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savills

Report & Accounts 1998

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Contents

Financial Calendar	Half year results announced	12 January 1998
	Full year results announced	7 July 1998
	Ordinary shares ex-dividend	3 August 1998
	Annual General Meeting	9 September 1998
	Proposed final ordinary dividend payment date for Shareholders on the Register at 7 August 1998	11 September 1998

Registered Office

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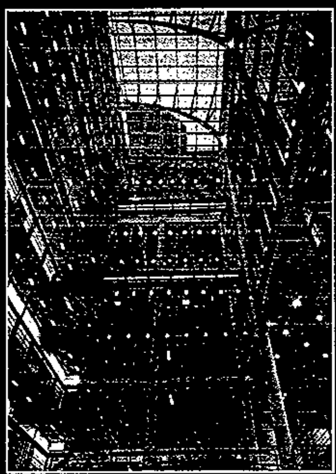
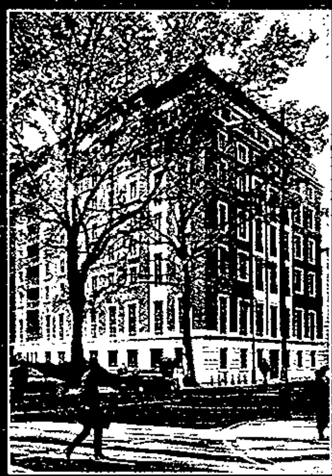
Registered in England No. 2122174



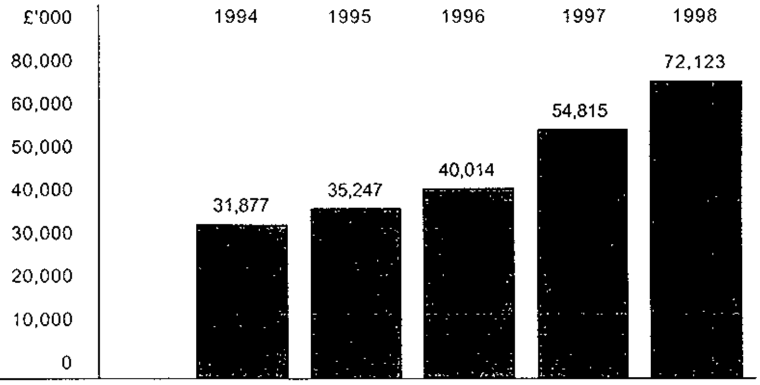
Financial Summary

The Savills Group is principally involved with advising on matters affecting commercial, agricultural, residential and leisure property.

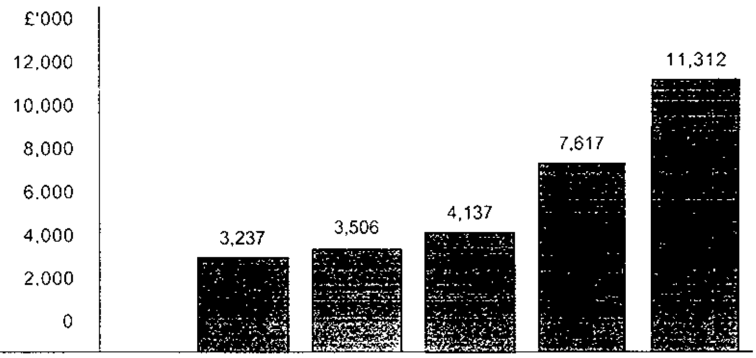
It also provides corporate finance advice, property and venture capital funding and a range of property related financial services.

	1998	1997	Increase
Turnover	£72.1m	£54.8m	32%
Operating profit	£8.5m	£6.6m	28%
Profit before taxation	£11.3m	£7.6m	49%
Earnings per share	17.1p	12.5p	37%
Dividend per share	4.75p	3.50p	36%

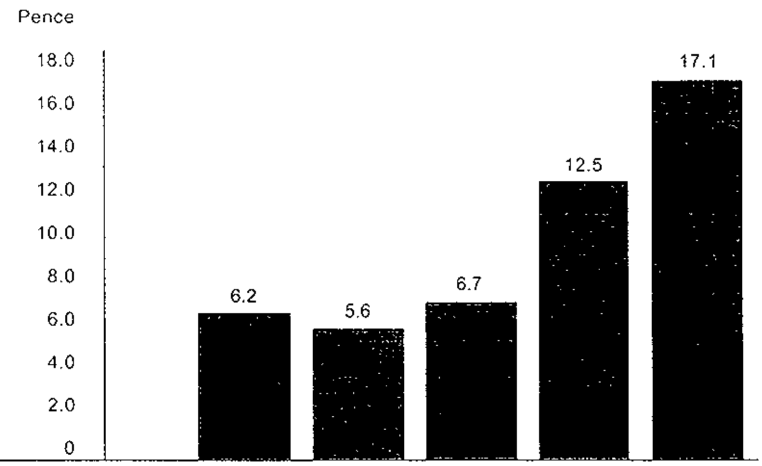
Turnover



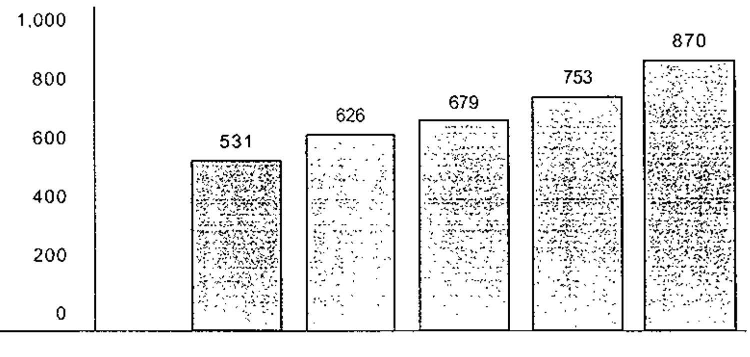
Profit before taxation



Earnings per share



Average number of employees



Chairman's Statement

"This is a first class result by our property services business, in which the energy, skill and commitment of our staff at all levels have served shareholders well."

