# Serving prime real estate markets

## Half Year Report 2011

## Contents



Savills is a global real estate services provider listed on the London Stock Exchange. We have an international network of over 200 offices and associates throughout the Americas, the UK, Continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transaction services to clients all over the world.

Our people combine entrepreneurial spirit and a deep understanding of specialist property sectors with the highest standards of client care.

# Highlights

## Key financial information

Group revenue

**£335.8m**

(2010: £304.4m)

Group profit before tax

**£20.0m**

(2010: £14.4m)

Underlying Group profit before tax

**£20.6m**

(2010: £17.2m)

Basic earnings per share

**12.0p**

(2010: 7.9p)

Underlying basic earnings per share

**11.8p**

(2010: 9.6p)

Interim dividend

**3.15p**

(2010: 3.0p)

Net cash

**£25.9m**

(2010: £20.1m)

## Operational highlights

- Strong growth in transaction advisory business driven by demand for Prime Central London Residential property and continued strength of Asia Pacific markets, particularly Greater China
- Continued investment focused on the recruitment of new teams and offices across the Savills network
- Further growth of property and facilities management activities with the total area under management up 17% driven largely by Asia Pacific
- Fund Management profits up 20% with fee income up 25%

# Business review

## Overview

The Group's results for the six months to 30 June 2011 show revenue up 10% to £335.8m (H1 2010: £304.4m), and underlying and statutory profit before tax of £20.6m, up 20% (H1 2010: £17.2m) and £20.0m, up 39% (H1 2010: £14.4m) respectively. These results reflect the continued strength of Savills operations in Asia Pacific and London, growing revenues in Fund Management and the beneficial effect of relative recovery in the US market.

Our improved profits financed continued investment in our business during the period through selective acquisitions and the recruitment of individuals and teams. In February, we acquired Stadsmuren A.B., a property management business in Sweden and also Thomas Davidson & Partners, a specialist retail adviser focused on London. Alongside these acquisitions, we recruited a number of teams and senior individuals in Hong Kong, New York and London. Corporate activity in the sector also allowed us to recruit selectively in Continental Europe with a particular focus on France and Germany.

As part of our strategy of focusing on core businesses, in May we disposed of 80.01% of Savills Private Finance Limited to its management team, retaining the residual 19.99% as an investment.

On 4 May 2011, we reported to the AGM that there were some signs of a slowing in activity in the Hong Kong and mainland Chinese markets. Three months on, it is clear that the cumulative effect of Government measures over the last 18 months, has successfully slowed the mainstream residential markets and, in some cases, the volume of commercial investment transactions. However, our position in the prime residential markets, which to date have remained resilient, together with stronger results from other territories supported our overall business performance in the first half.

## Business review

The following table comprises Group revenue and underlying profit by operating segment:

| Revenue | **H1 2011 £m** | H1 2010 £m | Change |
|---|---|---|---|
| Transaction Advisory | **131.3** | 116.6 | 13% |
| Consultancy | **62.8** | 60.8 | 3% |
| Property and Facilities Management | **128.3** | 113.7 | 13% |
| Fund Management | **10.5** | 8.4 | 25% |
| Other (including Financial Services)† | **2.9** | 4.9 | (41)% |
| Group revenue | **335.8** | 304.4 | 10% |

| Underlying profit before tax | **H1 2011 £m** | H1 2010 £m | Change |
|---|---|---|---|
| Transaction Advisory | **12.3** | 9.4 | 31% |
| Consultancy | **2.7** | 4.0 | (33)% |
| Property and Facilities Management | **6.7** | 7.1 | (6)% |
| Fund Management | **1.8** | 1.5 | 20% |
| Other (including Financial Services)† | **(2.9)** | (4.8) | n/a |
| Group underlying profit* | **20.6** | 17.2 | 20% |

* A reconciliation between statutory and underlying profit before tax is set out in Note 5.

† Includes 100% of Savills Private Finance Limited up to the sale of 80.01% of the company on 3 May 2011, nil thereafter.

## Transaction Advisory

### UK Residential

UK Residential Transaction fee income increased by 22% to £47.9m (H1 2010: £39.2m) reflecting a very strong Prime Central London market. Savills substantially increased its market share in properties valued over £5m, for which transaction volumes during the period were above previous peak levels. This effect can be seen in the 31% period on period increase in Savills average London transaction value to £2.8m and the 17% increase in overall volume of transactions, the latter still being approximately 30% below peak levels. It is clear that, against the backdrop of international economic and political challenge, prime London residential markets have been seen as a haven for the world's investors. The attraction of London's transparency and relative liquidity at most stages of the cycle have increasingly been supplemented by the significant rise in demand for rented accommodation and the associated growth in rental values. In contrast, the country market remained quiet for much of the period with 16% fewer exchanges than H1 2010. We anticipate that this two tier market will continue through the second half and into 2012.

### UK Commercial

UK Commercial Transaction fee income grew marginally to £19.7m (H1 2010: £19.2m) reflecting the continuation of a strong investment market in Central London offset by continued pressure on fees. Although debt availability improved somewhat, markets continue to be driven largely by equity investors with Central London enjoying international demand for office and retail assets. Commercial leasing markets generally remain sensitive to the uncertain climate for occupiers with the exception of prime retail in London, where record rents have been achieved. The City market saw vacancy rates below 2010 levels due to the strength of activity over the last year and current lack of new stock, although take up in the City office market was considerably down on the first half of 2010.

### Asia Pacific Commercial

Commercial Transaction fee income in Asia Pacific remained level at £37.3m (H1 2010: £37.4m). This reflected the continuation of the strong investment markets that had prevailed through 2010 particularly in Hong Kong. The Hong Kong and mainland Chinese markets showed greater strength through the second quarter than was anticipated although pipeline volumes have since reduced. In both Hong Kong and Mainland China, Savills benefited from its management restructuring at the beginning of the year, during which responsibility for both Mainland China and Hong Kong was combined. This has created a progressively uniform operation which helped us to increase market share during the period. In the principal cities, rental growth reduced from the peaks of 2010 but continued to support commercial investment markets.

