Savills plc Report and Accounts 2006		
		savills

Contents

01 Introduction

- 01 Our Focus
 - 02 Financial Highlights

04 Our Business

- 06 Group Profile
- 08 Chairman's Statement
- 13 Group Chief Executive's Review of Operations and Financial Review
- 46 Risks and Uncertainties Facing the Business
- 48 Our People
- 52 Our Social Responsibilities

56Our Governance

- **58** Board of Directors
- 60 Directors' Report
- 62 Corporate Governance Report
- 66 Remuneration Report
- 76 Directors' Responsibilities
- 77 Independent Auditors' Report

78 Our Accounts

- 80 Consolidated Income Statement
- 81 Balance Sheets
- 82 Statements of Cash Flows
- 83 Statements of Recognised Income and Expense
- 84 Notes to the Financial Statements
- 128 Savills' UK and International Offices

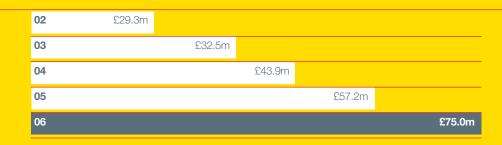
With over 160 offices and associates around the world, Savills is one of the leading international property advisors. A unique combination of entrepreneurial flair and sector knowledge give clients access to real estate expertise of the highest calibre, across the UK, Continental Europe, Asia Pacific and Africa.

Our Focus

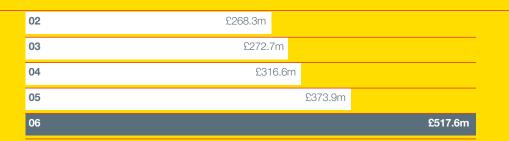
Financial Highlights

The figures speak for themselves. In the last five years, Savills revenue has increased from £268.3m to £517.6m and underlying profit before tax has risen from £29.3m to £75.0m.

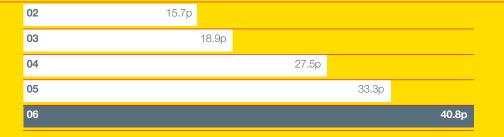
Underlying pre-tax profits **£75.0m** +31%*



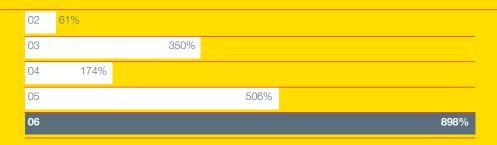
Underlying revenue £517.6m +38%*



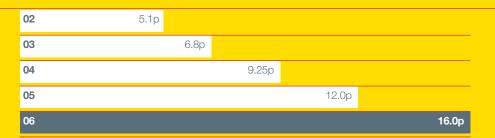
Underlying basic earnings per share 40.8p +23%*



Five year total shareholder returns 898%



Full year dividend
16p +33%*



- Contents
 06 Group Profile
- Chairman's Statement
- Group Chief Executive's Review of Operations and Financial Review
 Risks and Uncertainties Facing the Business
- Our People
- Our Social Responsibilities

The commercial and residential markets remain strong and in the absence of a global economic downturn we are confident that we will make good progress in 2007.

Our Business

Group Profile

Savills plc

Transactional Advice

Provision of a wide range of professional property services, including:

Services:

Commercial agency and investment

Residential agency, letting and investment

Development

Auctions

Farm and estate agency

Retail and leisure

Hotels and healthcare

Institutional

Purchasing advice

New homes

Consultancy

Provision of a wide range of professional property services, including:

Services:

Valuation

Building consultancy

Housing consultancy

Affordable housing and student accommodation

Landlord and tenant

Rating

Planning

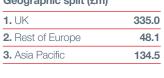
Strategic projects

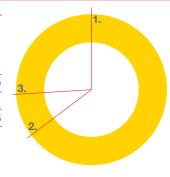
Research

Staff 15,844*

*Average for year ended 31 December 2006.

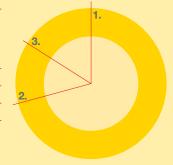








1. UK	175.0
2. Rest of Europe	32.6
3. Asia Pacific	39.6

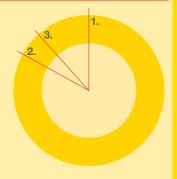


Segment revenue

£98.8m

Geographic split (£m)

1. UK	82.0
2. Rest of Europe	5.3
3. Asia Pacific	11.5



Property and Facilities Management

Management of commercial, residential and agricultural property for owners.

Provision of a comprehensive range of services to occupiers of property, ranging from strategic advice through project management to all services relating to a building.

Services:

Facilities management

Commercial management

Land and farm management

Financial Services

Mortgage broking, financial planning and corporate finance advice.

Services:

Residential mortgage broking services

Commercial debt broking services

Insurance services

Financial planning services

Fund Management

Investment management of commercial and residential property portfolios for institutional and retail investors, on a pooled or segregated account basis.

Services:

Property investment products

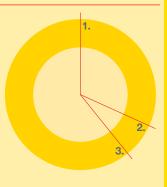
Discretionary and advisory portfolio management

Segment revenue

£137.2m

Geographic split (£m)

1. UK	43.6
2. Rest of Europe	10.2
3. Asia Pacific	83.4



Segment revenue

£26.9m

Geographic split (£m)

1. UK	20.9
2. Rest of Europe	-
3. Asia Pacific	_



Segment revenue

£7.2m

Geographic split (£m)

1. UK	7.2
2. Rest of Europe	_
3. Asia Pacific	_



Chairman's Statement

2006 was an excellent year for Savills and I am pleased to report an outstanding set of results following strong performances from our operating businesses.



Underlying results Underlying Group profit is calculated by adjusting reported profit before tax to deduct profits on disposals of $\mathfrak{L}5.1m$ (2005 – $\mathfrak{L}0.4m$) and share-based payment adjustment of $\mathfrak{L}6.1m$ (2005 – $\mathfrak{L}1.9m$) and add back amortisation of intangibles and impairment of goodwill of $\mathfrak{L}1.8m$ (2005 – $\mathfrak{L}0.9m$).

- Underlying Group profit before tax up 31% to £75.0m (2005 £57.2m).
- Underlying revenue up 38% to £517.6m (2005 £373.9m).
- Underlying basic earnings per share from continuing operations (based upon underlying Group profit) up 23% to 40.8p (2005 – 33.3p).

Reported results

- Revenue up 38% to £517.6m (2005 £373.9m).
- Group profit before tax up 44% to £84.4m (2005 £58.6m).
- Basic earnings per share 46.3p (2005 33.6p).
- Proposed final dividend up 38% to 11p per share (2005 8p).
- Shareholders' funds £212.8m (2005 £168.3m).
- Cash and cash equivalents £124.1m (2005 £99.9m).

Dividends In the five years to 31 December 2006 reported earnings have increased by an average of 33% per annum and dividends by an average of 27% per annum. This year the Board has recommended an increase in the final dividend of 38% to 11p per share to those shareholders on the register on 13 April 2007, payable on 15 May 2007. This gives a total ordinary dividend for the year ended 31 December 2006 of 16p (2005 – 12p), in line with our current progressive dividend policy.

Major acquisitions During 2006, we continued to grow our range of services through the hiring of individuals and acquisition of businesses in the UK, Europe and Asia Pacific as highlighted on page 44. Of particular importance was the acquisition of a 55% holding in Korea Asset Advisors and BHP Korea, which reinforces our position in this region. We also acquired Hamilton Osborne King in Ireland which was later rebranded as Savills Hamilton Osborne King, opening a new market to Savills as well as reinforcing links with Irish investors.

Trammell Crow Company (TCC) As a result of the acquisition of TCC by CB Richard Ellis Group (CBRE), our association with TCC ended and shortly after the year-end their 19.2% holding in Savills was placed in the market.

Share buyback programme and share split At the last Annual General Meeting shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 10% of the issued share capital. During the year ended 31 December 2006, no shares were repurchased for cancellation under this programme. On 11 January 2007, coincidental with the placing of the shares previously held by TCC, we purchased 3.5m shares for cancellation. The Company may make further purchases of shares under this authority up to the Annual General Meeting to be held on 9 May 2007.

As in previous years, shareholders will again be asked to consider a resolution to approve the repurchase of shares. This is outlined in the Notice of Annual General Meeting which together with these Report and Accounts for year ended 31 December 2006 are distributed to shareholders.

At the Annual General Meeting on 10 May 2006, the shareholders passed a resolution that the existing ordinary share capital of the Company be split; each existing 5p ordinary share was divided into two new ordinary shares of 2.5p.

Board and staff Since the last Report and Accounts, a number of changes have been made to the Board. First, following the acquisition of TCC by CBRE, the two TCC nominated Directors, William Concannon and Derek McClain, resigned with effect from 20 December 2006 and the entitlement by TCC to retain a Director on the Board lapsed. Secondly, as planned, a new Non-Executive Director has been appointed. I am delighted to welcome Martin Angle, who was appointed as a Non-Executive Director with effect from 2 January 2007. We welcome the experience he will bring and the contribution he will make to our discussions. Details of the Board, its Committees and their composition are outlined on pages 58 to 59 and in the Corporate Governance Report on pages 62 to 65.

The Board currently comprises a Non-Executive Chairman, four Independent Non-Executive Directors and five Executive Directors, which the Board considers is an appropriate balance and meets the present needs of the Group. The Non-Executive Directors have a wide range of business experience and expertise and provide a strong independent element to the Board. However, the Board will keep under review the need for any changes.

Savills' continued growth is a result of the committed and dedicated efforts of our people whose continued ability to provide a professional service to our clients is the basis for the excellent results achieved; I thank them all for their contribution. Our reward system, which is essentially based on team profit performance is an important mechanism in providing a balance between the interests of staff and shareholders and is more fully described in the Remuneration Report on pages 66 to 75.

Outlook The commercial and residential markets remain strong and in the absence of a global economic downturn we are confident that we will make good progress in 2007.

Peter Smith Chairman







Left

Belgrave House. One of the highest quality buildings in London's West End, a stake in Belgrave House was acquired by a Savills client for over £127m.

Belgrave House is recognised as one of the West End's leading office buildings. Comprising 277,676 sq ft (25,797 sq m) and situated close to Victoria Station, it was completed in 2004.

Our West End investment team advised Henderson's Central London Office Fund on the £127.4m acquisition of a 50% stake in Belgrave House, which is showing a 5% net initial yield. The office block, which had been developed by private equity firm JER in a joint venture with Grosvenor, was 50% retained by Grosvenor. Belgrave House is currently home to a number of top organisations including American Express, Vitol, Google, BAA and Rentokil. American Express' move to the building was, at the time, the largest letting for the year, totalling 131,000 sq ft (12,170 sq m) of space.



Group Chief Executive's Review of Operations and Financial Review



Aubrey Adams Chief Executive

Left 88 Wood Street. A City of London landmark designed by Richard Rogers Partnership, 88 Wood Street is multi-let to a wide range of tenants.

88 Wood Street is a contemporary building providing approximately 247,700 sq ft (23,000 sq m) of high quality office space on 18 floors in the heart of the City. Multi-let to a wide cross-section of professional and financial tenants, it produces a total annual income of around £12.5m.

We acted for MPC Fund Sachwert Renditefonds England GmbH Co KG, in the sale of the building by Muenchmeyer Petersen Real Estate Consulting GmbH to ING Real Estate in September 2006. This was the single biggest asset purchased by ING Real Estate Investment Management in the UK.

88 Wood Street was one of a range of major projects handled by our International Investment team in 2006. Altogether, the team completed over £2bn of transactions, across a diverse range of investments and development opportunities. These included: the sale of Linklaters HQ in the City for CGI for £355m; the sale of Diagonal Shopping Centre in Barcelona on behalf of Deka for €325m; and a number of other UK sales including Colmore Gate in Birmingham for £80.5m, The Ark in Hammersmith for £49.5m, Times Place on Pall Mall for £85m and a City portfolio for Deka for £355m.

2006 was a year of achievement; we delivered an excellent financial performance, expanded our range of global property-related services and comprehensively reviewed our strategy.

Pre-tax profits increased from £58.6m to £84.4m. Underlying pre-tax profits increased from £57.2m to £75.0m. Underlying profit is calculated by adjusting reported profit before tax to deduct profits on disposals of £5.1m (2005 – £0.4m), share based payment adjustment of £6.1m (2005 – £1.9m) and add back amortisation of intangibles and impairment of goodwill of £1.8m (2005 – £0.9m).

In the UK, we saw exceptional performance, exploiting the opportunities of rising commercial and residential markets. Acquisitions and organic expansion brought new teams and new expertise into our commercial capability. We also expanded our residential teams and partnered with major clients on a number of very significant projects.

In Europe, the main focus of our business was investment, where we expanded our services in all areas. Increased economic activity and renewed confidence across the region created a number of opportunities which were capitalised upon by our teams.

In Asia Pacific, we recorded 38% growth in revenue with a significant increase in profitability; 48% of the growth was attributable to our acquisition in Korea, while the remainder was largely due to organic growth in existing geographical and service lines of business especially in our Property and Facility Management businesses. This achievement was generated against a backdrop of various investments made during the year, including new offices, recruitment and infrastructure projects.

Group Strategy

Context and vision Over the past five years, we have delivered outstanding growth in total shareholder returns, achieving a total return of 898% compared with a return of 117% provided by the FTSE 250 and 233% by the FTSE All Share Real Estate Index. Recognising the need to sustain this high level of growth, the Board undertook a Strategic Review during 2006 to map the path for the business over the next five years. Our vision is at the heart of this new strategy:

'To become one of the leading providers of real estate services in all of the major markets of the world'.

By doing so, we aim to deliver superior total returns to shareholders compared with our peers. Through this combination of market leadership and financial success, our aim is for Savills to be the employer of choice for outstanding individuals.

The market for real estate services There is no doubt that our core customer groups still value expertise, local knowledge, our breadth of experience across the disciplines, innovation, professionalism and high calibre individuals. Building strong local businesses and offering this local expertise and experience remains central to our approach. However, we are also seeing an increasing requirement from our customers to support them across borders this is particularly true of property investors, for whom we are increasingly handling multinational assignments.

The competitive environment is also evolving, with more competitive tendering for business than ever before. Savills is strong in many markets, with leadership positions in the major cities of the UK and Ireland, Hong Kong and other areas of Asia. However, we recognise the need to achieve stronger competitive positions elsewhere. We will focus our efforts on other major cities in Europe, Asia and the US, in large economies that have the strongest domestic real estate markets and which are also important sources/destinations for real estate investment flows.

In these cities, Savills will be building scale, service, breadth, brand recognition and team strength.

Excellent people remain at the heart of success in this market. The 'war for talent' is more intense than ever before, and the need to reward and retain key individuals is vital as competitors recognise the quality of Savills people, our distinguishing asset. We have a unique culture that is the envy of our competitors and we will do everything we can to ensure Savills remains the most attractive place to work in the industry.

Investment markets in which we are already the leader remain central to the success of Savills' business model. However, uncertainty remains over future economic growth in mature markets, reinforcing our need to develop further non-transactional sources of revenue and to diversify geographically.

The Savills strategy The strategy revolves around five key objectives:

- To invest in teams of excellent people, achieving scale and brand recognition in the major cities of the world.
- To serve investors, developers, and occupiers in those major cities, from a broad range of regional platforms including investment brokerage, valuation, leasing, development and property/asset management.
- To continue to grow our leading positions in the UK, Ireland, Hong Kong and parts of Asia, as well as growing our business in other major financial and institutional locations.
- To exploit our depth of real estate expertise and market leadership through improving and growing our fund management business, Cordea Savills, and our financial services business, Savills Private Finance.
- To increasingly invest in the Savills business and brand to ensure the long-term sustainability of earnings, whilst maintaining a focus on short-term financial returns.

Right

PaddingtonCentral.
We provided comprehensive consultancy services on the PaddingtonCentral scheme, which will include some of the largest office buildings in the West End of London.

PaddingtonCentral is a mixed use redevelopment scheme which forms a major part of the urban regeneration of Paddington.

Once complete, the project will comprise 1.6m sq ft (148,650 sq m) of space for residential, retail, health and fitness and office use, including some of the largest office buildings in the West End. The next phase of 260,000 sq ft (24,155 sq m) of offices is under construction and will complete in January 2008.

We provided comprehensive advice through all stages of the project including development consultancy, purchase, funding, scheme design, marketing and leasing.

Ultimately, PaddingtonCentral will provide a 24 hour environment, completely transforming and enhancing an area of formerly derelict land directly adjacent to the mainline railway station.





Group Strategy continued

Loft

Kemsley Fields, Sittingbourne. Our involvement with the development of the Kemsley Fields Business Park is both long-standing and wide-ranging.

Kemsley Fields is one of the largest development sites in the South East of England, with outline planning consent for around 1.8m sq ft (167,220 sq m) of B1, B2 and B8 employment use.

The 126 acre (51 hectare) site occupies a nationally strategic position, close to the Channel Tunnel as well as the motorway and rail networks. It will form a major regeneration with significant employment and residential opportunities which will contribute to the sustainable economic growth of the Sittingbourne area. In addition, Kemsley Fields will be developed alongside infrastructure improvements which will alleviate traffic congestion.

Our team has been involved on Kemsley Fields from the project inception to now being invited to act as joint letting agents. We initially introduced the site to Gazeley and advised on development viability, form and values. Standard Life became involved as funding partners and, together with Gazeley, acquired the site for \$20m.

Measuring success At Savills, we have a long history of maintaining a sharp focus on profit and financial measures will continue to be of greatest importance.

However, we will also be introducing new measures to help review progress against our strategic objectives. These will include a combination of people and organisational measures, customer and market leadership measures, and operational measures.

Achievements in 2006 There have been numerous highlights of the past 12 months, some of which are documented on the following pages and also in the feature case studies throughout this Annual Report and Accounts.

In the UK, we achieved our programme of expansion into the retail sector by completing the acquisition of Blair Kirkman LLP and we now offer an extensive range of retail experience.

In Europe, we successfully established our Munich office and completed recruitment for the opening of our office in Hamburg. We also recruited key directors into investment and valuation for our Netherlands operation. The Hungarian business was successfully incorporated with our Budapest office now up and running.

The acquisition of Hamilton Osborne King in Ireland promises to be a success with an increased European network for Irish business to access and greater contact for our European and UK investment clients to Irish money.

In Asia, we acquired a 55% stake in leading Korean businesses, Korea Asset Advisors and BHP Korea to establish a market leading presence in Korea.

Priorities for 2007 and beyond Geographically, we aim to expand and believe there is considerable scope for this expansion in Europe. There are initiatives in place to grow and broaden the domestic UK, Irish, and German businesses, followed by Italy, Spain and France. There is also scope for expansion in Asia, and the short-term priorities for building broad-based domestic businesses include Japan, Hong Kong, Singapore, Seoul, and major cities in Greater China. In addition, several new offices are planned across the European and Asian regions to enhance our cross-border investment position and to establish an initial presence.

The US is a top priority, especially following the termination of the Alliance Agreement with Trammell Crow Company now that the acquisition by CBRE is complete. A number of options are presently under consideration including the potential to acquire one or more established businesses.

Having invested in infrastructure within Cordea Savills, we are now confident that it will deliver solid growth through the launch of several new funds. We will also be driving closer co-operation between SPF and the UK commercial and residential businesses, which should enhance its performance.

Our organisation and brand are key to the way in which we will deliver our strategy. Looking ahead, we will be upgrading the HR strategy for the business, to ensure we have the right mix of skills and capabilities in the business as we continue to grow.

Marketplace Overview

UK The year's major story in the UK commercial market was the return of upward rental growth in the office market, on the back of a recovery in tenant demand in London and the South East. Following the downturn in 2001–2003, tenant demand has returned to, or exceeded, average annual levels. This demand has driven vacancy rates downwards which has had the effect of driving rental growth upwards.

Rising rents have prompted renewed interest from developers in these markets, following several years where activity has been lower than average.

Tenant demand in the industrial and warehousing markets remains steady, particularly for large distribution schemes in the Midlands and around the M25.

Whilst challenging trading conditions continued through 2006, retailers have nevertheless continued to expand. Retailer demand is increasingly focused on the best locations, and this favours prime shopping centres, retail warehouse parks and high streets around the country.

2006 was another strong year for investor demand and we estimate that the level of investment in UK commercial property was broadly in line with 2005's record level. Around 30% of the purchases of UK commercial property in 2006 were by non-domestic investors. Investor demand continued to drive up prices. Yields in all the UK markets that we monitor ended the year at or close to record lows.

Looking ahead we expect similar conditions to prevail in 2007. Tenant demand in the office and industrial markets is likely to stay at or slightly above average levels due to an improving macro-economic environment. Retailers will continue to be cautious in their expansion plans as consumer confidence stays low. Although we anticipate that retailers will look to open new outlets, this demand will be highly location specific.

Investor demand for commercial property is likely to remain high over the next 12 months, with both domestic and international investors still showing interest in the asset class. The introduction of REITs to the UK in 2007 may well increase this interest in the sector, leading to further upward price movement. In terms of the leasing and development markets, we expect that the Central London office market will continue to show the strongest rental growth and returns.

UK residential markets were also strong during 2006. Despite higher interest rates, price growth approached 10%. London and the South East were the strongest markets; most notably prime Central London markets where prices grew by an average of 24%.

Recent surveys of asking prices, new sales instructions and buyer enquiries indicated positive sentiment in mainstream markets, leading up to January's increase in interest rates, but thereafter there has been evidence of more buyer caution. At this stage we see no reason to alter our expectation of a 7% increase in UK house prices during 2007. The main issue in most markets concerns purchasers' perceptions of where interest rates will be by the yearend. If expectations are of a further 25 basis point rise to 5.5%, with no fall thereafter, then households are likely to rebuild incomes, reducing their spending on housing. This will lead to lower turnover and price growth. However, we do not expect price falls, as the interest rate trigger for such market behaviour is likely to be above 6% and possibly as high as 7%.

Driven to a great extent by City bonuses and overseas purchasers, the top end prime markets are less sensitive to the cost of borrowing. With last year's City bonuses fuelling demand and global economic growth set to continue, we anticipate at least another year of high price growth in prime markets, assuming that the current uncertainty in financial markets is a short-term issue. Longer term, barring an unexpected economic shock, the top end prime markets seem likely to show continued growth.

Whilst the new homes markets are still driven by overall housing scarcity at a national level, the way in which new housing supply is being delivered to the market has created imbalances. This means that some local markets have reached saturation and developers must know their markets well in order to deliver the right product type and fully target all new demand.

Europe Improved economic activity and the upturn in employment growth translated into higher tenant take-up levels in most European markets in 2006. The imbalance between demand and supply is gradually being restored and vacancy rates are slowly falling in most markets. Prime rental growth has accelerated during the course of the previous year: we estimate that it reached 10% on average at the end of 2006 across the main European central business district markets.

The level of demand for modern warehouses remains high, driven by the growth of trade and logistics activity in Europe. Consolidation is creating large scale requirements, with demand focused around the main conurbations, airports, ports and motorways. However, new locations are emerging as occupiers look to balance cost, availability of labour and accessibility. We have seen rental values increase mainly in those areas where demand exceeds supply.

The predictions for strong labour market conditions in Europe in 2007 and an improving economic climate support a positive outlook for the property sector. As market fundamentals recover, developer interest is renewed driven by the anticipation of higher demand and positive rental growth.

The expansion of large international retailers in Europe goes hand in hand with the expansion of out-of-town retail concepts, which are still underdeveloped in a number of European countries, especially the recent entrants to the European Union. The projections for strong consumer spending growth and the swift move towards new shopping habits in these regions offer an attractive environment for developers and investors. We experienced significant yield compression in 2006 and this should continue in 2007.

Investor demand was also strong in all markets but in particular for offices and warehouses due to the perception that the leasing markets are improving or likely to improve soon. There is an evident yield convergence, especially across the prime commercial markets. Furthermore, we have seen strong investor interest in more specialist asset classes.

We expect European property to remain high on the agenda of many investment managers in 2007, despite the limited supply of product. The introduction of REITs in the UK and Germany should also drive the growth of the listed sector, offering a wider spectrum of options to investors. Prospects for further yield compression are more positive in developing markets and locations with good rental growth prospects.

Asia Increasing maturity in the China real estate market will offer opportunities for investment sales and purchase fees. However, frequent intervention by the government into the property sector, either by increasing property taxes or restrictions on available credit for property lending, may reduce investor attraction.

According to the Asian Development Bank, Asia reported growth of 7.7% in 2006, marginally above the 7.4% recorded in 2005. Growth drivers included European and US demand for exports as well as increasingly significant levels of domestic consumption and intra-regional trade. Japan began to turn around in 2006 while China and India continued to enjoy growth rates of more than 8%. Strong growth is forecast for 2007, supported by intra-regional trade, domestic consumption expenditure and foreign direct investment, factors which will continue to drive the regional economy even if the US were to experience a soft landing.

Many of Asia's major office markets reported exceptional levels of occupier demand in 2006 at a time when supply of prime office space has proved to be limited. The result has been rapidly rising rents in Singapore, Hong Kong, Tokyo and Shanghai and this trend is expected to continue into 2007. Cost increases in some of these markets are prompting tenants to look to non-core office locations to accommodate all or part of their operations. In Beijing and Seoul, relatively high levels of new Grade 'A' office supply in 2007 should cap any rental upside for the time being although high rates of pre-commitment in Seoul suggest that there may be room for some growth.

Overleaf left

Cordea Savills. In April 2006 Cordea Savills launched the UK Student Hall Fund raising £39m from six institutional investors at a restricted first closing.

These investors gained immediate exposure to a seed portfolio of three assets, which are let on leases of greater than 20 years with guaranteed index-linked rental uplifts.

The fund offers both income and growth, targeting a return above 10% per annum. The investment strategy of the fund is to build a solid base of properties providing secure income through long leases, complemented by directly let halls providing potential for growth.

The fund has since grown to £95m with five assets.

The student hall market remains a compelling investment opportunity as university applicant numbers continue to grow.

Overleaf right

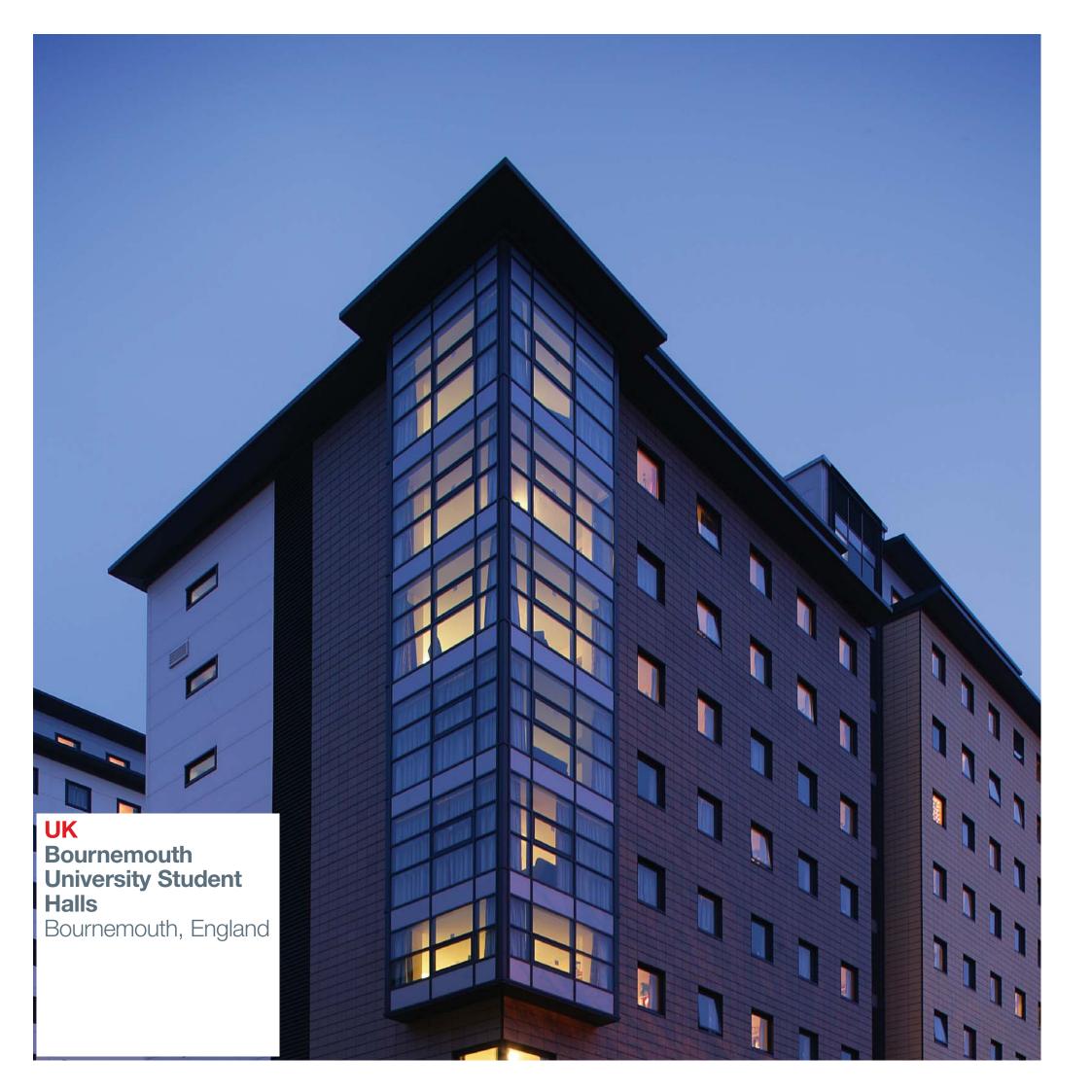
CityPoint. The sale of CityPoint was the largest commercial office building transaction in the City of London in 2006.

When our team handled the sale of CityPoint for £520m, it marked the largest single commercial office building transaction in the City of London. The sale reflected a yield of 5.85% and accounted for 5% of the total turnover of city transactions during the year.

CityPoint provides 707,000 sq ft (65,688 sq m) of space and was sold by the City of London Office Unit Trust (CLOUT) to Tishman Speyer, SITQ, Schroder Exempt Property Unit Trust and UBS Wealth Management.

In addition to CityPoint, we handled a number of high profile development sites in the City, including DIFA's tower on Bishopsgate, the 1,000 ft tall Helter Skelter, and Crown Place, a 200,000 sq ft (18,580 sq m) building which was sold to Greycoat for around £60 million.

Altogether, 2006 saw our investment teams complete over £2bn of investment transactions in the City. This was achieved against a background of the strongest-ever investment market, as total turnover passed £10bn.







Marketplace Overview continued

Left

Norwich Union portfolio. During 2006, we continued to advise Norwich Union on its portfolio and helped dispose of a number of surplus assets.

In May 2005, we were appointed to advise Norwich Union on its surplus portfolio throughout the UK. This comprised around 150 properties accounting for over 200 separate sub-leases and totalling 1.69m sq ft (160,000 sq m). Approximately 95% of the portfolio is office space with significant concentrations in London, Sheffield and Stevenage.

Since that initial appointment, our team has disposed of around 320,000 sq ft (29,729 sq m), including key buildings in Liverpool, Cardiff and Dublin. Of particular note was the 156,000 sq ft (14,492 sq m) letting to Hertfordshire County Council in Stevenage of two of Norwich Union's three office buildings. This letting was the largest office deal of 2006 in Hertfordshire and illustrates the strong collaboration between Norwich Union, Hertfordshire County Council and the building owners. Rotch Investments.

We have also worked with Norwich Union to reduce future rental liabilities by a sum in excess of £32m. In the residential markets, fortunes were mixed. In Japan, a broad based and stable recovery should continue to underpin demand for housing and prices should make steady progress in 2007. In Hong Kong, after two years of modest growth, values look set to put in a strong performance over the next 12 months, especially as salary increases and bonuses feed through into the marketplace. Singapore has made remarkable progress and the residential market is booming, especially at the top-end. In mainland China, the government's efforts to cool the housing market have succeeded in moderating price rises and cooling sentiment, while strong economic growth should render any major price correction unlikely. Slower economic growth combined with tough new government measures should see the residential market in South Korea cool over 2007.