Results

I am delighted to announce a 49% increase in pre-tax profit to £11.3m (1997- £7.6m) for the year ended 30 April 1998. As I anticipated in my Interim Statement, these results have built on the good performance achieved in the first half of the year. Earnings per share are up 37% at 17.1p (1997 - 12.5p). Turnover increased by 32% to £72.1m (1997 - £54.8m). Shareholders' funds have increased from £16.7m to £37.6m, including the proceeds of the share issue to First Pacific Davies (UK) Limited as well as the retained earnings. Operating profit margins within the property services business at 14.5% were slightly higher than last year. This is a first class result by our property services business, in which the energy, skill and commitment of our staff at all levels have served shareholders well.

Dividend

The Board is recommending a final dividend of 3.5p (net) per share making a total for the year of 4.75p (1997 - 3.5p), a 36% increase. The dividend is covered 3.2 times.

Highlights

The strategic alliance with First Pacific Davies (FPD), the pre-eminent Asia Pacific Property Services Group, is of great importance to the development of your Group. The joint rebranding of our property advisory businesses as FPDSavills has already taken place here in the UK and is proceeding in Asia. In its early stages some transactions have resulted from the alliance and we expect that the relationships which are being developed will bear fruit, particularly as economic growth resumes in the region.

We have made further progress during the year in strengthening our core business and recent acquisitions are making a significant contribution. We have opened commercial offices in Edinburgh and Birmingham, and further residential offices in Butlers Wharf, Docklands, in Cranbrook, Kent and in Telford, Shropshire. We continue to add professional teams to broaden the range of services we are able to offer to our clients, particularly in Fund Management.

It is gratifying to be able to report that Savills Private Finance moved into monthly profit towards the end of the financial year and we are confident that the investment we have made will be handsomely returned. We continue to believe in the need to be able to co-invest with clients and Grosvenor Hill Ventures has made further progress. Since the year-end, we have disposed of our investment in State Securities PLC for £3.2m - this investment showed an internal rate of return well in excess of our 20% per annum target.

Board and Staff

David Davies and Godfrey Blott from FPD have joined the Board and we welcome the contribution which they make to our discussions.

Savills has enthusiastic and able staff. It is their ability to add value to our clients which is the basis of the Group's success and I pay tribute to them. The reward system allows us to attract and retain outstanding people and has been successful in providing real incentive, while shareholders have benefited from above average increases in earnings per share.

Outlook

The Group has developed the breadth of its businesses to such an extent that it is now strongly positioned to take advantage of the wide range of opportunities which exist as the profession continues to rationalise and internationalise. This strategy also helps decrease our dependency on the vagaries of purely commercial or residential property cycles.

That aside, UK property performance is likely to remain attractive over the short- to medium-term, with property yields standing at their highest level above gilt yields for some time.

Richard Jewson, Chairman

Operating Review

"Our policy of making selective, strategically significant UK acquisitions will continue."

SUMMARY

Turnover increased by 32% to £72.1m (1997 - £54.8m). Group pre-tax profit for the year was £11.3m (1997 - £7.6m) an increase of 49%. This excellent result bears out the optimism expressed in our Interim Statement and reflects a strong performance in the two main property services businesses. It is proposed to increase the total dividend for the year by 36% to 4.75p (net) per share (1997 - 3.5p).

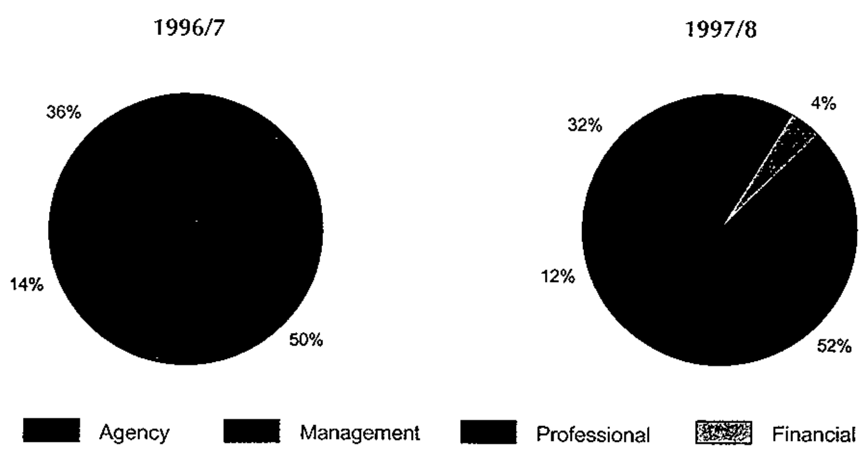
The FPDSavills Limited subsidiary (formerly Savills Land & Property Limited) increased turnover by 20% to £41.9m (1997 - £35.1m) and pre-tax profit rose by 17% to £5.1m (1997 - £4.4m). Our Commercial subsidiary had an exceptional year raising its turnover by 45% to £27.1m (1997 - £18.7m), with pre-tax profit rising 80% to £5.2m (1997 - £2.9m). The increase in turnover for the property services business was not at the expense of operating margins, which increased from 13% to 14.5%.

It is particularly pleasing that the business acquisitions made over the last few years such as Walker Walton Hanson, George Stead and de Havillands have made a significant contribution to the results. Our policy of making selective, strategically significant UK acquisitions will continue, as is demonstrated by FPDSavills' recent acquisition of a controlling interest in the partnership of James Harris, a Hampshire based land and estate agency practice.

Financial Services produced a disappointing profit of £0.5m (1997 - £0.5m) due mainly to the expenditure on the abortive launch of a Housing Investment Trust and the deferral of property sales.

Average staff numbers increased from 753 to 870 and, as at the year-end, the total staff number had increased to 957 (1997 - 831) as we continued to build our businesses both through organic growth and selective acquisition. As would be expected from these excellent results, incentive payments to staff in the form of profit share and bonus increased substantially to £14.6m (1997 - £9.8m). The Group's profit sharing philosophy allows us both to retain our key fee-earners and recruit high flying individuals who are attracted by a system which recognises achievement and performance at all levels throughout the Group. The system has also helped us to restrain increases in basic salaries and ensure that a large part of our cost base varies with profitability.

