt markets to stall. There was however, an increased interest in Prime East Coast opportunities from international investors, a trend we expect to continue in 2012. We have continued to invest in the business, making some significant hires in cross border advisory and the hospitality sector and opening offices in Washington and on the West Coast. This investment resulted in the underlying loss of £1.4m which nevertheless represented a significant improvement on the prior year (2010: £3.6m loss).

Consultancy	2011	2010	
Revenue £m	143.4	134.2	+7%
Underlying profit before tax £m	12.6	10.6	+19%

Our Consultancy business improved its performance in markets characterised by continued pressure on fees and the high costs of professional indemnity insurance.

### UK Consultancy

Revenue from UK consultancy services increased by 10% to £107.4m (2010: £97.5m). Our Valuations team grew revenue despite continued fee pressure and profitability was improved through a marginal reduction in new insurance provisions year-on-year. Our Housing Investment Consultancy and Building Consultancy teams performed in line with our expectations despite cuts in public sector expenditure. Our Planning business benefited from the acquisition of the London Planning Practice in the summer and had a much improved pipeline going into 2012. Overall, underlying profit from the UK Consultancy business increased by 20% to £10.9m (2010: £9.1m).

### Asia Pacific Consultancy

Revenue in the Asia Pacific Consultancy business declined by 5% to £24.9m (2010: £26.3m) primarily relating to the discontinuation of unprofitable business. This improved underlying profit by 13% to £1.8m (2010: £1.6m) and put the business in a stronger position for the future.

### Continental European Consultancy

Our Continental European Consultancy business, which principally comprises valuation services, faced increasing challenges through the year as European banks limited their lending, particularly in Germany, the Netherlands and Spain. Revenue improved by 7% to £11.1m (2010: £10.4m), principally through recruitment in France and Sweden and through an increase in activity in the Irish banking sector. Overall losses in the European Consultancy business remained flat at £0.1m (2010: loss £0.1m).

Property and Facilities Management	2011	2010	
Revenue £m	278.6	243.7	+14%
Underlying profit before tax £m	16.7	14.4	+16%

Our Property and Facilities Management businesses continued to perform strongly, growing revenue by 14% and underlying profit by 16% in competitive markets. This business continues to provide Savills with a strong recurring revenue stream with relatively low volatility.

### UK Property Management

Overall our UK Property Management teams, comprising Commercial, Residential and Rural, grew revenue by 7% to £77.8m (2010: £72.4m). The core UK Commercial Property Management business benefited from its expansionary moves of the previous year with some significant contract wins and revenue growth of 7%. In addition, we made investments in our IT systems and administrative functions to support the next phase of growth. The UK Commercial business grew its area under management by 45% to approximately 113m sq ft (2010: 78m sq ft). Our Residential and Rural Estate Management business marginally increased revenue year-on-year. Overall the net effect of revenue growth and investment in the UK business improved underlying profit by 12% to £6.5m (2010: £5.8m).

### Asia Pacific Property Management

Overall the business grew revenue by 14% to £172.4m (2010: £151.0m). The Property and Facilities Management business is a significant strength for Savills in Asia, complementing our Transaction Advisory businesses in the region. The total square footage under management in the region was up 23% to approximately 1.2bn sq ft (2010: 0.98bn sq ft). We acquired an interest in CKH Strata Property Management in Singapore during the year, which enhanced our property management business there for the future. The business withstood the effect of the introduction of minimum wage legislation in Hong Kong and wage inflation in China, however these costs, together with losses in Thailand, restricted growth in underlying profit which increased by 5% to £10.9m (2010: £10.4m). We start 2012 better positioned across the region.

### Continental European Property Management

In Continental Europe revenue grew by 40% to £28.4m (2010: £20.3m), primarily through the acquisition of Stadsmuren and Loudden, property, project and facilities management businesses, in Sweden. This, together with the termination of unprofitable contracts reduced the underlying loss for the year to £0.7m (2010: loss £1.8m). By the year end the total area under management had reduced to 45m sq ft (2010: 49m sq ft) which reflects the disposal of our Hamburg property management business Theodor Schone GmbH. Looking ahead, our European Property Management business remains relatively small, but is now better positioned to win profitable instructions.

Fund Management	2011	2010	
Revenue £m	20.8	19.0	+10%
Underlying profit before tax £m	4.7	3.4	+38%

Cordea Savills revenue increased by 10% to £20.8m (2010: £19.0m), primarily as a result of an 18% increase in management fees. Assets under management ("AUM") nominally increased by 3% to €3.4bn (2010: €3.3bn). The net impact of new funds invested substantially outweighed the negative effect on revenue of Cordea resigning from a number of historic investment mandates, representing AUM of approximately €180m, at uneconomic levels of management fee. On a like-for-like basis, AUM improved by 9% over the year. The enhanced revenue improved the pre-tax profit margin to over 22% (2010: 18%) and increased underlying profits by 38% to £4.7m (2010: £3.4m). Fund inflows continued to progress well, both into Cordea's flagship open ended funds (The Charities Property Fund, UK Income and Growth Fund and Euro Commercial Fund), and also by commitments to segregated investment mandates, much of which will be invested in the coming periods. In January 2012 we acquired International Property Asset Management GmbH ("IPAM") in Germany. This takes our AUM in Germany to c. Euro 1 billion supported by offices in Munich, Hamburg, Dusseldorf and Stuttgart. This acquisition, together with current potential fund launches and mandates under discussion, positions Cordea Savills well for future growth.