Robust economic growth, rising household incomes, more leisure time and generally positive population growth rates are all factors which have benefited the Asian retail economy over recent years. International retailers continue to make in-roads into new markets while developing markets continue to experiment with new retail formats. Intra-regional tourism is having a significant impact on consumption patterns in some areas as mainland Chinese flood into Hong Kong and Macau and Japanese travellers re-visit the region. After two or three years of rapid rental growth, however, markets such as Hong Kong and Seoul are showing signs of exhaustion while supply-demand imbalances have caused retail rents to stabilise in Beijing and Shanghai.

US US GDP has been following the global trend with a 3.3% growth rate in 2006 and an expected 2.3% expansion in 2007. Going forward major economic indicators are predicted to remain stable, with slight increases in unemployment and interest rates expected in 2008 and beyond.

2004 and 2005 saw record capital inflow into commercial real estate. Despite the sentiment of a cooling US investment market office property sales increased by 33% to \$134bn in 2006 and over \$307bn of commercial real estate transaction volumes were reported for 2006 (Source: US National Association of Realtors). Performance is closely tied to the general health of the economy and as a result the market has experienced stable growth in the past two years as the economy recovers from the burst of the high-tech bubble and September 11. The current health of the commercial market is reflected in rising net absorption, falling vacancy rates and increases in rents in the office, industrial and multifamily sectors. Commercial real estate markets are expected to continue to grow and individual sectors in many areas are seeing tighter vacancy rates and higher rents.

Segmental Reviews

Transactional Advice Provision of a wide range of professional property services, including:

Services		
Commercial agency and investment	Retail and leisure	
Residential agency, letting	Hotels and healthcare	
and investment	Institutional	
Development	Purchasing advice	
Auctions	New homes	
Form and actata agancy		

Performance	Revenue £m			Opera	ating pro	ofit £m
	05	06	+/-%	05	06	+/-%
UK	121.9	175.0	44	24.0	40.1	67
Rest of Europe	15.1	32.6	116	3.0	4.3	43
Asia Pacific	29.9	39.6	32	5.2	4.2	(19)
Total	166.9	247.2	48	32.2	48.6	51

Revenue			
02	£124.1m		
03	£119.4m		
04	£146.	3m	
05		£166.9m	
06			£247.2m

Operating	profit				
02	£20.0m				
03	£18.1m				
04		£26.7m			
05			£32.2m		
06					£48.6m
Figures for	2002 and 2003 wer	e not prep	pared un	der IFRS.	

Transactional Advice The Transactional Advice business stream comprises commercial, residential, agricultural agency and investment. During the year revenue was £247.2m (2005 - £166.9m), representing 48% of our total revenue and generating operating profits of £48.6m (2005 - £32.2m).

Marketplace Investment markets are becoming increasingly global, with cross-border transactions becoming more and more significant. This is the driving rationale behind having regional investment platforms, entering the US market and opening offices in secondary cities.

Our Investment teams across the UK reported reporting continued interest from investors in all property sectors with the biggest challenge being a lack of quality investment stock. We believe the advent of REITs will be a positive move for the industry as companies transferring into REITs will wish to trade assets to suit their new status. Certainly, there is likely to be increased interest in the regions as investors look beyond London due to the continued pressure on yields in the capital.

As office and retail yields compress, investors are now focusing on other asset classes such as healthcare, leisure and logistics. It is likely that in 2007 we will see a widening of the yield gap between prime and secondary stock.

An increased presence and strength in the industrial and logistics markets is enabling us each year to gain share in this expanding market.

There is continuing demand from investors both at UK and international level for all types of investment products and continuing demand from occupiers as economies improve.

In the residential agency market, the year started with great confidence. The City was buoyant and we saw a continuation of the strong market which had started in the second half of 2005. In Central London, 42% of our buyers work in the finance sector and 56% are under the age of 40. In addition, 25% of our buyers in London are international purchasers and two-thirds of these are looking to spend in excess of £4m. The market remained confident throughout the year, leading to an excess of demand over supply which forced values even higher. In Central London, the market for prime properties rose by 24%, taking our average sale price to £1.45m.

The new homes market strengthened throughout the year, particularly in London where a shortage in supply of second-hand sales resulted in higher prices. Certain provincial cities showed signs of oversupply with marketing incentives required to move stock.

The farmland market strengthened in 2006 with demand from lifestyle purchasers forcing prices up by 15% to an average of £2,690 per acre. The total area of land marketed (180,500 acres) increased only slightly over the previous year (175,700 acres) so lack of supply continued to support prices.

In Asia Pacific, markets remained very competitive and the challenge to retain and recruit the best talent in the market was fundamental to the ongoing success of the business.

Key achievements of 2006 Our Transactional Advice business saw many highlights during 2006 with key achievements recorded in all areas of the business.

2006 was another strong year for the Commercial Investment team across the UK. The year saw the team advise on transactions involving in excess of £10bn of commercial property, an increase in excess of 25% on 2005, cementing the team's top three ranking by revenue amongst agency practices in the UK.

Notable transactions included the Retail Warehousing Investment team advising on the disposal on behalf of Hercules Unit Trust and Bank of Ireland Private Banking of Gallions Reach Shopping Park, Beckton to Standard Life for £208m. In Brighton, the Business Space Investment team advised Irish Life Assurance plc on the £69.2m acquisition of City Park, a new business park let to Legal & General. In the West End, the Central London Investment team advised Henderson's Central London Office Fund on the £127.4m acquisition of Belgrave House, a substantial office building let to Google, American Express and BAA Plc.

During the year, our UK Residential business acquired Buckleys in Clapham, to enhance our coverage in South West London. In December we acquired Chesterfield, a practice based in Knightsbridge specialising in the top end of the prime Central London market. We also opened new residential offices in Truro, Reigate, Haywards Heath, Bury St Edmunds and Locksbottom as well as expanding many of our existing teams. Across both the London and country sectors, we sold 4,236 second-hand units, a 32% increase on the previous year. Including the sale of 66 properties over £5m. Among the most notable sales was a house in Eaton Square which had a guide price of £20m and Bignell Wood near Lyndhurst in Hampshire which once belonged to Sir Arthur Conan Doyle.

The Residential Investment team was consolidated during the year, enabling us to extend our wide range of professional and transactional advice to an ever-increasing mix of clients interested in residential products as an asset class. The Residential Investment team was particularly active in forward selling off-plan student and residential investment opportunities. Highlights included the disposal of an entire scheme of over 100 residential units on behalf of Bellway Homes plc and forward selling over 2,500 student bed spaces for various specialist developers.

Our Purchasing Advice business, Prime Purchase, which operates independently, recorded its fifth year of sustained growth. New offices were established in Dorset and Oxfordshire. The average length of search fell to four months in London and seven months in the country, with over half of the properties bought for clients secured before they were advertised. A key achievement was the acquisition of the 365 acre Alderley Estate in Gloucestershire.

From 22 New Homes offices we sold 4,790 units for $\mathfrak{L}2.1$ bn and new sales were secured in London on properties worth in excess of $\mathfrak{L}1.6$ bn. Sales of new homes included off-plan sales of all eight houses at Phillimore Square for prices in the region of $\mathfrak{L}10$ m. The entire development, including 35 apartments, was sold within six months of completion.

Our recent investment in the Auction business produced encouraging early returns. In the first full year's trading, the Commercial and Residential teams produced sales of £412m, up from £278m in 2005. This comprised 1,171 lots sold, with an average success rate of 87% and an average lot size of £352,000. These figures place us as the third largest auction house in the UK.

Although the Residential business is now mature, it nevertheless produced sales of $\mathfrak{L}215.8$ m, up from $\mathfrak{L}177$ m last year. We sold 800 lots and achieved an average success rate of 89% and an average sale price of $\mathfrak{L}270,000$. Many Housing Associations and Local Authorities use our auctions services as a successful sales method. The Nottingham Auction team raised sales to $\mathfrak{L}22.3$ m from $\mathfrak{L}12$ m in 2005. This comprised some 121 lots sold and an average lot price of $\mathfrak{L}184,000$.

In 2006, our Affordable Housing team advised a number of residential and mixed-use developers, helping them to optimise affordable housing obligations driven by evolving planning policy. We assisted Development Securities plc on a planning application for a mixed-use scheme at Oriental City in the London Borough of Brent and assisted in justifying the level of planning contribution made for the scheme.

Our Leisure business provided valuations of the Bannatyne Fitness and Livingwell Premier Health Club chain following acquisition of 24 Livingwell Premier Clubs by Bannatyne for approximately £90m. The combined portfolio comprised 61 clubs with a value in the region of £250m.

Our Farmland business marketed 17.5% (31,823 acres) of land marketed in the UK consolidating our market-leading position. The influx of foreign money into the UK continued with Danish farmers buying over 9,700 acres at a cost of around £34m over the last 12 months.

In Asia, we opened an agency office in Bangkok in 2006, recruiting a team of ten to conduct commercial and residential agency operations in the city as well as in the coastal resorts of Phuket and Koh Samui.

In July 2006, Savills acted for an offshore Korean fund to acquire Hopson Tower, an 87,000 sq m office development in Shanghai for US\$300m, believed to be the largest single asset transaction undertaken to date in mainland China. We are beginning to see the signs of a developing market for commercial property sales both to private and institutional buyers and our Capital Markets teams in Beijing and Shanghai are well-placed to take market share as the disposition activity gathers pace. We also opened new offices in China in Chengdu and Tianjin.



Segmental Reviews continued

Left

Big Sam. We helped secure the North West region's highest value distribution letting of 2006, on the Big Sam centre in Bolton.

Big Sam is a bespoke, cross-docked distribution centre at Wingates Industrial Estate, Bolton, close to the M61. It provides high specification warehouse and office accommodation of 274,700 sq ft (25,520 sq m).

During 2006, our Manchester team let the centre for Arlington and developer Barwood. Handelman UK, an organisation that distributes items including CDs for Tesco, agreed a new 10-year lease at an annual rent of £1.17m. The site's excellent road connections, together with its high quality accommodation, were the key to Handelman's decision and they expect Big Sam to be operational in early 2007.

Not only was this the North West region's highest value letting of the year, it was also one of the fastest. The letting was agreed just three months after practical completion in June 2006.

In Hong Kong, our Capital Markets team were responsible for concluding over HK\$10.8bn worth of commercial real estate transactions during 2006. The team have an enviable reputation in the market place, being responsible for between 35-50% of all known deal flow in the Hong Kong market, irrespective of whether it is whole block site, collective sales, retail or office/industrial.

In Japan, considerable organic investment was undertaken. We recruited a landlord leasing team of 12, opened a new serviced office in Osaka, and also a major high street residential office in a key high-value ward in Tokyo.

In Australia, our senior management team was rebased and this incurred some significant restructuring costs. Our Sydney business also moved office and secured the services of a 'Strategic Project Delivery' team during the year. Our Perth office managed the off-market sale of a private portfolio for a total of AUS\$465m.

Future plans Following our strategy of the last two years to strengthen our Investment and Agency teams through targeted recruitment, we continue to focus on ensuring that we have a breadth of outstanding expertise across all sectors to meet client needs.

High on our agenda is to establish an investment business in the US where we are reviewing a number of options.

We also aim to add further specialist investment services, including additional recruitment to our Private Client department. This business experienced an exceptional year in 2006 and we see a clear opportunity to improve our service in what is an increasingly important and expanding market.

Following the exceptional performance of the Investment teams in our eight established European markets, our strategy is to continue growth via recruitment and to use our reputation and market share to improve brand recognition and strengthen our European presence.

In 2007 we are aiming to expand our Corporate Finance capability, working closely with our existing transactional teams.

We will continue to be involved in the most exclusive developments an example of which is One Hyde Park, on behalf of Candy & Candy, project managers for the scheme. This development will comprise 80 of the world's most sought-after properties, many with direct views across Hyde Park.

Our Asia Pacific business continued its growth strategy of investment in the region, and will remain focused on the high value real estate markets through 2007. Our Hong Kong business continues its objective of organic recruitment and maintaining its strong market position in investment sales and purchase, leasing and property management services.

In South East Asia we will continue to expand our Singaporean business in all real estate service lines and look to strengthen our brand awareness in Indonesia, Malaysia and the Philippines through associations with the premier local real estate service providers.

Our most significant objective in Asia Pacific will be to achieve further penetration into major cities in Japan, arguably the most difficult real estate market in Asia, through organic recruitment and small scale acquisitions. The development of our business in the Japanese market requires taking a long-term view, the significant benefits of which will take several years to materialise.

Segmental Reviews continued

Consultancy

Provision of a wide range of professional property services, including:

Services	
Valuation	Landlord and tenant
Building consultancy	Rating
Housing consultancy	Planning
Affordable housing and	Strategic projects
student accommodation	Decemb

Performance	Revenue £m			Revenue £m Operating profit £m		
	05	06	+/-%	05	06	+/-%
UK	62.3	82.0	32	11.8	15.0	27
Rest of Europe	2.1	5.3	152	0.3	0.7	133
Asia Pacific	7.5	11.5	53	0.7	0.7	-
Total	71.9	98.8	37	12.8	16.4	28

Revenue				
02	£43.0m			
03	£49.	1m		
04		£59.3m		
05			£71.9m	
06				£98.8m

Operating	profit			
02	£6.3m			
03	£7.6m			
04	£10.9m			
05	£12.8m			
06		£16.4m		
Figures for 2002 and 2003 were not prepared under IFRS.				

Consultancy Our Consultancy business generates fee income from a wide range of professional property services including valuation, building consultancy, landlord and tenant, rating, planning, strategic projects and research. Operating profit for the year was $\mathfrak{L}16.4\text{m}$ (2005 – $\mathfrak{L}12.8\text{m}$) on revenue of $\mathfrak{L}98.8\text{m}$ (2005 – $\mathfrak{L}71.9\text{m}$).

Marketplace The continuing attractiveness of commercial property as an investment class, as well as recovery of the office leasing markets throughout Europe led to strong demand for consultancy services across Europe. Development activity picked up steadily in 2006 and this, combined with strong investor interest in the sector, stimulated demand for building consultancy, planning and valuation services in particular.

During the year there was strong growth in all areas of UK Valuations.

2006 saw positive rental growth returning to the majority of markets, in particular the London West End office market.

Key achievements of 2006 Savills' Commercial Valuation department has been nominated for Professional Agency Team of the Year (Valuation) at the Property Week Awards Ceremony on 17 April 2007. We value investment and development properties across the commercial, residential and mixed-use sectors, both in the UK and Europe. We act for all the main banks, providing independent valuations for loan security purposes and also providing advice to investment banks seeking to acquire financial stakes in major portfolios. 800 property lenders attended our annual Financing Property Presentations in June 2006 in London City, London West End, Manchester, Edinburgh and Dublin, the latter in conjunction with Savills Hamilton Osborne King. Of the development projects valued in 2006, the completed development values were as follows: 35 exceeded £100m, 15 were between £200m and £500m, seven were between £500m and £1bn, and five were above £1bn.

Right

Quarry retail park.
Since acquiring the site for
Henderson Global Investors,
we have helped The Quarry
Retail Park become one of
Scotland's most successful
fashion retail destinations.

After acquiring The Quarry as an Open Class 1 retail park for Henderson Global Investors in 2001, we were subsequently retained to provide management services, including asset management and rent reviews.

At the time of the initial acquisition, we had also identified potential in a nearby former head office building. This site was purchased by Henderson Global Investors in 2005 and re-developed into 45,500 sq ft (4,227 sq m) of retail accommodation, with pre-lettings planned to Arcadia, Next, New Look and Clarks. TK Maxx and Marks and Spencer have also now opened units at The Quarry and the park has been transformed from a predominantly bulky goods line-up

into one of the pre-eminent fashion parks in Scotland. The total area has increased to 82,498 sq ft (7,665 sq m) and tenant numbers have risen by five to 15. Further asset management is currently underway and we are achieving record levels of rent on new lettings – up to £42.50 per sq ft compared with a top rent of £25 per sq ft on acquisition.

'The Quarry is an excellent example of Savills showing their retail warehouse expertise across all professional disciplines of the sector,' said Andrew Friend, Fund Manager, Henderson Retail Warehouse Fund. 'From the initial acquisition through to the asset management and review process and the redevelopment of Miller House, they have utilised all their skills and been focused on adding value to the Fund. The park has been transformed and we are delighted with its performance. Savills' continued efforts have been key to the park's success.'





Segmental reviews continued

Loft

Milan, Italy. Our Milan-based investment team acted on behalf of clients in the sale of a number of major buildings during 2006.

2006 saw our investment team in Milan work on the sales of several of the city's important buildings.

For example, we worked with one of Milan's biggest developers on the sale of two buildings to AXA REIM, for around €50m, reflecting an average gross yield in the region of 6.75%. Both buildings, one of which is a distinctive tower in Via Lorenteggio, are let to Vodafone. Although we acted for the vendor on this particular sale, the transaction brought our involvement with AXA REIM in 2006 to the €100m mark.

The team also acted for Milanofiori 2000 Srl (Brioschi Finanziaria Group), in the sale of two buildings to Polis Fondi SGR.p.A, on behalf of Fondo Polis. These buildings totalled 279,870 sq ft (26,000 sq m), and were sold for a combined sum of €91.25m. Currently under construction with completion expected in 2008, the properties form part of the prestigious Milanofiori Nord project and we are pleased to have been appointed as letting agents.

The Milanofiori transaction was significant both for the strategic importance of the project and the scale of the sum achieved. The fact that these companies are investing in ground-breaking new development schemes highlights continuing investor confidence in the Milanese and Italian markets.

High profile instructions include: 'The Gherkin', One Hyde Park, Middlesex Hospital and The London Stock Exchange.

The year was characterised by extraordinary growth in residential values in prime Central London with our Private Bank Valuation team valuing 35 houses and flats with capital values of between £10m and £32m in London and the Home Counties.

The Residential Valuation department in London increased its staff by 30% resulting in a 50% increase in revenue in our Loan Security and Landlord and Tenant business. The key strategy of this department is to develop teams of individual specialists across the business. This has resulted in retention as valuers to a number of the national house builders, such as Ballymore Properties Limited where we work on their London residential schemes.

Commercial Building consultancy with principal offices based in London, Manchester, Birmingham and Glasgow continued to expand throughout 2006. Each office continued to recruit senior high calibre staff in order to focus on high value projects.

The Technical Due Diligence and Project Monitoring team were particularly active in Europe in the last 12 months having advised on over 20 property portfolios, comprising offices, retail and care homes in excess of 1.8m sq m and over €2.5bn in value, in nine European countries. The largest single property was the Cevahir Centre in Istanbul, one of Europe's largest shopping centres. In addition to European work, we have been active advising investment clients on new build retail schemes at White City London and Victoria Square Belfast, two London landmark office buildings and two student housing schemes. Other projects included Triton Court and Milton and Shire House in the City of London for Proplnvest and Beacon Capital respectively and major portfolios of hotels, car showrooms and restaurant chains.

Landlord & Tenant with teams in London (City and West End) and throughout the country has continued to win a plethora of high profile instructions in the office, retail warehouse, retail and industrial sectors.

In 2006 we represented over 50 landlord clients in the out of town retail sector and acted on over 3m sq ft. We were also retained on some of the highest value single let office properties throughout Central London and having one of the most senior and established teams in this niche specialisation, are well placed to capitalise upon the enhanced rental growth predicted within not only Central London but also the provinces.

Our expertise in this specialisation was complemented during the year by the acquisition of Blair Kirkman and with that the synergy of an established and highly respected team with a bias towards the high street, shopping centres and food stores. We now have one of the most senior and experienced Landlord and Tenant teams in the country with leading specialists to cover all sectors.

The Lease Management team provided strategic dilapidations advice on 1.5m sq ft of dilapidations and expert instructions totalling $\mathfrak{L}31m$ in value, and contract administered some $\mathfrak{L}2.3m$ of works. On average they reduced landlords' claims by 66%. On one Romford warehouse they were able to reduce a landlord's $\mathfrak{L}1.7m$ dilapidations claim by 95%. They advised on 33 new service charge audits and expert instructions for notable clients such as Mapeley STEPS and American Express.

Segmental Reviews continued

Our Project Management team was responsible for advising on and delivering office fit out and refurbishment projects totalling more than 1 m sq ft. The occupier fit out sector remains buoyant and a key market, however, with the benefit of the team's extensive experience and broad skill base, their focus and growth is towards larger scale refurbishment and redevelopment projects on behalf of landlord, developer and investor clients, where value enhancement from growing levels of second hand stock is absolutely crucial towards realising maximum return.

The Industrial Building consultancy has continued to expand over the past 12 months. We provided specialist pre acquisition and project management support for our leading developer clients on over 3m sq ft of new distribution space. We also provided due diligence and asset monitoring for a range of funds across 2.5m sq ft of industrial development. Our principal clients include Gazeley, Helios Properties, MetLife Investments, Mothercare and Terrace Hill.

In the social housing sector, our specialist Stock Condition Survey and Procurement Advice team had another busy year, carrying out a record number of surveys and substantially increasing our market share. The sector looks set to remain buoyant and we are well placed to continue to expand our business in this specialist area.

During the year we expanded our Capital Allowances team to take advantage of the strong investment markets.

The telecoms sector continues to dominate our Strategic Projects business. We are rolling out the mobile phone operators' networks in spite of the much publicised uncertainty of the take-up of the technology. As the sector matures, operators are focusing on identifying opportunities to reduce expenditure. For example, we have been awarded a three year project by Siemens to reduce Vodafone's BT fixed line rental costs. The second main contributor to our Strategic Projects business is landowner liaison work. We work with both Scottish and Southern Energy Ltd and EDF Energy, helping their construction teams refurbish high voltage overhead lines.

A complex mix of overall housing scarcity and localised market saturation is proving to be fruitful ground for our Residential Market Research consultancy, with most of our investor and developer clients now insisting on research as part of a total advisory service. In fact in some cases, scheme funding depends on research.

Our Planning teams based across the UK also achieved a record year, advising on a wide variety of projects across the UK. Our London based Planning team, handled several high profile development projects, among them the Arsenal regeneration scheme which has won several awards, including Regeneration Magazine's Best Mixed Use Project in 2006 and the Mayor of London's Award for Planning Excellence. In the regions, important successes included the allocation of a 1,200 house urban extension at Andover for Persimmon Homes, and the securing of detailed planning consent for a flagship regeneration project at Ocean Village, Southampton, for MDL Developments.

In Housing Consultancy, a key project of 2006 was the strategic asset appraisal of Glasgow Housing Association's 74,000 unit housing stock. Our teams in Bristol, York, Birmingham and the City also continued to perform well and were strengthened by the acquisition of PCA Holdings Limited, a 14 strong specialist team based in St Albans.

Our Research team provided valuable input to Land Securities on the development of 10,000 new homes at Ebbsfleet Valley in Kent Thameside. This is a good example of the way in which our approach can help the development of larger scale projects. We helped to provide answers to a number of important issues concerning the type of environment that can be created at Ebbsfleet, taking on board the existing housing stock in the area and substantial volumes of competition. We also looked at potential demand and how values could be enhanced by the high quality design aspirations of our client.

In Hong Kong and China, the Valuation team of 35 which were recruited in 2005 continued to increase their presence in the Hong Kong, Macau and mainland China markets.

During 2006, our Valuation and Professional Services team in Hong Kong were involved in the property valuations associated with the listing of 16 separate IPO and notifiable transactions on the Hong Kong Stock Exchange. Included in these were the Sunlight REIT, Champion REIT, China Coal and Energy Company and China Communications Services Company.

In Australia, we were appointed by Australia Post to value their property portfolio annually for the next three years. The portfolio comprises 450 properties worth in excess of AUS\$1bn.

Also in Australia the Strategic Project Delivery team has an ongoing appointment for the Sydney Opera House known as the 'Venue Improvement Plan'. This will encompass strategic planning/staging, authority approvals, brief preparation, detailed design and construction for the NSW State Government.

Future plans In line with our new strategy, we will continue to invest in new teams of high quality people who are able to drive our growth. For example, a major new initiative for 2007 will be the creation of a new pan-European Valuation team based in London but working closely with colleagues in Europe. This team will expand our capability in order to meet the growing demand from London based clients for quality valuation advice in Europe.

In the Netherlands, the aim is to develop a recognised due diligence advisory practice, following on from our success in Sweden.

During 2007, we will expand several of our teams into the UK regions, including Hotels Valuation, Capital Allowances and Building Consultancy where we already have ongoing recruitment plans in operation in Glasgow, Manchester and Birmingham. Our Hotels Valuation capability will also be extended into Europe where we aim to exploit the increasing demand for professional services.

At the start of 2007, we acquired Hepher Dixon, the award-winning national planning and regeneration specialists. With 160 planning and related professionals operating across 12 offices nationwide, we can integrate planning and regeneration skills with residential, commercial and mixed use property consultancy. Our enhanced environmental, urban design and master planning skills mean that we are well equipped to embrace the new planning policy framework and the emerging sustainable development, energy efficiency and climate change agendas.

The strategy of our Development business is to create strong and diverse development teams which offer both consultancy and agency services. This broad range of services not only meets our clients requirements in the public and private sectors but also provides a sustainable and balanced income stream.

For 2007, the Strategic Projects team is looking closely at the renewable energy sector and has a contract to roll out a large number of small two to five megawatt combined heat and power plants throughout the UK.

It is anticipated that as the listed property trust market in Asia gathers momentum, the need to appoint independent valuation and research consultants will increase and Savills is well-positioned to secure a substantial share of that business.

Our Australian and Hong Kong Valuation teams are working closely together to utilise their combined experience in a bid to secure more of the growing listed property trust requirement for valuation services.

Segmental Reviews continued

Property and Facilities Management
Management of commercial, residential and
agricultural property for owners.

Provision of a comprehensive range of services to occupiers of property, ranging from strategic advice through project management to all services relating to a building.

Services

Facilities management

Commercial management

Land and farm management

Performance	Revenue £m		Operating profit £m			
	05	06	+/-%	05	06	+/-%
UK	39.8	43.6	10	4.1	4.1	_
Rest of Europe	4.7	10.2	117	0.1	0.1	-
Asia Pacific	60.0	83.4	39	3.5	5.9	69
Total	104.5	137.2	31	7.5	9.9	32

Revenue			
02	£86.2m		
03	£85.4m		
04	£85.8m		
05		£104.5m	
06			£137.2m

Operating profi	it			
02	£4.9m			
03	£5.4m			
04	£6.0m			
05		£7.5m		
06			£9.9m	
Figures for 2002 and 2003 were not prepared under IFRS.				

Property and Facilities Management Our Property and Facilities Management business continued to grow, generating fee income from managing commercial, residential and agricultural properties. During the year, revenue was £137.2m (2005 – £104.5m), generating an operating profit of £9.9m (2005 – £7.5m).

Marketplace Property Management remains a fiercely competitive market sector throughout the UK and Europe. Legislative changes in many areas including Health and Safety and Employment law ensure that liabilities for managing agents continue to increase year on year. Robust commercial practical procedures are required to ensure these changes do not become onerous for management companies. As yields harden, landlords' reliance on managing agents' ability to assist with asset management initiatives increases as does the need for an agent to be able to accommodate portfolios including holdings across Europe, not solely in the UK.

The Rural Management business saw significant change in 2006 with CAP reforms generating a marked improvement in confidence. This was further enhanced by a rise in soft commodity prices and the prospect of enhanced demand for bio crops to drive an increase in land values and farm profitability.

The Property Management business in China continued to grow as local developers increasingly seek international service providers to maintain their buildings to very high standards, and maximise holding value through proven asset management skills. In Hong Kong the market remains healthy, although there is increasing competition amongst the major players. In Australia, the business is seeing increasing pressure on margins as the listed and unlisted property trusts attempt to squeeze operating costs to maintain some form of positive yield over lending costs.

Our Facilities Management business in Hong Kong has had to come to terms with the introduction of the Wage Protection Movement for Cleansing & Security Guards which pushed up wage costs in the private sector. Nevertheless, the market remains robust and the strong economy is offsetting the pressure on fee levels.

Key achievements of 2006 Our Property Management business continued to grow across the UK and Europe; we established new management teams in Bristol and Leeds. The acquisition of Hamilton Osborne King introduced a new income stream within the Irish market, whilst our UK team secured significant portfolio instructions. This included our appointment as managing agents on behalf of Resolution Asset Management. At the same time, portfolios under management on behalf of many existing clients including British Land, GE Commercial Finance Real Estate and Reef increased notably.

The Rural Management business expanded substantially, taking on 18 significant new estates across the country totalling 64,000 acres. A key instruction was St. John's College, Cambridge, where we advised on the strategic review and management of the College's property portfolio. New clients have also resulted from our close involvement with our Agency teams in the UK by Danish buyers.

In Asia Pacific, the Property and Facilities Management business is pursuing its continuing growth path in mainland China, Macau and Hong Kong. In Beijing, Savills secured the mandate for the Yin Tai Centre, a Grade A office building in the central business district of 750,000 sq ft, and the Xidan Mall, also in Beijing, which is a mixed development of retail and offices of over 200,000 sq ft. In Hong Kong, Savills was awarded the asset management for the Vicwood Plaza, together with 181 Queens Road which comprise a total ground floor area of 750,000 sq ft.

In accordance with the strategy to penetrate key high-value real estate markets, we acquired a 55% stake in leading Korean businesses in 2006. The business has 14.7m sq ft of mostly Grade A prime office and retail in Seoul under management. In addition, the business secured a major asset management instruction in Busan, including office, retail and residential and requiring an on-site team of six.

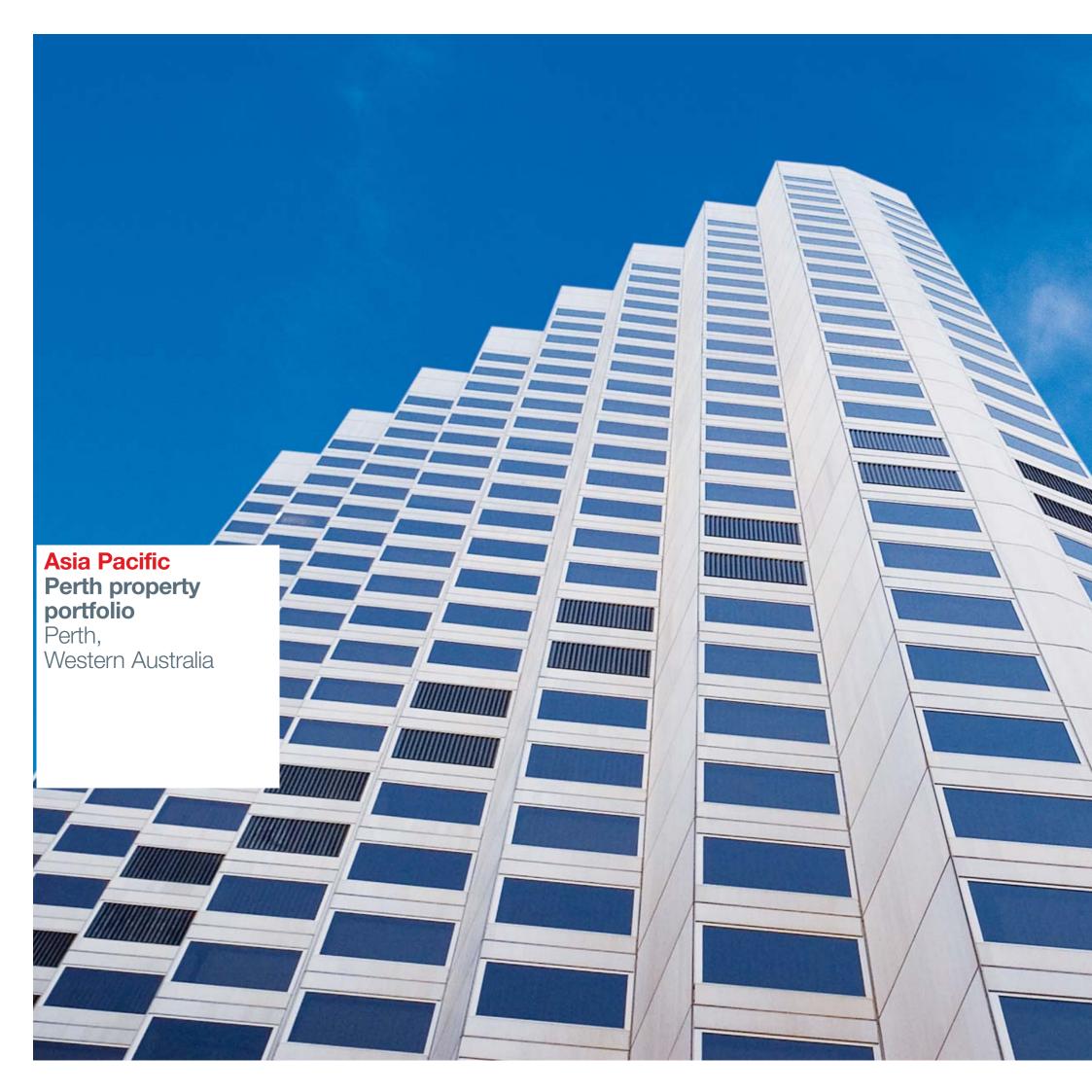
In Macau, we opened a full service office to take advantage of the huge increase in property management activity generated by developments in the gaming and entertainment business.