Analysis of Fee Income



FPDSavills advised Argyll Property Asset Managers and Helical Bar plc in the letting of approx 190,000 sq ft at 33 Old Broad Street, EC2 to Halifax plc in December, at the then highest rent recorded on a completed building during this cycle. It was also the largest single letting at a speculative office scheme in the City in 1997. FPDSavills also provided Management and Capital Allowance advice on the building.

PROPERTY SERVICES

In a market where there is continuing consolidation and re-alignment of international partners, FPDSavills has further enhanced its position. The broad spread of our business across all aspects of the property market provides a diversity which helps to even out fluctuations in individual markets.

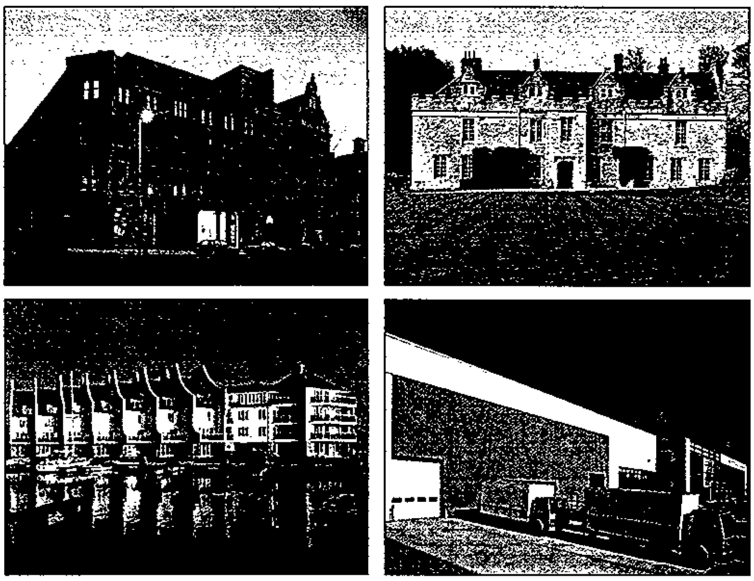
Summaries of each of the main practice areas are set out on the following pages.

Agency

Commercial Agency

Our focus on the markets where there has been strongest growth in activity, central London and the M4 and M3 corridors, produced another good year for our Commercial Agency teams. Highlights included:

- The securing of instructions by our newly opened Birmingham office from Kingspark Developments on Norton Business Park and from Earlplace Limited on Earlplace Business Park.
- Advising Westdeutsche Landesbank Girozentrale on the consolidation of all its London operations, including the WestLB London branch, West Merchant Bank, Panmure Gordon & Co. and Quorum Asset Management, into a single location. This culminated in the pre-leasing of Woolgate House, Coleman Street, London EC2 from MEPC Plc for the construction of a new London office for the Bank, comprising 350,000 sq ft (net).
- The appointment of FPDSavills by Prudential as sole agent for the international marketing and sale of Cleveland House, a 110,000 sq ft (gross) office and residential redevelopment opportunity in the heart of the West End of London.
- The appointment as joint agent by Wilson Bowden Properties for the marketing of the £50m 45 acre International Business Park adjoining East Midlands Airport.



Clockwise from top left: Liberty Properties Plc and Abbey Property Fund, advised by FPDSavills, secured the largest new letting for five years in Manchester's prime office core with James Chapman & Co taking the 30,000 sq ft Kings Buildings at 76 King Street; Boughton Monchelsea Place in Kent, a Grade I battlemented house dating from the Elizabethan Period, was sold by FPDSavills in January 1998; FPDSavills is advising AMP and developers Kingspark on the development of a new distribution park in Park Royal, West London. Over 350,000 sq ft of pre-lettings have now been achieved; FPDSavills is acting for Gemsa in the sale and marketing of Moriconium Quay, an exclusive marina development on the shores of Poole Harbour.

Residential Agency

The London residential market has remained buoyant but, with supply and demand more evenly balanced, the rate of price increases has stabilised. Regional country house prices rose by an average of 10% during the period and continue to rise. Overall, FPDSavills has sold 2,700 residential units, a 15% increase on the previous year. We have also successfully marketed a number of developments including:

- Canary Riverside (Phase I), adjoining Canary Wharf (322 units - Canary Riverside Developments PTE Limited)
- St John's Westminster (185 units - Ballymore Properties)
- Oxford Waterside (199 units - Berkeley Homes)
- Wethered Park, Marlow, Bucks (44 units - Charles Church)

Agricultural Agency

Agricultural Agency has had another active year and maintained its significant share of the farmland market. After six years of significant growth values for more commercially-oriented farms, particularly in the Eastern counties, have softened since their peak in 1997 due to pressure on farming incomes.

Non-farming buyers have, however, continued to maintain values particularly to the west of London, where the Company has sold a number of amenity estates for significant premiums. The sale of Warter Priory in Yorkshire, a prime farming estate consisting of some 11,900 acres, with a guide price in excess of £30m, has so far dominated 1998.