### Financial Review

#### Underlying profit margin

Underlying profit margin at 7.0% remains in line with last year reflecting principally the effect of increased Consultancy, Property Management and Fund Management profits, offset by increased losses within our Continental European transaction business.

#### Net interest

Net finance income in the year was £0.1m (2010: £1.0m expense). With continuing low interest rates this primarily reflects efficiencies in treasury management and the continued reduction in gross debt outstanding.

#### Taxation

The tax charge for the year increased to £13.2m (2010: £11.7m), largely reflecting the movement in profits and the effect of share price movements on allowances related to share based incentive schemes. The effective tax rate was 33.0% (2010: 31.8%). This is greater than the standard UK rate of corporation tax primarily as a result of the effect of non-deductible expenses and impairment charges. The underlying effective tax rate was 28.6% (2010: 27.7%).

#### Restructuring and Goodwill

In the fourth quarter, the Group's Continental European business underwent further restructuring. This, together with some branch closures, gave rise to an aggregate restructuring charge of £1.9m (2010: £nil) on the closure of certain offices including those in Rome and Barcelona. At the year end, an impairment

review established that an aggregate charge of £5.4m (2010: £4.4m) was necessary the majority of which provided for the excess carrying value of goodwill in our Italian and Spanish businesses. Each of these had been substantially affected by the Euro sovereign debt crisis, which focused significantly on these southern European economies.

### **Earnings per share**

Basic earnings per share were 21.5p (2010: 20.5p). Adjusting on a consistent basis for restructuring costs and impairment charges, profits and losses on disposals, share-based payment charges and amortisation of intangible assets, underlying basic earnings per share increased 4% to 29p (2010: 27.9p).

Fully diluted earnings per share were 20.9p (2010: 19.8p). The underlying fully diluted earnings per share increased by 4% to 28.2p (2010: 27.0p).

### **Cash resources, borrowings and liquidity**

Year end gross cash and cash equivalents decreased 18% to £80.0m (2010: £97.2m) reflecting working capital movements, an increase in capital expenditure during the period and the costs of bolt-on acquisitions and strategic recruitment.

Gross borrowings at year end reduced to £6.4m (2010: £10.3m). These included £3.9m in respect of the US Dollar term loan, taken out to finance the acquisition of Savills US in 2007 and £1.2m in overdrafts. 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 necessitate the Group suffering withholding taxes.

The Group's cash flow profile is biased towards 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 and related payroll taxes in the first half. The Group cash inflow for the year from operating activities was £35.7m (2010: £68.4m), primarily as a result of higher profit related remuneration payments in 2011 than in 2010, which reflected the Group's improved profits in 2010 compared with 2009. 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 business development opportunities as they arise. During the year the Group's £50m revolving credit facility was renewed for a further three years to 31 March 2014. At the year end the Group had undrawn facilities, including overdrafts of £63.5m (2010: £65.6m).

### **Savills pension scheme**

In common with most defined benefit schemes, the funding level of the Savills pension scheme, which is closed to future service-based accrual, deteriorated during the year as a result of the effect of long term interest rates on the rate at which liabilities are discounted. This step change in the valuation of long term liabilities was only partially mitigated by increased contributions and investment returns within the year. The Plan deficit at year end amounted to £35.6m (2010: £22.3m).

### **Net assets**

Net assets as at 31 December 2011 were £204.4m (2010: £209.1m). This movement reflected temporary fair value adjustments on available for sale investments and the actuarial loss on the Pension scheme of £20.3m, net of retained profits.

### **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 and the high costs associated with such hedging. The net impact of foreign exchange rate movements in 2011 was a £3.1m increase in revenue and a decrease of £0.1m in underlying profit (2010: £1.1m increase).

**SAVILLS plc**  
**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
<b>Revenue</b>	<b>2</b>	721.5	677.0
<b>Less:</b>			
Employee benefits expense		(458.8)	(437.6)
Depreciation		(7.1)	(6.6)
Amortisation and impairment of goodwill and intangible assets		(9.1)	(8.1)
Other operating expenses		(213.4)	(188.3)
Other operating income		0.5	0.3
Profit/(loss) on disposal of subsidiaries, joint venture and available-for-sale investment		2.3	(0.1)
<b>Operating profit</b>		<b>35.9</b>	<b>36.6</b>
Finance income		1.4	1.2
Finance costs		(1.3)	(2.2)
		0.1	(1.0)
Share of post-tax profit from associates and joint ventures		4.0	1.2
<b>Profit before income tax</b>		<b>40.0</b>	<b>36.8</b>
Income tax expense	<b>3</b>	(13.2)	(11.7)
<b>Profit for the year</b>		<b>26.8</b>	<b>25.1</b>
<b>Attributable to:</b>			
Owners of the Company		26.5	25.0
Non-controlling interests		0.3	0.1
		26.8	25.1
<b>Earnings per share</b>			
Basic earnings per share	<b>6(a)</b>	21.5p	20.5p
Diluted earnings per share	<b>6(a)</b>	20.9p	19.8p
<b>Underlying earnings per share</b>			
Basic earnings per share	<b>6(b)</b>	29.0p	27.9p
Diluted earnings per share	<b>6(b)</b>	28.2p	27.0p