# **Business review** continued

## Asia Pacific Residential

Residential Transaction fee income in Asia Pacific increased by 42% to £10.5m (H1 2010: £7.4m). This increase was primarily associated with the performances of our restructured Hong Kong business, including the new Kowloon office, which opened in September 2010, and a strong performance in Vietnam. Our focus on prime, rather than mainstream, residential agency means that Savills was not materially directly affected by the cumulative effect of 18 months of Government measures to cool residential investment markets in Mainland China, Hong Kong and latterly in Singapore; however, the impact of reduced mainstream volumes has begun to have an effect on sentiment in the prime markets and this is expected to continue through the second half.

## Continental Europe

In Continental Europe, transaction fee income increased by 2% to £12.5m (H1 2010: £12.2m). Macroeconomic factors affecting the Euro and many of its constituent economies clearly had an impact on investor sentiment in Southern Europe and Ireland. In contrast, the strength of Germany's economic performance, particularly its trade with China supported the value of deals executed during the period, which rose substantially, although on reduced volumes in many cities.

Following our strategy of focusing on core markets, the European business incurred significant cost (approximately £0.9m) in building our leasing practice in Paris and certain German cities, the benefits of which should be realised in future periods. Against this backdrop and after adjusting for such development costs, the European team has actively managed the business to deliver a further reduction in comparable losses in line with our expectations.

## US Commercial

The US investment market as a whole saw substantial improvements period on period. Revenue at Savills New York increased by 183% to £3.4m (H1 2010: £1.2m). Whilst small in the context of the Group, this performance reflected the significant improvement in pipeline that we saw at the beginning of the year. At the same time the New York business also incurred development costs through the recruitment of a cross-border inward investment team and the associated establishment of offices in Washington and Los Angeles. Also during the period, we formed a joint venture with Silverpeak Real Estate Partners for asset management of US assets and an association with Cresa Partners, a US firm focused on the corporate occupier market. This has already enabled us to advise some of Cresa Partners' US clients in Europe and Asia Pacific.

The profits of our Transaction Advisory business as a whole grew 31% to £12.3m (H1 2010: £9.4m) driven primarily by the UK and Asia Pacific markets and the reduction in losses in Continental Europe.

### Consultancy

Consultancy fee income increased in the period by 3% to £62.8m (H1 2010: £60.8m). Government cuts in the UK began to have an impact on our Public Sector business and the relative lack of planning work through much of the period also reduced our revenues. Late in the period we began to see improvements in both development and planning consultancy.

Our Valuation practices performed well, although we continue to feel the effect of fee pressure and increases in related costs, such as professional indemnity insurance, at this stage in the cycle. In Asia Pacific our Consultancy revenues remained largely flat reflecting reduced activity in the valuations business, particularly in Australia.

### Property Management

The Property and Facilities Management business increased revenues by 13% to £128.3m (H1 2010: £113.7m). This reflected the full year effect of our acquisition of the Incoll project management business in Australia, continued strong performances in Asia Pacific as a whole, and in Europe where we benefited from the acquisition of Stadsmuren in Sweden. In the UK, revenue grew by 5% in the first half and we expect continued improvement in the second half as contract wins come on stream.

Savills total area under management increased by 17% to 1.22bn sq ft (H1 2010: 1.04bn sq ft) driven primarily by net contract wins in Hong Kong, Mainland China, Korea and Vietnam.

Profits in the Property Management business declined by just under 6% period on period. This resulted from the introduction of minimum wage legislation in Hong Kong, the Japanese crisis and weak public spending in Australia which affected our Project Management business. In addition, we incurred increased aggregate losses in certain Continental European operations, which are the subject of restructuring.

Overall the Property and Facilities Management business represented 38% of Group revenue (H1 2010: 37%) and continued to provide recurring earnings to the Group.

### Fund Management

Fee income from Fund Management increased by 25% in the period to £10.5m (H1 2010: £8.4m). Cordea Savills core funds have continued to perform well with good inflows into the core European funds. In addition, the business won significant new equity mandates during the period and has a number of new products in development which we aim to launch during the next 6–18 months. The cost of business development restricted the increase in underlying profits during the period to 20%.

# **Business review** continued

### Other (Including Financial Services)

This segment represents the Group's residual interest in financial services and other costs, expenses and net interest income not directly attributable to the operating activities of the Group's business segments in the period. The net result of unallocated costs of £2.9m was 40% down on the same period last year (H1 2010: loss £4.8m).

On 3 May, Savills sold 80.01% of the equity in Savills Private Finance (SPF) to the management of the business. At the same time Savills Capital Advisors, the other component of the Financial Services Segment was taken into the UK Commercial Transaction Advisory business. For the period up to completion of the sale, SPF contributed approximately £2.9m of revenue and £0.3m of underlying profit to the Group.

## Earnings, financial strength and dividends

The increase in profit before tax during the period was achieved through the continued strength of transaction advisory profits and the improvement in underlying trading in the US. As a result the Group's underlying pre-tax profit margin increased to 6.1% (H1 2010: 5.7%). Basic earnings per share for the six months to 30 June 2011 improved 52% to 12.0p (2010: 7.9p). Underlying earnings per share were up 23% to 11.8p (2010: 9.6p). Basic earnings per share includes net gains of £2.4m on the disposals of 80.01% of SPF and a 7.3% minority investment in Pinnacle Group, a PFI and infrastructure business.

The impact of foreign exchange movements on the profits of our globally diversified business was not material. On a constant currency basis underlying profit before tax would have been 3% higher at £21.2m. At 30 June 2011, the Savills balance sheet remained sound with net cash of £25.9m (30 June 2010: £20.1m) and a £50m credit facility of which £30m was unutilised.