Investment

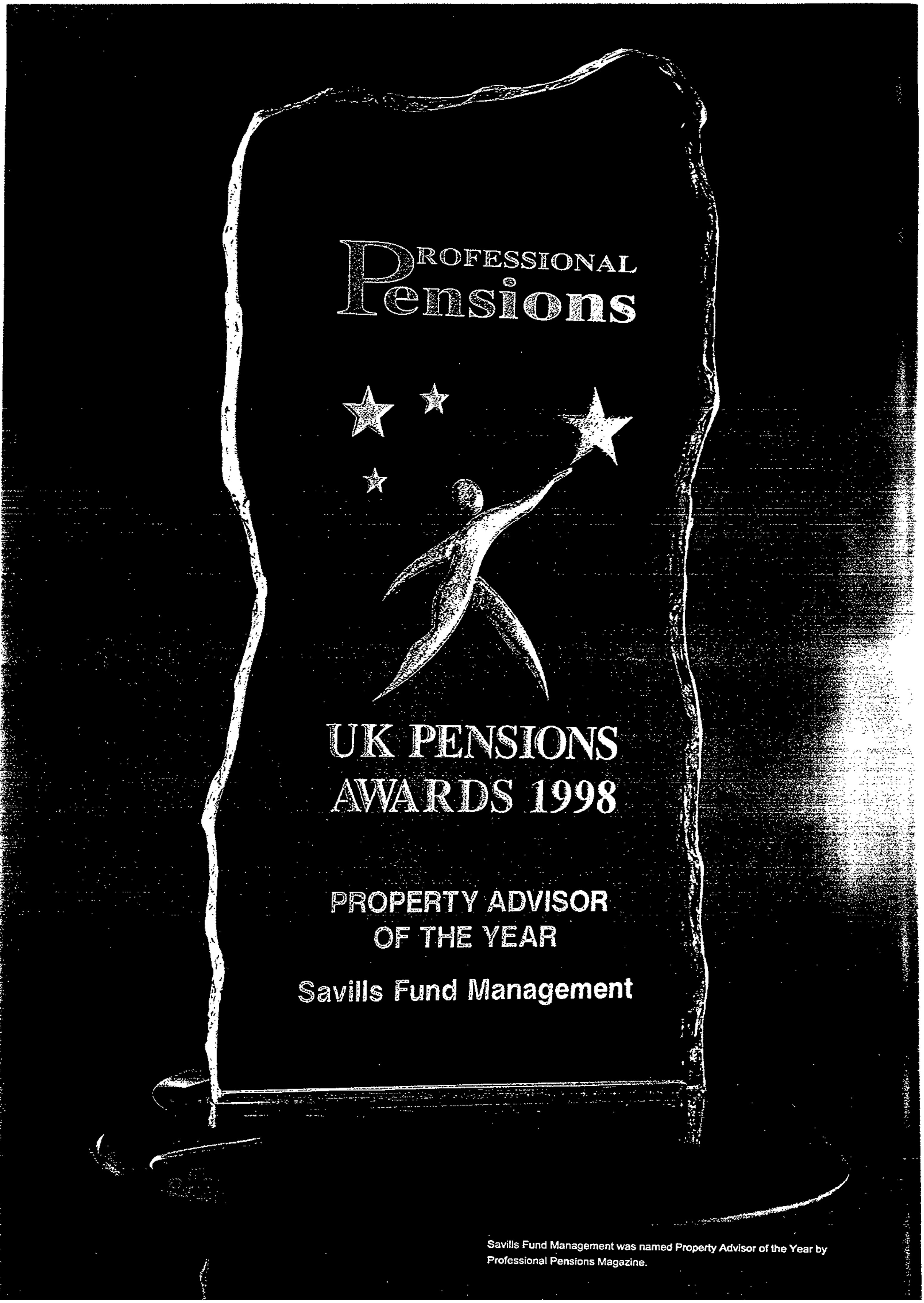
Commercial Investment

The commercial investment market continued to be buoyant although it has not been easy to find the quality of buildings demanded by many investors. A total of more than £1.2bn of property transactions were conducted during the year. Notable deals included:

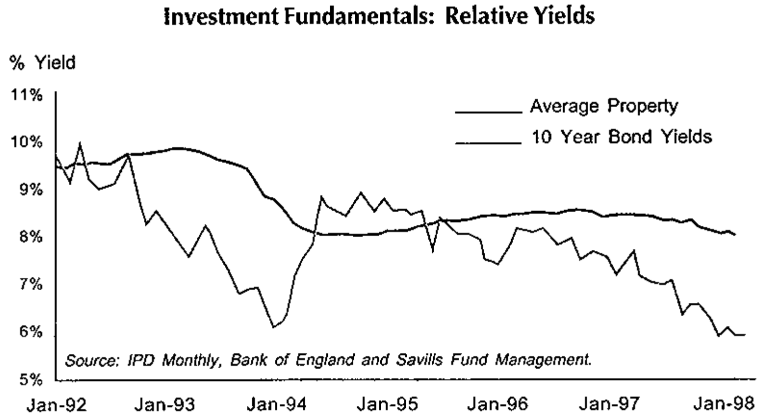
- The sale of Plinston Retail Park, Letchworth, for Grantchester Retail Parks PLC, which was sold for £9.21m, reflecting a net initial yield of 6.09%.
- The acquisition of the freehold interest in 26 Red Lion Square from Cable & Wireless plc for a private Middle Eastern investor for £40m.
- Acting on behalf of Schroder Investment Management in the sale and leaseback of 42 Southwark Bridge Road, as a business continuance centre.

FPDSavills advised on the investment sale of Data General Tower, Brentford to Equitable Life on behalf of P & O Properties.

FPDSavills advised in the sale of the 11,910 acre Warter Priory Estate in Yorkshire to a private purchaser.



Savills Fund Management was named Property Advisor of the Year by Professional Pensions Magazine.



For only the second time in 20 years, property yields stand at a premium to bond yields. The widening gap between the two offers significant scope for the re-rating of property assets.

Fund Management

Savills Fund Management considerably heightened its profile, ending the year by winning the "Property Advisor of the Year" award from Professional Pensions Magazine. Of the five property funds put to tender during the year, Savills Fund Management won two, consisting of strategic advisory roles for Merseyside Pension Fund and Avon Pension Fund.

Residential Investment Portfolios

Our Residential Investment team is rapidly establishing itself as the leader in a market where there is ever-increasing interest in residential property, particularly from institutional investors. We have also added to this team a national Auction department. Notable transactions during the year included the purchase of 895 houses from a BES company for an American investor.

Professional

Building Consultancy

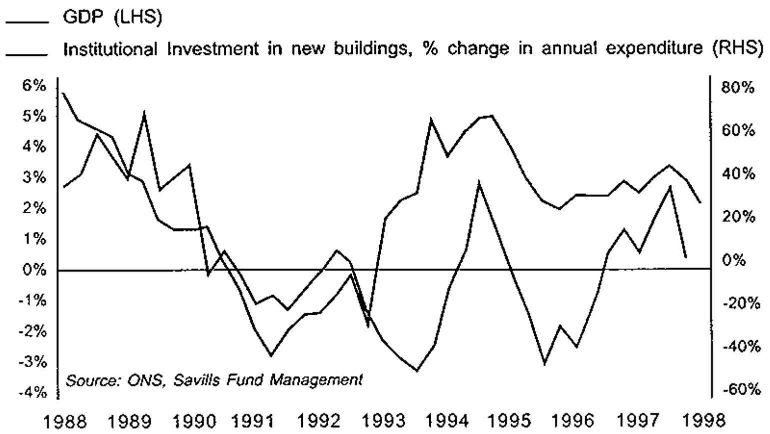
This was another good year for our Building Consultancy department which included advising on a new purpose-built call centre, which was completed ahead of schedule with an 8% saving on budget.