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2011

	2011	2010
	£m	£m
Profit for the year	26.8	25.1
<b>Other comprehensive income</b>		
Fair value loss on available-for-sale investments	(0.9)	(0.3)
Actuarial (loss)/gain on defined benefit pension scheme	(20.3)	10.5
Tax on items relating to components of other comprehensive income	5.0	(2.1)
Currency translation differences	0.1	4.8
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(16.1)</b>	<b>12.9</b>
<b>Total comprehensive income for the year</b>	<b>10.7</b>	<b>38.0</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	10.4	37.8
Non-controlling interests	0.3	0.2
	<b>10.7</b>	<b>38.0</b>

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2011**

	Notes	2011 £m	2010 £m
<b>Assets: Non-current assets</b>			
Property, plant and equipment		18.4	17.7
Goodwill		135.6	134.3
Intangible assets		16.9	19.6
Investments in associates and joint ventures		13.8	11.6
Deferred income tax assets		29.4	25.5
Available-for-sale investments		14.4	14.2
Non-current receivables		3.0	-
		<b>231.5</b>	<b>222.9</b>
<b>Assets: Current assets</b>			
Work in progress		4.2	3.6
Trade and other receivables		191.2	179.2
Current income tax receivable		0.8	2.4
Derivative financial instruments		0.1	-
Cash and cash equivalents		80.0	97.2
		<b>276.3</b>	<b>282.4</b>
<b>Liabilities: Current liabilities</b>			
Borrowings	<b>9</b>	6.3	6.3
Derivative financial instruments		0.1	0.1
Trade and other payables		208.7	209.9
Current income tax liabilities		6.7	6.6
Employee benefit obligations		6.7	4.7
Provisions for other liabilities and charges		11.1	7.8
		<b>239.6</b>	<b>235.4</b>
<b>Net current assets</b>		<b>36.7</b>	<b>47.0</b>
<b>Total assets less current liabilities</b>		<b>268.2</b>	<b>269.9</b>
<b>Liabilities: Non-current liabilities</b>			
Borrowings	<b>9</b>	0.1	4.0
Derivative financial instruments		-	0.4
Trade and other payables		9.0	16.8
Retirement and employee benefit obligations		43.1	29.0
Provisions for other liabilities and charges		9.5	7.8
Deferred income tax liabilities		2.1	2.8
		<b>63.8</b>	<b>60.8</b>
<b>Net assets</b>		<b>204.4</b>	<b>209.1</b>
<b>Equity: Capital and reserves attributable to owners of the Company</b>			
Share capital		3.3	3.3
Share premium		85.3	84.0
Other reserves		23.6	24.2
Retained earnings		93.4	98.9
		<b>205.6</b>	<b>210.4</b>
<b>Non-controlling interests</b>		<b>(1.2)</b>	<b>(1.3)</b>
<b>Total equity</b>		<b>204.4</b>	<b>209.1</b>

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2011**

	Attributable to owners of the Group						
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
<b>Balance at 1 January 2011</b>	<b>3.3</b>	<b>84.0</b>	<b>24.2</b>	<b>98.9</b>	<b>210.4</b>	<b>(1.3)</b>	<b>209.1</b>
Profit for the year	-	-	-	26.5	26.5	0.3	<b>26.8</b>
Other comprehensive income/(loss):							
Fair value loss on available-for-sale investments	-	-	(0.9)	-	(0.9)	-	<b>(0.9)</b>
Actuarial loss on defined benefit pension scheme	-	-	-	(20.3)	(20.3)	-	<b>(20.3)</b>
Tax on items directly taken to reserves	-	-	0.2	4.8	5.0	-	<b>5.0</b>
Currency translation differences	-	-	0.1	-	0.1	-	<b>0.1</b>
Total comprehensive income/(loss) for the year	-	-	(0.6)	11.0	10.4	0.3	<b>10.7</b>
Transactions with owners:							
Employee share option scheme:							
- Value of services provided	-	-	-	11.3	11.3	-	<b>11.3</b>
Purchase of treasury shares	-	-	-	(10.1)	(10.1)	-	<b>(10.1)</b>
Issue of share capital	-	1.3	-	-	1.3	-	<b>1.3</b>
Dividends	-	-	-	(16.3)	(16.3)	(0.6)	<b>(16.9)</b>
Non-controlling interest arising on business combination	-	-	-	-	-	0.5	<b>0.5</b>
Transactions with non-controlling interests	-	-	-	(1.4)	(1.4)	(0.1)	<b>(1.5)</b>
<b>Balance at 31 December 2011</b>	<b>3.3</b>	<b>85.3</b>	<b>23.6</b>	<b>93.4</b>	<b>205.6</b>	<b>(1.2)</b>	<b>204.4</b>