Our Facility Management business in Hong Kong was awarded the contract for the EcoPark in Tuen Mun Hong Kong as it seeks to expand its service lines into related avenues. The contract was awarded to Savills Guardian on its technical qualities, rather than on the lowest bid basis.

Future plans Property management remains of high importance to us as a source of high quality, secure income and not just as an extension to our other services. It is an opportunity for us to work closely with clients to improve and enhance value through active, hands-on asset management. We employ the highest quality managers, which is an important factor in our ability to attract new clients. We aim to expand our portfolios under management, across all sectors in the UK. This expansion will be serviced by all our offices, with particular emphasis on London and the shopping centre market.

In order to better service new and existing clients, we are opening a new Property Management department in Bristol and are continuing to expand the teams in Glasgow, Manchester, Birmingham and London. In addition, we are expanding our services in Germany, where there is great demand from international investors.

Property management continues to be a priority growth service in Asia where we have an established reputation and where the margins and quality of income are high. Where there are clear synergies to be gained, we are also actively considering growth through the acquisition of niche property management businesses. The growing need for proven international expertise in the Property and Facility Management business in China will enable us to increase our presence into the secondary cities. With the opening of Chengdu and Tianjin in 2006, we now have seven offices in mainland China, with the possibility of several more in 2007.





Left

Perth property portfolio. In one of Western Australia's largest deals of the year, our Perth office managed the \$465m off-market sale of a private portfolio.

Towards the end of the year, our Perth office managed the off-market sale of Perth property magnate Ralph Sarich's portfolio, with GE Real Estate snapping up the four A-grade properties for a combined total of \$465m (approx €282m/£185m).

GE acquired the following properties from the Sarich family's investment company Cape Bouvard Investments: Allendale Square, Perth, a 301,392 sq ft (28,000 sq m) office tower on 31 levels including a major food court, retail arcade and 109 car spaces; 12 The Esplanade, Perth, a boutique seven level 86,112 sq ft (8,000 sq m) office building; 99 Walker Street, North Sydney, a 20 level office building with a net lettable area of 189,446 sq ft (17,600 sq m); and 99 Collins Street, Melbourne, a 21 level property with an area of 228,197 sq ft (21,200 sq m).

'These high quality buildings are a good fit within our portfolio and strengthen the overall standards of assets we hold in high-demand CBD locations,' said GE Real Estate Director Australian Investments, Jason Kougellis.

Savills WA transacted more than \$1bn in commercial property in 2006, which included the second largest portfolio sale of over \$200m to GE from vendor Security Capital Corporation and Property Bank Australia. We also negotiated leases for office accommodation over some 269,100 sq ft (25,000 sq m) during 2006.

Segmental Reviews continued

Financial Services

Financial planning services

03

04

05

06

Mortgage broking, financial planning and corporate finance advice.

Services	
Residential mortgage broking	services
Commercial debt broking ser	vices
Insurance services	

Performance		Rever	nue £m	Opera	Operating profit £m			
	05	06	+/-%	05	06	+/-%		
UK	25.8	26.9	4	4.3	4.0	(7)		
Rest of Europe	_	-	-	_	-	-		
Asia Pacific	-	-	-	-	-	-		
Total	25.8	26.9	4	4.3	4.0	(7)		

Revenue				
02	£12.0m			
03		£15.5m		
04			£20.1m	
05				£25.8m
06				£26.9m
Operating profit				
02	£1.6m			

Figures for 2002 and 2003 were not prepared under IFRS

£3.4m

£3.9m

£4.0m

£4.3m

Financial Services The Financial Services division comprises Savills Private Finance Limited (SPF), which provides residential mortgage broking services, commercial debt broking services, commercial and private insurance services and associated financial planning products. The division made an operating profit of $\mathfrak{L}4.0$ m (2005 – $\mathfrak{L}4.3$ m) on revenue of $\mathfrak{L}26.9$ m (2005 – $\mathfrak{L}25.8$ m).

Marketplace The 2006 UK mortgage market was valued at around £340bn, of which approximately 50% was accounted for by the remortgage business. There is an increasing impact of regulation in the market and we aim to be in the forefront to ensure that we follow the highest standards.

Interest rates rose in both November 2006 and January 2007, and this will undoubtedly have an impact on the buy-to-let mortgage market as the pressure on yields increases. The base rate remains historically low for the UK but the cumulative effect of the recent rises may have some influence on affordability, particularly at the lower to middle sectors of the market.

With major lenders now focusing on retention of existing customers, it is possible that the overall market may shrink, but we are confident of increasing our market share.

Key achievements of 2006 The 2006 performance was pleasing. Strong contributions were made by all areas of the business, most notably from the Commercial Debt Broking team which continued to excel in the areas of healthcare, leisure and investment. Increased regulation in this market has inevitably resulted in additional costs. As part of our policy of being 'best in class' we have invested substantially in improving our compliance systems and operating procedures. The residential mortgage market remained strong despite additional operating costs and the business continued to trade well.

Future plans We will continue to follow our strategy of selective diversification and expect to see further progress within our Channel Islands business, our affordable mortgage operation SPF Sherwins and the International Mortgage team. The traditional Residential Mortgage broking business now operates from 18 offices and we expect further growth through 2007. Part of our strategy will be for closer co-operation in terms of deal flow between Savills L&P, our residential and general practice surveying business, and SPF.

Right

Cardiff International Sports Village. A £1.2bn, 32 hectare regeneration project in Cardiff Bay to provide residential, hotel, swimming pool, multi-purpose arena, casino and sports facilities based around the themes of water, snow and ice.

Our National Development team (working on behalf of Orion Land & Leisure and Laing O'Roulke Special Projects) assisted in securing a development agreement for this major waterside retail, commercial, leisure and residential redevelopment from Cardiff County Council in 2004, following a rigorous tender process.

The project involved the remediation of the entire site and careful environmental planning at the waters edge. The project is to create more than 3,000 new jobs, 4.5 million visitors a year with a potential spend of £190m. Savills sold the 12.5 acre residential part of the site in 2006 for £31.0m and have been retained for future planning and consultancy advice.



Segmental Reviews continued

Fund Management

Investment management of commercial and residential property portfolios for institutional or retail investors, on a pooled or segregated account basis.

Services

Property Investment products

Discretionary and advisory portfolio management

Performance	erformance Revenue £m Operating profit					ofit £m
	05	06	+/-%	05	06	+/-%
UK	4.7	7.2	53	0.6	8.0	33
Rest of Europe	-	-	-	_	-	-
Asia Pacific	-	-	_	_	-	-
Total	4.7	7.2	53	0.6	0.8	33

Revenue			
02			
03 -			
04	£3.6m		
05		£4.7m	
00			07.0

Operating p	profit		
		02 –	
		03 –	
04	(£0.5m)		
		05	£0.6m
		06	£0.8m
Figures for 2	2002 and 2003 w	vere n	ot prepared under IFRS.

Fund Management The Fund Management business, Cordea Savills, made an operating profit for 2006 of $\mathfrak{L}0.8m$ (2005 – $\mathfrak{L}0.6m$) on revenue of $\mathfrak{L}7.2m$ (2005 – $\mathfrak{L}4.7m$). Although revenue was in line with expectations, the operating profit was below plan principally due to abortive costs incurred in the second half of the year relating to products that did not launch due to short-term market weakness. Expenditure on infrastructure development accelerated sharply throughout the year in line with the budgeted expansion of the business. Funds under management increased to $\mathfrak{L}2.1bn$.

Cordea Savills was formed three years ago to grow the existing UK-based Fund Management division into an independent and international property fund manager. We have now developed a European investment and business platform, employing 50 people in offices in London, Milan, Munich and Paris. With this significant expenditure in infrastructure, we anticipate strong growth in revenues going forward, as we invest capital raised over the last two years and launch further funds. Funds under management in the current year are expected to rise by over £1bn from growth of existing funds and a strong new product pipeline.

Clients are principally institutions, private investors, family offices, charities and fund of fund managers. The increasing internationalisation of property is reflected in our client base which is drawn from European countries and Asia.

Marketplace There has been a steady rise in allocations to property as an asset class by institutions and private investors over the past few years. However, as yields have compressed across European property markets, investors are becoming increasingly discerning in their investment requirements. With investment in pooled funds, investors are seeking fund managers with an investment strategy designed to achieve above market returns, a team of experienced investment professionals with proven transaction capabilities and tax-efficient structures through which to invest. Cordea Savills is now well positioned to meet such requirements.

Key achievements of 2006 In a strongly performing property market, we managed to achieve superior returns for most funds. For example, we are once again on target to outperform the benchmark for our largest pension fund client, something we have achieved in every year except one since 1988.

Several of our existing funds also grew in size during the year, such as the Charities Property Fund, which increased from £309m to £376m, and Europa Immobiliare No.1, which increased its gross asset value from €286m to €460m.

We launched a number of new funds during the year including: Italian Opportunities No. 1, a vehicle which draws on our strong local presence to deliver attractive returns and which, based on the equity raised is expected to have a gross asset value of €800m; Serviced Land No. 2, which follows on from the successful original fund dealing in residential land in the UK; the Student Hall Fund, which offers long-term secure income streams in an undersupplied UK market; and the Accommodation Investment Fund for Charities, which is a diversified UK residential fund.

Future plans The success of our business is dependent on our ability to create innovative investment opportunities and deliver performance. Understanding the requirements of clients, matching these with investment opportunities and delivering performance is central to our business.

We have a pan-European investment capability and are in the process of launching further European funds designed to meet the particular needs of Italian and German institutions. This strategy is complemented by market and sector specific funds.

In response to the increasing globalisation of capital flows and demand for property investment, we are investigating investment opportunities and new product lines in a selected number of Asian markets.

During 2006, Savills plc provided capital to support growth, particularly in relation to fund launches and is continuing to support the business in the current year. We believe that Cordea Savills is about to enter a period of accelerated and sustained growth, which will result in an increasing need for capital to both co-invest in funds and purchase seed assets. As such, the partners of Cordea Savills LLP consider that this is now the appropriate time to bring in an additional strategic investor to help maximise opportunities for clients and enhance shareholder value. British Linen Advisers have been appointed to provide advice in relation to this strategic investment, which is expected to be concluded within the first half of 2007.

Overleaf left

The Omnibus Building. We provided occupational and investment advice to the owners of a Grade II listed former bus station site, leading up to its £27m sale.

Since Pace Investments Limited originally acquired a Grade II listed bus station site on Lesbourne Road in Reigate in 1997, we have provided valuable occupational and investment advice. This has included acting in a formal capacity as letting agents and closely monitoring the property in relation to the investment market.

Over time, Pace redeveloped the site into the Omnibus Building, a three-storey self-contained office property with a striking atrium and glazed interior. The development, which comprises 64,247 sq ft (5,968 sq m) of office space with 228 car parking spaces, was 50% let to Surrey County Council on completion in 2001. Due to the market downturn, the Omnibus Building remained only partly let until 2006.

Pace sold the building in September 2006 to GP Nominees Limited (c/o Morley Fund Management) for £27m. The price represented a net initial yield of 5.34%, with average unexpired lease terms of only six years.

'The progress of Omnibus has mirrored the local office market over the past 10 years,' commented Johnny Vincent, Managing Director of Pace Investments Limited. 'However, since the market has recovered during the past 12-18 months we have secured good tenants for the remainder of the property, which has contributed to the final sale price achieved.'

Overleaf right

The Sturegallerian. We acted for a client on a mixed-use retail complex in Stockholm, the largest single asset transaction carried out in Sweden during 2006.

The Sturegallerian comprises 11 retail, office, leisure and residential properties, along with extensive garage facilities. Comprising 645,855 sq ft (60,000 sq m), it is home to several well-known restaurants together with the famous health spa, Sturebadet, founded in 1885. Sturegallerian also includes a shopping centre, established in 1989, which specialises in smaller, high profile niche tenants and attracts more than five million visitors every year.

During 2006, we acted on behalf of a private client of AXA Real Estate Investment Managers (AXA REIM), to secure the site from Diligentia AB, the real estate arm of Skandia Life. Although the sale price remains undisclosed, it represented the year's largest single asset transaction carried out in Sweden.

The centre was secured despite intense competition and interest from a number of domestic and other international investors, which demonstrates the high level of investor demand in the Nordic region.





Financial Review

Financial highlights

The key financial information for the year was as follows:

- Underlying Group operating margins of 13.7% (2005 – 14.3%).
- Strong cash balances with a year-end balance of £124.1m.
- A very strong performance from Asia Pacific this year with turnover up 38% and underlying profit before tax up 18%.

Acquisitions and disposals In order to deliver our strategy, during the year we completed a number of acquisitions and disposals of businesses or interests in ventures, both in the UK (in aggregate £21.1m) and overseas (in aggregate £50.9m) including:

- In January 2006, the Group disposed of its 13.72% shareholding in Fastcrop plc, owner of the Primelocation website at a profit after costs of £4.5m.
- On 3 January 2006, the Group acquired an initial 50% share in each of Korea Asset Advisors and BHP Korea to expand Asian operations further and take advantage of the attractive, high growth market. On 19 December 2006, a further 5% of the share capital was acquired. The total consideration was £8.9m.
- On 28 April 2006, the Group's investment in the Student Halls Long Lease 1 Unit Trust was sold at carrying value of £16.5m with £1.0m invested in the new Cordea Savills Student Hall Fund.
- On 13 June 2006, the Group acquired Hamilton Osborne King (HOK) in Ireland for consideration of £39.4m, in line with our strategy to grow Savills across all the key markets where our clients do business.
- On 1 July 2006, the Group disposed of its investment in Managed Office Solutions for a profit after costs of £0.5m.

 During 2006, the Group acquired Blair Kirkman LLP, Chesterfield and Co. (Rentals) Limited, Buckley's (Estate Agents) Limited and PCA Holdings Limited for an aggregate consideration of £20.5m.

Earnings per share and dividend EPS growth is the change in EPS year on year adjusted for share based payments, amortisation of intangibles and impairment of goodwill and profit on disposals. Basic earnings per share amounted to 46.3p (2005 – 33.6p). Underlying basic earnings per share from continuing operations amounted to 40.8p (2005 – 33.3p).

The Board is recommending a final dividend of 11p (net), making 16p for the full year, a 33% increase on last year. The decision to increase our dividend is both a reflection on profits and in line with our current progressive dividend policy.

Key performance indicators

The Group uses a number of key performance indicators to measure its performance and highlight the impact of management actions. At Group level, the three most visible indicators are profit growth, total shareholder return and earnings per share.

Financial policies and risk management

The Group has financial risk management policies which cover financial risks considered material to the Group's operations and results. These policies are reviewed regularly and approved by the Board to ensure compliance and policies that reflect best practice.

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

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

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

Liquidity risk The Group prepares an annual funding plan approved by the Board which sets out the Group's expected financing requirements for the next 12 months. These requirements will be met with our existing net cash balance and expected cash flows for the year as well as long-term borrowings to support our growth strategy if required.

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

Borrowing Although we have continued to invest substantially during the year, we still maintain a low gearing. £17.9m of loan notes are in issue, mostly in relation to the acquisitions of HOK (£11.8m) and Blair Kirkman (£4.3m) during the year.

The Group retains overdraft facilities with its bankers of £8.9m, which is currently not utilised.

Net interest Net finance income is £3.7m (2005 – £3.5m). Higher operating cash flows and increased average deposit rates gave rise to increased cash balances and a slight movement on last year.

Taxation The taxation charge reduced marginally to 30.3% of the profit before tax compared with 30.4% for the year to 31 December 2005.

Capital and shareholders' interests

Minority interests Minority interests increased to £4.3m (2005 – £0.6m) and reflects acquisitions and increased profits during the year.

Share capital At the AGM on 10 May 2006, the shareholders passed a resolution that the existing ordinary share capital of the Company be split; each existing 5p ordinary share was divided into two new ordinary shares of 2.5p. The share split became effective on 11 May 2006. Relevant figures in these Report and Accounts have been adjusted to reflect this.

During the year ended 31 December 2006, 570,000 shares were issued to participants in the Savills plc United Kingdom Executive Share Option Scheme and 1,516,788 shares to participants in the Savills Sharesave Scheme. No shares were issued to the QUEST or repurchased for cancellation during the year. Following the placing of Savills shares on 11 January 2007 by CBRE upon its acquisition of Trammell Crow Company we repurchased 3.5m shares for cancellation. The total number of ordinary shares in issue at 31 December 2006 was 135.1m (2005 – 133m).

Cash flow and liquidity

Cash generated from operations is defined as cash earned from the principal revenue-producing activities of the Group that are not financing or investing activities. This is a key indicator for the ability to maintain our operating capability, pay dividends and make new investments without external financing.

Net cash inflow from operating activities totalled 2009, provide Σ 76.1m (2005 – Σ 32.6m) which, after allowing for cash short-term. flows including taxation, dividends, investments and capital expenditure, produced a net increase in cash of Σ 27.8m (2005 – Σ 7.5m).

At 31 December 2006, the Group's cash at bank and on short-term deposit amounted to £124.1m. This was deposited with banks and financial institutions with top credit ratings for periods not exceeding six months, to match known outgoings.

Future liquidity The Group's existing net cash balance and expected cash flows for the year provides the Group with substantial resources to fund operating and investment activities. The Group also has undrawn facilities of £8.9m however, in order to achieve our growth strategy we may arrange long-term borrowings if required.

Net assets

Net assets continue to grow with an increase of 26% from 31 December 2005 to £212.8m. Goodwill has increased significantly from £54.3m to £99.9m largely due to the £22.5m Hamilton Osborne King goodwill capitalised.

Pension scheme

During the year the Company and the Trustees undertook a review of the Pension Plan of Savills and a number of rule changes were made to accommodate and meet the legislation changes effective from 6 April 2006.

International financial reporting standards

No new standards or interpretations recently issued are likely to have a material effect on the Group. During 2006, the International Accounting Standards Board announced that it will not mandate any new International Financial Reporting Standards before 2009, providing stability on the IFRS platform in the short-term

Forward looking statement

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

Aubrey Adams Group Chief Executive

Risks and Uncertainties Facing the Business

The Group has established a Risk Management Framework to identify and monitor strategic and operational risks throughout the business. A Group Risk Committee has also been established to regularly review, discuss and challenge material risks identified and report findings as necessary to the Board. The Committee consists of the Group Chief Executive, Group Financial Controller and subsidiary Finance Directors. Further details of the Group's internal control and risk management can be found on pages 64 and 65.

It is not possible to mitigate fully all risks, but the principal risks for the Group are as follows:

Recruitment and retention of high calibre staff

The Group recognises that its employees are key to the future success of our business. In a highly competitive market it is crucial to retain, reward and develop high calibre employees to ensure they are not poached by a competitor. In addition, succession planning ensures we are well placed for long-term growth. A summary of our approach is outlined in our People Section on pages 48 and 49.

Changes in the market in which we operate

The property market in which the Group operates is cyclical and may change for a number of reasons; for example, changes in economic cycles, interest rates, and supply and demand of property in the market at any one time. Such changes may impact on different areas of our business and we recognise the need to respond rapidly to these. Our geographic and product diversification ensures that any downturn in one area of the property market will not significantly impact on the business overall.

Impact from competitor activities The markets in which we operate are highly competitive and we need to ensure that we retain and grow our market share, particularly where our competitors are growing. To guard against this competitive risk, we are increasing our geographic diversification, investing in schemes to retain our best people and building our depth of talent.

Brand and reputational risk Savills is a global brand with a strong reputation in the markets in which it operates. We recognise that our brand image is vital to maintaining market share and building brand strength in new markets, therefore any harmful events such as bad publicity could have an adverse impact on our brand.

Right

Rembrandt Tower.
Our investment team based in Amsterdam is building a reputation for reliable advice and market knowledge in a buoyant commercial climate.

During the final quarter of 2006 alone, our Amsterdam-based investment team transacted €904m worth of deals, as demand for new office developments increased.

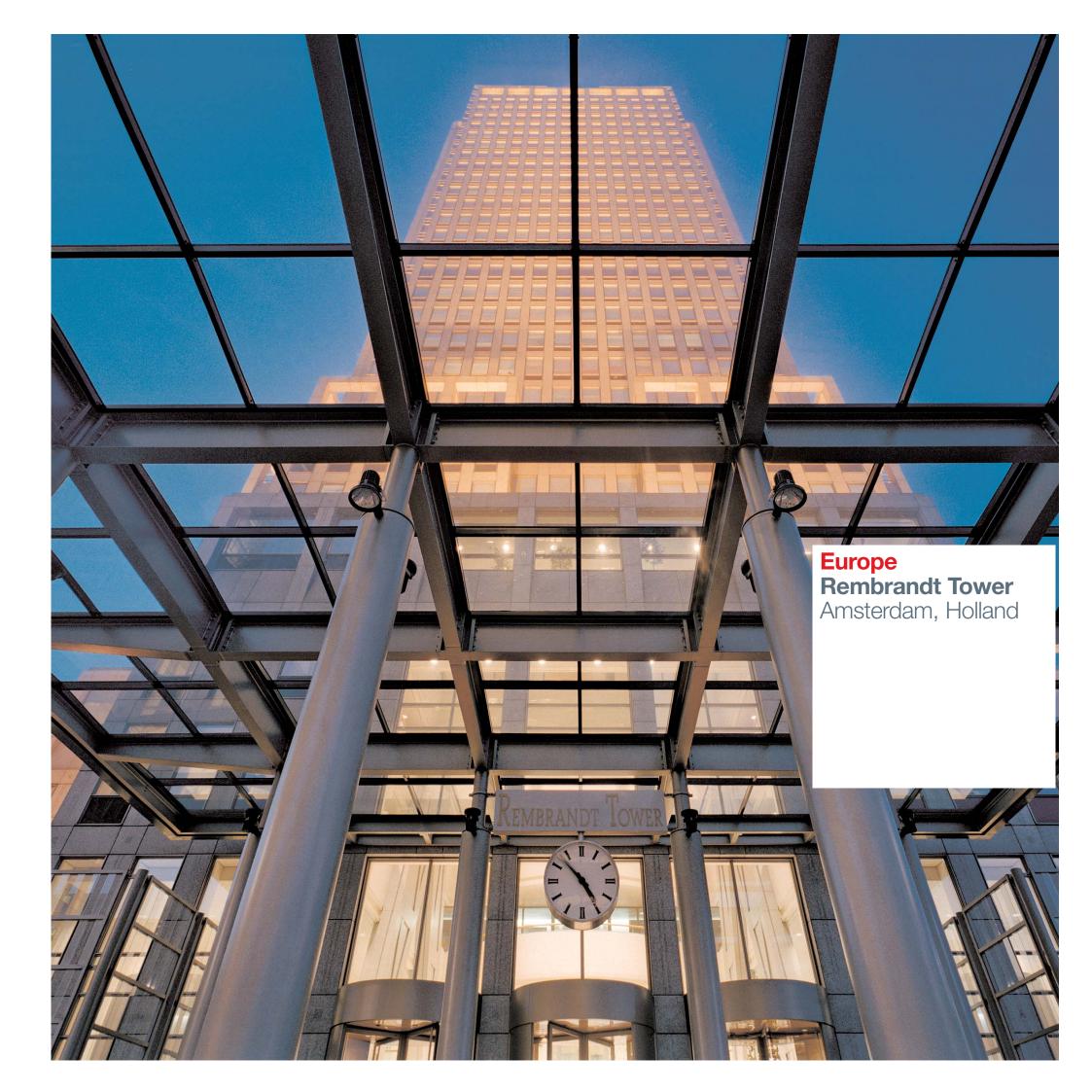
Major transactions included SEB Immobilien's acquisition of The Maas Tower in Rotterdam from OVG for €150m, reflecting a gross initial yield of 6%. The property, which is currently under construction, will be the tallest office tower in the Netherlands and is developer OVG's largest project to date. It is 165 metres high, with a total lettable area of 404,144 sq ft (37,545 sq m), over 44 floors. Tenants include Deloitte, AKD, OBR and Q Park.

In addition, the team worked on a number of other significant projects, including: DIFA Immo-Investments' acquisition of a 60% stake in the Rembrandt Tower, Amsterdam from insurance company Winterthur for €94.3m; German fund Oppenheim's acquisition of a €250m office development in

Amstelveen, Amsterdam from a joint venture between KPMG and Meijon; and Credit Suisse Asset Management's acquisition of the Acanthus office complex, Bijlmerdreef 24, in South East Amsterdam, from ING Real Estate for €174m. Our wholly-owned Irish subsidiary, Savills Hamilton Osborne King also advised CFI Property Management Ltd on the €15.3m acquisition of Herengracht 258-266, Amsterdam

Our research shows that the market is rising, driven by increased confidence in the corporate sector as the economic climate continues to remain positive. This confidence has led to a growing demand for high quality offices, causing an increase in prime rents and a rise in investment levels, with yields at a record low of 5.5-6.0%.

'Our clients stand to benefit from the returns that will be made on new office developments and existing good quality office space,' says Clive Pritchard of Savills. 'The economic growth has encouraged corporate occupiers to increase in confidence and in some cases commit to pre-lets at major new developments.'



Our People

The Savills vision and strategy are entirely based on the belief that market leadership and superior financial results can only be achieved with strong teams of outstanding individuals. Great people are the Savills difference and ongoing recruitment and retention of these outstanding individuals remains a top priority for the business. Our reputation in the market comes from part of our performance based culture. In general, clients' interactions with our people who are innovative. professional, responsive to changes in the market, highly motivated and dedicated to excellent client service. It is thanks to them that Savills continues to be so strong.

In a survey by Reading University on behalf of Estates Gazette, graduates of all ages working in UK real estate have voted Savills top service provider employer. This award was also achieved in 2002 and in 2005. It is our clear objective to develop and improve this reputation in every market where we operate.

Remuneration

Profit share Savills' business philosophy is founded on the premise that employees should be motivated and retained through highly incentive-based (and therefore variable) remuneration packages. This is one of our employment advantages and is a distinctive each operating subsidiary has a discretionary bonus scheme where the annual bonus pool available for distribution is directly related to the profit of that subsidiary after charging all costs (but pre-bonus) including central overheads and finance charges. In the UK and Europe, the amounts available for distribution within these bonus pools were calculated in bands between 30% of the pre-tax and pre-bonus profits through to 65% for excellent performance, based on the achievement of predetermined thresholds. These bands are reviewed regularly.

In Asia, the remuneration policy is also incentive based reflecting a mixture of commission and bonus structures that follow the normal reward policies of the respective countries in which we operate. Awards to individuals are assessed by reference to fee earning achievements, profitability of the individual's area of responsibility, contribution to business development and managerial responsibilities.

Share ownership Savills operates a number of different share plans to assist retention and encourage share ownership which allows employees to receive further benefits as a result of the growth of the Group.

An increasingly important part of our total remuneration for top performers is the Savills Deferred Share Bonus Plan and the Savills Deferred Share Plan, whereby a portion of the individual's bonus or remuneration may be deferred for a period of not less than three years and awarded in shares.

Savills Share Incentive Plan – Under UK tax legislation all employees with more than three months' service may purchase Savills shares at market price from their pre tax pay subject to an overall limit of £125 per month or 10% of their earnings.

Savills Save As You Earn Scheme - In June 2006 the Company offered a three year saving scheme to eligible employees.

Pensions The Group offers retirement pensions in line with national practice and local competitive markets. Further details of the pension scheme can be found on pages 97 to 99. In the UK, pensions have been amended to take into account the recent changes in pensions and age discrimination legislation.

Training and development

With talent and hard work there is a clear path for advancement with individual achievement recognised by increased highly incentive-based financial rewards as well as by promotion.

Appraisals Employees take part in a regular review with their manager for training and personal development needs. A personal development plan is produced which is reviewed on a six-monthly basis in relation to the business objectives of the department and office. This ensures training remains focused and appropriate to both the needs of the individual and organisation as a whole. This process continues to improve at all levels of the Company.

Training Our objective is to provide training and development opportunities that will maximise performance and develop a long-term career. Training and development is seen as key to attracting and retaining staff and we are rightly proud of the reputation we have built through the investment made in these areas.

Training is provided in-house for a wide range of subjects both technical and skills based. External training is also provided where appropriate. Encouragement is also given to achieving acknowledged qualifications that will assist with the further development of the employee. Ongoing support and funding is then provided to ensure all staff undertake the continued professional development necessary to ensure we provide the highest possible standards of service to our clients and meet the requirements of the many professional bodies represented amongst our staff.

Recruitment

Graduate recruitment A number of graduate recruitments are undertaken each year in different areas of the business including commercial, residential, rural, planning and development, and building surveying work.

The Company adopts a range of training and development techniques for graduates including internal coaching and mentoring in order to pass on the enormous amount of in-house knowledge. In addition it is also recognised that some skills are better provided by external trainers.

Summer placements of two to four weeks are also offered to students in certain areas of the business. This avails both the student and the Company the opportunity to evaluate each other.

Acquisitions

A large number of people join Savills each year through acquisitions. It is equally important to retain and develop these vital people who have often been targeted because of their specialist expertise.

Health

The Company recognises the importance of good health. In the UK, medical, life assurance and long-term disability benefits are provided subject to eligibility provisions for permanent employees.

In 2006, an Occupational Health Adviser (OHP) was appointed by the Company to advise on health related issues, review pre employment health questionnaires and assist and advise on the management of long-term absences.

Communication

During 2006 the Company launched a new internal communication system known as Connect. This makes available to all employees announcements and information about their own working groups, offices, subsidiaries, and nationally together with information about other parts of the Group and publicly released information.

The Company recognised the importance of sharing information and celebrating success on both a formal and informal basis. A number of informal lunches have been organised to assist with the exchange of information across the Company and all employees are welcomed. In addition, there are a number of training and development days organised within working groups and geographically.

Equal opportunities

The Company is an equal opportunities employer. Recruitment, training, development and promotion are undertaken on the basis of merit regardless of gender, race, age, marital status, sexual orientation, religion or religious belief, nationality, colour or disability. During 2006, we focused on diversity and have created a training programme for all employees to attend. The Company aims wherever possible to accommodate requests for flexible working for careers. Should an employee become disabled, adjustments to facilitate continued work will be considered and if appropriate alterative positions may be offered.