Under the Group's new dividend policy, announced in March, the Board has declared an interim dividend of 3.15p per share (2010: 3.0p) to reflect the increase in the Group's non-transactional earnings during the period. The performance of the Group's Transaction Advisory businesses will be taken into account in the consideration of any proposed final ordinary or supplemental interim distributions alongside the results for the full year.

The interim dividend of 3.15p per share will be payable on 17 October 2011 to shareholders on the register on 16 September 2011.

## Principal risks and uncertainties

The key risks and uncertainties relating to the Group's operations remain consistent with those disclosed in the Group's Annual Report and Accounts 2010. Please refer to pages 20 and 21 thereof or to our investors' page on www.savills.com. In addition, specific risks which might affect the outlook for the second half are disclosed in the Summary and outlook statement below.

## Board changes

We are pleased to announce the appointment of Tim Freshwater as an additional Independent Non-Executive Director with effect from 1 January 2012. Tim is Vice Chairman of Goldman Sachs (Asia) and is Non-Executive Chairman of Grosvenor Asia Pacific Limited and a Non-Executive Director of a number of companies in the region. Tim was a partner of Slaughter and May between 1975 and 1996.

## Summary and outlook

Savills has had a good first half as a result of the continued strength of our businesses in key transactional markets in the UK and Asia Pacific. At the same time we have increased revenue and profits in Fund Management, and substantially improved our like for like performances in the US and Continental Europe.

Our commitment to hiring the best people and providing the very highest levels of service to our clients has helped us to extend our market share in the UK and Asia. We have continued to invest across the business, through selective acquisitions, further recruitment and expansion in core regions. We will continue to take advantage of selective growth opportunities to improve our service offering to clients.

Looking to the second half, we currently see no material change in the outlook for our business, although the potential effects of the current economic and social volatility are likely to have some impact on both Commercial and Residential transaction markets across our regions.
In Asia, particularly in Hong Kong and Singapore, we continue to expect some reduction in volumes although prime values currently appear resilient.
In the UK and Continental Europe, we expect transaction markets to remain unsettled although the fundamentals of the Prime London Residential market remain positive. A healthy pipeline of business from our US operations should lead to continued growth from this region in the second half.
Despite the current volatility, Savills remains well positioned with long term growth prospects across our core regions.

Jeremy Helsby
Group Chief Executive

Peter Smith
Chairman

# Consolidated income statement (unaudited)
for the period ended 30 June 2011

| | Notes | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|---|
| Revenue | 4 | **335.8** | 304.4 | 677.0 |
| Less: | | | | |
| Employee benefits expense | | **(218.4)** | (196.0) | (437.6) |
| Depreciation | | **(3.5)** | (3.3) | (6.6) |
| Amortisation and impairment of goodwill and intangible assets | | **(2.2)** | (1.9) | (8.1) |
| Other operating expenses | | **(96.2)** | (89.4) | (188.3) |
| Other operating income | | **0.3** | – | 0.3 |
| Profit/(loss) on disposal of subsidiaries and available-for-sale investments | | **2.4** | – | (0.1) |
| Operating profit | | **18.2** | 13.8 | 36.6 |
| Finance income | | **0.7** | 0.4 | 1.2 |
| Finance costs | | **(0.7)** | (1.0) | (2.2) |
| | | **–** | (0.6) | (1.0) |
| Share of post-tax profit from associates and joint ventures | | **1.8** | 1.2 | 1.2 |
| Profit before income tax | | **20.0** | 14.4 | 36.8 |
| Income tax expense | 6 | **(5.3)** | (4.7) | (11.7) |
| Profit after income tax | | **14.7** | 9.7 | 25.1 |
| | | | | |
| Attributable to: | | | | |
| Owners of the Company | | **14.7** | 9.7 | 25.0 |
| Non-controlling interests | | **–** | – | 0.1 |
| | | **14.7** | 9.7 | 25.1 |
| Earnings per share | | | | |
| Basic earnings per share | 8(a) | **12.0p** | 7.9p | 20.5p |
| Diluted earnings per share | 8(a) | **11.4p** | 7.6p | 19.8p |
| | | | | |
| Underlying earnings per share | | | | |
| Basic earnings per share | 8(b) | **11.8p** | 9.6p | 27.9p |
| Diluted earnings per share | 8(b) | **11.2p** | 9.2p | 27.0p |

# Consolidated statement of comprehensive income (unaudited)
## for the period ended 30 June 2011

| | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|
| Profit for the period | **14.7** | 9.7 | 25.1 |
| Other comprehensive income | | | |
| Fair value gain/(loss) on available-for-sale investments | **0.5** | (0.4) | (0.3) |
| Actuarial gain/(loss) on defined benefit pension scheme | **2.8** | (2.0) | 10.5 |
| Tax on items relating to components of other comprehensive income | **(1.0)** | 0.8 | (2.1) |
| Currency translation differences | **1.3** | (0.4) | 4.8 |
| Other comprehensive income/(loss) for the period, net of tax | **3.6** | (2.0) | 12.9 |
| Total comprehensive income for the period | **18.3** | 7.7 | 38.0 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | **18.2** | 7.8 | 37.8 |
| Non-controlling interests | **0.1** | (0.1) | 0.2 |
| | **18.3** | 7.7 | 38.0 |