Attributable to owners of the Group

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interests £m	Total equity £m
<b>Balance at 1 January 2010</b>	<b>3.3</b>	<b>83.0</b>	<b>19.6</b>	<b>91.2</b>	<b>197.1</b>	<b>0.6</b>	<b>197.7</b>
Profit for the year	-	-	-	25.0	25.0	0.1	<b>25.1</b>
Other comprehensive income/(loss):							
Fair value loss on available-for-sale investments	-	-	(0.3)	-	(0.3)	-	<b>(0.3)</b>
Actuarial gain on defined benefit pension scheme	-	-	-	10.5	10.5	-	<b>10.5</b>
Tax on items directly taken to reserves	-	-	0.2	(2.3)	(2.1)	-	<b>(2.1)</b>
Currency translation differences	-	-	4.7	-	4.7	0.1	<b>4.8</b>
Total comprehensive income for the year	-	-	4.6	33.2	37.8	0.2	<b>38.0</b>
Transactions with owners:							
Employee share option scheme:							
- Value of services provided	-	-	-	11.3	11.3	-	<b>11.3</b>
Purchase of treasury shares	-	-	-	(11.2)	(11.2)	-	<b>(11.2)</b>
Issue of share capital	-	1.0	-	-	1.0	-	<b>1.0</b>
Dividends	-	-	-	(11.0)	(11.0)	(1.1)	<b>(12.1)</b>
Transactions with non-controlling interests	-	-	-	(14.6)	(14.6)	(1.0)	<b>(15.6)</b>
<b>Balance at 31 December 2010</b>	<b>3.3</b>	<b>84.0</b>	<b>24.2</b>	<b>98.9</b>	<b>210.4</b>	<b>(1.3)</b>	<b>209.1</b>

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	<b>7</b>	47.1	78.2
Interest received		1.1	0.7
Interest paid		(1.0)	(1.3)
Income tax paid		(11.5)	(9.2)
<b>Net cash generated from operating activities</b>		<b>35.7</b>	<b>68.4</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		0.2	0.3
Proceeds from sale of joint venture and available-for-sale investments		2.0	-
Cash outflow in relation to disposal of subsidiaries, net of cash disposed	<b>8(b)</b>	(1.4)	-
Dividends received from joint ventures and associates		1.9	3.0
Repayment of loans by associates and joint ventures		0.7	0.5
Loans to associates and joint ventures		(2.3)	(0.3)
Acquisition of subsidiaries, net of cash acquired	<b>8(a)</b>	(7.2)	(8.3)
Deferred consideration paid in relation to prior year acquisitions		(1.3)	(4.0)
Purchase of property, plant and equipment		(9.2)	(5.5)
Purchase of intangible assets		(1.2)	(1.7)
Purchase of investment in associates, joint ventures and available-for-sale investments		(2.0)	(1.2)
<b>Net cash used in investing activities</b>		<b>(19.8)</b>	<b>(17.2)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		1.3	1.0
Proceeds from borrowings		29.5	26.0
Purchase of own shares for Employee Benefit Trust		(10.1)	(11.2)
Purchase of non-controlling interests	<b>8(c)</b>	(1.5)	(8.9)
Deferred consideration paid to non-controlling interests in relation to prior year acquisitions		(2.4)	-
Repayments of borrowings		(33.8)	(32.1)
Dividends paid		(16.9)	(12.1)
<b>Net cash used in financing activities</b>		<b>(33.9)</b>	<b>(37.3)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>(18.0)</b>	<b>13.9</b>
Cash, cash equivalents and bank overdrafts at beginning of year		96.5	80.9
Effect of exchange rate fluctuations on cash held		0.3	1.7
<b>Cash, cash equivalents and bank overdrafts at end of year</b>		<b>78.8</b>	<b>96.5</b>

## NOTES

### 1. Basis of preparation

The results for the year ended 31 December 2011 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 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 2011, 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

<b>2011</b>	Trans- action Advisory £m	Consult- ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Other £m	Total £m
<b>Revenue</b>						
United Kingdom						
- Commercial	47.9	79.5	60.3	20.8	0.6	209.1
- Residential	95.0	27.9	17.5	-	2.8	143.2
<b>Total United Kingdom</b>	<b>142.9</b>	<b>107.4</b>	<b>77.8</b>	<b>20.8</b>	<b>3.4</b>	<b>352.3</b>
Continental Europe	26.0	11.1	28.4	-	-	65.5
Asia Pacific						
- Commercial	80.2	24.9	172.4	-	-	277.5
- Residential	19.9	-	-	-	-	19.9
<b>Total Asia Pacific</b>	<b>100.1</b>	<b>24.9</b>	<b>172.4</b>	<b>-</b>	<b>-</b>	<b>297.4</b>
America	6.3	-	-	-	-	6.3
<b>Total revenue</b>	<b>275.3</b>	<b>143.4</b>	<b>278.6</b>	<b>20.8</b>	<b>3.4</b>	<b>721.5</b>
<b>Underlying profit/(loss) before tax</b>						
United Kingdom						
- Commercial	4.6	7.8	4.3	4.7	(8.1)	13.3
- Residential	14.8	3.1	2.2	-	0.3	20.4
<b>Total United Kingdom</b>	<b>19.4</b>	<b>10.9</b>	<b>6.5</b>	<b>4.7</b>	<b>(7.8)</b>	<b>33.7</b>
Continental Europe	(8.8)	(0.1)	(0.7)	-	-	(9.6)
Asia Pacific						
- Commercial	11.2	1.8	10.9	-	-	23.9
- Residential	3.8	-	-	-	-	3.8
<b>Total Asia Pacific</b>	<b>15.0</b>	<b>1.8</b>	<b>10.9</b>	<b>-</b>	<b>-</b>	<b>27.7</b>
America	(1.4)	-	-	-	-	(1.4)
<b>Underlying profit/(loss) before tax</b>	<b>24.2</b>	<b>12.6</b>	<b>16.7</b>	<b>4.7</b>	<b>(7.8)</b>	<b>50.4</b>