Landlord and Tenant

FPDSavills Commercial is now established as the leading out-of-town retail adviser. During the year the department undertook several high profile retail park rent reviews in London, Exeter and Manchester with average rental growth of 60%.

FPDSavills advised Argent Development Consortium on the sale of the second speculatively built office building at Thames Valley Park to Friends Provident. FPDSavills has been retained by the tenants, JD Edwards, to sublet surplus space.

GDP Growth vs New Supply



Over half a decade of sustained, strong economic growth is now leading to robust occupier demand. The supply of new accommodation has not shown a similar acceleration, resulting in increased rental growth.

Management

Our Commercial Management department was bolstered by the acquisition of the de Havillands business in Manchester, which has brought with it several major new clients including Co-operative Wholesale Society and Greater Manchester Pension Fund.

Trigon, our facilities management joint venture company, has concentrated on the continued development of its management and consultancy services. This has enabled the company to attract new clients and offer additional services to existing clients. It has expanded its role with Ernst & Young by providing project management services; has gained new contracts with companies including P & O Cruises (UK) Limited, Bovis Program Management and Essex & Suffolk Water; and has worked with the FPDSavills Corporate Services team on the Wang/Olivetti project, as described on page 17.

Agricultural Management

It was a difficult year for both the farmer and the landowner. We have made political representations on behalf of our clients concerning Scottish Land Reform and Access to the Countryside as well as on aspects of the proposed reform of the Common Agricultural Policy. Despite these threats to the agricultural markets, both our management and our consultancy businesses have continued to grow. In anticipation of changes in the tax system being introduced by the Government, we established a Tax Estate Planning Group to broaden the advice given to our clients.

Planning and Development

Our London based Planning team is primarily involved with urban redevelopment on behalf of corporate clients. Major new schemes include the proposed renovation of Peter Jones Department Store, SW1 and notable new clients include MINERVA plc, Pillar Property PLC and St. George Plc.

In the regions, our business has grown steadily during the year taking advantage of widespread increases in the value of all forms of development land. Notable deals include one sale of 315 acres for 1,700 houses at Fleet in Hampshire and instructions on several large development schemes for clients including BT and Railtrack. We are involved in many tens of thousands of acres that are likely to come forward for development over the next ten years and beyond and are now recognised as one of the country's leading advisers in strategic planning and development.

FPDSavills has to date sold 130 luxury apartments in this building currently being developed by Ballymore Properties at St John's Gardens, Westminster, London.

FPDSavills advised Pillar Property PLC on the development and acquisition of Edinburgh Fort Retail Park. FPDSavills has also provided joint advice on lettings on this scheme and on asset management of Pillar's adjoining scheme, Kinnaird Retail Park.

FPDSavills undertook the sale of Whitlingham Hospital, Norwich and is currently advising the purchaser on its redevelopment as a residential scheme.

Property Tax

Appeals settled this year show rateable values reduced overall by 13% on average, with savings exceeding £20m. Clients included British Airways, Granada Hospitality, Fina and Lillywhites.

Valuation

The Commercial Valuation department provided the valuation advice for Hypo Bank's £200m finance leasing agreement to finance the construction of Citibank's new UK headquarters building in Canary Wharf and we are appointed as valuers for Pillar's retail warehouse portfolio. The Financing Property Seminar organised by the Head of our Commercial Valuation department attracted attention from the Bank of England when it was revealed that property lending in the UK was nearly double the Bank's figures. This informal piece of research has led to further discussion and a link with De Montfort University to take the research further.

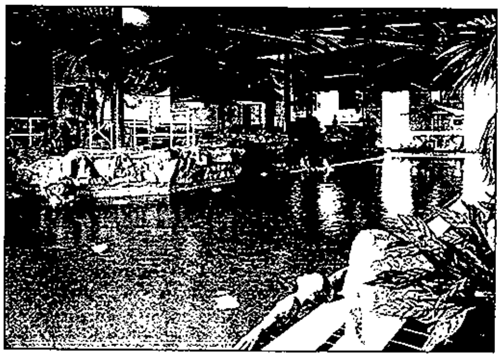
Corporate Services

In a world where clients increasingly demand cross-border advice, our Corporate Services team has been successful in winning some major instructions. As an example, having provided strategic real estate advice on 40 properties in 15 countries to Wang, enabling it to negotiate a £20m reduction in its £270m take-over offer for Olsy, the Olivetti subsidiary, FPD and FPDSavills were appointed by Wang Global as its preferred real estate advisers for its Asia Pacific, European, Middle Eastern and African portfolio.

One of the most demanding and rewarding jobs of the year in the UK was dealing with Cinven's £860m IPC Magazines' acquisition over Christmas. In conjunction with the Management department this assignment was completed in just two weeks.

Hotels

FPDSavills Hotels department has gained a reputation as one of the leading hotel agency teams in London. According to independent research by Estates Gazette and Caterer & Hotelkeeper, in the period from November 1997 to March 1998, FPDSavills cornered the London hotels market selling over 60% of the 2,505 bedrooms sold, realising prices per room of more than £6,000 above the market average and securing a 58% share of the market, worth £92.3m.



(Top left) FPDSavills provided agency, funding and planning services on the 355,000 sq ft Festival Leisure Park in Basildon for Marcol Group and Scotfield Limited. Occupiers include UCI Cinemas, Hollywood Bowl, McDonalds and Rank Leisure. *(Top right)* FPDSavills advised Aston Hotels in its sale of International Hotel and Golf resort, Slaley Hall in Hexham Northumberland, to Greenalls plc. This was one of the biggest provincial hotel deals of the year. *(above)* Grosvenor Hill Ventures is part owner of Switch Island Leisure Park in Sefton. The site has been converted from a retail scheme to a leisure park which includes a new 12 screen Odeon Multiplex, McDonalds and a Tom Cobleigh pub

Leisure

FPDSavills has dealt with more than 3m sq ft of commercial leisure. Major instructions included appointment as sole letting and funding agents for Festival Leisure Park, Basildon on behalf of Marcol Group and Scotfield, with lettings to UCI Cinemas, Bass Hollywood Bowl, Rank Leisure, Chuckle City, City Centre Restaurants, Pizza Hut, Greenalls, Chilli's, McDonalds and Macaroni Grill. The 355,000 sq ft scheme is funded by Norwich Union and is the largest leisure scheme of its type to be completed in the country.