HR Strategy

In 2007, we plan to review and refresh our Human Resource Strategy to ensure we continue to retain our competitive edge in the 'war for talent'. We will be reviewing the competencies required to achieve our growth objectives, recruitment, compensation structures, career development and training and other aspects of the organisation that influence our tremendous success through people.







Left Bathealton Court, Devon/Somerset borders. In May 2006 the Country Department and Savills Exeter were instructed in the sale of this stunning Grade II listed Country House.

Bathealton Court dates back to the early 18th Century but there has been an important house on the site since Domesday when it was the property of Sir William Moahun, Baron of Dunster Castle.

The house covers 8,234 sq ft (765 sq m) with 141 acres of surrounding garden, parkland and woodland. Also included in the sale were a four bedroom detatched farmhouse, three bedroom lodge and a stable cottage. The property was competitively priced inviting offers in excess of £4m attracting a significant amount of interest from both national and international buyers with the eventual sale achieving well in excess of the guide price.

Our Social Responsibilities

Savills recognises that our success depends upon our reputation, brand and relationship with a variety of our stakeholders. We are committed to conducting all aspects of our business according to ethical, professional and legal standards. As a professional services firm our environmental and social impact is relatively low. However, we do recognise that societies expectations of business integrity, ethics and professionalism are increasing, for example these requirements now form an integral part of tenders for work.

Our clients are paramount to the success of our business; our aim to win and retain their trust and loyalty is one of our core values. We recognise that in order to win and retain our clients we must provide a superior service which we can only do by recruiting and retaining the highest quality employees. We are constantly reviewing the services we offer to meet their ever evolving needs.

Savills sponsored the Estates Gazette Summit held on 12 October 2006 at Claridges, London. Over 130 prominent property people attended the green summit to hear the views of a mix of environmental experts such as John Elkington founder of SustainAbility, John Gummer co-chairman of the Conservative Party and Sir Crispin Tickell advisor to the Prime Minister. The message was 'adapt or die' as climate change threatens devastating effects around the world and how industry must face up to the challenge.

Governance

To uphold our corporate values, the Board is responsible for ensuring compliance of our policies and statements on health and safety, the environment, data protection, privacy, whistle-blowing, and appropriate use of information technology. Whilst it is not easy to insist on the same standards overseas, we have wherever possible attempted to apply these policies or begin to develop them in our overseas businesses. As part of our internal audit function, these policies and statements are regularly reviewed and updated to reflect changes in legislation. best practice and business needs. We include a consideration of corporate social responsibility related risks in our Corporate Risk Register. This process ensures that we are aware of, and are addressing a number of potential risks, including regulatory compliance, environmental or health and safety incidents and reputational issues. KPMG have been appointed as the Group's internal auditors on a global basis.

The Board recognises its responsibility to shareholders in relation to the management and control of Group activities. To this end, the Group has adopted a formal system of internal controls designed to provide reasonable assurance against misstatement and loss. The Executive Sub Committee conducts an annual review of effectiveness of the system of internal control. Further details are contained in the internal controls section of the Corporate Governance Report on pages 64 to 65. Good communications with our shareholders are maintained by way of results presentations and individual investor meetings.

As a minimum standard we endeavour to comply with the laws, regulations and rules applicable within the jurisdictions in which we operate and we have processes in place to review and monitor legislation applicable to our business. In particular, internal procedures that meet the requirements of current legislation and industry best practice have been implemented to take account of financial crime. Likewise, we have safeguards in place to ensure the privacy of our employees and clients.

A number of our offices have achieved the internationally recognised ISO 9001 and ISO 14001 accreditation which benchmarks our quality management and environmental management system. Under this accreditation system, our quality management refers to actions that have been taken to ensure that our services satisfy our clients quality requirements and comply with any regulations applicable to the provision of those services. Similarly, our environmental management system applies to those environmental aspects over which our business has control. The maintenance of this accreditation involves identifying significant environmental impacts, auditing the offices annually and is overseen by an external auditor. Environmental impacts are identified on an office by office basis and areas where we have significant impact include: resource consumption, corporate travel, waste management, discharges and water. In the long-term we see our biggest contribution as the provision of advice to clients.

We value our clients and recognise that to encourage client loyalty we need to maintain a quality service. In order to make sure that we are providing a quality service the views and opinions of our clients are sought, for example our residential business asks clients to complete a client feedback form, also 'mystery shopping' is carried out in our offices on an ad hoc basis.

The Royal Institution of Chartered Surveyors' (RICS) rules and regulations promote best practice within our industry and encourage a set of central core values that it expects its members to abide by such as integrity, honesty, accountability etc. We uphold the RICS code of professional conduct and have implemented their complaints procedure.

Health and safety

The promotion of a safe and healthy working environment are considered key to the success of the business and the Group endeavours to promote health and safety at all levels. It is important that all employees have access to the resources they need to enable them to achieve their personal and company health and safety objectives. To this end, we provide workspaces. equipment, materials and systems of work that contribute to a safe and healthy environment for our employees. Policies and procedures have been implemented to reduce risks and incidents within the workplace. We have dedicated health and safety executives who manage, audit and review health and safety as well as implementing improvements where required. These executives visit our offices and sites that we manage for clients to raise the profile of health and safety and ensure that standards are maintained. A health and safety handbook has been developed to cover everything a property manager would need in the day to day running of a site.

Environment

Although the impact of our activities on the environment is low compared with other industries, the Group is committed to environmental awareness and improvement throughout its operations. The Group's environmental policy aims to reduce energy consumption, reduce energy wastage, recycle materials where possible and instill in every employee a sense of commitment to the environment.

Savills Shanghai is a partner of eeBuildings which was developed by the US Environmental Protection Agency (US EPA). In July 2006, Vivian Tang, Director of the Property Management department in Savills Shanghai was awarded the eeBuildings Partner of the Year by the US EPA. She has spearheaded energy efficient improvements in many of the properties that Savills manages in Shanghai plus has been instrumental in organising technical training for other Shanghai property managers.

Information technology forms an important part of the business and we assess new systems for energy emissions ratings as well as functionality and performance. With the ever continuing pace of change in technology, redundant equipment is recycled wherever possible. Any equipment that cannot be recycled is responsibly disposed of through a waste recycling service, similarly toners are recycled. Within our offices, we encourage our employees to use recycling bins provided and raise awareness to new entrants as part of their induction programme. To raise awareness of environmental issues to employees, Savills sponsored showings in a local London cinema during business hours of the Al Gore film 'An Inconvenient Truth' and an environmental sign off wording is included on emails to encourage responsible printing off of emails. In Hong Kong, waste management and recycling is seen as critical for environmental protection. Savills Property Management in Hong Kong has introduced diversified recycling initiatives among commercial buildings and residential properties under our management such as rechargeable batteries, paper, cans and bottle collections, etc.

The majority of our client communications are offered in electronic format and clients/enquirers are encouraged to receive documents in this format.

Energy efficiency is also of increasing importance to our clients, due both to rising energy costs and an increased focus on carbon emissions. In some markets, such as the EU, upcoming government regulations like the Directive on the Energy Performance of Buildings will lead to important changes, such as energy ratings for buildings.

Community

Part of the Savills culture includes maintaining and supporting the communities in which our offices operate. Our initiatives come from office level and are in part entrepreneurial led as well as reflecting the local community needs. A large part of the investment is the time contributed, which can be more important to the success of the project than a cash donation. At present, we do not manage these initiatives centrally from our Head Office.

Where our employees or clients have become involved in local community initiatives we have been keen to provide support. Employees are encouraged to advertise sponsored events on the intranet and participate in joint arrangements with other organisations such as a regular blood donation drive in the London West End.

Within Savills, charitable donations generally take place at a subsidiary rather than Group level. Every year, sums are donated to a range of charitable causes by our key operating subsidiaries, the total amount paid to charitable organisations during the year was £59,528 (2005 – £64,007). The choice of charity varies from each business and depends on that business', employees' or clients' involvement with a particular charity. Also, at Christmas, charity cards or charity e-cards are encouraged.

Throughout the Group, we encourage employees to participate within the Group operated 'Give as you earn' (GAYE) scheme and the bonus waiver scheme both of which enable employees to donate to charities of their choice. An element of the bonus waiver scheme is the Group enhances the donation to the chosen charity by 10%; during the year contributions by the Group under this scheme totalled Σ 50,392 (2005 – Σ 33,100). Details of these schemes can be found in the Directors' Report on page 60.

In addition to charitable donations, we encourage employees to view their role in Savills as being part of a wider role in the community which has led to Savills being involved in a number of community and charitable initiatives. In Hong Kong, a 'Guardian Scholarship Scheme' has been introduced to reward outstanding students with grants and scholarships which is part of the philosophy that our leaders of tomorrow are recognised as our responsibility today.

Some examples of community and charitable initiatives undertaken by Savills' offices include:

- sponsored drawing competitions;
- sponsoring local school events such as tennis tournaments, school walks, rugby events;
- sponsored sporting events such as The Professional Sevens in Hong Kong, 5k runs, local marathons and races, tennis tournaments, and
- sponsored fairs and evening events in aid of local charities.

Strategy for 2007

The Board of Savills plc is anxious to maintain the entrepreneurial approach that derives from giving business operations a high level of commercial autonomy. But so much is now impacting our operations on a consistent basis that a working group has been formed, whose aim is to develop our approach to environmental and social responsibility within the Group. Proposals will be presented to the Savills plc Board later in the year with the aim of being rolled out as appropriate throughout the Group.

Right

Cevahir Shopping Centre. We advised on the recordbreaking acquisition of the six-storey Cevahir Shopping Centre in Istanbul – the largest shopping mall in Europe.

The largest mall in Europe, Cevahir is an internationally renowned shopping destination that attracts 13 million visitors per annum. Opened in 2005, it is located on a site of 16.55 acres (6.7 hectares) with a total gross area of 4.5m sq ft (420,000 sq m).

Cevahir comprises a six-storey mall with 320 units which are let to national and international retailers. It also incorporates an integrated entertainment centre which includes a 14-screen cinema, a bowling alley and a theme park which provides attractions and fairground rides on three floors.

During 2006, we advised St Martins on the acquisition of Cevahir for \$750m, in Europe's biggest single-asset transaction of recent years. The deal was secured in two halves, through a share purchase agreement with the Cevahir family, the developer and 50% owner of the Centre, and a public tender to obtain the 50% stake of the Municipality of Istanbul.



- Contents
 58 Board of Directors
- Directors' Report
- Corporate Governance Report
- Remuneration Report
- Directors' Responsibilities
- Independent Auditors' Report

Our Governance

Board of Directors











- ♦ 1. Peter Smith Chairman of Savills plc, and Chairman of the Appointments Committee Aged 60, Peter was appointed to the Board as a Non-Executive Director on 24 May 2004 and was elected Chairman with effect from 1 November 2004. His other non-executive appointments are: N M Rothschild & Sons Limited, The Equitable Life Assurance Society, Templeton Emerging Markets Investment Trust PLC and Associated British Foods plc. He is a Member of the Board of the CBI. Formerly Peter was Senior Partner of PricewaterhouseCoopers LLP (PwC) and served for two years as Chairman of Coopers & Lybrand International and as a member of the global leadership team of PwC. He served as Chairman of RAC Plc and was a Non-Executive Director of Safeway plc.
- ▲ 2. Aubrey Adams Group Chief Executive Aged 57, was appointed to the Board on 12 February 1990 and appointed as Managing Director on 19 December 1990 and Group Chief Executive on 1 June 2000. He holds Non-Executive Directorships with Pinnacle Regeneration Group plc and Unitech Corporate Parks plc. He is also a Trustee of The Wigmore Hall.

■ ◆ 3. Martin Angle Independent Non-Executive Director

Aged 56, was appointed to the Board on 2 January 2007. He is a Non-Executive Director of OAO Severstal, Dubai International Capital LLC, Celerant Consulting (Chairman), and the National Exhibition Centre (Chairman). Formerly, he has served on the Board of TI Group plc, where he was Group Finance Director, and held various executive roles with Terra Firma Capital Partners and its portfolio companies, including The Waste Recycling Group (Executive Chairman) and Le Meridien Hotel Group (Deputy Chairman).

▲ 4. Jeremy Helsby Director Aged 51, joined Savills in 1980 and was appointed to the Board in 1999. He is the Executive Director responsible for the UK and European Commercial business. He became Chairman of Savills Commercial Limited on 1 January 2001, is Chairman of Savills Europe and a Director of Savills Asia Pacific Limited.

▲ 5. Simon Hope Director Aged 42, first joined Savills in September 1986 and was appointed to the Board on 1 May 1999. He is the Executive Director responsible for our Capital Markets team and Cordea Savills. He is head of Savills Commercial Investment, a Director of Savills Finance Holdings plc and a member of the Charities Fund Property Board.

■ • • 6. Timothy Ingram Senior Independent Non-Executive

Director Aged 59, was appointed to the Board on 27 June 2002. He is Chief Executive of Caledonia Investments plc and a Non-Executive Director of The Sage Group plc, ANZ Bank (Europe) Limited and Alok Industries Limited. He was formerly Chief Executive of First National Finance Corporation, a main Board Director of Abbey National plc and a Non-Executive Director of Hogg Robinson plc.





▲ 7. Robert McKellar Chief Executive - Asia Pacific Aged 47, was appointed to the Board on 1 June 2000 having served as Finance Director of Savills Commercial Limited since December 1994. He was appointed Chief Executive-Asia Pacific on 31 March 2005.

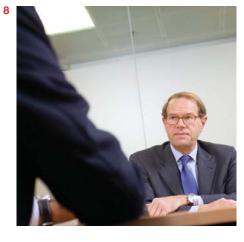
● ◆ ■ 8. Charles McVeigh Independent Non-Executive Director and Chairman of the Remuneration Committee Aged 64, was appointed to the Board as a Non-Executive Director on 1 August 2000. He is currently Chairman of Citigroup's Corporate and Investment Banking-Global Wealth Management Partnership, having until recently been Co-Chairman of Citigroup's European Investment Bank (formerly known as Schroder Salomon Smith Barney). He also serves on the Board of EFG-Hermes and is a member of both the Development Board and Advisory Council of the Prince's Trust. Formerly he has served on the Boards of Witan Investment Company plc, Clearstream, the London Stock Exchange, LIFFE and British American Business Inc; he was also appointed by the Bank of England to serve on the City Capital Markets Committee and the Legal Risk Review Committee. He was also a member of the Fulbright Commission.







10



▲ 9. Rupert Sebag-Montefiore Director Aged 53, joined Savills in 1980 and was appointed to the Board on 31 May 1995. On 26 October 2004, he became Chairman of Savills (L&P) Limited, having served as its Managing Director since May 2000. He is the Executive Director responsible for the UK residential and general practice surveying business. In January 2001, he was appointed to the Board of Fastcrop plc (the holding company of Primelocation.com), an internet property aggregator site and was appointed Chairman of that company on 3 November 2004. He served as a Non-Executive Director of Adventis Group plc during its AIM flotation and is a Governor of Bournemouth University.

■ • 10. Fields Wicker-Miurin Independent Non-Executive Director and Chairman of the Audit Committee Aged 48, was appointed to the Board on 27 June 2002. She is founder and partner of Leaders' Quest and chairs its Advisory Board. She is Non-Executive Director of D Carnegie AB and the CDC Group. She is an Independent Member of the DTI's Executive Board and of the UK Government's Technology Strategy Board. She is also a governor of King's College London. Previously she was Chief Financial Officer and Director of Strategy at the London Stock Exchange.

- Audit Committee
- Remuneration Committee
- ◆ Appointments Committee
- ▲ Executive Sub Committee

Directors' Report

The Directors present their Report and the Audited Financial Statements for the year ended 31 December 2006.

Principal activity Savills plc is a holding company. Its principal subsidiaries' activities are advising on matters affecting commercial, agricultural, residential and leisure property, providing corporate finance advice, property fund management and a range of property related financial services.

Dividends The profit attributable to shareholders is $\pounds57.7$ m (2005 – $\pounds40.0$ m). An interim dividend of 5.0p (net) per share amounting to $\pounds6.2$ m (2005 – $\pounds4.9$ m) was paid. It is recommended that a final dividend of 11.0p (net) per share, amounting to $\pounds13.2$ m (2005 – $\pounds10.0$ m) be paid on 15 May 2007 to shareholders on the Register at 13 April 2007.

Principal developments The development of the business is detailed in the Group Chief Executive's Review of Operations and Financial Review on pages 13 to 45.

Directors Short biographical details of the current Directors are shown on pages 58 and 59. All served throughout the year except for Martin Angle, who was appointed as a Director on 2 January 2007. William Concannon and Derek McClain resigned as Directors on 20 December 2006 following the acquisition of TCC by CBRE and the termination of the Strategic Alliance Agreement between TCC and Savills.

In accordance with the Company's Articles of Association, having been appointed since the last Annual General Meeting (AGM), Martin Angle will retire at this year's AGM and, being eligible, offer himself for re-election. The Directors retiring by rotation at this year's AGM are Charles McVeigh and Rupert Sebag-Montefiore and being eligible, they will offer themselves for re-election.

Interests in the issued share capital of the Company held at the beginning and end of the year under review by those who were Directors at 31 December 2006 or their families are set out on page 71 of the Remuneration Report. Details of Directors' share options are given in the Remuneration Report on pages 71 to 73. It is the Remuneration Committee's policy that each Executive Director should retain shares in the Company up to the value of 2.5 times his basic salary.

Substantial shareholdings As at 13 March 2007, the Company was aware of the following material interests, representing 3% or more of the issued ordinary share capital of the Company:

Shareholders	Number of shares	%
Standard Life Investments Limited	13,250,502	10.07
The Savills plc 1992 Employee Benefit Trust	11,397,844	8.66
Legal & General Group	5,275,141	4.01

Purchase of own shares Details of the shares held by The Savills plc 1992 Employee Benefit Trust (the EBT) and the Qualifying Employee Share Trust (QUEST) are given on page 73 of the Remuneration Report.

In accordance with the Listing Rules and at the Annual General Meeting on 10 May 2006, the shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 10% of the issued share capital. During the year no shares were purchased for cancellation under the programme. Following the placing of Savills shares on 11 January 2007 by CBRE upon its acquisition of Trammell Crow Company, 3.5m shares were repurchased for cancellation.

The Board proposes to seek shareholder approval at the AGM on 9 May 2007 to renew the Company's authority to purchase its own ordinary shares of 2.5p each for cancellation. Details of the proposed resolution is outlined in the Notice of Annual General Meeting dispatched to shareholders with this Report and Accounts.

Annual General Meeting The Notice convening the Annual General Meeting, to be held at 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ at 12 noon on 9 May 2007, is contained in a circular sent to shareholders with this Annual Report and Accounts.

Creditors' payment policy The Group does not follow any specified code or standard on payment practice. However, the Group aims to settle supplier accounts in accordance with the individual terms of business agreed with each supplier. There were 17 days purchases outstanding at the end of the year for the Company (2005 – 22 days).

Charitable donations and political contributions The amount paid to charitable organisations during the year was £59,528 (2005 – £64,007). In addition to the donations above, during the year under review, the Group operated a 'Give As You Earn' scheme whereby employees can donate a portion of their monthly salary to a registered charity. The Group also operated a bonus waiver whereby employees may elect to waive an element of annual bonus in favour of registered charities of their choice upon which the Group augments the donation to the chosen charity by 10%. These additional Group contributions totalled £50,392 (2005 – £33,100) during the year. There were no political contributions (2005 – £nil).

Employees The Directors recognise that the quality, commitment and motivation of Savills staff is a key element in the success of the Group. Employees are able to share in this success through bonus schemes and share options, see pages 69 to 70 for more information. The Group encourages its employees to develop their skills through training and continued professional development.

It is the policy of the Group to provide employment on an equal basis irrespective of gender, race, age, marital status, sexual orientation, religion or religious belief, nationality, colour or disability.

Post balance sheet events On 7 January 2007, the Group acquired Hepher Dixon Limited for consideration of £4.7m. Hepher Dixon is a UK national planning and regeneration specialist and is part of our planning consultancy segment.

On 11 January 2007, the Group purchased 3.5m ordinary shares, representing 2.59% of the issued share capital, at a price of 623p for cancellation.

Auditors In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming AGM.

Registered Office: 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ

By order of the Board

Michaela East Company Secretary (Acting) 13 March 2007

Corporate Governance Report

The Board is responsible to shareholders for the management and control of the Company's activities and is committed to high standards of Corporate Governance. The Board regularly reviews its corporate governance policies and procedures inter alia to reflect the impact of the Higgs Review of the Role and Effectiveness of Non-Executive Directors, the Smith Report on Audit Committees and the Combined Code on Corporate Governance (the Code) which was introduced in 1998 and further revised during 2003.

Compliance The Board considers that, throughout the period under review, with the exception of one area detailed below (see Board composition and balance), the Company has complied with the provisions recommended in Section 1 of the Code which applies to the financial period that is the subject of this Annual Report and Accounts.

Board composition and balance The Board presently comprises a Non-Executive Chairman, four Independent Non-Executive Directors and five Executive Directors. The biographies of the current Board members appear on pages 58 and 59.

The posts of Chairman and Group Chief Executive are separated. The Chairman is responsible for the workings and leadership of the Board and for the balance of its membership.

The Chief Executive is responsible for leading and managing the business within the authorities delegated by the Board.

Martin Angle (who was appointed to the Board on 2 January 2007 and subsequently appointed to the Audit, Appointments and Remuneration Committees on 30 January 2007), Timothy Ingram, Fields Wicker-Miurin and Charles McVeigh are independent Non-Executive Directors. During the year under review there were two additional Non-Executive Directors who were corporate representatives of Trammell Crow Company (TCC) and as such were not considered independent for the purposes of the Code; these Directors resigned on 20 December 2006. The Board considers that the Non-Executive Directors are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement.

The Board is not currently compliant with the provision of the Code which requires that at least half the Board, excluding the Chairman, be independent Non-Executive Directors. The Board considers that under Savills current operational structure it is appropriate for the principle Executive Directors to be members of the Savills' plc Board and that there is an appropriate balance between Executive and Non-Executive Directors and that no individual or small group of individuals dominates the Board's decision making. The Non-Executive Directors have a wide range of business experience and expertise and provide a strong independent element to the Board. The Board will keep under review the need for any changes to the composition of the Board.

Since 1 November 2004, Timothy Ingram has been the Senior Independent Director.

Functioning of the Board The Directors receive management information, including financial, operating and strategic reports, in advance of Board meetings. During the year the Board held nine regular meetings. Attendance by Directors at meetings is outlined in the attendance of meeting table on page 64. When unable to be present in person, the two Non-Executive Directors based in the US (TCC corporate representatives who resigned on 20 December 2006) and Robert McKellar, who is based in Asia, may attend by audio or video-conference. When Directors are not able to attend Board or Committee meetings, their comments on the papers to be considered at that meeting are relayed in advance to the relevant Chairman. The Board has adopted a formal schedule of matters specifically referred to it for decision. These matters reserved for the Board include:

- approval and management of Group corporate strategy;
- review of Group policies and codes of conduct;
- approval of the annual operating and capital expenditure budgets and any material changes;
- review of performance, assessed against the Group's strategy, objectives, business plans and budgets;
- approval of interim and preliminary announcements and the Annual Report and Accounts;
- approval of the dividend policy;
- approval of any significant changes in accounting policies or practices;
- extension of the Group's activities into new/other geographic areas;
- approval of any significant acquisitions or investments;
- any decision to divest any Group business;
- delegation of the appropriate authorities and agreeing terms of reference for its various committees;
- delegation of the appropriate authorities to the ESC; and
- the appointment of new Directors.

The Non-Executive Directors meet separately at least twice each year without the presence of the Executive Directors and also meet without the Chairman, at which time the Chairman's performance is appraised.

There is an approved procedure for Directors to take independent professional advice at the Group's expense. In addition, all the Directors have access to the advice and services of the Company Secretary.

Board committees The Board has delegated certain authorities to committees each with formal terms of reference. The terms of reference for the Audit, Appointments and Remuneration Committees are available on request and are also available on the Company's website (www.savills.com). The members of each committee are indicated on pages 58 and 59. The principal committees of the Board are as follows:

Appointments Committee The Committee consists of the four independent Non-Executive Directors and the Chairman. The Committee is chaired by Peter Smith. The Committee meets as required to nominate candidates for the approval of the Board to fill vacancies or new positions on the Board of Directors and to make recommendations to the Board on its composition and balance. The Committee met once in 2006.

During the year, the Board commenced a thorough selection process for the appointment of an additional Non-Executive Director and external consultants were appointed to assist in this process. The Board delegated responsibility for the process to the Appointments Committee. On 2 January 2007, Martin Angle was appointed as a Non-Executive Director and received appropriate briefing on his role and responsibilities and on Board procedures. The Board is satisfied that he is of suitable stature to perform his role as an independent Non-Executive Director.

The Company's Articles of Association provide that Directors must submit themselves for re-election every three years and that newly appointed Directors must submit themselves for re-election at the first Annual General Meeting after their appointment. In making recommendations to shareholders for the re-appointment of any Director, the Appointment Committee considers that Director's performance and ongoing contribution to the success of the Company and makes its relevant recommendation to the Board.

Audit Committee The Committee consists of the four independent Non-Executive Directors. The Committee is chaired by Fields Wicker-Miurin and met five times during the year. The Committee considers the scope and results of the annual audit and interim review, receives and considers reports from both the internal auditor and the Group's external auditors, considers the adequacy and effectiveness of the Group's internal controls and risk management and assesses the auditors' performance. The Non-Executive Chairman, Group Chief Executive and Group Financial Controller may be invited to attend meetings of the Committee, but are not members. The Committee determines that its various members bring appropriate experience to the role. The Board considers that the members of the Audit Committee have sufficient recent and relevant financial experience to carry out the functions of the Committee.

The Committee considers on an ongoing basis the independence of the external auditors and has established policies to consider the appropriateness or otherwise of appointing the external auditors to perform non-audit services. As detailed on page 61 the external auditors are PricewaterhouseCoopers LLP who have provided certain non-audit services to the Company, principally advice on taxation, but the Audit Committee is satisfied that such work was best undertaken by PricewaterhouseCoopers LLP and its objectivity has not been impaired by reason of this further work.

The internal auditors are KPMG who serve the Group on a global basis. The UK business has established whistleblowing procedures to ensure that arrangements are in place to enable employees to raise concerns about possible improprieties in financial reporting and other matters on a confidential basis. The arrangements for operations outside the UK continues to be developed as the business evolves.

Remuneration Committee The Committee consists of the four independent Non-Executive Directors. The Committee is chaired by Charles McVeigh and meets at least twice a year to determine Company policy on senior executive remuneration and to agree the detailed remuneration packages of the Executive Directors. The Remuneration Committee takes the advice of external consultants from time to time as appropriate. The Group Chief Executive is consulted on the remuneration packages of the other Directors and senior executives and attends remuneration discussions by invitation, except when his own position is being discussed. Given the central part that remuneration plays in the success of the Company, the Chairman is also invited to attend meetings of the Committee.

Executive Sub Committee Savills plc has an Executive Sub Committee (ESC), which comprises the Group Chief Executive and such other Executive Directors as the Board shall nominate from time to time. Any Director of the Company may be invited by the Committee from time to time to attend all or part of the Committee's proceedings. Under the leadership of the Group Chief Executive, the ESC reviews the day to day operations of the Group including risk management, authorises certain investments, monitors Group performance and may deal with other specific matters delegated to it by the Board. The current Committee members are indicated on pages 58 and 59. The Committee generally meets at least once between Board meetings and the Minutes of the ESC are circulated to all Board members in advance of full Board meetings.

Board performance and evaluation A formal review of Board performance was undertaken by an external consultant who carried out an evaluation process which reported in March 2006 and concluded that the Board and its main committees were working satisfactorily. At its meeting on 6 March 2007, members of the Board reviewed progress and during 2007, the Board will continue to keep the recommendations under review and will consider whether a further structured review is required for 2008.

In addition, during 2006 a comprehensive strategic review was undertaken by an independent consultant who considered the functioning of the Board and executive management. **Attendance at meetings** Directors' attendance at Board and Committee Meetings convened in the year ended 31 December 2006 was as follows:

	Board	Audit Committee	Remuneration Committee	Appointments Committee
Number of meetings in year	9	5	5	1
	Attended	Attended	Attended	Attended
Non-Executive Directors				
Peter Smith	9	_	_	1
William Concannon (resigned 20 December 2006)	3	_	_	_
Timothy Ingram	9	5	5	1
Fields Wicker-Miurin	9	5	5	1
Derek McClain (resigned 20 December 2006)	5	_	_	_
Charles McVeigh	8	5	5	1
Executive Directors				
Aubrey Adams*	9	_	_	_
Jeremy Helsby*	7	_	_	_
Simon Hope*	9	_	_	_
Robert McKellar*	9	_	_	_
Rupert Sebag-Montefiore*	9	_	_	_

*Members of the ESC. The ESC met 12 times during the year. Simon Hope was appointed to the Committee on 25 April 2006.

Insurance cover The Company purchases insurance to cover its Directors and officers against their costs in defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. The insurance does not provide cover where the Director has acted fraudulently or dishonestly.

Directors' remuneration The Remuneration Report is set out on pages 66 to 75. The Remuneration Report will be put to shareholders at the Annual General Meeting in 2007.

Relations with shareholders The Board seeks to maintain an open relationship and the Group Chief Executive has a regular programme of meetings with analysts and maintains a dialogue with shareholders which ensures that the Board is aware of shareholder sentiment. Meetings are held with major institutional shareholders regularly and include presentations at the time of the Company's preliminary announcement of annual and interim results. The Senior Independent Director will make himself available for the investor meetings held by the Group Chief Executive upon request. The Board also reviews a report each year from its corporate broker on feedback from investors and the markets view of the Company.

The Annual Report and Accounts and Interim Statement are sent to all shareholders. The participation of private shareholders at the AGM is welcomed and all shareholders are invited to attend the Company's AGM, which is attended by the Board. In accordance with the Code, the Chairman declared the level and manner of voting of proxies lodged on each resolution at the AGM held during the year. The Chairmen of the Board's principal committees were present at the 2006 AGM to answer shareholders' questions as required. The Directors aim to give as much notice of the AGM as possible which will be at least 21 days, as required by the Company's Articles of Association. In practice, this Report and Notice of AGM are being sent to shareholders more than 20 working days before the AGM as required under the Code. The Notice of Annual General Meeting of shareholders and explanatory notes are sent to shareholders with this report.

Information about the Company is also available on the website at www.savills.com

Internal control and risk management The Board recognises that it has overall responsibility for establishing and maintaining the Group's system of internal control and risk management to safeguard the shareholders' investment and the Group's assets, and for reviewing its effectiveness. The system of internal control is designed to provide reasonable, but not absolute assurance with regard to the safeguarding of assets against unauthorised use or disposition and the maintenance of financial information used within the business or for publication.

The Board confirms that it has conducted a review of the effectiveness of the system of internal control and that the system has been in place throughout the year and up to the date of approval of the accounts and complies with the 2005 Turnbull guidance.

Key elements of the Group's system of internal control during 2006 were:

- A comprehensive system for planning and reporting the performance of each business unit. The Board meets regularly and reviews the Group's overall results against plan and the previous year; forecasts are regularly updated.
 Clear responsibilities are given to operational and financial managers for the maintenance of effective financial controls and the production of accurate and timely financial management information.
- The regular review and assessment of the performance of the business including in relation to risk management and internal controls by the Board and its sub committees, including the Executive Sub Committee (ESC). The ESC generally meets before each Board meeting.
- Attendance at operating subsidiary and associate boards by Executive Directors.
 These boards and their associated committees also meet regularly and have
 formal reporting structures. Directors of operating companies are also closely
 involved in the day-to-day business of their respective operations identifying
 business risks and appropriate action to be taken.
- Backed by a Group Risk Management Policy, an appropriate risk management framework and process for identifying, evaluating, assessing, and managing significant risks to the business faced by the Group aligned to our business strategy, supported with an appropriate organisational structure and clearly defined responsibilities.