<b>2010</b>	Trans- action Advisory £m	Consult- ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Other £m	Total £m
<b>Revenue</b>							
United Kingdom							
- Commercial	48.2	73.2	56.2	19.0	0.7	-	197.3
- Residential	86.8	24.3	16.2	-	8.7	-	136.0
<b>Total United Kingdom</b>	<b>135.0</b>	<b>97.5</b>	<b>72.4</b>	<b>19.0</b>	<b>9.4</b>	<b>-</b>	<b>333.3</b>
Continental Europe	30.2	10.4	20.3	-	-	-	60.9
Asia Pacific							
- Commercial	85.5	26.3	151.0	-	-	-	262.8
- Residential	16.9	-	-	-	-	-	16.9
<b>Total Asia Pacific</b>	<b>102.4</b>	<b>26.3</b>	<b>151.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>279.7</b>
America	3.1	-	-	-	-	-	3.1
<b>Total revenue</b>	<b>270.7</b>	<b>134.2</b>	<b>243.7</b>	<b>19.0</b>	<b>9.4</b>	<b>-</b>	<b>677.0</b>
<b>Underlying profit/(loss) before tax</b>							
United Kingdom							
- Commercial	7.7	6.4	3.9	3.4	(1.1)	(8.0)	12.3
- Residential	13.3	2.7	1.9	-	(0.8)	(2.0)	15.1
<b>Total United Kingdom</b>	<b>21.0</b>	<b>9.1</b>	<b>5.8</b>	<b>3.4</b>	<b>(1.9)</b>	<b>(10.0)</b>	<b>27.4</b>
Continental Europe	(4.3)	(0.1)	(1.8)	-	-	-	(6.2)
Asia Pacific							
- Commercial	13.4	1.6	10.4	-	-	-	25.4
- Residential	4.3	-	-	-	-	-	4.3
<b>Total Asia Pacific</b>	<b>17.7</b>	<b>1.6</b>	<b>10.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29.7</b>
America	(3.6)	-	-	-	-	-	(3.6)
<b>Underlying profit/(loss) before tax</b>	<b>30.8</b>	<b>10.6</b>	<b>14.4</b>	<b>3.4</b>	<b>(1.9)</b>	<b>(10.0)</b>	<b>47.3</b>

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Board.

Following the disposal of Savills Private Finance Limited, the financial services business is now shown within Other. These results were previously reported as a separate segment for information purposes only as it did not meet the quantitative thresholds to be a reportable segment as required by IFRS 8. This adds £2.9m of revenue and £0.3m of underlying profit to Other for the year ended 31 December 2011.

For 2011, the Other segment includes Savills Private Finance Limited up to the date of disposal, as well as 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. In comparative periods, Other excludes financial services.

A reconciliation of underlying profit before tax to profit before tax is provided in Note 5.

### 3. 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.

	2011	2010
	£m	£m
United Kingdom		
- Current tax	11.7	10.0
- Deferred tax	(2.8)	(4.3)
Foreign tax		
- Current tax	6.2	6.3
- Deferred tax	(1.9)	(0.3)
	13.2	11.7

### 4. Dividends

	2011	2010
	£m	£m
Amounts recognised as distribution to owners in the year:		
Ordinary final dividend for 2010 of 6.0p per share	7.4	-
Supplemental interim dividend for 2010 of 4.0p per share	5.0	-
Interim dividend of 3.15p per share (2010: 3.0p)	3.9	3.7
Second interim dividend for 2009 of 6.0p per share	-	7.3
	16.3	11.0

The Board recommends a final dividend of 6.35p (net) per ordinary share (amounting to £7.8m) is paid, alongside the supplemental interim dividend of 4p per ordinary share (amounting to £5.0m), to be paid on 14 May 2012 to shareholders on the register at 10 April 2012. These financial statements do not reflect this dividend payable.