We are pre-eminent in the UK golf course market, having sold or valued in excess of 60 golf facilities during the year. In addition, the Leisure department is currently advising clients on significant golf and leisure developments in mainland Europe.

International

In September 1997, the Company entered into its highly important and far-reaching strategic alliance with First Pacific Davies (FPD) in order to build an international business under the combined brand FPDSavills. We believe that by doing this we can ensure that we are one of the leading international property service businesses in a market which is increasingly polarising between those firms that can provide genuine cross-border advice and those that provide purely national services.

We have taken our first European shareholding, in a Dutch business now rebranded FPDSavills Nederland B.V. Discussions are well advanced for taking majority shareholdings in four or five other countries.

FINANCIAL SERVICES

The contribution from the Financial Services division was disappointing due to the abortive costs within Savills Finance relating to the Housing Investment Trust and the deferral of property sales, but overall we remain very positive about the prospects for the division.

Savills Finance

A considerable amount of effort went into trying to set up Savills Residential Property Trust, which would have been the first Housing Investment Trust to be formed. Although the initial response was very encouraging, the final placing was withdrawn against a background of uncertainty in international markets and, in particular, reluctance of fund managers to commit to a new vehicle. We continue to look at ways of establishing residential investment vehicles with institutional investors.

Savills Private Finance

Savills Private Finance has built up a team of 15 people in the space of nine months and, for the last two months of the year, was trading profitably. We regard this as a major achievement for a business start-up. We believe that its early performance confirms the exciting potential of this business, which is already being seen as a market leader for higher value mortgages and related financial services such as insurance. We plan to build on this position by significantly expanding the business again this year.

Grosvenor Hill Ventures

Progress with the main projects currently in hand is as follows:

- The joint venture to redevelop a retail property at Lord Street, Liverpool will be completed shortly, creating a new first floor retail space pre-let to a national sports retailer.
- At the Switch Island Leisure Park, Sefton the 12 screen Odeon multiplex is built, McDonalds is open and trading and the new Tom Cobleigh pub is under construction.
- Steady progress is being maintained on sales from the portfolio of retail property.
- A joint venture has been established for two projects in Chester.

We will continue to concentrate our efforts on looking for opportunities to co-invest with clients which we believe will become increasingly accepted as the norm, particularly for overseas investors. The ability to do this gives the Group a considerable advantage over other property advisers as well as the potential to earn good returns alongside our investor clients.

Asset Financing - State Securities PLC

Savills' share of profits for the year was £0.6m (1997 - £0.5m). Shortly after the year-end our interest in State Securities was sold to a trade purchaser for £3.2m, representing a surplus over book value of £0.9m. State Securities has proved an outstanding investment for the Group, producing an internal rate of return over a five year period well in excess of the target 20% per annum.

Stockbroking - Killik & Co

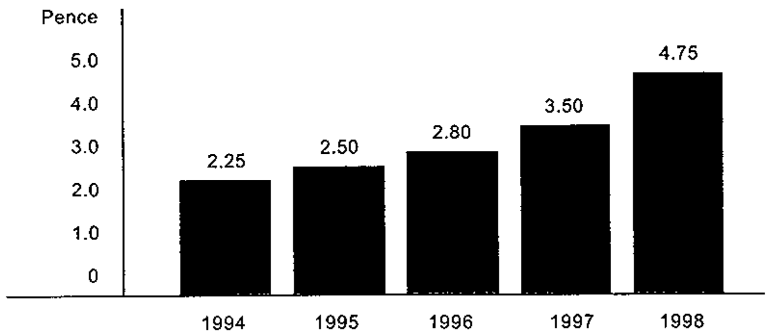
During the year we reduced our shareholding in Killik from 25% to 15% for a payment of £1.2m which more than re-couped our initial investment. Killik continues to trade well and we intend holding the balance of our interest for the foreseeable future.

Housing Management - Pinnacle Group Limited

Pinnacle Group contributed £0.6m; we believe there is considerable potential for developing this group into the leading provider of integrated housing services in the UK.

Financial Review

Dividends per share



The total dividend of 4.75p for the full year is a 36% increase on last year's 3.50p.

Acquisitions

In October 1997 we acquired de Havillands Limited, a commercial management business based in Manchester, for £1.1m including costs. The business has been integrated with our Manchester office and has contributed to profits in the second half of the year. Since the year-end the Group acquired a controlling interest in the James Harris Partnership, a Hampshire based land and estate agency practice.

Borrowing

The Group retains substantial short-term money market facilities with its bankers which are currently not utilised. The purpose of these facilities is to provide working capital for the core Group businesses. In addition, loan facilities are used within Grosvenor Hill Ventures to finance particular property projects. These loans are project specific and without recourse to the parent company.

Net Interest Receivable

Net interest receivable increased from £405,000 to £852,000.

Taxation

The taxation charge was 33.2% of the profit before tax, compared with 36.0% last year.

Earnings and Dividend

Earnings per share amounted to 17.1p, a 37% increase on last year's 12.5p. The Board is recommending a final dividend of 3.5p (net), making 4.75p for the full year, a 36% increase on last year's 3.5p. The dividend will be paid on 11 September 1998 to shareholders on the register at 7 August 1998.

Share Capital

During the year 10,692,922 ordinary shares were issued to First Pacific Davies (UK) Limited. In addition, 460,845 ordinary shares were issued under the Savills plc United Kingdom Executive Share Option Scheme, bringing the total number of ordinary shares in issue at 30 April 1998 to 53.7m (1997 - 42.5m).

Cash Flow and Liquidity

Net cash inflow from operating activities totalled £5.7m which, after allowing for cash flows including taxation, dividends, investments and capital expenditure (see below), and the issue of new shares (see above) produced a net increase in cash and short-term deposits of £19.6m. At 30 April 1998, prior to the payment of year-end bonuses, the Group's cash at bank and in hand amounted to

£26.4m. This was deposited with banks and financial institutions with top credit ratings for periods not exceeding six months, to match known outgoings.