- Monitoring systems with respect to financial, operational and compliance risks, where appropriate, including:
 - A programme of internal audits undertaken in accordance with an annual risk based plan approved by the Audit Committee. The plan is designed to ensure that the internal audit activity is focused on priority areas on a global basis in order to provide an independent assessment of and challenge to the Group's system of internal controls.
 - A compliance programme within the regulated businesses in support of the Group's commitment to conduct its business responsibly and in accordance with all laws and regulations to which its business activities are subject.
 - Annual self assessment questionnaires completed by senior management in each part of the business. The results are collated and trends analysed for consideration by the ESC.
- There is also a formal policy and procedure available to all employees who are concerned about possible impropriety, financial or otherwise, and who may wish to ensure that action is taken without fear of victimisation or reprisal.

The framework and risk profile is regularly reviewed with actions being taken where weaknesses have been identified in the mitigation of risk.

Going concern After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

By order of the Board

Peter Smith Chairman 13 March 2007

Remuneration Report

Remuneration Committee The Remuneration Committee keeps under review the remuneration of Executive Directors and other senior executives with the aim of effectively supporting a performance culture and continuing to motivate, attract and retain executives of the highest calibre. The Remuneration Committee is satisfied with the current approach. The role and composition of the Committee is detailed on page 63.

Remuneration policy It is essential for the Group to provide remuneration packages which attract, retain and motivate Directors and employees of the highest quality. Benefit packages awarded to Directors are structured to provide a competitive mix of performance and non-performance related remuneration.

Basic salary Savills' business philosophy is founded on the premise that employees should be motivated through highly incentive-based (and therefore variable) remuneration packages. Salaries for fee-earners, particularly more senior ones, are generally below market averages for similar businesses. There is accordingly a greater emphasis on the performance related bonus in the total remuneration package. These lower salary levels help to limit related costs (e.g., pension) and also has the effect of reducing the fixed element of the business cost base. For support staff, salaries are generally set closer to market levels apart from senior Directors who are treated in much the same way as fee earners. Salaries are reviewed annually (although not necessarily increased) by each operating subsidiary for all employees including the Executive Directors. All the Executive Directors, except the Group Chief Executive, Aubrey Adams, are employed by one of the operating subsidiaries.

The Directors of each subsidiary set the basic salaries of all their employees. The Remuneration Committees of the operating subsidiaries make recommendations to the Savills plc Remuneration Committee.

Performance related bonus In general, each operating subsidiary has a fee-earner discretionary bonus scheme where the annual bonus pool available for distribution is directly related to the profit of that subsidiary after charging all costs (pre-bonus) including central overheads and finance charges. In the main, the bonus pool for each subsidiary company is generated by a formula. In the UK and Europe, the amounts available for distribution within these bonus pools were calculated in bands between 30% of the pre-tax and pre-bonus profits through to 65% for excellent performance, based on the achievement of predetermined thresholds. These bands are reviewed regularly. Awards to fee-earning employees are assessed by reference to fee earning achievements, profitability of the individual's area of responsibility, contribution to business development and managerial responsibilities.

Awards to support staff are assessed according to the performance appraisal of the individual and generally related to both salary and market levels.

A portion of the bonus of senior employees and Executive Directors may be deferred for a period of not less than three years and awarded in shares under the Savills Deferred Share Bonus Plan, details of which can be found on page 69. For certain senior fee earners an additional portion of their bonus may be paid in deferred shares and subject to share matching.

Senior executives and Executive Directors may participate in the Savills Deferred Share Bonus Plan, The Savills Executive Share Option Scheme (2001), the Savills Share Incentive Plan and the Savills Sharesave Scheme; details of which are given on pages 69 and 70. Senior executives and Executive Directors were also eligible for participation in the Savills plc 1992 Executive Share Option Scheme (the ESOP), which has now expired for the purposes of new grants. Details of any awards made to Executive Directors under these schemes are given on pages 71 to 73.

Senior employees, excluding the Executive Directors, may participate in the Savills Deferred Share Plan, details of which are given on page 69.

Executive salary and bonus The bonuses for Executive Directors are determined as follows:

Aubrey Adams (Group Chief Executive) – his bonus is determined by the Remuneration Committee with regard to the Group's performance, his own contribution and remuneration of other Executive Directors.

Jeremy Helsby (Chairman, Savills Commercial Limited) – the Remuneration Committee receives a recommendation from Savills Commercial Limited directly related to the profitability of the UK and European commercial operation, together with a recommendation from the Group Chief Executive for an element related to the overall growth and performance of the business which is paid in Deferred Shares.

Rupert Sebag-Montefiore (Chairman, Savills (L&P) Limited) – the Remuneration Committee receives a recommendation from Savills (L&P) Limited which is directly related to the profitability of that company, together with a recommendation from the Group Chief Executive on any additional contribution made to the growth of the overall business which is paid in Deferred Shares.

Simon Hope (Head of Capital Markets) – the Remuneration Committee receives a recommendation from Savills Commercial Limited directly related to his fee-earning activities and contribution to the profit of the Commercial business, together with an additional recommendation from the Group Chief Executive with regard to any additional contribution with regard to overall development of the Group business which is paid in Deferred Shares.

Robert McKellar (Chief Executive, Asia) – his bonus is determined by the Remuneration Committee on the basis of a recommendation from the Group Chief Executive and relates largely to the profitability of the Asia Pacific business. Part of his bonus is paid in Deferred Shares.

The additional contribution related to the overall growth of the business is recognised by the award of deferred shares under the Savills Deferred Share Bonus Plan which normally matures after three years.

The Remuneration Committee will consider each Executive Director's overall remuneration package and make suggestions or recommendations to the Board. Their aim is to ensure arrangements that align Directors' interests to the objectives and strategy of the Group.

The Board accepted the recommendations of the Remuneration Committee on Executive Directors' remuneration for the financial year ended 31 December 2006. The remuneration package for each of the Directors is shown on page 67. The bonus entitlements shown are subject to the above performance criteria.

Analysis of Directors' remuneration (audited)

	Salary	ı/fees		Bor	nus		Bene	efits	contri (including	r pension bution final salary, onus waived)	Tot	tal
Executive Directors	Year to 31 December 2006 £	Year to 31 December 2005	Year to 31 December 2006 Cash £	Year to 31 December 2006 Deferred £	Year to 31 December 2005 Cash	Year to 31 December 2005 Deferred*	Year to 31 December 2006 £	Year to 31 December 2005	Year to 31 December 2006 £	Year to 31 December 2005	Year to 31 December 2006 £	Year to 31 December 2005
Aubrey Adams	119,000	119,000	1,000,000	_	283,863	100,000	1,234	1,175	_	722,162	1,120,234	1,226,200
Jeremy Helsby	107,667	101,000	1,200,000	175,000	474,000	110,000	1,234	1,175	12,250	645,295	1,496,151	1,331,470
Simon Hope	100,167	92,000	627,451	375,000	568,000	210,000	14,232	13,147	12,250	15,295	1,129,100	898,442
Robert McKellar	239,670	217,000	600,000	75,000	550,000	50,000	_	_	_	7,529	914,670	824,529
Rupert Sebag-Montefiore	107,596	100,929	1,000,000	200,000	323,000	150,000	1,234	1,175	12,250	498,295	1,321,080	1,073,399

*For details of the Deferred Share Bonus Plan please refer to page 69.

Included in the cash bonus figures for 2006 noted above for each of Aubrey Adams, Jeremy Helsby, Simon Hope and Rupert Sebag-Montefiore are amounts of £270,000, £48,836, £37,500 and £20,000 respectively which were waived in favour of contributions to registered charities by their employing companies (2005 – Aubrey Adams, Jeremy Helsby and Rupert Sebag-Montefiore waived £250,000, £15,000 and £10,000 respectively).

Last year, the Executive Directors waived, prior to award, a part or all of their bonus and the Company paid these amounts into defined contribution plans. No such waivers took place in 2006.

Non-executive remuneration The fees of the Non-Executive Directors and the Chairman's remuneration are determined by the full Board within the limits set in the Company's Articles of Association. The Non-Executive Directors do not receive any share options, bonuses or any other performance related payments nor do they receive any pension entitlement.

Analysis of Non-Executive Directors' remuneration (audited)

	Salary/fees			nus	Ben	efits	Total	
Non-Executive Directors	Year to 31 December 2006 £	Year to 31 December 2005 £						
William Concannon** (resigned 20 December 2006)	22,500	22,500	_	_	_	_	22,500	22,500
Timothy Ingram*	30,417	27,500	_	_	-	_	30,417	27,500
Derek McClain** (resigned 20 December 2006)	22,500	22,500	-	_	-	_	22,500	22,500
Charles McVeigh (Chairman – Remuneration Committee)	35,417	32,500	_	_	_	_	35,417	32,500
Fields Wicker-Miurin (Chairman – Audit Committee)	35,417	32,500	_	_	-	_	35,417	32,500
Peter Smith	110,000	110,000	_	_	_	_	110,000	110,000

*Payment made via Caledonia Investments plc.

**Payment made via Trammell Crow Company.

The fees of the independent Directors were increased from £27,500 to £32,500 with effect from 1 June 2006. The Chairman of the Audit and Remuneration Committees each received an additional £5,000.

Benefits Executive Directors and senior employees are provided with a company car (or salary allowance) and they and their immediate families are members of the Savills Group's medical or hospital insurance schemes.

Pension The Inland Revenue approved Savills Life Assurance Scheme provides life assurance benefits to all relevant employees including the UK based Executive Directors.

Three Executive Directors (Jeremy Helsby, Simon Hope and Rupert Sebag-Montefiore) participated in the Pension Plan of Savills (the Plan) for defined benefit pension benefits during the year. The Plan is a contributory defined benefit scheme which provides a pension based on final basic salary

and length of service. In addition to the Company's contribution, members contributed 7% of salary during the year ended 31 December 2006. Only basic salary is pensionable. The current normal retirement age under the Plan is 60 although as a result of Age Discrimination legislation the Company normal retirement age has increased to 65. The Plan closed to new entrants for pension benefits in 2000 but continues to operate for existing members.

The Company also operated a defined contribution pension plan.

The Company makes contributions for Robert McKellar to a Mandatory Provident Fund in Hong Kong.

Pensions disclosure: (audited)

	Increase in accrued pension during the year in excess of inflation		accrued pension the increase total accrued during the year in less Director's pension at the end			ccrued at the end	Total in in acc pension the y	rued during	total pens	r value of ion at start of the year ³	(Decrease)/increase in transfer value over the year, less Director's contributions		
Executive Directors	31 December 2006 £	31 December 2005 £	31 December 2006 £	31 December 2005	31 December 2006 £	31 December 2005 £	31 December 2006 £	31 December 2005 £	31 December 2006 £	31 December 2005 £	31 December 2006 £	31 December 2005 £	
Jeremy Helsby	3,804	476	44,772	(1,199)	40,417	35,650	4,767	1,533	587,642	487,684	93,098	89,173	
Simon Hope	2,793	999	17,882	687	22,083	18,783	3,300	1,533	225,629	182,839	35,930	32,432	
Rupert Sebag-Montefiore	3,850	452	48,767	(960)	41,250	36,417	4,833	1,533	627,642	525,237	95,545	100,608	

Notes

- 1. The table shows the increase in accrued pension during the year, excluding any increase for inflation. The transfer value of this increase in pension is also shown, less the contributions made by the Director during the year.
- 2. The accumulated accrued pension entitlement shown is that which would be paid annually on retirement based on service to the year-end. The actual increase in pension over the year is also shown (with no allowance for the increase in inflation).
- 3. The transfer value of the total pension accrued at the year-end, determined at the year-end is set out along with the comparative amounts at the end of the previous year.
- 4. The increase/(decrease) in the amount of this transfer value, less the contributions made by the Director during the period, has also been determined.

The transfer value represents the amount payable by the pension plan should the Director transfer his pension rights to another provider. All transfer values quoted are calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note 11 ('GN11').

Share related incentives

Directors' Deferred Share Bonuses and Option Schemes The Association of British Insurers ('ABI') emphasises in its guidelines the importance of performance-based remuneration arrangements being clearly aligned to business strategy and objectives. The ABI expects Remuneration Committees to carry out regular reviews of existing share incentive schemes in order to ensure their continued effectiveness and compliance with best practice and contribution to shareholder value.

The Remuneration Committee keeps Savills' executive share incentive plans under review to ensure that the above principles are adhered to and, consistent with this, certain changes were introduced to the existing plans following consultations with the ABI and the Research, Recommendations and Electronic Voting service ('RREV') in 2005–2006 (details of the changes are contained in the relevant sections below).

The Savills Deferred Share Bonus Plan (the DSBP) and The Savills **Deferred Share Plan (the DSP)** The DSBP was adopted by the Board on the recommendation of the Remuneration Committee in 2001. It provides for the award of conditional rights to acquire Savills shares based on performance achievements measured over the immediately preceding financial year. The performance targets are specific to each individual and either relate to Group thresholds, subsidiary company targets or a combination of both. In order to support retention of key fee-earners, a proportion of substantial bonuses over pre-determined thresholds is required to be taken in the form of Deferred Shares and is subject to an element of matching. The DSBP remains closely aligned to Savills' successful executive remuneration strategy, which is to include a meaningful performance related pay element and to control the level of basic annual salaries at senior levels significantly below market comparables. The deferred element provides an added incentive in the form of potential share price growth over the deferred period together with an important retention aspect in that awards normally lapse in the event of executives leaving service before the vesting date.

Awards of deferred shares normally vest after a deferred period of not less than three years although a longer deferred period (up to five years) may apply. The shares are subject to forfeiture if the executive leaves service prior to the vesting date other than in defined 'good leaver' situations (e.g. redundancy, ill-health etc.). The shares are acquired by purchase in the market through an independent employee benefit trust (the EBT) with funds provided by the relevant employing company. There are no powers to subscribe new shares (or to re-issue existing Treasury Shares) under either the DSBP or the EBT and therefore no dilution of existing shareholdings. The EBT can acquire up to 15% of the issued share capital in the market and this limit was the subject of a full consultation with institutional shareholders in 2002–2003 and an ordinary resolution of shareholders at the AGM in 2003. The Rules of the DSBP can be amended by the Board and, on 31 January 2006 the Board, on the recommendation of the Remuneration Committee, considered and implemented the following changes:

- The original deferred period (vesting date) of five years under the DSBP was considered to be out of line with market practice where the large majority of plans operate on the basis of a three year vesting date. In accordance with the amendment provisions, therefore, the DSBP was altered to provide for a vesting date of not less than three years from the date of an award. For awards made from 2006 onwards, the vesting date (to be determined prior to the date of any award) can be any period of not less than three years but could be longer (e.g. five years).
- For awards made from 2006 onwards, the number of shares awarded will be increased on the vesting date to reflect final and interim dividends paid to ordinary shareholders throughout the deferred period.

In summary, the combination of a highly performanced bonus award system together with a deferred element in the form of Savills' shares provides an important element in Savills' remuneration strategy both as an incentive and as a retention tool. The Remuneration Committee are satisfied that the DSBP has been a key component in motivating and retaining the calibre of executives' necessary to achieve the growth of the Company into a successful FTSE 250 company and fully support its continued use.

The DSP was adopted by the Board in October 2006. The plan provides for the grant of awards of deferred shares which would normally vest not earlier than three years from the award date (the deferred period could be longer). The plan provides the scope for the Board to make such awards to key executives where the Board considers that there are particular business reasons, in the interests of the Company, for applying a retention element to remuneration (for example on the acquisition of a business). Awards under the DSP are forfeited if the executive leaves the employment of the Group before the end of the deferred period (other than in defined 'good leaver' situations e.g. redundancy, ill-health, etc.). The shares required to satisfy awards are acquired through the EBT in the same way as for the DSBP (see paragraph two of the previous section) and there are no powers to subscribe new shares or to re-issue existing Treasury Shares under the DSP and therefore no dilution of existing shareholdings.

Group Executive Share Option Schemes, Sharesave Scheme and Share Incentive Plan

The Savills Executive Share Option Scheme (2001 Scheme) The 2001 Scheme was authorised by shareholders at the AGM in 2001 and comprises an Inland Revenue approved scheme and an unapproved schedule. Options granted under the 2001 Scheme are normally exercisable not earlier than three years following the date of grant and not later than ten years from the date of grant (with exceptions for 'good leavers'). Grants are made annually on a phased basis and the exercise of options is subject to the achievement of a performance target related to the increase in the Company's earnings per share compared to a stated percentage above inflation over a fixed three year period. The ability to remeasure performance over a later period if not met within the initial three year period was removed in 2004 subject to one transitional grant whereby the performance could, if necessary, be remeasured over an extended period of four years. Options are currently satisfied by the issue of new shares within the ABI dilution limit.

The performance target that applies to options granted between 2001 and 2005 requires that the Company's earnings per share must increase over the period of three consecutive financial years by an average of at least 3% pa above inflation (as measured by the Retail Prices Index (all items) ('RPI')). Following consultation with the ABI and RREV, the Board, on the recommendation of the Remuneration Committee, decided that grants of options from 2006 onwards will be subject to a tiered approach whereby, in respect of any grant, the first one-third of the number of shares under option will be subject to the above RPI + 3% p.a. target with an escalating performance requirement in respect of the remaining two-thirds as follows:

Second one-third of the number of shares – RPI + 4% p.a.

Final one-third of the number of shares – RPI + 5% p.a.

Savills plc 1992 Executive Share Option Scheme (the ESOP) The ESOP expired on 23 May 2001 and no further grants will be made under this scheme but existing rights remain fully protected. Under the ESOP, senior executives were granted options to purchase shares, exercisable in normal circumstances between five and seven years after grant. The ESOP is operated in conjunction with the EBT. Grants were made by the Trustee of the EBT on the recommendation of the Board on a phased basis, having regard to individuals' performances and anticipated contributions to the Group. Recommendations in respect of grants to Executive Directors were made by the Remuneration Committee.

The Savills Sharesave Scheme (the Sharesave Scheme) Executive Directors are eligible to participate in the Sharesave Scheme, which is an Inland Revenue approved scheme open to all employees of nominated participating companies who had a minimum of three months' service at the date of invitation. The Sharesave Scheme was adopted by shareholders in 1998. The Sharesave Scheme is linked to a monthly savings contract and options are granted at a maximum 20% discount to market price. The most recent invitation was limited to three year savings contracts, although the rules currently allow three or five year savings contracts to be offered.

The Savills Share Incentive Plan (SIP) At the Annual General meeting on 7 May 2003, shareholders approved the introduction of the SIP. This is a share purchase plan available to all employees including the Executive Directors. The scheme is aimed at encouraging employee share ownership and an interest in the Company's performance together with the retention of employees. Employees invest in Savills plc shares by making contributions from their gross salary subject to a current statutory annual limit of £1,500 (£125 per month). If the shares are held in the Plan for five years no income tax or NIC is payable. The scheme was launched in May 2004. There are other elements of the SIP authorised by shareholders but it is not the present intention to offer these elements.

Following the share split on 11 May 2006, the relevant figures in the tables below have been adjusted.

Ordinary shares (audited) Interests in the share capital of the Company beneficially held by members of the Board of Directors and their families are detailed below:

	31 December 2006	31 December 2005
Aubrey Adams	700,000	660,000
William Concannon (resigned 20 December 2006)	_	_
Jeremy Helsby	454,686	454,686
Simon Hope	119,879	111,508
Timothy Ingram	24,000	24,000
Derek McClain (resigned 20 December 2006)	_	_
Robert McKellar	142,718	122,048
Charles McVeigh	_	_
Rupert Sebag-Montefiore	235,777	230,586
Peter Smith	20,000	20,000
Fields Wicker-Miurin	1,360	1,360

It is the Remuneration Committee's policy that each Executive Director should retain shares in the Company up to the value of 2.5 times his basic salary.

Savills plc 1992 Executive Share Option Scheme (ESOP) (audited)

	N	lumber of shares					
Directors	At 31.12.05	Exercised during year	At 31.12.06	Exercise price per share	Market value at date of exercise	Date from which exercisable	Expiry date
Jeremy Helsby	30,000 100,000	_ _	30,000 100,000	Nil Nil	_ _	20.07.05 06.04.06	20.07.07 06.04.08
Simon Hope	80,000 80,000	80,000	80,000	Nil Nil	631.25p -	20.07.05 06.04.06	20.07.07 06.04.08
Robert McKellar	60,000	60,000	_	Nil	614.0p	06.04.06	06.04.08
Rupert Sebag-Montefiore	60,000	60,000	_	Nil	614.0p	06.04.06	06.04.08

The Savills Sharesave Scheme (audited)

		N	umber of shares			Market price	Exercise	Exercisable
Directors	At 31.12.05	Granted during year	Exercised during year	Lapsed during year	At 31.12.06	on date of exercise	price	within six months from
Jeremy Helsby	-	1,098	_	_	1,098	_	510.5p	01.07.09
Simon Hope	8,108 -	1,830	8,108 -	_ _	- 1,830	524.0p -	55.5p 510.5p	01.07.06 01.07.09
Rupert Sebag-Montefiore	4,928 -	1,830	4,928 -	_ _	- 1,830	670.0p -	55.5p 510.5p	01.07.06 01.07.09

The Savills Executive Share Option Scheme (2001) (audited)

			Number of shares			Market price	Exercise	Date	
Directors	At 31.12.05	Granted during year	Approved/ Unapproved	Exercised during year	At 31.12.06	on date of exercise	price per share	normally first exercisable	Expiry date
Aubrey Adams	160,000	_	Unapproved	160,000	_ (622.5-627p	69.5p	25.03.06	25.03.13
	54,000	_	Unapproved	_	54,000		217.75p	30.03.07	30.03.14
	9,338	_	Approved	_	9,338	_	321.25p	14.03.08	14.03.15
	26,662	_	Unapproved	_	26,662	_	321.25p	14.03.08	14.03.15
	_	20,000	Unapproved	_	20,000	_	596p	13.03.09	13.03.16
Jeremy Helsby	130,000	_	Unapproved	130,000	_	629p	69.5p	25.03.06	25.03.13
	46,000	_	Unapproved	_	46,000	_	217.75p	30.03.07	30.03.14
	9,338	_	Approved	_	9,338	_	321.25p	14.03.08	14.03.15
	23,662	_	Unapproved	_	23,662	_	321.25p	14.03.08	14.03.15
	_	20,000	Unapproved	_	20,000	_	596p	13.03.09	13.03.16
Simon Hope	100,000	_	Unapproved	100,000	- (622.5-629p	69.5p	25.03.06	25.03.13
	46,000	_	Unapproved	_	46,000	_	217.75p	30.03.07	30.03.14
	9,338	_	Approved	_	9,338	_	321.25p	14.03.08	14.03.15
	22,662	_	Unapproved	_	22,662	_	321.25p	14.03.08	14.03.15
	_	20,000	Unapproved	_	20,000	_	596p	13.03.09	13.03.16
Robert McKellar	50,000	_	Unapproved	50,000	_	627p	69.5p	25.03.06	25.03.13
	43,000	_	Unapproved	_	43,000	_	217.75p	30.03.07	30.03.14
	9,338	_	Approved	_	9,338	_	321.25p	14.03.08	14.03.15
	20,662	_	Unapproved	_	20,662	_	321.25p	14.03.08	14.03.15
	_	20,000	Unapproved	_	20,000	_	596p	13.03.09	13.03.16
Rupert Sebag-Montefiore	130,000	_	Unapproved	130,000	_	629p	69.5p	25.03.06	25.03.13
	46,000	_	Unapproved	_	46,000	_	217.75p	30.03.07	30.03.14
	9,338	_	Approved	_	9,338	_	321.25p	14.03.08	14.03.15
	23,662	_	Unapproved	_	23,662	_	321.25p	14.03.08	14.03.15
	_	20,000	Unapproved	_	20,000	_	596p	13.03.09	13.03.16

The Savills Deferred Share Bonus Plan (DSBP) (audited)

	Nu	umber of shares		Closing mid- market price of a Savills plc	
Directors	At 31.12.05	Awarded during year	At 31.12.06	share the day before grant*	Vesting date
Aubrey Adams	_	16,778	16,778	596p	13.03.09
Jeremy Helsby	79,466 45,454 17,350 11,284	- - - - 18,456	79,466 45,454 17,350 11,284 18,456	187.5p 137.5p 426.5p 642.5p 596p	22.03.07 14.03.08 15.03.09 14.03.10 13.03.09
Simon Hope	49,600 27,272 38,804 113,618	- - - - 35,234	49,600 27,272 38,804 113,618 35,234	187.5p 137.5p 426.5p 642.5p 596p	22.03.07 14.03.08 15.03.09 14.03.10 13.03.09
Robert McKellar	49,600 36,362 11,722 15,564	- - - - 8,388	49,600 36,362 11,722 15,564 8,388	187.5p 137.5p 426.5p 642.5p 596p	22.03.07 14.03.08 15.03.09 14.03.10 13.03.09
Rupert Sebag-Montefiore	79,466 45,454 17,350	- - - 25,166	79,466 45,454 17,350 25,166	187.5p 137.5p 426.5p 596p	22.03.07 14.03.08 15.03.09 13.03.09

*Mid-market prices for awards prior to 2006 have not been adjusted to account for the 2:1 share subdivision on 11 May 2006.

The ESOP expired on 23 May 2001 and no further grants were made under this scheme during the year. 570,000 Directors' share options under the Executive Share Option Scheme (2001) were exercised during the year but no awards under the DSBP vested during the year. No Directors' share options/awards under the ESOP, the Executive Share Option Scheme (2001) or DSBP lapsed. The mid-market price of the shares at 29 December 2006, the last business day of the financial year, was 680p and the range during the year was 473p to 732.5p. At 31 December 2006, all Executive Directors were deemed to have an interest (for the purpose of the Companies Act 1985) in 9,361,954 shares held by the trustee of the EBT and in 2,154 shares held by the Qualifying Employee Share Trust (QUEST). For details of the EBT and QUEST, please refer to Note 2 of the Accounts.

External Directorships The Executive Directors are allowed to accept external non-executive directorships, subject to approval by the Chairman and any conditions he might impose. For non-executive directorships which are considered to arise by virtue of an Executive Director's position within Savills, the fees are paid directly to Savills.

Directors' service contracts The Executive Directors are appointed for an initial period of three years, after which their appointment may be renewed. Each has a service contract with a notice period of one year or less. The Remuneration Committee accepts and endorses the principle of mitigation of damages on early termination of contracts. The details of the service contracts of those who served as Directors during the year are:

	Date appointed to Board	End date of current letter of appointment	Notice period
Aubrey Adams	12 February 1990	31 December 2009	12 months
William Concannon (resigned 20 December 2006)	30 June 2000	See below*	Terminable at will
Jeremy Helsby	1 May 1999	4 May 2008	Six months
Simon Hope	1 May 1999	4 May 2008	Six months
Timothy Ingram	27 June 2002	26 June 2008	Terminable at will
Derek McClain (resigned 20 December 2006)	28 August 2002	See below*	Terminable at will
Robert McKellar	1 June 2000	31 May 2009	Six months
Charles McVeigh	1 August 2000	31 July 2009	Six months
Rupert Sebag-Montefiore	31 May 1995	25 October 2007	Six months
Peter Smith	24 May 2004	23 May 2007	Six months
Fields Wicker-Miurin	27 June 2002	26 June 2008	Terminable at will

^{*}Appointed by Trammell Crow Company pursuant to the strategic alliance which provided for Board representation for Trammell Crow Company linked to its strategic alliance and shareholding in the Company. On 20 December 2006, CBRE completed the acquisition of Trammell Crow Company (TCC). Following this acquisition the Strategic Alliance Agreement between TCC and Savills terminated.

Martin Angle was appointed to the Board on 2 January 2007 and his current letter of appointment ends on 2 January 2010.

The Company has no financial obligation to Directors in the event of early termination of an Executive Director's contract other than payment in lieu of notice.

Performance graph Over the last five years the Company has outperformed the FTSE 250 Index to give a Total Shareholder Return of 898% compared with a return of 117% provided by the FTSE 250 and 233% by the FTSE All Share Real Estate Index. As at 31 December 2006, Savills was ranked second by performance in the FTSE 250. The Directors believe that the FTSE 250 is the most appropriate index against which to compare total shareholder return as it is an index of companies of similar size to Savills plc.