### 5. Underlying profit before tax

	2011	2010
	£m	£m
Reported profit before income tax	40.0	36.8
<b>Adjustments:</b>		
Amortisation of intangibles (excluding software)	2.6	2.7
Impairment of goodwill and intangible assets	5.4	4.4
Impairment of investment in associate	2.0	-
Share-based payment adjustment	0.8	3.3
Restructuring costs	1.9	-
(Profit)/loss on disposal of subsidiaries, joint venture and available-for-sale investment	(2.3)	0.1
Underlying profit before tax	50.4	47.3

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

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 above addresses this by adding to or deducting from profit the difference between the IFRS 2 charge and the effective value of the annual share award in order better to match the underlying staff costs in the year with the revenue recognised in the same period.

**6(a). Basic and diluted earnings per share**

	2011 Earnings £m	2011 Shares million	2011 EPS pence	2010 Earnings £m	2010 Shares million	2010 EPS pence
Basic earnings per share	26.5	123.3	21.5	25.0	122.2	20.5
Effect of additional shares issuable under option	-	3.4	(0.6)	-	4.2	(0.7)
Diluted earnings per share	26.5	126.7	20.9	25.0	126.4	19.8

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

	2011 Earnings £m	2011 Shares million	2011 EPS pence	2010 Earnings £m	2010 Shares million	2010 EPS pence
Basic earnings per share	26.5	123.3	21.5	25.0	122.2	20.5
Amortisation of intangibles (excluding software) after tax	2.1	-	1.7	2.1	-	1.7
Impairment of goodwill and intangible assets after tax	5.4	-	4.4	4.4	-	3.6
Impairment of investment in associate after tax	2.0	-	1.6	-	-	-
Share-based payment adjustment after tax	0.6	-	0.5	2.5	-	2.1
Restructuring costs after tax	1.4	-	1.2	-	-	-
(Profit)/loss on disposal of subsidiaries, joint venture and available-for-sale investment after tax	(2.3)	-	(1.9)	0.1	-	-
Underlying basic earnings per share	35.7	123.3	29.0	34.1	122.2	27.9
Effect of additional shares issuable under option	-	3.4	(0.8)	-	4.2	(0.9)
Underlying diluted earnings per share	35.7	126.7	28.2	34.1	126.4	27.0

<b>7. Cash generated from operations</b>	2011	2010
	£m	£m
Profit for the year	26.8	25.1
Adjustments for:		
Income tax (Note 3)	13.2	11.7
Depreciation	7.1	6.6
Amortisation of intangible assets	3.7	3.7
Loss on sale of property, plant and equipment	0.3	-
Impairment of goodwill and intangible assets	5.4	4.4
(Profit)/loss on disposal of subsidiaries, joint venture and available-for-sale investment	(2.3)	0.1
Net finance (income)/expense	(0.1)	1.0
Share of post-tax profit from associates and joint ventures	(4.0)	(1.2)
Decrease in employee and retirement obligations	(3.5)	(3.6)
Exchange movement on operating activities	(0.2)	0.1
Increase in provisions	4.2	5.8
(Credit)/charge for defined benefit pension scheme	(1.0)	0.9
Impairment of associated undertaking and available-for-sale investment included within operating income	2.0	0.3
Charge for share-based compensation	11.3	11.3
Operating cash flows before movements in working capital	62.9	66.2
Increase in work in progress	(0.6)	(0.7)
Increase in trade and other receivables	(9.5)	(29.4)
(Decrease)/increase in trade and other payables	(5.7)	42.1
Cash generated from operations	47.1	78.2

## **8. Business combinations**

### *8(a). Acquisitions accounted for under IFRS 3 (revised)*

#### *Stadsmuren and Loudden*

On 25 February 2011 the Group entered into an agreement to acquire 100% of the shares of Förvaltningsaktiebolaget Stadsmuren ('Stadsmuren'), a Stockholm based property and project management firm and 70% of the shares of Loudden Bygg-och Fastighetsservice AB ('Loudden'), a Stockholm based facilities management firm, a related company of Stadsmuren. The acquisition provides a new service offering for the Group's Swedish clients and adds to its European property management network. Total consideration of up to £5.6m (£3.8m for Stadsmuren and £1.8m for Loudden) will be paid of which £4.2m was paid on transaction close with a further £1.4m payable by February 2012 subject to earnings performance during 2011. All consideration payments will be settled in cash out of existing resources, including debt facilities. Goodwill of £2.6m and other intangible assets of £0.5m have been determined with respect to Stadsmuren and goodwill of £1.5m and intangible assets of £0.1m with respect to Loudden. Intangible assets relate to property management contracts. Goodwill is attributable to Stadsmuren and Loudden's strong market position.

IFRS 3 (revised) has been applied to this acquisition which was accounted for using the acquisition method. Non-controlling interest is measured at its proportionate share of the acquiree's net assets. Acquisition related costs of £0.1m are included in the income statement.

*Thomas Davidson & Partners*

On 31 January 2011 the Group acquired the business and undertaking of Thomas Davidson & Partners, a London based retail property consultancy business. The business brings with it specialist expertise and knowledge in the retail sector. Consideration of £2.5m was paid on completion. A further £2.5m is payable in instalments on the first, second and third anniversaries subject to service conditions and is expensed through the income statement. Goodwill of £1.8m and other intangible assets relating to established client relationships of £0.7m have been determined. Goodwill is attributable to the experience and expertise of key staff. None of the goodwill is expected to be deductible for tax purposes.