# Consolidated statement of financial position (unaudited)
at 30 June 2011

| | Notes | **30 June 2011 £m** | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|---|
| Assets: Non-current assets | | | | |
| Property, plant and equipment | | **18.5** | 17.5 | 17.7 |
| Goodwill | | **140.1** | 134.0 | 134.3 |
| Intangible assets | | **19.0** | 20.7 | 19.6 |
| Investments in associates and joint ventures | | **11.6** | 13.1 | 11.6 |
| Deferred income tax assets | | **23.0** | 26.1 | 25.5 |
| Available-for-sale investments | | **15.7** | 13.4 | 14.2 |
| Non-current receivables | | **3.4** | – | – |
| | | **231.3** | 224.8 | 222.9 |
| Assets: Current assets | | | | |
| Work in progress | | **3.9** | 3.4 | 3.6 |
| Trade and other receivables | | **157.2** | 149.4 | 179.2 |
| Current income tax receivable | | **4.3** | 3.9 | 2.4 |
| Derivative financial instruments | | **–** | 0.2 | – |
| Cash and cash equivalents | | **53.7** | 50.6 | 97.2 |
| | | **219.1** | 207.5 | 282.4 |
| Liabilities: Current liabilities | | | | |
| Borrowings | 13 | **26.4** | 23.2 | 6.3 |
| Derivative financial instruments | | **0.3** | 0.1 | 0.1 |
| Trade and other payables | | **145.3** | 137.7 | 209.9 |
| Current income tax liabilities | | **4.9** | 3.0 | 6.6 |
| Employee benefit obligations | | **6.6** | 5.0 | 4.7 |
| Provisions for other liabilities and charges | | **8.7** | 6.4 | 7.8 |
| | | **192.2** | 175.4 | 235.4 |
| Net current assets | | **26.9** | 32.1 | 47.0 |
| Total assets less current liabilities | | **258.2** | 256.9 | 269.9 |
| Liabilities: Non-current liabilities | | | | |
| Borrowings | 13 | **1.4** | 7.3 | 4.0 |
| Derivative financial instruments | | **0.2** | 0.6 | 0.4 |
| Trade and other payables | | **8.7** | 16.0 | 16.8 |
| Retirement and employee benefit obligations | | **22.8** | 43.7 | 29.0 |
| Provisions for other liabilities and charges | | **8.3** | 6.5 | 7.8 |
| Deferred income tax liabilities | | **3.0** | 3.3 | 2.8 |
| | | **44.4** | 77.4 | 60.8 |
| Net assets | | **213.8** | 179.5 | 209.1 |
| Equity: Capital and reserves attributable to owners of the Company | | | | |
| Share capital | | **3.3** | 3.3 | 3.3 |
| Share premium | | **85.2** | 83.0 | 84.0 |
| Other reserves | | **25.6** | 19.4 | 24.2 |
| Retained earnings | | **100.9** | 74.9 | 98.9 |
| | | **215.0** | 180.6 | 210.4 |
| Non-controlling interests | | **(1.2)** | (1.1) | (1.3) |
| Total equity | | **213.8** | 179.5 | 209.1 |

# Consolidated statement of changes in equity (unaudited)
## for the period ended 30 June 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 |
| Balance at 1 January 2011 | 3.3 | 84.0 | 24.2 | 98.9 | 210.4 | (1.3) | 209.1 |
| Profit for the period | – | – | – | 14.7 | 14.7 | – | 14.7 |
| Other comprehensive income: | | | | | | | |
| Fair value gain on available-for-sale investments | – | – | 0.5 | – | 0.5 | – | 0.5 |
| Actuarial gain on defined benefit pension scheme | – | – | – | 2.8 | 2.8 | – | 2.8 |
| Tax on items directly taken to reserves | – | – | (0.3) | (0.7) | (1.0) | – | (1.0) |
| Currency translation differences | – | – | 1.2 | – | 1.2 | 0.1 | 1.3 |
| Total comprehensive income for the period | – | – | 1.4 | 16.8 | 18.2 | 0.1 | 18.3 |
| Transactions with owners: | | | | | | | |
| Employee share option scheme: | | | | | | | |
| – Value of services provided | – | – | – | 5.9 | 5.9 | – | 5.9 |
| Purchase of treasury shares | – | – | – | (8.1) | (8.1) | – | (8.1) |
| Issue of share capital | – | 1.2 | – | – | 1.2 | – | 1.2 |
| Dividends | – | – | – | (12.4) | (12.4) | – | (12.4) |
| Transactions with non-controlling interests | – | – | – | (0.2) | (0.2) | – | (0.2) |
| Balance at 30 June 2011 | 3.3 | 85.2 | 25.6 | 100.9 | 215.0 | (1.2) | 213.8 |

# Consolidated statement of changes in equity (unaudited)
continued

| | 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 |
| Balance at 1 January 2010 | 3.3 | 83.0 | 19.6 | 91.2 | 197.1 | 0.6 | 197.7 |
| Profit for the period | – | – | – | 9.7 | 9.7 | – | 9.7 |
| Other comprehensive income/(loss): | | | | | | | |
| Fair value loss on available-for-sale investments | – | – | (0.4) | – | (0.4) | – | (0.4) |
| Actuarial loss on defined benefit pension scheme | – | – | – | (2.0) | (2.0) | – | (2.0) |
| Tax on items directly taken to reserves | – | – | 0.4 | 0.4 | 0.8 | – | 0.8 |
| Currency translation differences | – | – | (0.3) | – | (0.3) | (0.1) | (0.4) |
| Total comprehensive income/(loss) for the period | – | – | (0.3) | 8.1 | 7.8 | (0.1) | 7.7 |
| Transactions with owners: | | | | | | | |
| Employee share option scheme: | | | | | | | |
| – Value of services provided | – | – | – | 4.8 | 4.8 | – | 4.8 |
| Purchase of treasury shares | – | – | – | (9.7) | (9.7) | – | (9.7) |
| Dividends | – | – | – | (7.4) | (7.4) | (0.7) | (8.1) |
| Transactions with non-controlling interests | – | – | 0.1 | (12.1) | (12.0) | (0.9) | (12.9) |
| Balance at 30 June 2010 | 3.3 | 83.0 | 19.4 | 74.9 | 180.6 | (1.1) | 179.5 |