Below is a graph showing Total Shareholder Return for Savills plc against the FTSE 250 Index and FTSE All Share Real Estate Index over the last five years:



Registered Office: 20 Grosvenor Hill Berkeley Square London W1K 3HQ By order of the Board

Charles McVeighChairman of the Remuneration Committee
13 March 2007

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each person who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors' Report to the Members of Savills plc

We have audited the Group and parent Company financial statements (the 'financial statements') of Savills plc for the year ended 31 December 2006 which comprise the Group income statement, the Group and parent Company balance sheets, the Group and parent Company statements of cash flows, the Group and parent Company statements of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and auditors The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Opinion In our opinion: Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operations and Financial Review that is cross referred from the Group Chief Executive's Review of Operations and Financial Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2003) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Group Chief Executive's Review of Operations and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2006 and cash flows for the year then ended:
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors 1 Embankment Place London WC2N 6RH 13 March 2007

- (a) The maintenance and integrity of the Savills plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occured to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Contents

- 80 Consolidated Income Statement
- 81 Balance Sheets
- 82 Statements of Cash Flows
- 83 Statements of Recognised Income and Expense
- 84 Notes to the Financial Statements
- 128 Savills' UK and International Offices

Our Accounts

Consolidated Income Statement

for the year ended 31 December 2006

		Group
	Year ended 2006	Year ended 2005
Continuing operations Notes	£m	£m
Revenue 5	517.6	373.9
Less: Employee benefits expense Depreciation Amortisation of intangibles and impairment of goodwill Other operating expenses Other income Frofit on disposal of subsidiary, associate, joint ventures and available-for-sale investments 8 8 0 6 8 7 8 8 6 8 7 8 8 6 8 8 6 8 8 6 8 8 8 6 8 8 8 8	(306.1) (5.6) (2.4) (129.2) 0.8 5.1	(227.5) (4.6) (1.5) (85.9) –
Operating profit 5 & 6	80.2	54.8
Finance income Finance costs	4.8 (1.1)	4.0 (0.5)
Share of post tax profit from associates and joint ventures 17(a)	3.7 0.5	3.5 0.3
Profit before income tax Income tax expense	84.4 (25.6)	58.6 (17.8)
Profit for the year from continuing operations	58.8	40.8
Discontinued operations Profit/(loss) for the year from discontinued operations 7	0.3	(0.5)
Profit after income tax	59.1	40.3
Attributable to: Equity shareholders of the Company Minority interest	57.7 1.4	40.0
Earnings per share	59.1	40.3
From continuing and discontinued operations Basic earnings per share Diluted earnings per share 13 From continuing operations	46.3p 44.2p	33.6p 31.3p
Basic earnings per share Diluted earnings per share 13	46.0p 44.0p	34.1p 31.7p

Balance Sheets

at 31 December 2006

Assets: Non-current assets Property, plant and equipment	Notes	31 December	Group		Company
	Notes	31 December			
	Notes			31 December	Restated 31 December
		2006 £m	2005 £m	2006 £m	2005 £m
Dronarty plant and aquinment					
Property. Diant and equipment	16	16.5	14.7	2.3	2.2
Goodwill	14	99.9	54.3	_	_
Intangible assets	15	19.1	4.7	0.2	0.1
Investments in subsidiaries	17(c)	_	_	95.0	76.7
Investments in associates and joint ventures	17(a)	5.6	3.4	1.0	- 0.0
Deferred income tax assets Available-for-sale investments	18 17(b)	20.6	23.9	1.2	2.8
Available-for-sale investments Financial assets at fair value through profit or loss	17(b) 24	8.8 1.5	10.5	_	_
FINANCIA ASSELS AL IAII VAIUE LINOUGII PIOILL OI 1055	<u></u>	172.0	111.5	98.7	 81.8
Assets: Current assets		172.0	111.0	90.1	01.0
Assets: Current assets Assets classified as held for sale	7	_	64.9	_	_
Work in progress	ı	3.2	3.2	_	_
Trade and other receivables	19	163.9	115.2	17.9	8.1
Cash and cash equivalents	20	124.1	99.9	58.9	47.7
		291.2	283.2	76.8	55.8
Liabilities: Current liabilities					
Borrowings	23	7.3	1.9	4.1	6.8
Derivative financial instruments	24	0.2	_	0.2	_
Liabilities directly related to assets classified as held for sale	7	-	48.9		-
Trade and other payables	21(a)	191.8	136.1	52.5	40.6
Current income tax liabilities	21(b)	10.3	5.6	-	_
Employee benefit obligations Provisions for other liabilities and charges	25(b)	3.0	1.7	1 2	_
Provisions for other liabilities and charges	25(a)	1.5	0.7	1.2	47.4
		214.1	194.9	58.0	47.4
Net current assets		77.1	88.3	18.8	8.4
Total assets less current liabilities		249.1	199.8	117.5	90.2
Liabilities: Non-current liabilities	23	12.0	1 5	_	
Borrowings Derivative financial instruments	23 24	12.0 0.3	1.5	0.3	_
Trade and other payables	22	2.0	1.0	0.3	_
Retirement and employee benefit obligations	9 & 25(b)	19.0	25.0	0.8	2.0
Provisions for other liabilities and charges	25(a)	1.6	1.7	_	
Deferred income tax liabilities	18	1.4	2.3	_	_
		36.3	31.5	1.1	2.0
Net assets		212.8	168.3	116.4	88.2
Equity: Capital and reserves attributable to equity holders of the Company					
Share capital	26	3.4	3.3	3.4	3.3
Share premium	28	82.4	80.9	82.4	80.9
Other reserves	28	(1.8)	6.5	3.2	3.2
Retained earnings	28	124.5	77.0	27.4	9.0
		208.5	167.7	116.4	88.2
Minority interest	28	4.3	0.6	-	
Total equity	28	212.8	168.3	116.4	88.2

Approved by the Board of Directors on 13 March 2007 and signed on its behalf by

P A Smith A J Adams

Statements of Cash Flows

for the year ended 31 December 2006

		Group		Company
Notes	Year ended 2006 £m	Year ended 2005 £m	Year ended 2006 £m	Restated Year ended 2005 £m
Cash flows from operating activities				
Cash generated from/(used in) continuing operations 32	87.4	44.9	47.4	(0.3)
Interest received	4.7	3.8	0.6	0.9
Interest paid Income tax (paid)/received	(0.9)	(0.5)	0.8	- 1.5
N /	(15.1)	(15.6)		
Net cash generated from operating activities	76.1	32.6	48.8	2.1
Cash flows from investing activities				
(Outflow)/proceeds from sale of subsidiary, net of cash disposed	(0.2)	0.1	-	_
Proceeds from sale of property, plant and equipment Proceeds from sale of associates, joint ventures and available-for-sale investments	0.2 7.9	0.1 0.5	_	0.2
Dividends received	0.5	0.3	_	_
Net loans to associates, joint ventures and subsidiaries	(2.0)	(0.4)	(18.3)	(12.6)
Acquisition of subsidiaries, net of cash acquired	(37.8)	(7.5)	_	_
Sale/(purchase) of assets held for sale	16.3	(16.5)	-	_
Purchases of property, plant and equipment	(7.3)	(7.3)	(1.4)	(2.0)
Purchases of intangible assets	(1.1)	(0.9)	(0.2)	_
Purchase of investment in associates, joint ventures and available-for-sale investments Purchase of financial assets at fair value through profit or loss 24	(2.2) (1.5)	(0.2)	_	_
Net cash used in investing activities	(27.2)	(31.8)	(19.9)	(14.4)
Cash flows from financing activities				
Proceeds from issue of share capital 26	1.2	38.1	1.2	38.1
Proceeds from borrowings Repurchase of own shares	0.2	0.7 (0.5)	_	(0.5)
Purchase of own shares for Employee Benefit Trust 28	(5.0)	(4.2)	_	(0.5)
Repayments of borrowings	(1.1)	(4.3)	_	_
Dividends paid 28	(16.4)	(23.1)	(16.2)	(23.0)
Net cash (used in)/from financing activities	(21.1)	6.7	(15.0)	14.6
Net increase in cash, cash equivalents and bank overdrafts	27.8	7.5	13.9	2.3
Cash, cash equivalents and bank overdrafts at beginning of the year	99.9	89.9	40.9	38.6
Effect of exchange rate fluctuations on cash held	(4.0)	2.5	-	
Cash, cash equivalents and bank overdrafts at end of year	123.7	99.9	54.8	40.9

Statements of Recognised Income and Expense for the year ended 31 December 2006

		Group		Company
Notes	Year ended 2006 £m	Year ended 2005 £m	Year ended 2006 £m	Year ended 2005 £m
Profit/(loss) for the year	59.1	40.3	43.3	(0.9)
Revaluation of available-for-sale investments Actuarial gain/(loss) on defined benefit pension scheme 9 Tax on items directly taken to reserves 11 Foreign exchange translation differences	0.4 2.5 3.5 (4.3)	6.6 (7.3) 9.5 2.7	- (0.4)	(0.3) (0.9)
Net income/(expense) recognised directly in equity	2.1	11.5	(0.4)	0.6
Total recognised income and expense for the year	61.2	51.8	42.9	(0.3)
Attributable to: Equity shareholders of the Company Minority interest	59.6 1.6	51.6 0.2	42.9 -	(0.3)
	61.2	51.8	42.9	(0.3)
Effects of changes in accounting policies: Attributable to equity shareholders of the Company – increase in retained earnings due to revaluation of available-for-sale investments on adoption of IAS 32 and IAS 39 Attributable to minority interest	Ξ	1.0	<u>-</u>	- -
	_	1.0	_	_

Notes to the Financial Statements

Year ended 31 December 2006

1. General information

Savills plc ('the Company') and its subsidiaries (together 'the Group') is a leading international property services group. It has an extensive network of offices and associates throughout the UK, mainland Europe, the Americas, Asia Pacific and Africa. Listed on the London Stock Exchange and employing 15,844 staff worldwide in 154 offices, Savills has extensive expertise in global property markets.

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.

These consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2007.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated, and are also applicable to the parent company.

Basis of preparation These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of available-for-sale financial assets to equity and financial liabilities (including derivative instruments) at fair value through the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and for management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Amendments to published standards effective in 2006 The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2006:

- IAS 19 (Amendment), Employee Benefits. This amendment introduces the option of an alternative recognition approach for actuarial gains and losses and adds new disclosure requirements. The Group adopted this amendment in 2005 in advance of the effective date;
- IAS 39 (Amendment), The fair value option; and
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts.

Amendments to standards effective in 2006 but not relevant to the Group's operations. The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2006, but they are not relevant to the Group's operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRIC 4, Determining whether an Arrangement Contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market –
 Waste Electrical and Electronic Equipment.

New standards and amendments not yet effective and not early adopted by the Group The following standards and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2007, but have not been early adopted:

- IFRS 7, Financial Instruments: Disclosures; and
- IAS 1 (Amendment), Presentation of Financial Statements Capital Disclosures.

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group The following new interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning 1 January 2007 but that the Group has not early adopted:

- IFRIC 8, Scope of IFRS 2 (effective from annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements; and
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 January 2007.

Interpretations to published standards that would be effective from 1 January 2007 for the Group but are not relevant for the Group's operations

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies. IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities has a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations; and

- IFRIC 9, Reassessment of Embedded Derivatives. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is not relevant to the Group's operations because none of the terms of the Group's contracts have been changed.

Consolidation The consolidated accounts include the accounts of the Company and its subsidiary undertakings, together with the Group's share of results of its associates and joint ventures.

Subsidiaries A subsidiary is an entity controlled by the Group, where control is the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Group controls another entity.

The acquisition of subsidiaries is accounted for using the purchase method. The results of subsidiary undertakings acquired during the period are included from the date of acquisition of a controlling interest. For the purpose of consolidation, the purchase consideration is allocated between the underlying net assets acquired, including intangible assets other than goodwill, on the basis of their fair value. Excess costs of acquisition over fair value of the Group's share of identifiable net assets acquired are recorded as goodwill.

The results of the subsidiary undertakings that have been sold during the year are included up to date of disposal. The profit or loss is calculated by reference to the net asset value at the date of disposal, adjusted for purchased goodwill previously included on the balance sheet and foreign exchange reserve balances on retranslation.

Inter-company transactions, balances and unrealised gains arising between Group companies are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with minority interests The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 17(a)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Accounting policies of associates have been aligned to ensure consistency with the policies adopted by the Group. Gains and losses on dilution of the Group's share of equity in associates are recognised in the income statement.

Joint Ventures A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. The Group's joint ventures are accounted for using the equity method.

Segment reporting A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Revenues and expenses are allocated to segments on the basis that they are directly attributable or the relevant portion can be allocated on a reasonable basis.

Foreign currency translation

Functional and presentation currency Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is also the Company's functional and presentation currency.

Transactions and balances Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss and are recognised in the income statement. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction.

The differences between retained profits of overseas subsidiaries and associated undertakings translated at average and closing rates of exchange are taken to reserves, as are differences arising on the retranslation of overseas net assets to sterling at the end of the year (using closing rates of exchange). Any differences that have arisen since 1 January 2004 are presented as a separate component of equity. As permitted under IFRS1, any differences prior to that date are not included in this separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure directly attributable to acquisition. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Provision for depreciation is made at rates calculated on a straight-line basis to write-off the assets over their estimated useful lives as follows:

	Years
Freehold property	50
Leasehold property	over unexpired
(less than 50 years)	term of lease
Furniture and office equipment	6
Motor vehicles	5
Computer equipment	Between 3 and 5

Useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Goodwill Goodwill represents the excess of the cost of acquisition of a subsidiary or associate over the Group's share of the fair value of identifiable net assets acquired.

The Group's policy up to and including the year ended 30 April 1998 was to eliminate goodwill against reserves. Goodwill acquired from 1 May 1998 to 31 December 2003 was capitalised and amortised over its useful economic life. As permitted under IFRS1, in respect of acquisitions prior to 1 January 2004, the classification and accounting treatment of business combinations has not been amended on transition to IFRS. Goodwill previously written off to reserves is not recycled to the income statement on the disposal of the subsidiary or associate to which it relates.

In respect of associates, goodwill is included in the carrying value of the investment in the associated company. Goodwill arising on acquisition is capitalised and subject to annual impairment reviews. Goodwill is stated at cost less accumulated impairment losses.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount **Trade receivables** Trade receivables are recognised initially at fair value of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-

generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in geographical region in which it operates (Note 14).

Intangible assets other than goodwill Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets acquired as part of business combinations and incremental contract costs are valued at fair value on acquisition and amortised over the useful life. Measurement subsequent to initial recognition is at cost less accumulated amortisation. Amortisation charges are spread on a straight line basis over the period of the assets' estimated useful lives as follows:

Vaare

	i cai s
Computer software	Between 3 and 5
Property management contracts	Between 2 and 20
Incremental contract costs	10
Business and customer relationships	Between 6 and 10
Brands	5

Impairment of non-financial assets Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever an indicator of impairment exists. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value-inuse. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Value-in-use is determined using the discounted cash flow method, with an appropriate discount rate to reflect market rates and specific risks associated with the asset. If the recoverable amount is estimated to be less than its carrying amount, an impairment loss is recognised immediately in the income statement.

Financial instruments Financial assets and liabilities are recognised on the Group's balance sheet at fair value when the Group becomes party to the contractual provisions of the instrument.

Investments Available-for-sale investments are stated at fair value, with changes in fair value being recognised directly in equity. When such investments are disposed or become impaired, the accumulated gains and losses, previously recognised in equity, are recognised in the income statement.

The investment in subsidiaries held by the Company are held at cost, less any provision for impairment.

and subsequently measured at amortised cost less provision for impairment. Receivables are discounted where the time value of money is material.

Cash and cash equivalents Cash and cash equivalents include cash in hand and deposits held on call with banks, together with other short-term highly liquid investments with original maturities of three months or less and working capital overdrafts, which are subject to an insignificant risk of changes in value.

Bank borrowings Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method.

Trade payables Trade payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments and hedging Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

Certain derivatives do not qualify for hedge accounting. In these cases, changes in the fair value of all derivative instruments are recognised immediately in the income statement.

Share capital Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds,

When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares which are not cancelled, or shares purchased for the Employee Share Ownership Trusts, are classified as treasury shares and presented as a deduction from total equity.

Taxation Taxation is that chargeable on the profits for the period, together with deferred taxation.

Deferred income tax is provided in full using the liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for the tax base. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that it will not reverse in the foreseeable future. A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets and liabilities are not discounted.

Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Income tax and deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Pension obligations The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

The defined benefit scheme charge consists of current service costs, interest costs, expected return on plan assets, past service costs and the impact of any settlements or curtailments and is charged as an expense as they fall due. All actuarial gains and losses are recognised immediately in the statement of recognised income and expense as they arise.

The Group also operates a defined contribution group personal pension plan for new entrants and a number of defined contribution individual pension plans. Contributions in respect of defined contribution pension schemes are charged to the income statement when they are payable. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments The Group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

Equity-settled share-based payments granted after 7 November 2002 that had not vested as of 1 January 2005 are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value of equity-settled share based payments is measured by the use of Actuarial Binomial option pricing model. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Employee Benefit Trust The Company has established The Savills plc 1992 Employee Benefit Trust (the EBT), the purposes of which are to grant awards to employees, to acquire shares in the Company pursuant to the Savills plc 1992 Executive Share Option Scheme, the Deferred Share Bonus Plan and The Deferred Share Plan and to hold shares in the Company for subsequent transfer to employees on exercise or vesting of the options/awards granted under the schemes. The assets and liabilities of the EBT are included in the balance sheet of the Group. Investments in the Group's own shares are shown as a deduction from shareholders' funds.

Qualifying Employee Share Trust The Company has established a Qualifying Employee Share Trust (QUEST) which acquires shares of the Company. These are transferred to employees on the exercise of options granted under the Savills Sharesave Scheme.

Provisions Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle that obligation and the amount has been reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Revenue recognition Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and after elimination of revenue within the Group.

Residential transactional fees Generally, where contracts are unconditional, revenue is recognised on exchange of contracts however, on more complex contracts, revenue will be recognised on the date of completion. On multi-unit developments, revenue is recognised on a staged basis, commencing when the underlying contracts are exchanged.

Commercial transactional fees Generally, revenue is recognised on the date of completion or when unconditional contracts have been exchanged.

Property consultancy Revenue in respect of property consultancy represents commissions and fees recognised on a time basis, fixed fee or percentage of completion.

Property and facilities management Revenue represents fees earned for managing properties and providing facilities and is generally recognised in the period the services are provided using a straight line basis over the term of the contract.

Fund management Revenue represents commissions and fees receivable, net of marketing costs in accordance with the relevant fee agreements.

Financial services Insurance commission revenue is recognised when the insurance policy sold is in effect and the amount of commission earned is determinable. Indemnity commission is recognised when the policy sold is in effect. Mortgage commission is recognised on completion with the exception of residential properties where 50% is recognised at exchange and the remaining 50% at completion.

Work in progress Work in progress generally relates to consultancy revenue and is stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads.

Interest income Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income Dividend income is recognised when the right to receive payment is established.

Other income Other income includes interest and dividend income on available-for-sale investments plus fair value gains and losses on assets at fair value through profit or loss.

Accounting for leases Assets financed by leasing agreements which give rights approximating to ownership (finance leases) are capitalised in property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then depreciated over the lower of the lease life or the estimated useful lives on the same basis as owned assets. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet. Leasing payments comprise capital and finance elements and the finance element is charged to the income statement.

The annual payments under all other lease agreements (operating leases) are charged to the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into the operating lease are also spread on a straight line basis over the lease term.

Non-current assets held for sale and discontinued operations Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Discontinued operations is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Dividends Final dividends are recognised as a liability in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recognised when paid.

3. Financial risk management

Financial risk factors The Group's activities expose it to a variety of financial risks. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group. Occasionally, the Group uses financial instruments to fix foreign currency and interest rate risk.

The treasury function is responsible for implementing risk management policies applied by the Group and has a policy and procedures manual that sets out specific guidelines to manage foreign exchange risk, interest rate risk, credit risk and the use of financial instruments to manage these.

3. Financial risk management continued

Foreign exchange risk The Group operates internationally and is exposed to foreign exchange risks primarily with respect to the Euro and Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group occasionally finances overseas investments through the use of foreign currency borrowings. The Group does not actively seek to hedge risks arising from foreign currency transactions due to their non cash nature and the high costs associated with such hedging.

Price risk The Group is exposed to equity securities price risk because investments are held and classified on the consolidated balance sheet as available-for-sale and measured at fair value. The Group is not exposed to commodity price risk.

Interest rate risk The Group has both interest bearing assets and liabilities. The Group finances its operations through a mixture of retained profits and bank borrowings, at both fixed and floating interest rates. Occasionally, the Group enters into interest rate swaps to hedge the fair value interest rate risk on borrowings.

Credit risk The Group has no significant concentrations of credit risk. The Group has policies that require appropriate credit checks on potential customers before business commences.

Liquidity risk The Group maintains short-term committed facilities to ensure the Group has sufficient funds available for operations and expansions. The Group prepares an annual funding plan approved by the Board which sets out the Group's expected financing requirements for the next 12 months.

4. Critical accounting estimates and management judgements

Critical accounting estimates and assumptions The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Pension benefits The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions including discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 9.

Income taxes The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of options granted to employees The Group uses the Binomial Model in determining the fair value of options granted to employees under the Group's various schemes as detailed in the Remuneration Report. Information on such assumptions is contained in Note 27. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award.

Estimated impairment of goodwill The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. The estimates used in these financial statements are contained in Note 14.

Fair value of derivatives and other financial instruments The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

Provisions The Group and its subsidiaries are party to various legal claims. Provisions made within these financial statements are contained in Note 25(a). Additional claims could be made which might not be covered by existing provisions or by insurance.

Critical judgements in applying the entity's accounting policies

The application of the Group's accounting policies may require management to make judgements, apart from those involving estimates, that can affect the amounts recognised in the consolidated financial statements. Such judgements include the following areas:

Award of options and deferred shares to employees The Group applies judgement in deciding the proportion of the available bonus pool to be awarded to employees under its long-term share based incentive scheme. The Group's current policy is to deduct from the bonus pool an amount equal to the market value of the share price on the date of award. Under IFRS, the value of award is spread over the vesting period and charged to the income statement. The charge to the income statement is currently lower than the market value of shares to be awarded.

Valuation of intangible assets and useful life The Group has made assumptions in relation to the potential future cash flows to be determined from separable intangible assets acquired as part of business combinations. This assessment involves assumptions relating to potential future revenues, appropriate discount rates and the useful life of such assets. These assumptions impact the income statement over the useful life of the intangible asset.

5. Segment analysis

5. Segment analysis							
	Transactional Advice	Consultancy	Property & Facilities Management	Fund Management	Financial Services	Unallocated*	Total
Year ended 31 December 2006	£m	£m	£m	£m	£m	£m	£m
Revenue							
United Kingdom – commercial	83.5	59.6	34.8	7.2	3.7	0.3	189.1
- residential	91.5	22.4	8.8	_	23.2	_	145.9
	175.0	82.0	43.6	7.2	26.9	0.3	335.0
Rest of Europe	32.6	5.3	10.2	_	_	_	48.1
Asia Pacific	39.6	11.5		-	-	-	134.5
Total revenue	247.2	98.8	137.2	7.2	26.9	0.3	517.6
Operating profit							
United Kingdom – commercial	19.7	11.0	3.1	0.8	1.0	0.5	36.1
– residential	20.4	4.0	1.0		3.0	_	28.4
	40.1	15.0	4.1	0.8	4.0	0.5	64.5
Rest of Europe Asia Pacific	4.3 4.2	0.7 0.7	(0.1) 5.9	_	_	_	4.9 10.8
				_	_		
Operating profit	48.6	16.4	9.9	8.0	4.0	0.5	80.2
Finance income (Note 10)							3.7
Share of post tax profit/(loss) from associates and joint ventures	0.6	(0.7)	0.6	_	_	_	0.5
Profit before income tax							84.4
Income tax expense							(25.6)
Profit for the year from continuing operations							58.8
Year ended 31 December 2005							
Revenue							
United Kingdom – commercial	60.8	42.6	32.8	4.7	3.2	0.1	144.2
- residential	61.1	19.7	7.0	_	22.6	_	110.4
	121.9	62.3	39.8	4.7	25.8	0.1	254.6
Rest of Europe	15.1	2.1	4.7	_	_	_	21.9
Asia Pacific	29.9	7.5	60.0	_			97.4
Total revenue	166.9	71.9	104.5	4.7	25.8	0.1	373.9
Operating profit							
United Kingdom – commercial	13.9	8.9	3.2	0.6	0.8	(3.0)	24.4
- residential	10.1	2.9	0.9	_	3.5	_	17.4
	24.0	11.8	4.1	0.6	4.3	(3.0)	41.8
Rest of Europe	3.0	0.3	(0.1)	_	_	0.1	3.3
Asia Pacific	5.2	0.7	3.5	_	_	0.3	9.7
Operating profit/(loss)	32.2	12.8	7.5	0.6	4.3	(2.6)	54.8
Finance income (Note 10)							3.5
Share of post tax profit/(loss) from associates and joint ventures	0.4	(0.5)	0.4				0.3
Profit before income tax							58.6
Income tax expense							(17.8)
Profit for the year from continuing operations							40.8

*For the purpose of the segmental information above, and to assist in the comparison of segmental information, the benefit arising from the amortisation of the share based payment charge as discussed in more detail in Note 13, is retained within the unallocated segment. The segmental analysis has been adjusted to allocate European central costs against the relevant business streams. These costs were previously shown as part of the unallocated United Kingdom – commercial segment.

5. Segment analysis continuedOther segmental items included in the income statement are as follows:

Other segmental items included in the income statement are as followed in the income s	OWS:						
Year ended 31 December 2006	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated*	Total £m
	Alli	Litt	Litt	Lin	Lin	Liti	Liti
Depreciation (Note 16) United Kingdom – commercial	0.7	0.5	0.2	0.1	0.2	0.9	2.6
- residential	0.7	0.5	0.2	0.1	0.2	0.9	1.0
Rest of Europe	0.3	-	0.1	_	_	_	0.4
Asia Pacific	0.6	0.1	0.8	_	_	0.1	1.6
	2.3	0.8	1.2	0.1	0.2	1.0	5.6
Amortisation of intangibles (Note 15)	0.4	0.4		0.4		0.0	0.0
United Kingdom – commercial – residential	0.4	0.1	0.2	0.1		0.2	0.8 0.2
Rest of Europe	0.6	0.1	0.2		_	_	0.2
Asia Pacific	-	-	0.4	_	_	0.1	0.5
	1.0	0.2	0.8	0.1	-	0.3	2.4
Other non-cash expenses							
United Kingdom – commercial	1.7	0.7	0.1	_	_	0.4	2.9
- residential	1.8	0.4	0.2	_	_	_	2.4
	3.5	1.1	0.3	_	_	0.4	5.3
Year ended 31 December 2005							
Depreciation (Note 16)							
United Kingdom – commercial	0.5	0.4	0.3	_	0.2	0.7	2.1
- residential	0.7	0.3	0.1	_	_	_	1.1
Rest of Europe	0.2	_	0.1	_	_	_	0.3
Asia Pacific	0.3		0.7	_		0.1	1.1
	1.7	0.7	1.2	_	0.2	0.8	4.6
Amortisation of intangibles (Note 15)	0.1		0.0	0.1		0.0	0.0
United Kingdom – commercial Rest of Europe	0.1	_	0.3	0.1	_	0.3	0.8 0.1
Asia Pacific		_	0.1	_	_	0.1	0.1
	0.1	_	0.6	0.1	_	0.4	1.2
Impairment of goodwill (Note 14)			-	-			
United Kingdom – residential	0.1	0.2	_	_	_	_	0.3
	0.1	0.2	_	_	_	_	0.3
Other non-cash expenses United Kingdom – commercial	0.7	0.3	0.1		0.1	0.1	1.3
- residential	0.7	0.3		_	0.1	U. I —	0.6
TOOIGOT HIGH	<u> </u>	0.2					0.0

0.5

0.1

0.1

0.1

1.9

1.1

5. Segment analysis continued

Year ended 31 December 2006	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Segment assets United Kingdom – commercial – residential	40.9 64.6	43.8 20.6	8.9 10.5	7.9 -	17.6 -	39.0 -	158.1 95.7
Rest of Europe Asia Pacific	62.4 23.0	6.4 3.2	5.1 47.3	_	_	20.8	73.9 94.3
Investment in associates and joint ventures Unallocated assets	190.9 3.1	74.0 0.1	71.8 2.4	7.9 -	17.6 -	59.8	422.0 5.6
– Property, plant and equipment– Intangibles	_	_	_	_	_	16.5 19.1	16.5 19.1
Total assets	194.0	74.1	74.2	7.9	17.6	95.4	463.2
Segment liabilities United Kingdom – commercial – residential Rest of Europe Asia Pacific	23.1 58.4 17.1 12.5	39.6 18.8 2.8 2.2	7.7 7.2 0.8 23.4	6.0 - - -	9.8 - - -	0.2 - - 1.4	86.4 84.4 20.7 39.5
Unallocated liabilities – borrowings	111.1	63.4	39.1	6.0	9.8	1.6 19.4	231.0 19.4
Total liabilities	111.1	63.4	39.1	6.0	9.8	21.0	250.4
Segment net assets	82.9	10.7	35.1	1.9	7.8	74.4	212.8
Capital expenditure United Kingdom – commercial – residential Rest of Europe Asia Pacific	4.4 2.1 8.5 1.2	0.4 0.5 0.8 0.2	0.1 0.3 0.9 1.9	0.2 - - -	0.3 - - -	1.4 - - 3.3	6.8 2.9 10.2 6.6
	16.2	1.9	3.2	0.2	0.3	4.7	26.5

5. Segment analysis continued

Year ended 31 December 2005	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Segment assets United Kingdom – commercial	23.4	17.5	9.2	6.1	14.9	186.7	257.8
- residential Rest of Europe Asia Pacific	38.3 0.3 15.7	12.7 - 2.2	2.0 1.5 28.8	_ _ _	_ _ _	- - 18.8	53.0 1.8 65.5
Investment in associates and joint ventures	77.7	32.4 (0.1)	41.5 1.2	6.1	14.9	205.5	378.1 3.4
Unallocated assets - Property, plant and equipment - Intangibles		— —	- -	- -	_ _	8.5 4.7	8.5 4.7
Total assets	80.0	32.3	42.7	6.1	14.9	218.7	394.7
Segment liabilities United Kingdom – commercial – residential Rest of Europe Asia Pacific	3.7 31.8 - 8.3	4.9 11.8 - 1.5	4.6 1.9 - 18.1	6.4 - - -	9.3 - - -	29.6 - 12.1 6.5	58.5 45.5 12.1 34.4
Unallocated liabilities – borrowings	43.8	18.2 –	24.6	6.4	9.3	48.2 72.5 3.4	150.5 72.5 3.4
Total liabilities	43.8	18.2	24.6	6.4	9.3	124.1	226.4
Segment net assets	36.2	14.1	18.1	(0.3)	5.6	94.6	168.3
Capital expenditure United Kingdom – commercial – residential	1.2 1.5	0.6 0.2	0.4	0.3	0.2	4.3	7.0 1.7
Rest of Europe Asia Pacific	0.3	0.1	0.1 0.8	_ _	_ _	- 0.1	0.4
	3.4	0.9	1.3	0.3	0.2	4.4	10.5

The matrix approach of disclosing both the business and geographical segments as primary reporting formats provides the most useful information, as the Group is strongly affected by both differences in the services it provides and the geographical areas in which it operates. All operations are continuing. The unallocated segment includes holding company costs, group bonuses and other expenses not directly attributable to the operating activities of the Group's business segments.

Segment assets include property, plant and equipment, goodwill, receivables and operating cash and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including intangible additions resulting from acquisitions through business combinations and separately acquired.

The Group manages its business segments on a global basis. Operations are based in three main geographical areas. The UK is the home of the parent Company with segment operations throughout England and Scotland. Asia Pacific segment operations are based in Hong Kong, China, Korea, Japan, Thailand, Phillipines, Singapore and Australia. Europe segment operations are in Germany, France, Spain, Netherlands, Sweden, Italy, Ireland, Poland and Hungary. The sales location of the customer is not materially different from the location where fees are received and where the segment assets are located.

6(a). Operating profit

Operating profit is stated after charging/(crediting):

		Group
31	Year to December 2006 £m	Year to 31 December 2005 £m
Depreciation Amortisation of intangibles and impairment of goodwill Loss on sale of fixed assets Operating lease rentals – Hire of plant and machinery – Property Rental income Other income – dividend and investment income	5.6 2.4 0.4 0.2 11.3 (1.0) (0.8)	4.6 1.5 0.4 0.3 8.6 (1.0)
Profit on disposals is made up as follows:		
Profit on disposals – Available-for-sale investments* – Associates – Joint ventures – Subsidiary	4.5 0.4 0.5 (0.3)	0.5 (0.1) - - 0.4

^{*}The Group disposed of its 13.72% interest in Fastcrop plc in January 2006, at a profit after costs of £4.5m.

6(b). Income Statement of the Company

As permitted by Section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these accounts. The Company receives dividends from subsidiaries and charges subsidiaries for the provision of group related services. The profit after income tax of the Company for the year was £43.3m (2005 – loss of £0.9m).

6(c). Fees payable to Group auditors, PricewaterhouseCoopers LLP and its associates:

		Group
	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Audit services		
Fees payable to Company auditor for the audit of parent company and consolidated accounts	0.2	0.1
Other services		
Fees payable to the Company's auditors and its associates for other services:		
The audit of Company subsidiaries pursuant to legislation	0.4	0.4
Other services pursuant to legislation	0.1	0.1
Tax services	0.2	0.2
Services relating to corporate finance transactions proposed to be entered into by the Company	0.1	_
	1.0	0.8

7. Non-current assets held for sale and discontinued operations

The assets and liabilities related to the Student Halls Long Lease 1 Unit Trust (the 'Fund'), in which, at 31 December 2005, the Group held 100% of the units, were disposed during the year. The Group's share of the Fund was diluted to a 2% holding of £1.0m, which is classified as an available-for-sale investment (Note 17(b)).

The profit for the year includes a fair value gain of £1.4m arising on mark to market valuation of two interest rate swaps taken out on loans secured on properties within the Fund. All operating results are classified under discontinued operations.

The analysis of the result of discontinued operations is as follows:

	Year to 31 December 2006 £m	
Revenue Expenses	1.1 (0.4)	0.2 (0.9)
Profit/(loss) before income tax	0.7	(0.7)
Income tax (expense)/credit	(0.4)	0.2
Profit/(loss) after income tax	0.3	(0.5)

The assets and liabilities comprising the disposal group are as follows:

	Year to 31 December 2006 £m	31 December
Investment properties Trade and other receivables Deferred tax	=	64.6 0.1 0.2
Total assets classified as held for sale	-	64.9
Trade and other payables Derivative financial instruments Borrowings		(0.1) (0.8) (48.0)
Total liabilities directly related to assets classified as held for sale	_	(48.9)
Net assets of disposal group	_	16.0

8(a). Employee benefits expense – Staff and Directors

e(a): Employee benefits expense et an and birectore		
		Group
	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Basic salaries and wages Incentive bonuses and commissions	147.2 125.2	119.0 83.9
Social security costs Other pension costs Share based payments	272.4 21.3 7.1 5.3	202.9 16.7 6.0 1.9
	306.1	227.5

8(b). Staff numbers

The average number of employees (including directors) during the year was:

		Group
	Year to 31 December 2006 Number	31 December 2005 Number
UK Rest of Europe Asia Pacific	2,637 449 12,758	2,414 176 11,926
	15,844	14,516

The average number of UK employees (including directors) during the year included 654 employed under fixed term and temporary contracts (2005 – 126).