IFRS 3 (revised) has been applied to this acquisition which was accounted for using the acquisition method. Acquisition related costs for this transaction were negligible.

During the year, the Group also acquired London Planning Practice Limited and 51% of CKH Strata Management Pte Ltd, based in Singapore. Cash consideration for these transactions amounted to £1.9m. Goodwill of £1.6m has been determined and is attributable to key staff and the reputation of the companies.

IFRS 3 (revised) has been applied to these acquisitions, which were accounted for using the acquisition method. Non-controlling interest is measured at its proportionate share of the acquiree's net assets. Acquisition related costs of £0.1m are included in the income statement.

		Provisional fair value to the Group			
		Stadsmuren/ Loudden	Thomas Davidson	Other	Total
		£m	£m	£m	£m
<b>Subsidiaries acquired</b>					
Property, plant and equipment		-	-	0.2	0.2
Current assets:	Trade and other receivables	1.8	-	0.6	2.4
	Current tax receivables	0.1	-	-	0.1
	Cash and cash equivalents	0.7	-	0.7	1.4
<b>Total assets</b>		<b>2.6</b>	<b>-</b>	<b>1.5</b>	<b>4.1</b>
Current liabilities:	Trade and other payables	(1.3)	-	(0.9)	(2.2)
	Employee and retirement benefit obligations	(0.2)	-	-	(0.2)
<b>Net assets</b>		<b>1.1</b>	<b>-</b>	<b>0.6</b>	<b>1.7</b>
Non-controlling interest		(0.2)	-	(0.3)	(0.5)
Other intangible assets		0.6	0.7	-	1.3
<b>Fair value of net assets acquired</b>		<b>1.5</b>	<b>0.7</b>	<b>0.3</b>	<b>2.5</b>
Goodwill		4.1	1.8	1.6	7.5
<b>Purchase consideration</b>		<b>5.6</b>	<b>2.5</b>	<b>1.9</b>	<b>10.0</b>
<b>Consideration satisfied by:</b>					
Net cash paid as per cash flow statement		3.5	2.5	1.2	7.2
Cash acquired		0.7	-	0.7	1.4
Deferred consideration owing at reporting date		1.4	-	-	1.4
		<b>5.6</b>	<b>2.5</b>	<b>1.9</b>	<b>10.0</b>

For these acquisitions, there was no difference between the fair value and carrying value of net assets acquired, except for intangible assets. The acquisitions are accounted for using the acquisition method. The Group acquires businesses intended for use on a continuing basis. Goodwill is attributable to anticipated future operating synergies from the combination with existing businesses and perceived future economic benefits that will be generated from the staff/client relationships acquired. There were no significant changes to the provisional goodwill that arose in the previous year on acquisitions.

Included in Group operating profit relating to acquisitions is:

	Stadsmuren/ Loudden £m	Thomas Davidson £m	Other £m	Total £m
Turnover	9.9	2.6	1.9	14.4
Staff costs	(2.4)	(1.2)	(1.2)	(4.8)
Other operating charges	(6.9)	(0.5)	(0.3)	(7.7)
Operating profit (before finance charges)	0.6	0.9	0.4	1.9

If the date for all acquisitions made during the year had been 1 January 2011, the amounts included in Group operating profit would have been:

	Stadsmuren/ Loudden £m	Thomas Davidson £m	Other £m	Total £m
Turnover	11.4	2.9	4.0	18.3
Staff costs	(2.8)	(1.3)	(2.6)	(6.7)
Depreciation	-	-	(0.1)	(0.1)
Other operating charges	(7.8)	(0.6)	(0.8)	(9.2)
Operating profit (before finance charges)	0.8	1.0	0.5	2.3

*8(b). Disposal of subsidiaries*

On 3 May 2011, the Group sold 80.01% of its shareholding in Savills Private Finance Limited ('SPF') and its subsidiaries to the management of the business. The Group retains a shareholding in SPF of 19.99%. A gain of £0.4m has been recognised in profit on disposal of subsidiaries including the remeasurement to fair value of the Group's remaining share amounting to £0.3m.

Other disposals during the year, including Theodor Schone, the Hamburg property management business sold to management, have resulted in a £0.1m net profit recognised through the income statement.

Details of aggregate net assets disposed are set out in the table below.

Subsidiaries disposed	£m
Property, plant and equipment	0.8
Other intangible assets	1.3
Deferred tax assets	0.1
Current assets:	
Trade and other receivables	2.0
Cash and cash equivalents	1.3
Total assets	5.5
Current liabilities:	
Trade and other payables	(3.6)
Provisions for liabilities and charges	(0.1)
Net assets disposed	1.8
Analysis of purchase consideration and costs	
Net assets disposed	1.8
Profit on disposal	0.5
Costs of disposal	1.5
Total consideration	3.8
Consideration satisfied by:	
Cash consideration	0.1
Deferred consideration owing at balance sheet date	1.9
Interest retained as trade and other receivables	1.5
Fair value of Interest retained as available-for-sale investment	0.3
Total consideration	3.8
Net cashflow inflow/(outflow) arising on disposal	
Cash consideration	0.1
Cash disposed	(1.3)
Net consideration	(1.2)
Directly attributable costs of disposal paid	(0.2)
	(1.4)

*8(c). Transactions with non-controlling interests*

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

Name	Date	Holding acquired	Total holding at 31 December 2011
Savills Italy SRL	September & December 2011	9.5%	100%
Savills (Vietnam) Limited	December 2011	3.0%	72.1%

Under IAS 27 (revised), 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.