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

# Consolidated statement of cash flows (unaudited)
## for the period ended 30 June 2011

| | Notes | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Cash (used in)/generated from operations | 9 | **(20.9)** | (7.7) | 78.2 |
| Interest received | | **0.5** | 0.4 | 0.7 |
| Interest paid | | **(0.6)** | (0.7) | (1.3) |
| Income tax paid | | **(7.0)** | (4.5) | (9.2) |
| Net cash (used in)/generated from operating activities | | **(28.0)** | (12.5) | 68.4 |
| Cash flows from investing activities | | | | |
| Cash disposed on sale of subsidiary, net of sales proceeds | | **(0.7)** | – | – |
| Proceeds from sale of property, plant and equipment | | **0.1** | 0.2 | 0.3 |
| Proceeds from sale of associates, joint ventures and available-for-sale investments | | **1.9** | – | – |
| Dividends received from joint ventures and available-for-sale investments | | **1.6** | 1.6 | 3.0 |
| Repayment of loans by associates and joint ventures | | **0.2** | 0.2 | 0.5 |
| Loans to associates and joint ventures | | **(0.1)** | (0.2) | (0.3) |
| Acquisition of subsidiaries, net of cash acquired | 10 | **(6.0)** | (7.1) | (8.3) |
| Deferred consideration paid in relation to prior year acquisitions | | **(1.0)** | (2.4) | (4.0) |
| Purchase of property, plant and equipment | | **(5.1)** | (1.9) | (5.5) |
| Purchase of intangible assets | | **(0.5)** | (0.9) | (1.7) |
| Purchase of investment in associates, joint ventures and available-for-sale investments | | **(0.3)** | (1.2) | (1.2) |
| Net cash used in investing activities | | **(9.9)** | (11.7) | (17.2) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of share capital | | **1.2** | – | 1.0 |
| Proceeds from borrowings | | **29.5** | 25.0 | 26.0 |
| Purchase of own shares for Employee Benefit Trust | | **(8.1)** | (9.7) | (11.2) |
| Purchase of non-controlling interests | | **(0.2)** | (6.2) | (8.9) |
| Deferred consideration paid to non-controlling interests in relation to prior year acquisitions | | **(2.2)** | – | – |
| Repayments of borrowings | | **(12.0)** | (11.2) | (32.1) |
| Dividends paid | | **(12.4)** | (8.1) | (12.1) |
| Net cash used in financing activities | | **(4.2)** | (10.2) | (37.3) |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | | **(42.1)** | (34.4) | 13.9 |
| Cash, cash equivalents and bank overdrafts at beginning of period | | **96.5** | 80.9 | 80.9 |
| Effect of exchange rate fluctuations on cash held | | **(1.6)** | 3.6 | 1.7 |
| Cash, cash equivalents and bank overdrafts at end of period | | **52.8** | 50.1 | 96.5 |

# Notes to the condensed consolidated interim financial information

## 1. General information

The Company is a public limited company incorporated and domiciled in England and Wales. The address of its registered office is 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ.

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 17 August 2011.

This condensed consolidated interim financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2010 were approved by the Board of Directors on 16 March 2011 and delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2. Basis of preparation

This condensed consolidated interim financial information for the half year ended 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

## 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those financial statements.

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

- IAS 32 (amendment) 'Financial instruments: Presentation', on classification of rights issues.
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'.
- IFRS 3 (amendments) 'Business combinations' on contingent consideration, share-based payment transactions and non-controlling interests.
- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.
- IAS 1 (amendment) 'Presentation of financial statements'.
- IAS 34 (amendment) 'Interim Financial Reporting'.
- IFRS 7 (amendment) 'Financial instruments: Disclosures' – clarification of disclosures.

These are not expected to result in a material impact on the Group's financial statements.

Other standards, amendments and interpretations effective for the first time for the financial year beginning 1 January 2011 and not discussed above are not relevant to the Group.

IFRS 9, 'Financial Instruments' is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading and the Group makes an irrevocable election to present gains and losses on that investment in other comprehensive income. In the current reporting period, the Group recognised £1.0m of such gains in other comprehensive income (2010: £1.2m loss).

# Notes to the condensed consolidated interim financial information
continued

## 4. Segment analysis

| Six months to 30 June 2011 | Transaction Advisory £m | Consultancy £m | Property and Facilities Management £m | Fund Management £m | Other £m | Total £m |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| United Kingdom | | | | | | |
| – Commercial | 19.7 | 33.9 | 27.5 | 10.5 | 0.1 | 91.7 |
| – Residential | 47.9 | 12.2 | 7.9 | – | 2.8 | 70.8 |
| Total United Kingdom | 67.6 | 46.1 | 35.4 | 10.5 | 2.9 | 162.5 |
| Continental Europe | 12.5 | 5.0 | 11.8 | – | – | 29.3 |
| Asia Pacific | | | | | | |
| – Commercial | 37.3 | 11.7 | 81.1 | – | – | 130.1 |
| – Residential | 10.5 | – | – | – | – | 10.5 |
| Total Asia Pacific | 47.8 | 11.7 | 81.1 | – | – | 140.6 |
| America | 3.4 | – | – | – | – | 3.4 |
| Total revenue | 131.3 | 62.8 | 128.3 | 10.5 | 2.9 | 335.8 |
| Underlying profit/(loss) before tax | | | | | | |
| United Kingdom | | | | | | |
| – Commercial | 1.1 | 1.4 | 2.3 | 1.8 | (3.2) | 3.4 |
| – Residential | 8.1 | 0.9 | 0.8 | – | 0.3 | 10.1 |
| Total United Kingdom | 9.2 | 2.3 | 3.1 | 1.8 | (2.9) | 13.5 |
| Continental Europe | (3.4) | (0.5) | (0.8) | – | – | (4.7) |
| Asia Pacific | | | | | | |
| – Commercial | 4.3 | 0.9 | 4.4 | – | – | 9.6 |
| – Residential | 2.7 | – | – | – | – | 2.7 |
| Total Asia Pacific | 7.0 | 0.9 | 4.4 | – | – | 12.3 |
| America | (0.5) | – | – | – | – | (0.5) |
| Underlying profit/(loss) before tax | 12.3 | 2.7 | 6.7 | 1.8 | (2.9) | 20.6 |