8(c). Key management compensation

		Group
	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Key management		
Remuneration excluding bonuses	0.8	0.7
– Bonuses	4.5	2.4
– National Insurance	1.1	0.8
Fees to Non-Executive Directors	0.3	0.3
Total short-term employee benefits	6.7	4.2
Post employment benefits	_	1.9
Share based payments	0.6	0.4
	7.3	6.5

Key management are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity and include Executive and Non-Executive Directors and a member of senior management.

During the year five Executive Directors made gains totalling £4.4m on the exercise of options under the ESOP, Sharesave and 2001 Option Schemes (2005 – £3.4m).

The pension annuity for the highest paid Director was £40,417 with no lump sum accrued (2005 - £35,650 with no lump sum accrued). Retirement benefits under the defined benefit scheme are accruing for three Directors and benefits are accruing under the defined contribution scheme for one Executive Director.

9. Pension scheme

Defined contribution plans The Group operates the Savills UK Group Personal Pension Plan, a defined contribution scheme, a number of defined contribution individual pension plans and a Mandatory Provident Fund Scheme in Hong Kong, to which it contributes.

The total pension charges in respect of these plans were £4.4m (2005 – £3.6m).

Defined benefit plan The Group operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group, being invested in managed funds units. The contributions are determined by an independent qualified actuary on the basis of triennial valuations.

The most recent actuarial valuation completed, using the projected unit method, was as at 5 April 2004. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments pre retirement, the rates of increase in salaries and the post retirement investment return. The valuation showed that the market value of the scheme's assets was £39.4m and that the actuarial value of those assets represented 65% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The scheme has been closed to new joiners for pension benefits since 1 April 2000.

Principal assumptions at 31 December	2006	2005
Expected return on plan assets		
- Equities	7.85%	7.75%
- Bonds	4.65%	4.40%
- Property	6.85%	6.75%
- Other	4.85%	4.50%
Expected rate of salary increases	4.60%	4.40%
Rate of increase to pensions in payment		
- accrued before 6 April 1997	3.00%	3.00%
- accrued after 5 April 1997	3.10%	2.90%
- accrued after 5 April 2005	2.40%	2.40%
Rate of increase to pensions in deferment		
- accrued before 6 April 2001	5.00%	5.00%
- accrued after 5 April 2001	3.10%	2.90%
Average life expectancy in years – male pensioner retiring at age 60	26.3	24.4
Average life expectancy in years – female pensioner retiring at age 60	28.8	27.4
Discount rate	5.10%	4.70%
Inflation assumption	3.10%	2.90%

The amounts recognised in the balance sheet are as follows:

	Group			Company
	2006 £m	2005 £m	2006 £m	2005 £m
Fair value of plan assets Present value of funded obligations	96.6 (112.1)	85.4 (102.8)	4.6 (5.4)	3.9 (4.7)
Deficit Related deferred tax asset	(15.5) 4.7	(17.4) 5.2	(0.8) 0.2	(0.8)
Net liability	(10.8)	(12.2)	(0.6)	(0.6)

9. Pension scheme continued

The amounts recognised in the income statement:

		Group
	2006 £m	2005 £m
Current service cost Interest cost Expected return on plan assets	3.9 4.9 (6.1)	3.0 4.3 (4.9)
Total included in staff costs (Note 8)	2.7	2.4

All net actuarial gains or losses for each year are recognised in full in the year in which they are incurred in the statement of recognised income and expense.

Change in defined benefit obligation:

		Group
	2006 £m	2005 £m
Present value of defined benefit obligation at start of year	102.8	81.1
Current service cost	3.9	3.0
Interest cost	4.9	4.3
Plan participants contributions	1.1	1.2
Actuarial loss	_	14.0
Benefits paid	(0.6)	(0.8)
Present value of defined benefit obligation at end of year	112.1	102.8

Change in plan assets:

		Group
	2006 £m	2005 £m
Fair value of plan assets at start of year	85.4	60.8
Expected return on plan assets	6.1	4.9
Actuarial gains	2.5	6.7
Employer contributions	2.1	12.6
Plan participants contributions	1.1	1.2
Benefits paid	(0.6)	(0.8)
Fair value of plan assets at end of year	96.6	85.4

The actual return on plan assets was £8.7m (2005 - £11.7m). The overall expected return on assets is determined as the weighted average of the expected returns on each separate asset class shown below.

9. Pension scheme continued

The amounts recognised in the statement of recognised income and expense:

		Group
	2006 £m	2005 £m
Actuarial gains and losses brought forward Net actuarial gains and losses for the year	(16.8) 2.5	(9.5) (7.3)
Accumulated actuarial gains and losses	(14.3)	(16.8)
	,	

The major categories of assets as a percentage of total plan assets are as follows:

	2006	2005
Equities Bonds Property Cash	79%	80%
Bonds	14%	14%
Property	6%	5%
Cash	1%	1%
Total	100%	100%

No plan assets are the Group's own financial instruments or property occupied or used by the Group.

Amounts for the current and previous four years are as follows:

	2006	2005	2004	2003	2002
	£m	£m	£m	£m	£m
Plan assets Defined benefit obligation	96.6	85.4	60.8	37.8	28.6
	(112.1)	(102.8)	(81.1)	(63.3)	(53.9)
Deficit Experience losses on plan liabilities Experience gains/(losses) on plan assets	(15.5)	(17.4)	(20.3)	(25.5)	(25.3)
	0%	(14%)	(14%)	(6%)	(2%)
	3%	8%	3%	9%	(26%)

The Group expects to contribute £2.2m (2006 – £2.1m) (Company £0.1m – 2006 £0.1m) to its pension plan in 2007, being 12.5% of pensionable salaries.

10. Finance income and costs

		Group
	Year to 31 December 2006 £m	
Finance income – bank interest receivable	4.8	4.0
Bank interest payable Fair value loss – forward foreign currency contracts	(0.9) (0.2)	(0.5) —
Finance costs	(1.1)	(0.5)
Net finance income	3.7	3.5

11. Income tax on profit from continuing operations

		Group
Analysis of tax expense for the year	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Current tax United Kingdom: Corporation tax at 30% (2005 – 30%) Adjustment in respect of previous years	18.9 (0.2)	12.4 0.6
Foreign tax: Adjustment in respect of previous years	18.7 4.9 (0.2)	13.0 4.0 –
Total current tax	23.4	17.0
Deferred tax Representing: United Kingdom Foreign tax Deferred tax adjustment in respect of previous years	2.0 (0.3) 0.5	1.3 - (0.5)
Total deferred tax (Note 18)	2.2	0.8
Income tax expense on profit from continuing operations	25.6	17.8

Income tax expense on discontinued operations is included in Note 7.

The tax charged to equity is as follows:

		Group		Company
	2006 £m	2005 £m	2006 £m	2005 £m
Current tax credit on employee benefits Current tax charge on revaluations of available-for-sale investments	5.4	4.6	0.5	0.3
Deferred tax on pension asset	(0.8)	(0.3)		0.2
Deferred tax credit on employee benefits Deferred tax on revaluations of available-for-sale investments	(0.9)	4.6 (1.7)	(0.9) -	0.4
Deferred tax on exchange movements	(0.1)	0.1	-	
Tax on items taken directly to reserves	3.5	9.5	(0.4)	0.9

11. Income tax on profit from continuing operations continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies. The tax for the year is higher (2005 – higher) than the standard rate of corporation tax in the UK (30%). The total tax charge on profit from continuing operations can be reconciled to accounting profit as follows:

		Group
	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Profit on continuing operations before tax	84.4	58.6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	25.3	17.6
Effects of:		
Adjustments to tax in respect of previous years	0.1	0.1
Adjustments in respect of foreign tax rates	(1.2)	(0.7)
Expenses not deductible for tax purposes	1.2	0.2
Non deductible tax losses	_	0.3
Capital allowances in excess of depreciation	0.2	0.3
Income tax expense on profit from continuing operations	25.6	17.8

The effective tax rate on the continuing operations of the Group for the year ended 31 December 2006 is 30.3% (2005 – 30.4%).

12. Dividends

	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Amounts recognised as distribution to equity holders in the year: Interim dividend of 5.0p per share (2005 – 4.0p) Ordinary final dividend of 8.0p per share (2005 – 6.3p) Special dividend of nil per share (2005 – 10.0p)	6.2 10.0 -	4.9 7.0 11.1
	16.2	23.0
Proposed final dividend for the year ended 31 December 2006 of 11.0p per share	13.2	

The final dividend in respect of the year ended 31 December 2006 is to be proposed at the Annual General Meeting on 9 May 2007. These financial statements do not reflect this dividend payable.

Following shareholder approval at the Annual General Meeting on 10 May 2006 a two for one share split took place. The above quoted dividend per share figures have been adjusted to present comparable figures following the split.

Under the terms of The Savills plc 1992 Employee Benefit Trust (the EBT), the Trustee has waived all but 0.01p of any dividend on each share held by the EBT. Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust, has waived all dividends on the shares it holds.

13(a). Basic and diluted earnings per share

Basic earnings per share are based on the profit for the year and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 9,361,954 shares (2005 – 9,737,378 shares) and QUEST, 2,154 shares (2005 – 2,154 shares).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares, being the share options granted to employees where the exercise price is less that the average market price of the Company's ordinary shares during the year.

The following earnings per share calculations have been made as if the share split had taken place at 1 January 2005 so as to present comparable information. The earnings and the shares used in the calculations are as follows:

From continuing and discontinued operations	Year to 31 December 2006 Earnings £m	Year to 31 December 2006 Shares million	Year to 31 December 2006 EPS pence	Year to 31 December 2005 Earnings £m	Year to 31 December 2005 Shares million	Year to 31 December 2005 EPS pence
Basic earnings per share Effect of additional shares issuable under option	57.7 -	124.7 5.8	46.3 (2.1)	40.0	118.9 8.8	33.6 (2.3)
Diluted earnings per share	57.7	130.5	44.2	40.0	127.7	31.3
From continuing operations Basic earnings per share Effect of additional shares issuable under option	57.4 -	124.7 5.8	46.0 (2.0)	40.5 -	118.9 8.8	34.1 (2.4)
Diluted earnings per share	57.4	130.5	44.0	40.5	127.7	31.7
From discontinued operations Basic earnings per share Effect of additional shares issuable under option	0.3	124.7 5.8	0.3 (0.1)	(0.5)	118.9 8.8	(0.5) 0.1
Diluted earnings per share	0.3	130.5	0.2	(0.5)	127.7	(0.4)

13(b). Underlying basic earnings per share

Excludes impairment of goodwill and amortisation of intangibles, share based payment adjustment and disposals.

	Year to	Year to	Year to	Year to	Year to	Year to
		31 December			31 December	31 December
	2006	2006	2006	2005	2005	2005
	Earnings	Shares	EPS	Earnings	Shares	EPS
From continuing and discontinued operations	£m	million	pence	£m	million	pence
Basic earnings as above	57.7	124.7	46.3	40.0	118.9	33.6
Amortisation of intangibles (excluding software) and impairment of goodwill after tax	1.3	_	1.0	0.6	_	0.5
Share based payment adjustment after tax	(4.3)		(3.4)	(1.3)	_	(1.1)
Less sale of subsidiary, associate, joint venture and available-for-sale investments after tax	(3.5)	_	(2.8)	(0.3)	_	(0.2)
Underlying basic earnings per share	51.2	124.7	41.1	39.0	118.9	32.8

13(b). Underlying basic earnings per share continued

From continuing operations	Year to 31 December 2006 Earnings £m	Year to 31 December 2006 Shares million	Year to 31 December 2006 EPS pence	Year to 31 December 2005 Earnings £m	Year to 31 December 2005 Shares million	Year to 31 December 2005 EPS pence
Basic earnings from continuing operations Amortisation of intangibles (excluding software) and impairment of goodwill after tax	57.4 1.3	124.7	46.0 1.0	40.5 0.6	118.9	34.1 0.5
Share based payment adjustment after tax Less sale of subsidiary, associate, joint venture and available-for-sale investments after tax	(4.3) (3.5)		(3.4) (2.8)	(1.3) (0.3)	_ _	(1.1) (0.2)
Underlying basic earnings per share	50.9	124.7	40.8	39.5	118.9	33.3

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 transitional 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 deducting from profit the difference between the IFRS 2 charge and the value of the annual share award.

The gross amounts of the above adjustments are profits on disposals $\pounds 5.1m$ (2005 – $\pounds 0.4m$), share based payment adjustment $\pounds 6.1m$ (2005 – $\pounds 1.9m$) and add back of amortisation of intangibles and impairment of goodwill of $\pounds 1.8m$ (2005 – $\pounds 0.9m$).

14. Goodwill

	Group £m	Company £m
Cost		
At 1 January 2006	54.6	-
Additions (Note 17(e))	46.0	-
Exchange movement	(0.4)	
At 31 December 2006	100.2	_
Aggregate impairment At 1 January 2006 Impairment for the year	0.3	-
At 31 December 2006	0.3	_
Net book value At 31 December 2006	99.9	_
Net book value At 31 December 2005	54.3	

14. Goodwill continued

During the year, goodwill was tested for impairment in accordance with IAS 36. Following the impairment testing, no charge has been recognised through the income statement (2005 – £0.3m).

Group £m	Company £m
46.1	_
8.7	_
(0.4)	_
0.2	_
54.6	_
_	
0.3	<u> </u>
0.3	
54.3	
	2m 46.1 8.7 (0.4) 0.2 54.6

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to country of operation and business segment. A segment-level summary of the allocation is presented below:

	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Financial Services £m	Total £m
United Kingdom Rest of Europe	19.1 31.5 7.6	6.1 1.7			30.3 37.7 31.9
Asia Pacific	7.6	1.3	23.0	_	31.9
	58.2	9.1	32.2	0.4	99.9

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

Growth rate 0% – 16% Pre-tax discount rate 2% – 16% These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with the Directors' expectations. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

15. Intangible assets

						Group	Company
Acquired intangible assets	Customer/ business relationships £m	Brands £m	Investment contracts £m	Property Management contracts £m	Computer software £m	Total £m	Total £m
Cost At 1 January 2006 Acquisitions (Note 17(e)) Other additions Disposals Exchange movement	3.0 8.0 0.1 (0.1)	3.8 - - -	0.8 - - -	1.6 4.2 - - (0.3)	5.1 0.1 1.0 – (0.3)	10.5 16.1 1.1 (0.1) (0.6)	0.9 - 0.2 -
At 31 December 2006	11.0	3.8	0.8	5.5	5.9	27.0	1.1
Aggregate amortisation and impairment At 1 January 2006 Amortisation charge for the year Exchange movement	1.0 0.8 -	0.4	0.1 0.1 -	0.2 0.5 -	4.5 0.6 (0.3)	5.8 2.4 (0.3)	0.8 0.1 -
At 31 December 2006	1.8	0.4	0.2	0.7	4.8	7.9	0.9
Net book value At 31 December 2006	9.2	3.4	0.6	4.8	1.1	19.1	0.2

						Group	Company
Acquired intangible assets	Customer/ business relationships £m	Brands £m	Investment contracts £m	Property Management contracts £m	Computer software £m	Total £m	Total £m
Cost							
At 1 January 2005 Acquisitions Other additions Transfers from goodwill Exchange movement	1.1 1.5 - 0.4 -	- - - -	0.5 - 0.3 - -	0.8 0.6 0.3 - (0.1)	4.5 - 0.3 - 0.3	6.9 2.1 0.9 0.4 0.2	0.9 - - -
At 31 December 2005	3.0	_	0.8	1.6	5.1	10.5	0.9
Aggregate amortisation and impairment At 1 January 2005 Amortisation charge for the year Exchange movement	0.7 0.3 -	- - -	- 0.1 -	- 0.2 -	3.6 0.6 0.3	4.3 1.2 0.3	0.5 0.3 -
At 31 December 2005	1.0	_	0.1	0.2	4.5	5.8	0.8
Net book value At 31 December 2005	2.0	_	0.7	1.4	0.6	4.7	0.1

All Company intangible assets are computer software.

16. Property, plant and equipment

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
Cost or valuation At 1 January 2006 Additions Subsidiaries acquired (Note 17(e)) Disposals Exchange movement	0.4 - - - -	10.5 2.6 0.2 (0.2)	31.6 4.7 0.8 (3.8) (1.4)	0.2 - - - -	42.7 7.3 1.0 (4.0) (1.4)
At 31 December 2006	0.4	13.1	31.9	0.2	45.6
Accumulated depreciation At 1 January 2006 Charge for the year Disposals Exchange movement	-	5.6 1.1 (0.1) -	22.3 4.5 (3.3) (1.1)	0.1 - - -	28.0 5.6 (3.4) (1.1)
At 31 December 2006	-	6.6	22.4	0.1	29.1
Net book value At 31 December 2006	0.4	6.5	9.5	0.1	16.5

The Directors consider that the fair value of plant, property and equipment approximates to carrying value.

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
Cost or valuation At 1 January 2005 Additions Subsidiaries acquired Disposals Exchange movement	0.4 - - - -	8.4 2.3 - (0.2)	27.0 5.0 0.2 (1.6) 1.0	0.2 - - - -	36.0 7.3 0.2 (1.8) 1.0
At 31 December 2005	0.4	10.5	31.6	0.2	42.7
Accumulated depreciation At 1 January 2005 Charge for the year Disposals Exchange movement	- - - -	4.8 1.0 (0.2)	19.2 3.6 (1.3) 0.8	0.1 - - -	24.1 4.6 (1.5) 0.8
At 31 December 2005	_	5.6	22.3	0.1	28.0
Net book value At 31 December 2005	0.4	4.9	9.3	0.1	14.7

16. Property, plant and equipment continued

		01 1		
Company	Freehold property owned £m	Short leasehold property £m	Equipment & motor vehicles £m	Total £m
	AIII	LIII	4111	
Cost or valuation	0.1	0.0	7.4	7.0
At 1 January 2006 Additions	0.1	0.6	7.1	7.8
Disposals	-	1.0	0.4	1.4
·			(0.7)	(0.7)
At 31 December 2006	0.1	1.6	6.8	8.5
Accumulated depreciation				
At 1 January 2006	_	0.1	5.5	5.6
Charge for the year	_	0.1	0.7	8.0
Disposals	-	-	(0.2)	(0.2)
At 31 December 2006	_	0.2	6.0	6.2
Net book value				
At 31 December 2006	0.1	1.4	8.0	2.3
Cost or valuation				
At 1 January 2005	0.1	0.1	5.7	5.9
Additions	-	0.5	1.5	2.0
Disposals	_	-	(0.1)	(0.1)
At 31 December 2005	0.1	0.6	7.1	7.8
Accumulated depreciation				
At 1 January 2005	_	_	4.8	4.8
Charge for the year	_	0.1	0.7	0.8
At 31 December 2005	_	0.1	5.5	5.6
Net book value				
At 31 December 2005	0.1	0.5	1.6	2.2

Cost or valuation				Joint ventures		Associated	undertakings
At 1 January 2006 Additions 0,7 0,8 1,5 1,2 0,2 1,4 Additions 0,1 - 2,0 2,0							Total £m
At 31 December 2006	Cost or valuation At 1 January 2006 Additions Movement on loans Gain on dilution of shareholding Exchange movement	0.1 _ _	2.0 -	0.1 2.0 -	- - 0.4	-	1.4 - - 0.4
At 1 January 2006 Group's share of retained (loss)/profit 0.29 - (0.29 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.7 - 0.20 0.20 0.20 0.20 0.20 0.20 0.20 0.	At 31 December 2006		` '	, ,	1.6	0.2	1.8
Net book value At 31 December 2006 Net book value At 31 December 2005 O.2 O.8 1.0 2.2 O.2 2.4 In relation to the Group's interests in joint ventures, the assets, liabilities, income and expenses are shown below: Current assets Non-current assets Non-current assets Ourrent liabilities	Share of profit/(loss) At 1 January 2006 Group's share of retained (loss)/profit Dividends received Disposals	(0.2) (0.2)		(0.2) (0.2)	0.7 (0.3)	_	1.0 0.7 (0.3)
At 31 December 2006 (0.3) 2.7 2.4 3.0 0.2 3.3 Net book value At 31 December 2005 0.2 0.8 1.0 2.2 0.2 2.4 In relation to the Group's interests in joint ventures, the assets, liabilities, income and expenses are shown below: Current assets	At 31 December 2006	(1.0)	_	(1.0)	1.4	_	1.4
At 31 December 2005 O.2 O.8 1.0 2.2 O.2 2.4 In relation to the Group's interests in joint ventures, the assets, liabilities, income and expenses are shown below: Current assets Non-current assets Current liabilities Minority interests' share O.2 O.8 1.0 2.2 0.2 2.4 2.0 2.0 2.0 2.4 2.0 2.0 2.0 2.4 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2	Net book value At 31 December 2006	(0.3)	2.7	2.4	3.0	0.2	3.2
Current assets Non-current assets Current liabilities Minority interests' share	Net book value At 31 December 2005	0.2	0.8	1.0	2.2	0.2	2.4
Current assets Non-current assets Current liabilities Minority interests' share	In relation to the Group's interests in joint ventures, the assets, liabilities, inc	come and expenses are shown belo	w:				
Non-current assets Current liabilities Minority interests' share 1.5 (4.1) (1.9 0.7							2005 £m
Net (liabilities)/assets 0.2	Current assets Non-current assets Current liabilities Minority interests' share					1.5 (4.1)	2.0 0.1 (1.9)
	Net (liabilities)/assets					(0.3)	0.2

	£m	£m
Current assets Non-current assets Current liabilities Minority interests' share	2.2 1.5 (4.1) 0.1	2.0 0.1 (1.9)
Net (liabilities)/assets	(0.3)	0.2
Revenue Expenses Share of income tax	2.7 (2.8) (0.1)	3.0 (3.2) (0.1)
Share of post tax loss from joint ventures	(0.2)	(0.3)

In relation to the Group's associated undertakings, the assets, liabilities, income and expenses are shown below:

	2006 £m	2005 £m
Current assets Non-current assets Current liabilities Non current liabilities	4.8 4.5 (4.3) (2.0)	3.0 1.3 (2.1)
Net assets	3.0	2.2
Revenue Expenses Share of income tax	14.1 (13.2) (0.2)	9.8 (9.0) (0.2)
Share of post tax profits from associates	0.7	0.6

17(a). Group – Investments in joint ventures and associated undertakings continued

The joint ventures and associates have no significant liabilities to which the Group is exposed to nor has the Group any significant contingent liabilities or capital commitments in relation to its interests in the joint ventures and associates. The market value of the Group's holding in Adventis plc, an associate company, was £5.2m at 31 December 2006 (2005 – £4.2m).

17(b). Available-for-sale investments

	Group 2006 £m	Group 2005 £m
At 1 January	10.5	4.8
Additions Revaluation surplus transferred to equity (Note 28)	5.5 0.4	6.6
Disposals	(7.6)	(0.9)
At 31 December	8.8	10.5
Available-for-sale investments include the following:		
Listed securities Asia Pacific – equity securities	0.2	_
Unlisted securities UK – equity securities	1.4	7.6
UK – limited partnership	1.8	2.9
UK – investment funds	1.0	_
European – investment funds	4.4	_
	8.8	10.5

At 31 December 2006, the Group held the following available-for-sale investments:

Investment	Holding	Principal activity
Savills Investor Syndicate No.1 LP	10.0%	Retail investment property fund
Pinnacle Regeneration Group plc	13.5%	Social housing
Cordea Savills Student Hall Fund	2.5%	Investment in student accommodation
Duse Syndication LP	8.3%	Investment property fund
Cordea Savills Italian Opportunities Fund	2.0%	Investment property fund

These shareholdings are accounted for at fair value through equity. The fair value of listed securities is measured at current bid prices. The fair value of unlisted securities are based on underlying asset values and price earnings models.

At 31 December 2005, the fair value of Savills Investor Syndicate No.1 LP was £2.9m and this investment was revalued by £0.4m during 2006 following revaluation of properties during the year. A capital distribution was made during the year which reduced the Group's investment to £1.8m.

During the year, the Group made an investment in the Cordea Savills Student Hall Fund of £1.0m and co-invested £1.1m in Duse Syndication LP for a private placement fund.

The Group's 2% holding in Cordea Savills Italian Opportunities Fund reflects unconditional commitments from investors signed in December 2006 to subscribe in shares in the fund. As part of the unconditional commitments, the Group has committed $\mathfrak{L}3.4$ m.

17(c). Company - Investments in subsidiaries and associated undertakings

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
Cost At 1 January 2006	17.4	59.3	76.7
Additions Repayments		31.7 (13.4)	31.7 (13.4)
At 31 December 2006	17.4	77.6	95.0

17(d). Investments in subsidiaries, joint ventures and associated undertakings

The principal subsidiaries, joint ventures and associated undertakings of the Group which, in the Directors' opinion principally affect the figures shown in the financial statements, are shown below together with details of their main activities. Except where otherwise noted, they are wholly owned, have share capital wholly comprised of ordinary shares, are registered in England and Wales, operate in the UK and are consolidated into the Group accounts. Holding interests are the same as voting interests. A full list of the Group's subsidiaries, joint ventures and associated undertakings is available from the registered office of Savills plc.

Subsidiary undertakings	Holding	Main activities
Cordea Savills LLP*+	60.0%	Provision of fund management
Savills (Australia) Holdings Pty Limited* (registered in Australia)	94.3%	Holding company for the Australian agency, property and facility management businesses
Savills Commercial Limited	100.0%	Commercial surveyors
Savills (China) Limited* (registered in Hong Kong)	100.0%	Holding company for the agency and property management businesses in China
Savills Guardian (Holdings) Limited* (registered in Hong Kong)	100.0%	Holding company for the Asian property and facilities management group
Savills Consultores Inmobiliarios SA* (registered in Spain)	100.0%	Property consultants
Savills GmbH* (registered in Germany)	100.0%	Property consultants
Savills (Hong Kong) Limited* (registered in Hong Kong)	100.0%	Mixed practice agency, valuation and research
Savills Immobilien Beteiligungs-GmbH* (registered in Germany)	100.0%	Property consultants
Savills (L&P) Limited	100.0%	General practice surveyors
Savills Property Management Holdings Limited* (registered in Hong Kong)	100.0%	Property management
Savills SA* (registered in France)	99.97%	Property consultants
Savills Italy SRL* (registered in Italy)	64.5%	Property consultants
Savills Spolka z Organiczona* (registered in Poland)	84.6%	Property consultants
Prime Purchase Limited*	100.0%	Property buying company
Cordea Savills Investment Management Limited*	60.0%	Asset manager (regulated by FSA)
Savills Private Finance Limited*	100.0%	Provision of general insurance, commercial broking, mortgage broking and personal financial planning services (regulated by FSA)
Savills Nederland BV* (registered in the Netherlands)	61.0%	Property consultants
Savills Sweden AB* (registered in Sweden)	51.0%	Property consultants
Savills Japan KK* (registered in Japan)	100.0%	Property management

17(d). Investments in subsidiaries, joint ventures and associated undertakings continued

Subsidiary undertakings	Holding	Main activities
Korea Asset Advisors Co Limited (registered in Korea)	55.0%	Property management
BHP Korea Limited (registered in Korea)	55.0%	Property consultants
Savills Hamilton Osborne King Group (the trading style of Hamilton Osborne King Limited, registered in Ireland)	100.0%	Property consultants
Joint ventures		
Infinergy Limited*	50.0%	Provision of renewable energy
Associated undertakings		
Adventis Group plc*	37.6%	Provision of marketing and media services

*Shares/interests held indirectly by the Company +Limited Liability Partnership

17(e). Acquisitions of subsidiaries

Provisiona				value to Group
Subsidiaries acquired	Hamilton Osborne King £m	Korea	Other £m	Total £m
Property, plant and equipment Deferred tax assets Current assets: Trade and other receivables Work in progress	0.6 0.1 10.7	0.1 3.5 -	0.2 0.1 0.7 0.5	1.0 0.3 14.9 0.5
Cash and cash equivalents Total assets	8.2	4.2 8.0	3.1 4.6	15.5 32.2
Current liabilities: Trade and other payables Current income tax liabilities Provisions for liabilities and charges	(11.0) (0.8) —	(0.6)	(2.6) (0.1) (0.1)	(17.7) (1.5) (0.8)
Net assets Minority share of net assets	7.8	2.6 (2.3)	1.8 -	12.2 (2.3)
Fair value of net assets acquired Goodwill (Note 14) Other intangibles (Note 15)	7.8 22.5 9.1		1.8 17.6 4.3	9.9 46.0 16.1
Purchase consideration and costs	39.4	8.9	23.7	72.0
Analysis of purchase consideration and costs: Purchase consideration Acquisition costs	39.1 0.3	8.9 -	23.6 0.1	71.6 0.4
	39.4	8.9	23.7	72.0
Consideration and costs satisfied by: Cash Deferred consideration owing at balance sheet date Issue of loan notes	27.6 - 11.8	9.5 (0.6) -	16.2 2.7 4.8	53.3 2.1 16.6
	39.4	8.9	23.7	72.0

17(e). Acquisitions of subsidiaries continued

For all acquisitions, there was no difference between the fair value and carrying value of net assets acquired. Acquisitions have been accounted for using the purchase 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.

On 3 January 2006, the Group acquired an initial share in each of Korean Asset Advisors and BHP Korea with a subsequent 5% share in each purchased in December 2006 for total consideration of $\mathfrak{L}8.9m$. $\mathfrak{L}0.6m$ is owed at 31 December 2006 by the vendor.

On 13 June 2006, the Group acquired the businesses of Hamilton Osbourne King in Ireland for cash consideration of £27.6m. Loan notes of £11.8m were also issued and repayable per Note 23.

During the year, other businesses, including Blair Kirkman LLP and Chesterfields Limited were acquired for a cash consideration of £16.2m. Loan notes of £4.8m were also issued.

Included in Group operating profit relating to acquisitions is revenue of £42.0m (2005 – £6.4m), staff costs of £18.0m (2005 – £2.5m), depreciation of £0.2m (2005 – £0.1m), and other operating charges of £18.0m (2005 – £2.4m). If the date for all acquisitions made during the year had been at the beginning of the year, amounts relating to these acquisitions would have been revenue of £68.2m (2005 – £8.4m), staff costs of £32.0m (2005 – £3.5m), depreciation of £0.5m (2005 – £0.1m), and other operating charges of £26.3m (2005 – £3.6m).

18. Deferred income tax

The movement on the deferred tax account is shown below:

		Group		Company
	Year to 31 December 2006 £m	Year to 31 December 2005 £m	Year to 31 December 2006 £m	Year to 31 December 2005 £m
At 1 January – asset Amount credited to income statement (Note 11) Tax charged to equity (Note 28)	21.6 (2.2)	17.2 (0.8)	2.8 (0.7)	2.2 0.1
Pension assetEmployee benefits	(0.8) (0.9)	2.2 4.6	(0.9)	0.1 0.4
 Revaluations of available-for-sale investments Exchange rate movements Acquired with subsidiaries (Note 17(e)) 	1.3 (0.1) 0.3	(1.7) 0.1 –	- -	_ _ _
As at 31 December – asset	19.2	21.6	1.2	2.8

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Deferred income tax assets and liabilities are only offset where there are legally enforceable rights to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

As at the balance sheet date, the Group has unused tax losses of £9.9m (2005 – £10.8m) available for offset against future profits. Deferred tax of £2.1m (2005 – £2.2m) has not been recognised on such losses due to the unpredictability of future income streams. Included within unrecognised losses are losses of £0.1m that expire within five years; £0.9m that expire within seven years and the remaining £8.9m being available for offset indefinitely.