During the year, the Group acquired the remaining 9.5% of shares in Savills Italy SRL in two tranches for a combined cash consideration of £0.8m. The carrying amount of Savills Italy SRL's net assets on the dates of acquisition was £0.2m. The Group recognised a nominal decrease in non-controlling interests. The amount charged to equity in respect of this transaction was £0.8m.

In December 2011, the Group acquired an additional 3.0% of the shares in Savills (Vietnam) Limited for cash consideration of £0.4m. This takes the Group's shareholding to 72.1%. The carrying amount of Savills (Vietnam) Limited's net assets on the date of acquisition was £2.0m. The Group recognised a decrease in non-controlling interest of £0.1m. The amount charged to equity in respect of this transaction was £0.3m.

During the year, pre-acquisition dividends of £0.3m were paid to the previous partners in Cordea Savills LLP.

## **9. Borrowings**

Movements in borrowings are analysed as follows:	£m
Opening amount as at 1 January 2010	15.3
Additional borrowings	26.0
Repayments of borrowings	(32.1)
Borrowings acquired with subsidiaries	0.5
Exchange rate fluctuations	0.6
Opening amount as at 1 January 2011	10.3
Additional borrowings	29.7
Repayments of borrowings	(33.5)
Exchange rate fluctuations	(0.1)
Closing amount as at 31 December 2011	6.4

	2011	2010
	£m	£m
<b>Current</b>		
Bank overdrafts	1.2	0.7
Unsecured bank loans due within one year or on demand	5.0	5.1
Loan notes	-	0.4
Finance leases	0.1	0.1
	<u>6.3</u>	<u>6.3</u>
<b>Non-current</b>		
Unsecured bank loans	-	3.9
Finance leases	0.1	0.1
	<u>0.1</u>	<u>4.0</u>
	2011	2010
	£m	£m
The Group has the following undrawn borrowing facilities:		
Floating rate		
- expiring within 1 year or on demand	13.5	15.6
- expiring between 1 and 5 years	50.0	50.0
	<u>63.5</u>	<u>65.6</u>

The £50m multi-currency revolving credit facility was renewed on 10 March 2011 and expires on 31 March 2014. As at 31 December 2011 this facility was undrawn.

## 10. Events after the reporting date

### Gresham Down Capital Partners

On 5th January 2012 the Group acquired the specialist Central London investment and asset management business Gresham Down Capital Partners. The business provides investment advisory and brokerage advice focusing primarily on the Central London Commercial property market, as well as asset management services, and will strengthen the existing Central London presence.

Consideration of £1.6m was paid on completion, with a further total of £1.4m payable across the subsequent four anniversaries subject to service conditions and with the last instalment conditional on achieving revenue targets. Goodwill and other intangible assets of £1.0m and £0.6m respectively have been provisionally determined.

### International Property Asset Management GmbH

On the 20 January 2012 the Group acquired International Property Asset Management GmbH (IPAM), a German real estate asset management company. The acquisition complements and expands our existing German business and investment platform.

Total consideration is provisionally determined at £4.6m, of which £2.8m was paid on completion. Further contingent consideration may become payable in 2012 and 2013 based on the actual performance of the business. Goodwill on acquisition has provisionally been determined at £3.2m.

## 11. Related party transactions

Marketing services were provided by Adventis Group plc, an associate company, to Savills (L&P) Limited on an arms length basis to the value of £3.0m (2010: £2.7m).

During the year the Group provided consulting services to Savills Solar Ltd, a joint venture, to the value of £0.3m (2010: £nil). An amount of £0.1m was owed to the Group at 31 December 2011 (2010: £nil).

As at 31 December 2011, loans outstanding to associates and joint ventures amounted to £3.3m (2010: £1.9m).

## **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.

## **Directors' responsibility statement**

The Savills Report and Accounts for year end 31 December 2011 contains a responsibility statement in the following form:

The Directors confirm that pursuant to DTR4, to the best of each person's knowledge:

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

Since the year end, on 1 January 2012, Tim Freshwater was appointed to the Board as a Non-Executive Director. A list of current Directors is maintained on the Savills plc website: [www.savills.com](http://www.savills.com).

By order of the Board

Jeremy Helsby  
Group Chief Executive

Chris Lee  
Group Legal Director & Company Secretary

14 March 2012

## **Forward-looking statements**

The financial information contained in this announcement has not been audited. Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

Copies of the Annual Report and Accounts for the year ended 31 December 2011 will be circulated to shareholders on 2 April 2012 and will also be available from the investor relations section of the

Company website at [www.savills.com](http://www.savills.com) or from:

Savills plc, 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ

Telephone: 020 3107 5444 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**