## 4. Segment analysis continued

| Six months to 30 June 2010 | Transaction Advisory £m | Consultancy £m | Property and Facilities Management £m | Fund Management £m | Financial Services £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| United Kingdom | | | | | | | |
| – Commercial | 19.2 | 32.0 | 26.5 | 8.4 | 0.4 | – | 86.5 |
| – Residential | 39.2 | 12.1 | 7.2 | – | 4.5 | – | 63.0 |
| Total United Kingdom | 58.4 | 44.1 | 33.7 | 8.4 | 4.9 | – | 149.5 |
| Continental Europe | 12.2 | 3.9 | 9.6 | – | – | – | 25.7 |
| Asia Pacific | | | | | | | |
| – Commercial | 37.4 | 12.8 | 70.4 | – | – | – | 120.6 |
| – Residential | 7.4 | – | – | – | – | – | 7.4 |
| Total Asia Pacific | 44.8 | 12.8 | 70.4 | – | – | – | 128.0 |
| America | 1.2 | – | – | – | – | – | 1.2 |
| **Total revenue** | 116.6 | 60.8 | 113.7 | 8.4 | 4.9 | – | 304.4 |
| **Underlying profit/(loss) before tax** | | | | | | | |
| United Kingdom | | | | | | | |
| – Commercial | 2.5 | 2.0 | 1.9 | 1.5 | (0.5) | (3.9) | 3.5 |
| – Residential | 5.4 | 1.4 | 0.6 | – | (0.4) | – | 7.0 |
| Total United Kingdom | 7.9 | 3.4 | 2.5 | 1.5 | (0.9) | (3.9) | 10.5 |
| Continental Europe | (3.5) | (0.1) | (0.4) | – | – | – | (4.0) |
| Asia Pacific | | | | | | | |
| – Commercial | 5.5 | 0.7 | 5.0 | – | – | – | 11.2 |
| – Residential | 1.5 | – | – | – | – | – | 1.5 |
| Total Asia Pacific | 7.0 | 0.7 | 5.0 | – | – | – | 12.7 |
| America | (2.0) | – | – | – | – | – | (2.0) |
| **Underlying profit/(loss) before tax** | 9.4 | 4.0 | 7.1 | 1.5 | (0.9) | (3.9) | 17.2 |

# Notes to the condensed consolidated interim financial information
continued

## 4. Segment analysis continued

| Year to 31 December 2010 | Transaction Advisory £m | Consultancy £m | Property and Facilities Management £m | Fund Management £m | Financial Services £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| 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 |
| Total United Kingdom | 135.0 | 97.5 | 72.4 | 19.0 | 9.4 | – | 333.3 |
| 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 |
| Total Asia Pacific | 102.4 | 26.3 | 151.0 | – | – | – | 279.7 |
| America | 3.1 | – | – | – | – | – | 3.1 |
| **Total revenue** | 270.7 | 134.2 | 243.7 | 19.0 | 9.4 | – | 677.0 |
| **Underlying profit/(loss) before tax** | | | | | | | |
| 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 |
| Total United Kingdom | 21.0 | 9.1 | 5.8 | 3.4 | (1.9) | (10.0) | 27.4 |
| 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 |
| Total Asia Pacific | 17.7 | 1.6 | 10.4 | – | – | – | 29.7 |
| America | (3.6) | – | – | – | – | – | (3.6) |
| **Underlying profit/(loss) before tax** | 30.8 | 10.6 | 14.4 | 3.4 | (1.9) | (10.0) | 47.3 |

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 six months ended June 2011.

For 2011, the Other segment includes financial services 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 reported profit before tax is provided in Note 5.

## 5. Underlying profit before tax

| | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|
| Reported profit before tax | **20.0** | 14.4 | 36.8 |
| Adjustments: | | | |
| – Amortisation and impairment of intangible assets (excluding software) | **1.9** | 1.4 | 2.7 |
| – Impairment of goodwill | **–** | – | 4.4 |
| – Share-based payment adjustment | **1.1** | 1.4 | 3.3 |
| – (Profit)/loss on disposal of subsidiaries and available-for-sale investments | **(2.4)** | – | 0.1 |
| Underlying profit before tax | **20.6** | 17.2 | 47.3 |

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

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 to better match the underlying staff costs in the year with the revenue recognised in the same period.

## 6. Income tax on profit

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

| | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|
| United Kingdom | | | |
| – Current tax | **4.6** | 3.0 | 10.0 |
| – Deferred tax | **(1.6)** | (0.7) | (4.3) |
| Foreign tax | | | |
| – Current tax | **2.7** | 2.5 | 6.3 |
| – Deferred tax | **(0.4)** | (0.1) | (0.3) |
| Income tax expense | **5.3** | 4.7 | 11.7 |

The Group effective tax rate was 26.5% which is the same as the UK standard effective annual rate of corporation tax of 26.5% (30 June 2010: 28%). This reflects lower foreign tax rates and non-taxable disposal profits in the period offsetting the permanent disallowable expenses. The Group underlying effective tax rate was 29.6% (30 June 2010: 31.4%).

# **Notes to the condensed consolidated interim financial information** continued

## 7. Dividends

| | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|
| Amounts recognised as distribution to equity holders in the year: | | | |
| Second interim dividend for 2009 of 6p per share | **–** | 7.3 | 7.3 |
| Interim dividend of 3p per share | **–** | – | 3.7 |
| Ordinary final dividend of 6p per share | **7.4** | – | – |
| Supplemental interim dividend of 4p per share | **5.0** | – | – |
| | **12.4** | 7.3 | 11.0 |
| Proposed interim dividend for the six months ended 30 June 2011 | **3.9** | | |

The Board has declared an interim dividend for the six months ended 30 June 2011 of 3.15p per ordinary share (2010: 3.0p) to be paid on 17 October 2011 to shareholders on the register on 16 September 2011. The interim dividend has not been recognised in these interim financial statements. It will be recognised in shareholders' equity in the year to 31 December 2011.