18. Deferred income tax continued

At 31 December 2005

Deferred tax assets – Group	Accelerated capital allowances	Other incl. provisions £m	Tax losses £m	Retirement benefits £m	Employee benefits £m	Total £m
At 1 January 2005 Amount (charged)/credited to income statement (Note 11) Tax charged to equity (Note 28) Exchange rate fluctuations Transferred to deferred tax liabilities	0.5 (0.1) - - 0.2	2.0 1.4 - 0.1 0.1	0.2 - - - -	10.2 (2.7) 2.2 –	4.4 0.8 4.6 –	17.3 (0.6) 6.8 0.1 0.3
At 1 January 2006 Amount (charged)/credited to income statement (Note 11) Tax charged to equity (Note 28) Exchange rate fluctuations Acquired with subsidiaries (Note 17(e))	0.6 (0.1) - - -	3.6 (1.9) - (0.1) 0.1	0.2 - - - 0.1	9.7 (1.7) (0.8) - 0.1	9.8 1.9 (0.9) - -	23.9 (1.8) (1.7) (0.1) 0.3
As at 31 December 2006	0.5	1.7	0.3	7.3	10.8	20.6

Deferred tax liabilities – Group	Accelerated capital allowances £m	Other incl. provisions £m	Tax losses £m	Revaluations £m	Total £m
At 1 January 2005 Amount credited to income statement (Note 11) Tax charged to equity (Note 28) Transferred from deferred tax assets	(0.1) - - (0.2)	(0.2) - (0.1)	- - - -	- (1.7) -	(0.1) (0.2) (1.7) (0.3)
At 1 January 2006 Amount credited to income statement (Note 11) Tax charged to equity (Note 28)	(0.3) 0.1 -	(0.3) (0.2) -	(0.2) -	(1.7) (0.1) 1.3	(2.3) (0.4) 1.3
As at 31 December 2006	(0.2)	(0.5)	(0.2)	(0.5)	(1.4)
Net deferred tax asset At 31 December 2006					19.2
At 31 December 2005					21.6

Deferred tax assets – Company	Accelerated capital allowances £m	Other incl. provisions	Retirement benefits £m	Employee benefits £m	Total £m
At 1 January 2005 Amount credited/(charged) to income statement (Note 11) Tax charged to equity (Note 28)	0.3 _ _	0.4 0.1 -	0.5 (0.1) 0.1	1.0 0.1 0.4	2.2 0.1 0.5
At 1 January 2006 Amount charged to income statement (Note 11) Tax charged to equity (Note 28)	0.3 - -	0.5 (0.5)	0.5 (0.2)	1.5 - (0.9)	2.8 (0.7) (0.9)
As at 31 December 2006	0.3	_	0.3	0.6	1.2
Net deferred tax asset At 31 December 2006					1.2

2.8

19. Trade and other receivables

		Group		Company
	Year to 31 December 2006 £m	Year to 31 December 2005 £m	Year to 31 December 2006 £m	Year to 31 December 2005 £m
Trade receivables Less: provision for impairment of receivables	127.3 (2.6)	85.0 (1.3)	1.5 -	0.5
Trade receivables – net Amounts owed by subsidiary undertakings	124.7 -	83.7	1.5 12.5	0.5 3.3
Funds held on behalf of clients Other receivables Income tax	4.4 - 8.8	4.6 6.6	0.1 2.5	1.6 1.9
Prepayments and accrued income	26.0	20.3	1.3	0.8
	163.9	115.2	17.9	8.1

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers internationally dispersed.

Amounts owed by subsidiary undertakings are generally charged interest at 1.5% above the base rate, with trade receivables cleared within the month.

20. Cash and cash equivalents

		Group		Company
	Year to 31 December 2006 £m	Year to 31 December 2005 £m	Year to 31 December 2006 £m	Restated Year to 31 December 2005 £m
Cash at bank and in hand Short-term bank deposits	101.9 22.2	56.3 43.6	48.9 10.0	27.7 20.0
	124.1	99.9	58.9	47.7
The effective interest rate on short-term bank deposits was 4.5% (2005 – 3.9%); these deposits have an average maturity of 18 days (2005 – 22 days). Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement: Cash and cash equivalents Bank overdrafts (Note 23)	124.1 (0.4)	99.9 -	58.9 (4.1)	47.7 (6.8)
Cash and cash equivalents are denominated in the following currencies:	123.7	99.9	54.8	40.9
Sterling Euro Hong Kong dollar Singapore dollar Thailand baht Australian dollar Chinese renminbi Japanese yen Polish zloty Swedish krona US dollar	81.2 15.0 19.0 0.4 0.1 2.1 3.2 0.1 2.7 - 0.3	63.8 3.8 25.3 0.6 0.2 2.1 3.7 0.1 0.2 0.1	58.4 0.5 - - - - - -	47.6 0.1 - - - - - -
	124.1	99.9	58.9	47.7

21(a). Trade and other payables - current

		Group	Group	
	Year to 31 December 2006 £m	Year to 31 December 2005 £m	Year to 31 December 2006 £m	Restated Year to 31 December 2005 £m
Deferred consideration Trade payables Amounts owed to subsidiary undertakings Other taxation and social security Other payables Bonus accrual Accruals and deferred income	5.2 24.9 - 29.2 3.5 96.2 32.8	1.2 16.6 - 16.9 4.4 67.7 29.3	- 0.3 37.6 9.9 0.4 3.1 1.2	- 0.3 30.0 1.1 4.5 4.0 0.7
Accidats and deferred income	191.8	136.1	52.5	40.6

21(b). Tax liabilities - current

		Group		Company
	Year to 31 December 2006 £m		Year to 31 December 2006 £m	Year to 31 December 2005 £m
Current income tax liabilities	10.3	5.6	-	_

22. Trade and other payables - non-current

		Group		Company
	Year to 31 December 2006 £m		Year to 31 December 2006 £m	Year to 31 December 2005 £m
Deferred consideration Other payables	2.0	0.6 0.4	-	_ _
	2.0	1.0	-	_

23. Borrowings

		Group		Company
	2006 £m	2005 £m	2006 £m	2005 £m
Current				
Bank loans and overdrafts due within one year or on demand:				
Unsecured	1.4	0.9	4.1	6.8
Loan notes	5.9	0.9	_	_
Finance lease obligations	_	0.1	_	_
	7.3	1.9	4.1	6.8
Non-current				
Loan notes	12.0	1.5	_	_
	12.0	1.5	-	

23. Borrowings continued

In July 2004, £0.5m Variable Interest Rate Guaranteed Loan Notes 2004 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Planning Development Consultancy Limited. As at 31 December 2006, £0.1m were still in issue. These are repayable over the next year and interest is payable half yearly.

In September 2005, $\mathfrak L0.8m$ Variable Interest Rate Guaranteed Loan Notes 2005 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Brown Harknett International Limited. As at 31 December 2006, $\mathfrak L0.6m$ were still in issue. These are repayable over three years and interest is payable half yearly. $\mathfrak L0.2m$ is due within one year.

In October 2005, £0.3m of the Variable Interest Rate Guaranteed Loan Notes 2005 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of SY Moorhouse Wright Limited. As at 31 December 2006, £0.3m were still in issue. These are repayable over three years and interest is payable half yearly. £0.2m is due within one year.

In June 2006, £11.5m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Hamilton Osbourne King Limited. These are repayable over three years and interest is payable half yearly. £3.8m is due within one year.

In September 2006, £0.4m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of PCA Management Consultants Limited. These are repayable over two years and interest is payable half yearly. No amount is due within one year.

During the year, £4.3m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued by subsidiary undertakings as part consideration for other acquisitions. These are repayable over four years and interest is payable half yearly. £1.2m is due within one year.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are:

		Group		Company
	2006 £m	2005 £m	2006 £m	2005 £m
1-5 years	12.0	1.5	_	_
	12.0	1.5	_	_
The maturity of non-current borrowings is as follows:				
Between 1 and 2 years Between 2 and 5 years	11.5 0.5	0.9 0.6	_	
	12.0	1.5	_	_

23. Borrowings continued

The effective interest rates at the balance sheet dates were as follows

		Group
	2006 £m	2005 £m
Bank overdraft	5.57%	_
Bank loans	6.74%	7.21%
Loan notes	5.68%	6.32%

The carrying amounts of borrowings approximate to fair value.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

		Group		Company	
	2006 £m	2005 £m	2006 £m	2005 £m	
UK pound	6.4	2.5	4.1	6.8	
Euro	11.5	_	_	_	
Australian dollar	8.0	_	_	_	
Hong Kong dollar	0.3	0.9	_	_	
Thailand baht	0.1	_	_	_	
Japanese yen	0.2	_	-	_	
	19.3	3.4	4.1	6.8	
The Group has the following undrawn borrowing facilities:					
Floating rate – expiring within one year or on demand	8.9	10.4	5.0	5.0	

24. Derivative financial instruments

Group			Company		
At 31 December 2006	Assets £m	Liabilities £m	Assets £m	Liabilities £m	
Financial assets at fair value through profit or loss Forward foreign exchange contracts – at fair value	1.5 -	– (0.5)	_ _	(0.5)	
Total Less non-current portion	1.5 (1.5)	(0.5) (0.3)	_ _	(0.5) (0.3)	
Current portion	_	(0.2)	_	(0.2)	
At 31 December 2005	_	_	_	_	

Forward foreign exchange contracts The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2006 were £11.5m (2005 – £nil). The non-current portion represents contracts that mature in over one year.

Gains and losses on forward foreign exchange contracts are recognised in the income statement in the period during which the transaction affects the income statement.

Financial assets at fair value through profit or loss During the year the Group purchased a call option for £1.5m to acquire an initial shareholding of 25% in a Russian residential transaction business, Intermark. The option is carried at cost and in the Directors' opinion, this approximates to fair value.

25(a). Provisions

	Group £m	Company £m
At 1 January 2006	2.4	_
Provided during the year	2.4 2.0	1.2
Utilised during the year	(1.2)	_
Exchange movements	(0.1)	-
31 December 2006	3.1	1.2

Provisions have been analysed between current and non-current as follows:

	£m	£m
Current Non-current	1.5	1.2
Non-current Non-current	1.6	_
	3.1	1.2

Provisions principally represent professional indemnity insurance and property dilapidation provisions.

25(b). Employee benefit obligations

In addition to the defined benefit obligation pension scheme disclosed in Note 9, the following are included in employee benefit obligations:

Group					Company
Group	Holiday and long service leave £m	Other employee benefit obligations £m	Total £m	Other employee benefit obligations £m	Total £m
At 1 January 2006	4.2	5.0	9.2	1.2	1.2
Provided during the year	3.3	_	3.3	_	_
Utilised during the year	(1.5)	(5.0)	(6.5)	(1.2)	(1.2)
Acquisitions	0.8	_	8.0	_	_
Exchange movements	(0.3)	_	(0.3)	-	_
31 December 2006	6.5	_	6.5	_	_

The above employee benefit obligations have been analysed between current and non-current as follows:

		Group		Company
	2006 £m	2005 £m	2006 £m	2005 £m
Current Non-current	3.0 3.5	1.7 7.5	_	1.2
	6.5	9.2	_	1.2

Holiday and long service leave The holiday and long service leave provision relates to companies in Hong Kong, Australia, Korea and Thailand and are expected to crystallise within five to seven years of the balance sheet date.

Other Other provisions included amounts for employee related obligations which were settled during the year.

26. Share capital - Group and Company

Authorised and allotted	31 December 2006 Number of shares	31 December 2005 Number of shares	31 December 2006 £m	31 December 2005 £m
Ordinary shares of 2.5p each:				
Authorised	202,000,000	202,000,000	5.1	5.1
Allotted, called up and fully paid	135,085,892	132,999,104	3.4	3.3

Following shareholder approval at the Annual General Meeting on 10 May 2006 a two for one share split took place. The above share figures have been adjusted to present comparable figures following the split.

Movement in allotted, called up and fully paid share capital

		2006		2005
	Number of shares	£m	Number of shares	£m
At 1 January Allotted to employees under The Savills Executive Share Option Scheme Allotted direct to participants on exercise of options	132,999,104 570,000	3.3 -	121,021,234 1,140,000	3.0
under the Savills Sharesave Scheme Allotted to Savills QUEST Trustees Limited, the Trustee of the	1,516,788	0.1	549,680	_
Qualifying Employee Share Trust	_	_	1,732	_
Repurchased for cancellation	_	-	(200,000)	_
Allotted to Trammell Crow Company on exercise of a deed of option	_	_	10,486,458	0.3
At 31 December	135,085,892	3.4	132,999,104	3.3

At the Annual General Meeting held on 10 May 2006, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 13,319,438 of its own ordinary shares (AGM held on 4 May 2005 – 6,046,170). Such authority remained valid until the conclusion of the next Annual General Meeting or 10 August 2007 whichever is the earlier.

27. Share based payment

Details of the terms of the following schemes are contained in the Remuneration Report on pages 69 and 70.

27(a). The following share options have been granted with a nominal exercise price under the Savills plc 1992 Executive Share Option Scheme (the ESOP) and were outstanding at 31 December 2006:

	· · · · · · · · · · · · · · · · · · ·	31 December	
		2006	2005
		Number of	Number of
		shares	shares
Date of grant	Exercise period	'000	'000
20 July 1999	2 years from 20 July 2004	_	150
20 July 2000	2 years from 20 July 2005	200	500
6 April 2001	2 years from 6 April 2006	650	1,456
		850	2,106

A reconciliation of option movements over the year to 31 December 2006 is shown below:

	Number of shares '000	2006 Weighted average share price at date of exercise	Number of shares '000	2005 Weighted average share price at date of exercise
Outstanding at 1 January Forfeited/expired Exercised	2,106 - (1,256)	- - 598.5p	3,840 (36) (1,698)	- 375.7p
Outstanding at 31 December	850	_	2,106	
Exercisable at 31 December	850	_	650	_

The weighted average exercise price for options granted under this scheme is £nil (2005 - £nil).

27(b). The following share options have been granted under the Savills Executive Share Option Scheme (2001) and were outstanding at 31 December 2006:

Date of grant	Exercise period		Exercise price	31 December 2006 Number of shares '000	31 December 2005 Number of shares '000
25 March 2003 30 March 2004 14 March 2005 14 March 2005 13 March 2006	7 years from 25 March 2006 7 years from 30 March 2007 7 years from 14 March 2008 7 years from 14 March 2008 7 years from 13 March 2009	Unapproved Unapproved Approved Unapproved Unapproved	69.5p 217.8p 321.3p 321.3p 596.0p	235 47 117 100	570 235 47 117
				499	969

A reconciliation of option movements over the year to 31 December 2006 is shown below:

	Number of shares '000	2006 Weighted average exercise price	Number of shares '000	2005 Weighted average exercise price
Outstanding at 1 January Granted Exercised	969 100 (570)	148.2p 596.0p 69.5p	1,945 164 (1,140)	96.4p 321.3p 84.8p
Outstanding at 31 December	499	327.8p	969	148.2p

No options under this scheme were exercisable at 31 December 2006 or 31 December 2005. The weighted average share price on the date of exercise during the year was 626.0p (2005 – 328.9p) and total consideration of £0.4m (2005 – £1.0m) was received.

27(c). During the year 1,516,788 shares (2005 – 549,680 shares) were allotted direct to participants and nil shares (2005 – 18,750 shares) were transferred from the Qualifying Employee Share Trust on the exercise of options under the Savills Sharesave Scheme. The following table shows the options remaining outstanding as at 31 December 2006, 107,816 shares (2005 – 109,926 shares) having lapsed and 1,516,788 (2005 – 568,250 shares) having been exercised in accordance with the rules of the scheme for consideration of £0.8m (2005 – £0.3m).

Date of grant	Exercise period	Exercise price	31 December 2006 Number of shares '000	31 December 2005 Number of shares '000
8 October 1998 5 August 1999 11 August 2000 20 May 2003 5 May 2006	1 December 2001 to 1 June 2006 1 October 2002 to 1 April 2007 1 October 2003 to 1 April 2008 1 July 2006 to 1 January 2007 1 July 2009 to 1 January 2010	42.0p 72.0p 82.5p 55.5p 510.5p	- 13 64 897	180 68 70 1,328
			974	1,646

A reconciliation of option movements over the year to 31 December 2006 is shown below:

	Number of shares '000	2006 Weighted average exercise price	Number of shares '000	2005 Weighted average exercise price
Outstanding at 1 January Granted	1,646 953	55.9p 510.5p	2,324	57.2p
Forfeited/expired Exercised	(108) (1,517)	293.9p 55.3p	(110) (568)	62.6p 59.8p
Outstanding at 31 December	974	475.2p	1,646	55.9p
Exercisable at 31 December	64	55.5p	226	50.3p

The weighted average share price on the date of exercise during the year was 568.6p (2005 – 401.2p).

27(d). During the year no shares (2005 – 1,732 shares) were allotted to Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust.

At 31 December 2006 the Trust held 2,154 shares (2005 – 2,154 shares) of Savills plc, no shares (2005 – 18,570 shares) having been transferred to participants on the exercise of options under the Savills Sharesave Scheme for consideration of £nil (2005 – £7,799).

27(e). The following have been awarded with a nominal exercise price under the Savills Deferred Share Bonus Plan (the DSBP) and remained outstanding at year-end.

Date of award		1 December 2006 Number of shares '000	2005 Number of shares '000
22 March 2002	22 March 2007	1,393	1,406
14 March 2003	14 March 2008	1,112	1,128
15 March 2004	15 March 2009	971	996
14 March 2005	14 March 2010	1,139	
13 March 2006	13 March 2009	708	-
13 March 2006	13 March 2011	34	-
		5,357	4,704

As at 31 December 2006, 238 (2005 – 187) individuals held outstanding awards under the DSBP. Awards made under the DSBP from 2006 onwards are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders throughout the deferred period.

A reconciliation of option movements over the year to 31 December 2006 is shown below:

		2006		2005
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January Granted	4,704 764	_	3,774 1,270	_
Forfeited/expired	(92)	_	(294)	_
Exercised	(19)	654.3p	(46)	363.5p
Outstanding at 31 December	5,357	_	4,704	_

The weighted average exercise price for options granted under this scheme is £nil (2005 – £nil). No options were exercisable under this scheme as at 31 December 2006 and 31 December 2005.

27(f). The following have been awarded with a nominal exercise price under the Savills Deferred Share Plan (the DSP) and remained outstanding at year-end:

		31 December	31 December
		2006	
		Number of	Number of
		shares	shares
Date of grant Deferred p	period Vesting	date '000	'000
10 October 2006 3 ye	ears 10 October 20	09 84	_
10 October 2006 5 ye		10 581	_
		665	_

As at 31 December 2006, 52 individuals hold outstanding awards under the DSP. Awards made under the DSP are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders through the deferred period.

A reconciliation of option movements over the year to 31 December 2006 is shown below:

		2006		2005
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	_	_	_	_
Granted	686	_	_	_
Forfeited/expired	(21)	_	_	_
Exercised	_	-	_	_
Outstanding at 31 December	665	_	_	_

The weighted average exercise price for options granted under this scheme is £nil (2005 – £nil). No options were exercisable under this scheme as at 31 December 2006 and 31 December 2005.

Fair value of options Options for the DSBP, Sharesave Scheme and ESOS were valued at fair value using the Actuarial Binominal model of Lane Clark & Peacock actuaries. The key assumptions used in the calculation are as follows:

Risk free rate 3.6% pa – 4.6% pa depending on grant date and expected life

Volatility 35% pa – 37% pa depending on grant date

Employee turnover 2.5% pa for DSBP and Sharesave and zero for ESOS

Early exercise 50% of employees exercise early when options are 20% in the money

The expected volatility is based on historical volatility over the last five years. The risk free rate is the yield on a zero coupon UK government bonds at each grant date, with term based on the expected life of the option.

Fair value of options at grant dates are:

Grant	Grant date	Fair value pence
DSBP 2003	14 March 2003	46.0
DSBP 2004	15 March 2004	186.5
DSBP 2005	15 March 2005	278.2
DSBP 2006	13 March 2006	596.0
Sharesave 2003	20 May 2003	24.0
Sharesave 2006	5 May 2006	232.0
DSP 2006	10 October 2006	560.5
ESOS 2003	25 March 2003	15.5
ESOS 2004	30 May 2004	73.5
ESOS 2005	30 March 2005	102.8
ESOS 2006	13 March 2006	189.0

The total charge for the year relating to employee share based payments plans was £5.3m (2005 - £1.9m), all of which related to equity-settled share based payment transactions. After deferred tax, the charge was £3.8m (2005 - £1.3m).

28. Statement of changes in equity

	Attributable to equity holders of the Group										
	Share capital £m	Share premium £m	Share based payments reserve £m	Currency translation reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Balance at 1 January 2006	3.3	80.9	3.7	1.4	4.9	0.2	(10.8)	84.1	167.7	0.6	168.3
Total recognised income and expense											
for the period	_	_	_	(4.5)	0.3	_	_	63.8	59.6	1.6	61.2
Employee share option scheme:											
 Value of services provided 	_	_	5.3	_	_	_	_	_	5.3	_	5.3
 Exercise of options 	_	0.4	(0.5)	_	_	_	0.1	_	_	_	_
Issue of share capital	0.1	1.1	_	_	_	_	_	_	1.2	_	1.2
Purchase of treasury shares	_	_	_	_	_	_	(5.0)	_	(5.0)	_	(5.0)
Dividends	_	_	_	_	_	_	_	(16.2)	(16.2)	(0.2)	(16.4)
Disposals (net of tax)	_	_	_	_	(4.1)	_	_	_	(4.1)	_	(4.1)
Acquisitions	_	_	_	_	_	_	_	-	_	2.3	2.3
Balance at 31 December 2006	3.4	82.4	8.5	(3.1)	1.1	0.2	(15.7)	131.7	208.5	4.3	212.8

Included within retained earnings is tax on items taken directly to equity as shown in Note 11.

			_				Attributable	to equity holde	ers of the Group		
	Share capital £m	Share premium £m	Share based payments reserve £m	Currency translation reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Balance as at 31 December 2004 Adoption of IAS 32 and IAS 39	3.0	43.1 -	1.8	(1.4)	0.7	0.2	(6.6)	63.4 0.3	103.5 1.0	0.2	103.7 1.0
Balance at 1 January 2005	3.0	43.1	1.8	(1.4)	0.7	0.2	(6.6)	63.7	104.5	0.2	104.7
Total recognised income and expense for the period Employee share option scheme:	_	_	_	2.8	4.9	_	_	43.9	51.6	0.2	51.8
 Value of services provided Issue of share capital 	0.3	- 37.8	1.9	_	_ _	_ _	_ _	_ _	1.9 38.1	_ _	1.9 38.1
Purchase of own shares Purchase of treasury shares	_	_ _	_	_	_	_ _	(4.2)	(0.5)	(0.5) (4.2)	_	(0.5) (4.2)
Dividends Disposals (net of tax) Acquisitions	- -	_ _	- - -	- -	(0.7)	- -	_ _	(23.0)	(23.0) (0.7)	(0.1) - 0.3	(23.1) (0.7) 0.3
Balance at 31 December 2005	3.3	80.9	3.7	1.4	4.9	0.2	(10.8)	84.1	167.7	0.6	168.3

28. Statements of changes in equity continued

					A 44(la la la	a an distributation of		
	Attributable to equity holder							
	Share capital £m	Share premium £m	Share based payments reserve £m	Capital redemption reserve £m	Other reserves	Retained earnings £m	Total shareholders' equity £m	
Balance at 1 January 2006 (restated) Total recognised income and expense for the period Employee share option scheme:	3.3	80.9	0.4	0.2	3.0	0.4 42.9	88.2 42.9	
 Value of services provided Exercise of options Issue of share capital Dividends 	- - 0.1 -	0.4 1.1	0.3 (0.1) -	-	- - -	(0.3) - (16.2)	0.3 - 1.2 (16.2)	
Balance at 31 December 2006	3.4	82.4	0.6	0.2	3.0	26.8	116.4	
Balance at 1 January 2005 (restated)	3.0	43.1	0.2	0.2	3.0	24.2	73.7	
Total recognised income and expense for the period Employee share option scheme:	_	_	_	_	_	(0.3)	(0.3)	
- Value of services provided	_	_	0.2	_	_	_	0.2	
Issue of share capital	0.3	37.8	_	_	_	_	38.1	
Purchase of own shares	_	_	_	_	_	(0.5)	(0.5)	
Dividends	_	_	_	_	_	(23.0)	(23.0)	
Balance at 31 December 2005 (restated)	3.3	80.9	0.4	0.2	3.0	0.4	88.2	

Included within retained earnings is tax on items taken directly to equity as shown in Note 11.

The treasury shares held by the Employee Benefit Trust were consolidated within Company equity as at 31 December 2005. As at 31 December 2006, in accordance with SIC 12, the shares have been excluded from the Company balance sheet (but not the Group). The balance sheet as at 31 December 2005 has accordingly been restated. The effect of the restatement on those financial statements is summarised below. There is no effect in 2006.

	2005 £m
Increase in trade and other receivables Decrease in cash Decrease in trade and other payables	1.6 (0.9) 4.0
Increase in equity	4.7

29. Capital commitments

		Group		Company
	2006 £m	2005 £m	2006 £m	2005 £m
Contracts placed for future capital expenditure not provided in the financial statements	4.7	0.9	-	

As at 31 December 2006 the Group held a conditional commitment to purchase the Solbacken Retail Park in Sweden, with an initial equity stake of £4.2m for a future Cordea Savills Fund. The Group also agreed to provide co-investment capital of £0.5m to the Cordea Savills Serviced Land No.2 LP Fund, launched in January 2007.

30. Contingent liabilities

The Company guarantees certain financial obligations of its subsidiaries. It is not anticipated that any material liabilities will arise from these contingent liabilities.

31. Operating lease commitments – minimum lease payments

	Property leases Other leases				s Total			
Group	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m		
Commitments under non-cancellable operating leases expiring: Within one year In one to five years After five years	13.4 48.3 26.7	9.5 23.8 12.3	1.4 1.7 0.7	0.9 0.9 0.6	14.8 50.0 27.4	10.4 24.7 12.9		
	88.4	45.6	3.8	2.4	92.2	48.0		

	Prope	erty leases	Ot	her leases		Total	
Company	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	
Commitments under non-cancellable operating leases expiring:							
Within one year	1.0	0.4	_	_	1.0	0.4	
In one to five years	3.7	1.6	_	_	3.7	1.6	
After five years	0.9	0.8	-	_	0.9	0.8	
	5.6	2.8	-	_	5.6	2.8	

Significant operating leases relate to the various property leases for Savills offices on the United Kingdom, Europe and Asia. There are no significant non-cancellable subleases.

32. Cash generated from continuing operations

	Group		Company	
	Year ended 2006 £m	Year ended 2005 £m	Year ended 2006 £m	Restated Year ended 2005 £m
Profit/(loss) for the year from continuing operations	58.8	40.8	43.3	(0.9)
Adjustments for: Income tax (Note 11) Depreciation (Note 16)	25.6 5.6	17.8 4.6	(0.1) 0.8	(0.5) 0.8
Amortisation of intangibles (Note 15) Impairment of goodwill (Note 14)	2.4	1.2	0.1	0.3
Net finance income (Note 10) Share of post tax profit from associates and joint ventures (Note 17(a))	(3.7) (0.5)	(3.5) (0.3)	(0.6)	(0.9)
Profit on disposal of subsidiary associate, joint ventures and available-for-sale investments Loss on sale of property, plant and equipment	(5.1) 0.4	(0.4)		
Increase/(decrease) in provisions Decrease in employee and retirement obligations Charge for share based compensation	0.5 (2.2) 5.3	(0.8) (9.6) 1.9	1.2 (1.2) 0.3	(0.4) 0.2
Operating cash flows before movements in working capital	87.1	52.4	43.8	(1.4)
Decrease/(increase) in work in progress (Increase)/decrease in debtors Increase/(decrease) in creditors	0.4 (37.2) 37.1	(0.4) (23.5) 16.4	(8.6) 12.2	1.9 (0.8)
Cash generated from operations	87.4	44.9	47.4	(0.3)

33. Related party transactions

The Group is controlled by Savills plc, a company registered in England and Wales.

Marketing services were provided by Adventis plc, an associate company, to Savills (L&P) Limited at an arm's length value of £8.0m (2005 – £6.5m).

Services were provided by Trammell Crow Company (TCC), a former substantial shareholder, to Savills Commercial Limited at an arm's length value of £0.3m (2005 – £0.1m). The remuneration of the two Non-Executive Directors that were corporate representatives of TCC is disclosed on page 67 in the Remuneration Report and were paid directly to TCC.

The Company provided corporate function services to its subsidiaries at an arm's length value of £10.3m (2005 – £7.9m). Dividends received from subsidiaries were £48.2m (2005 – £2.0m). Amounts outstanding as at 31 December 2006 are disclosed in Notes 19 and 21.

Loans to related parties Loans to associates and joint ventures are disclosed in Note 17(a), and include amounts loaned to Savills Asia joint ventures of £1.3m (2005 – £0.1m) on which no interest is charged (2005 – 8.00% pa). All other loans to associates and joint ventures are also interest free.

34. Major non-cash transactions

Loan notes to the value of £16.6m (2005 – £2.5m) were issued during the year for part consideration of acquisitions as disclosed in Note 17(e).

35. Events after the Balance Sheet date

Business combinations – subsidiaries On 7 January 2007, the Group acquired the share capital of Hepher Dixon Limited for consideration of £4.7m. Provisional goodwill on acquisition of £4.1m has been capitalised, subject to completion of the fair value exercise. Hepher Dixon is a UK national planning and regeneration specialist and is part of our planning consultancy segment. The goodwill is mainly attributable to key staff and their industry reputation. Cash consideration of £2.3m was paid on 5 January 2007 with £2.4m deferred cash consideration due over one year. A guarantee has been given by the parent company for these amounts.

Details of net assets acquired and goodwill, provisionally determined, are as follows:

	£m
Purchase consideration: - cash paid - direct costs relating to the acquisition	2.3
- deferred consideration	2.4
Total purchase consideration	4.7
Fair value of assets acquired Goodwill	0.6 4.1

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	£m
Plant, property and equipment	0.5
Investments	0.1
Trade and other receivables	2.5
Trade and other payables	(2.5)
Net assets acquired	0.6

The carrying amounts of the assets and liabilities acquired approximate to fair value.

Purchase of own shares On 11 January 2007, the Group purchased 3.5m ordinary shares, representing 2.59% of the issued share capital, at a price of 623p, for cancellation.

Savills' UK and International Offices

Key

A Agricultural
C Commercial
E Estate Office
F Financial Services Offices
R Residential

UK OFFICES

Ayr A, R

Hannah Business Park, Ayr KA6 5HL Tel: (01292) 442999 Fax: (01292) 441337

Banbury A, R

36 South Bar, Banbury, Oxfordshire OX16 9AE Tel: (01295) 228000 Fax: (01295) 228001

Barnet R

143 High Street, Barnet, Herts EN5 5UZ

Bath R

Edgar House, 17 George Street, Bath Somerset BA1 2EN Tel: (01225) 474550 Fax: (01225) 474540

Beaconsfield R

10–12 The Broadway, Wycombe End Beaconsfield Old Town Buckinghamshire HP9 1ND Tel: (01494) 731950 Fax: (01494) 731951

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Birmingham C, F, R

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13 The Southend, Ledbury, Herefordshire HR8 2EY Tel: (01531) 637700 Fax: (01531) 637709

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