The Group continues to operate a centralised treasury function, which is not a separate profit centre but purely provides a service to the operating companies.

Investments and Capital Expenditure

Cash outflow from Group investments and capital expenditure amounted to £5.7m made up as follows:

	£'000	£'000
Investments		
de Havillands	953	
FPDSavills Nederland B.V.	132	
Barlows (Liverpool)	950	
Barlows (Sefton)	108	
Healthcare Development Services	133	
Liberty (Boughton)	325	
Killik & Co	150	
		2,751
Capital Expenditure		
Equipment & cars	2,732	
Property	255	
		2,987
		5,738

We have temporarily vacated our Head Office at Grosvenor Hill and refurbishment is in progress, with completion expected by the end of 1998. The total capital expenditure involved amounts to £2.6m.

Year 2000

We have initiated a project to ensure that neither performance nor functionality of our business systems is affected by dates prior to, during or after the Year 2000. This process involves:

- Assessing the risk within different areas of our business of a failure of the system to be Year 2000 compliant.
- Identifying the changes that are required for systems which are not compliant and are due to be retained.
- In cases where systems are due to be replaced, ensuring that the new system is both compliant and is due to be installed by mid-1999.
- Reviewing the possible impact on properties occupied by Group companies or managed on behalf of clients.

The cost of this work is being absorbed within existing business systems budgets and is not separately quantified.

Balance Sheet Value

No value is attributed in the Group balance sheet to goodwill or to the value of other intangibles such as brand name or intellectual property rights.

Directors

The following are on the Board of Directors at 6 July 1998:

Directors		Directors
Richard Jewson (Chairman)	■ ● ◆	James Dean
Robert Dean (Deputy Chairman)		Victoria Mitchell
Aubrey Adams (Managing Director)	◆	Justin Roberts
Godfrey Blott (Non-Executive)	■ ● ◆	Charles Sanderson
David Craig (Non-Executive)	■ ● ◆	Rupert Sebag-Montefiore
David Davies (Non-Executive)	■ ● ◆	Geoffrey van Cutsem

■ Audit Committee ● Remuneration Committee ◆ Appointments Committee

Richard Jewson, aged 53, was appointed to the Board as a Non-Executive Director on 1 May 1994, appointed Chairman on 1 March 1995 and is Chairman of the Remuneration Committee. He is currently also Chairman of Ideal Hardware plc and Eastern Counties Newspapers Group Limited, Deputy Chairman of Anglian Water Plc and a Non-Executive Director of Grafton Group plc and Queens Moat Houses PLC.

Robert Dean, aged 58, joined Savills on 1 September 1961, was appointed to the Board on 30 April 1987 and subsequently appointed as Deputy Chairman. He is also Chairman of the holding company of Investment Property Databank and a Director of the Surveyors Mutual Insurance Association.

Aubrey Adams, aged 48, was appointed to the Board on 12 February 1990 and appointed as Managing Director on 19 December 1990. His Non-Executive Directorships include Associated British Ports Holdings PLC and its subsidiary Grosvenor Waterside Group PLC.

Godfrey Blott, aged 41, was appointed to the Board as a Non-Executive Director on 23 October 1997. He is Managing Director of First Pacific Davies (UK) Limited and his other directorships include First Pacific Davies Holdings Limited and First Pacific Davies Limited.

David Craig, aged 50, Chairman of the Audit Committee, was appointed to the Board as a Non-Executive Director on 6 September 1995 and is currently a Director of Northbridge Management Limited, and of First Rand Limited and Rand Merchant Bank Limited both in South Africa. He was previously Managing Director of IFM Asset Management Limited and has also worked for J P Morgan and Hambros Bank.

David Davies O.B.E., aged 55, was appointed to the Board as a Non-Executive Director on 23 October 1997. He is currently Chairman of First Pacific Davies Limited, Deputy Chairman of First Pacific Davies Holdings Limited and an Executive Director of First Pacific Company Limited. He has lived in Hong Kong since 1971.

James Dean, aged 43, joined Savills on 11 June 1973 and was appointed to the Board on 1 December 1987. He is also Chairman of Grosvenor Hill Ventures Limited and a director of Savills Finance Holdings plc.

Victoria Mitchell, aged 47, first joined Savills in 1967, was appointed to the Board on 1 December 1987 and is now Head of FPDSavills' international business. Her Non-Executive Directorships include First Pacific Davies Limited, CLEA Limited and Urban Villages Forum.

Justin Roberts, aged 50, was appointed to the Board on 9 September 1993. He is also Chairman of FPDSavills Commercial Limited, Savills' commercial surveying subsidiary.

Charles Sanderson, aged 46, joined Savills on 5 April 1976 and was appointed to the Board on 1 December 1987.

Rupert Sebag-Montefiore, aged 44, joined Savills in 1980, became Head of FPDSavills Western Region in 1991 and was appointed to the Board on 31 May 1995. He sits on the Editorial Committee of Farmland Market and holds a number of trustee appointments on private estates.

Geoffrey van Cutsem, aged 53, joined Savills on 15 November 1969 and was appointed to the Board on 30 April 1987. He is also Managing Director of FPDSavills Limited, Savills' general practice surveying subsidiary.

Report of the Directors

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 and venture capital funding, and a range of property related financial services.

Dividends

The profit attributable to shareholders is £7.6m (1997 - £4.8m). An interim dividend of 1.25p (net) per share, amounting to £615,000 was paid. It is recommended that a final dividend of 3.5p (net) per share, amounting to £1,717,000 (1997 - £984,000), should be paid, leaving a retained profit for the year of £5.2m (1997 - £3.4m).

Principal developments

The development of the businesses is detailed in the Operating and Financial Reviews on pages 7 to 21.

Directors

The names and short biographical details of the current Directors are shown on pages 22 and 23. Godfrey Blott and David Davies were appointed as Non-Executive Directors on 23 October 1997.