## 8. Basic and diluted earnings per share

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

| **Six months to 30 June** | **2011 Earnings £m** | **2011 Shares million** | **2011 EPS pence** | 2010 Earnings £m | 2010 Shares million | 2010 EPS pence |
|---|---|---|---|---|---|---|
| Basic earnings per share | **14.7** | **123.0** | **12.0** | 9.7 | 122.9 | 7.9 |
| Effect of additional shares issuable under option | **–** | **6.3** | **(0.6)** | – | 4.7 | (0.3) |
| Diluted earnings per share | **14.7** | **129.3** | **11.4** | 9.7 | 127.6 | 7.6 |

| Year to 31 December | 2010 Earnings £m | 2010 Shares million | 2010 EPS pence |
|---|---|---|---|
| Basic earnings per share | 25.0 | 122.2 | 20.5 |
| Effect of additional shares issuable under option | – | 4.2 | (0.7) |
| Diluted earnings per share | 25.0 | 126.4 | 19.8 |

# 8. Basic and diluted earnings per share continued

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

| Six months to 30 June | 2011 Earnings £m | 2011 Shares million | 2011 EPS pence | 2010 Earnings £m | 2010 Shares million | 2010 EPS pence |
|---|---|---|---|---|---|---|
| Basic earnings per share | 14.7 | 123.0 | 12.0 | 9.7 | 122.9 | 7.9 |
| – Amortisation and impairment of intangible assets (excluding software) after tax | 1.4 | – | 1.1 | 1.1 | – | 0.9 |
| – Share-based payment adjustment after tax | 0.8 | – | 0.7 | 1.0 | – | 0.8 |
| – Profit on disposal of subsidiaries and available-for-sale investments | (2.4) | – | (2.0) | – | – | – |
| Underlying basic earnings per share | 14.5 | 123.0 | 11.8 | 11.8 | 122.9 | 9.6 |
| Effect of additional shares issuable under option | – | 6.3 | (0.6) | – | 4.7 | (0.4) |
| Underlying diluted earnings per share | 14.5 | 129.3 | 11.2 | 11.8 | 127.6 | 9.2 |

| Year to 31 December | 2010 Earnings £m | 2010 Shares million | 2010 EPS pence |
|---|---|---|---|
| Basic earnings per share | 25.0 | 122.2 | 20.5 |
| – Amortisation of intangibles (excluding software) after tax | 2.1 | – | 1.7 |
| – Impairment of goodwill and intangible assets after tax | 4.4 | – | 3.6 |
| – Share-based payment adjustment after tax | 2.5 | – | 2.1 |
| – Loss on disposal of subsidiary | 0.1 | – | – |
| Underlying basic earnings per share | 34.1 | 122.2 | 27.9 |
| Effect of additional shares issuable under option | – | 4.2 | (0.9) |
| Underlying diluted earnings per share | 34.1 | 126.4 | 27.0 |

# Notes to the condensed consolidated interim financial information
continued

## 9. Cash generated from operations

| | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|
| Profit for the period | **14.7** | 9.7 | 25.1 |
| Adjustments for: | | | |
| Income tax (Note 6) | **5.3** | 4.7 | 11.7 |
| Depreciation | **3.5** | 3.3 | 6.6 |
| Amortisation of intangibles and impairment of assets | **2.2** | 1.9 | 3.7 |
| Impairment of goodwill and intangible assets | **–** | – | 4.4 |
| (Profit)/loss on disposal of subsidiaries and available-for-sale investments | **(2.4)** | – | 0.1 |
| Net finance costs | **–** | 0.6 | 1.0 |
| Share of post-tax profit from associates and joint ventures | **(1.8)** | (1.2) | (1.2) |
| Decrease in employee and retirement obligations | **(1.1)** | – | (3.6) |
| Exchange movements on operating activities | **–** | – | 0.1 |
| Increase in provisions | **0.4** | 3.6 | 5.8 |
| (Credit)/charge for defined benefit pension scheme | **(0.4)** | 0.4 | 0.9 |
| Impairment of available-for-sale investments included within operating income | **–** | – | 0.3 |
| Charge for share-based compensation | **5.9** | 4.8 | 11.3 |
| Operating cash flows before movements in working capital | **26.3** | 27.8 | 66.2 |
| Increase in work in progress | **(0.3)** | (0.5) | (0.7) |
| Decrease/(increase) in trade and other receivables | **21.9** | (0.7) | (29.4) |
| (Decrease)/increase in trade and other payables | **(68.8)** | (34.3) | 42.1 |
| Cash (used in)/generated from operations | **(20.9)** | (7.7) | 78.2 |

## 10. Business combinations

### 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 and the acquisition will strengthen the existing Central London retail business.

Consideration of £2.5m was paid on completion with a further £2.5m payable in instalments on the first, second and third anniversaries subject to service conditions. Goodwill of £1.8m and other intangible assets relating to established client relationships of £0.7m have been provisionally determined. Goodwill is attributable to Thomas Davidson's strong position in the market. 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.

The acquired business contributed revenue of £0.8m and profit before tax of £0.1m to the Group for the period from 31 January 2011 to 30 June 2011. Had the acquisition been made at the beginning of the financial year, revenue would have been £1.1m and profit before tax would have been £0.2m.

## 10. Business combinations continued

### 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 will provide a new service offering for the Group's Swedish clients and will add 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 £2.3m and other intangible assets of £0.8m have been provisionally determined with respect to Stadsmuren and goodwill of £1.0m and intangible assets of £0.6m 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.

The acquired businesses contributed revenue of £3.6m and profit before tax of £0.3m to the Group for the period from 25 February 2011 to 30 June 2011. Had the acquisition been made at the beginning of the financial year, revenue would have been £5.1m and profit before tax would have been £0.5m.

## 11. Disposals

### Savills Private Finance

On 3 May 2011, the Group sold 80.01% of its stake 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.

### Theodor Schone

The Hamburg property management business was sold to management during the period with a £0.2m net profit recognised through the income statement.

### Pinnacle Regeneration Group

In June 2011 60% of Savills 12.1% shareholding was sold resulting in a £1.8m profit on disposal. The remaining shares are held at a fair value of £0.5m.

# Notes to the condensed consolidated interim financial information
continued

## 12. Retirement and employee benefit obligations

### Defined benefit plan

All current pension assumptions are detailed in the 2010 Annual Report and Accounts and are the same as at 31 December 2010 except for the following:

| | **Six months to 30 June 2011 £m** | Six months to 30 June 2010 £m | Year ended 31 December 2010 £m |
|---|---|---|---|
| Discount rate | **5.70%** | 5.40% | 5.50% |
| Salary increases | **4.50%** | 4.90% | 4.50% |
| Inflation assumption | **3.70%** | 3.40% | 3.60% |
| Rate of increase to pensions in payment accrued between 6 April 1997 and 5 April 2005 | **3.60%** | 3.30% | 3.60% |
| Rate of increase of deferred pensions accrued after 5 April 2001 | **2.80%** | 3.40% | 2.90% |

| Amounts recognised in the Statement of Financial Position are: | **30 June 2011 £m** | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| Fair value of plan assets | **125.2** | 105.3 | 119.5 |
| Present value of funded obligations | **(141.2)** | (143.5) | (141.8) |
| Deficit (included in Retirement and employee benefit obligations in the Statement of Financial Position) | **(16.0)** | (38.2) | (22.3) |
| Related deferred tax asset | **4.2** | 10.7 | 6.1 |
| Net liability | **(11.8)** | (27.5) | (16.2) |

The Pension Plan of Savills (the Plan) provided final salary pension benefits to some employees, but was closed with regard to future service-based benefit accrual with effect from 31 March 2010. From 1 April 2010, pension benefits for former members of the Plan are provided through the Group's defined contribution Personal Pension Plan.

Included in Retirement and employee benefit obligations is £13.4m relating to holiday pay and long service leave (30 June 2010: £10.5m, 31 December 2010: £11.4m).

## 13. Borrowings

| Movements in borrowings are analysed as follows: | £m |
|---|---|
| Opening amount as at 1 January 2011 | 10.3 |
| Additional borrowings | 29.7 |
| Repayments of borrowings | (12.0) |
| Exchange rate fluctuations | (0.2) |
| Closing amount as at 30 June 2011 | **27.8** |

## 13. Borrowings continued

| | 30 June 2011 £m | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| Current | | | |
| Bank overdrafts | **0.9** | 0.5 | 0.7 |
| Unsecured bank loans due within one year or on demand | **25.0** | 22.4 | 5.1 |
| Loan notes | **0.4** | 0.2 | 0.4 |
| Finance leases | **0.1** | 0.1 | 0.1 |
| | **26.4** | 23.2 | 6.3 |
| Non-current | | | |
| Unsecured bank loans | **1.3** | 6.7 | 3.9 |
| Loan notes | **–** | 0.4 | – |
| Finance leases | **0.1** | 0.2 | 0.1 |
| | **1.4** | 7.3 | 4.0 |

| The Group has the following undrawn borrowing facilities: | 30 June 2011 £m | 30 June 2010 £m | 31 December 2010 £m |
|---|---|---|---|
| Floating rate | | | |
| – expiring within one year or on demand | **15.1** | 15.7 | 15.6 |
| – expiring between one and five years | **30.0** | 43.0 | 50.0 |
| | **45.1** | 58.7 | 65.6 |

The £50m multi-currency revolving credit facility was renewed on 10 March 2011 and expires on 31 March 2014. As at 30 June 2011, £20m was outstanding under the revolving credit facility (June 2010: £17m).

## 14. Related party transactions

Marketing services were provided by Adventis Group plc, an associate company, to the Group on an arm's length basis to the value of £1.4m (2010: £1.3m). An amount of £0.2m (2010: £0.3m) was owed by the Group as at 30 June 2011.

As at 30 June 2011, loans outstanding to associates and joint ventures amounted to £1.0m (2010: £2.2m).

## 15. 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.

## Statement of Directors' responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Savills plc are listed in the Savills plc Report and Accounts for the year ended 31 December 2010. A list of current Directors is maintained on the Savills plc website: www.savills.com.

By order of the Board

Jeremy Helsby
Group Chief Executive

Simon Shaw
Group Chief Financial Officer

17 August 2011

## 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.

# Independent review report to Savills plc

## Introduction

We have been engaged by the Company to review the condensed consolidated financial statements in the half yearly financial report for the six months ended 30 June 2011, which comprises the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated financial statements in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London

17 August 2011

# Shareholder information

## Website

Visit our investor relations website www.savills.com for full up to date investor relations information, including the latest share price, recent annual and half year reports, results presentations and financial news.

## Shareholder enquiries

For shareholder enquiries please contact our Registrars, Equiniti. For general enquiries please call our Shareholder Services helpline on: 0871 384 2018 (overseas holders need to ring +44 (0)121 415 7047). Calls to Equiniti's 0871 numbers are charged at 8p per minute from a BT landline. Other telephony service providers costs may vary. Lines are open from 8.30am to 5.30pm, Monday to Friday, excluding bank holidays.

For further administrative queries in respect of your shareholding please access our Registrars' website at www.shareview.co.uk

## Electronic communications

If you would prefer to receive shareholder communications electronically in future, including your annual and half yearly reports and notices of meetings, please visit our Registrars' website, www.shareview.co.uk and follow the link to 'Sign up for paper-free communications'.

## Professional advisers and service providers

### Solicitors

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