In accordance with the Company's Articles of Association, having been appointed since the last Annual General Meeting, Godfrey Blott and David Davies will retire at this year's Annual General Meeting and, being eligible, offer themselves for re-election. They were appointed to the Board as representatives of First Pacific Davies (UK) Limited, which may nominate two directors to the Board whilst its shareholding in Savills plc remains at 15% or more of the issued share capital. The Directors retiring by rotation at this year's Annual General Meeting are Richard Jewson, Justin Roberts and Rupert Sebag-Montefiore and, being eligible, they will offer themselves for re-election. Richard Jewson does not have a service contract with the Company. Justin Roberts and Rupert Sebag-Montefiore each have a service contract with a notice period of one year or less.

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 30 April 1998 or their families are set out in Note 5(d) to the Accounts on page 41. Details of Directors' share options are given in the Report of the Remuneration Committee on pages 29 and 30.

Substantial shareholdings

As at 1 July 1998, the Company has been notified of the following interests in the Company amounting to 3% or more at the issued ordinary share capital:

Shareholders	**Number of shares**	%
First Pacific Davies (UK) Limited:	10,692,922	19.92%
The Savills plc 1992 Employee Benefit Trust:	4,632,785	8.63%
INVESCO English and International Trust plc:	1,900,000	3.54%

Purchase of own shares

Details of the shares held by The Savills plc 1992 Employee Benefit Trust (the EBT) are given in Note 12(a) to the Accounts on page 44.

Annual General Meeting

The Notice convening the Annual General Meeting, to be held at 25 Finsbury Circus, London EC2M 7EE at 12 noon on 9 September 1998, is contained in a circular sent to shareholders with this report.

Fixed assets

Movements in tangible fixed assets are set out in Note 11 to the Accounts on page 43. In the opinion of the Directors, the market value of the Group's freehold properties is not significantly different from book value.

Creditors payment policy

The Group aims to settle supplier accounts in accordance with the individual terms of business agreed with each supplier. There were 32 days' purchases outstanding at the end of the year for the Group.

Charitable donations & political contributions

The charge to the profit and loss account in respect of donations was £25,000 (1997 - £25,000). The amount paid out of the Group's Charities Aid Foundation account was £26,000 (1997 - £15,000). There were no political contributions.

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. The Group keeps its employees informed of all matters affecting their interests through normal management channels, and continues to promote employee involvement and communications through training within the operating subsidiaries.

It is the policy of the Group to provide employment to disabled people whenever the demands of the Group's operations and the abilities of the individuals allow. Applications for employment from disabled people are considered carefully and, where existing employees become disabled, every effort is made to find or create suitable positions for them.

Corporate governance

The Stock Exchange has incorporated into the Listing Rules a Code of Practice combining the principles of the Cadbury, Greenbury and Hampel Committees. The Board will report on compliance with the Combined Code next year.

The Directors have reviewed the Company's compliance with the Cadbury Committee's Code of Best Practice (the Code) and, during the year, have addressed the outstanding areas of non-compliance as follows:

- A schedule of matters reserved for the Board (paragraph 1.4 of the Code) was adopted on 29 May 1997.

- The Company now has four Non-Executive Directors (paragraph 1.3 of the Code) following the appointment of David Davies and Godfrey Blott on 23 October 1997 and, on 17 December 1997, the two new Directors were also appointed as members of the Audit Committee (paragraph 4.3 of the Code).

- Terms of reference of the Board Committees (paragraph 4.3) and the procedures whereby Directors can take independent professional advice (paragraph 1.5) were formally adopted on 17 December 1997.

Subject to the foregoing, the Company has complied with the Code's recommendations throughout the year under review.

Corporate governance (continued)

The Directors are responsible for the Group's system of internal financial control. The system is designed to provide reasonable 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. However, such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee and the Board have reviewed the effectiveness of the system of internal financial control for the period covered by this Report, the main elements of which are as follows:

- 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.

- Directors of the operating subsidiaries are closely involved in the day to day business of their respective companies, thus facilitating the prompt identification of business risks and appropriate action. Systems are in place to monitor and control both financial and operational risks, where appropriate. The Board and the boards of the main operating subsidiaries regularly monitor changes in the business environment and competition facing the main areas of the business.

- There is a comprehensive system for planning and reporting the performance of each business unit. The Board meets regularly throughout the year and reviews the Group's overall results against plan and the previous year; forecasts are regularly updated.

- The Audit Committee meets with the external auditors and internal financial managers at least twice each year to review the interim and final results and to address other matters raised, including any related to the system of internal financial control.

After making enquiries, the Directors have a 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.

The Auditors, KPMG Audit Plc, have confirmed that in their opinion, with respect to the Directors' above statements on internal financial control and going concern, the Directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the Accounts; and that the Directors' above statement appropriately reflects the Company's compliance with the other paragraphs of the Code, specified by the Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to, and they did not, express a separate opinion on the effectiveness of either the Group's system of internal financial control or the Company's corporate governance procedures, or on the ability of the Group to continue in operational existence.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

C. E. Hildrey
6 July 1998

Registered office:
20 Grosvenor Hill
Berkeley Square
London W1X 0HQ

Report of the Remuneration Committee

Introduction

With respect to the year ended 30 April 1998, the Company has complied with Section A of the Best Practice Provisions annexed to the Listing Rules. In considering its policy on Executive Directors' remuneration, the Remuneration Committee has given full consideration to the provisions of Section B of the Best Practice Provisions annexed to the Listing Rules.

The Remuneration Committee of the Board of Savills plc is comprised exclusively of Non-Executive Directors, currently Richard Jewson (Committee Chairman), Godfrey Blott, David Craig and David Davies. In addition, the Remuneration Committee meetings are attended by the Managing Director, Aubrey Adams, as appropriate.

Directors' remuneration

The Remuneration Committee determines the emoluments of the Executive Directors. The fees of the Non-Executive Directors 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 pension entitlement.

It is essential for the Company to provide remuneration packages which attract, retain and motivate Directors and staff of the highest quality. All the Executive Directors, except the Managing Director, Aubrey Adams, are employed by one of the operating subsidiaries. The directors of each subsidiary set the basic salaries and bonus payments of all their staff, having regard to the subsidiary's performance and the remuneration packages paid by its competitors. On this basis, they make recommendations to the Savills plc Remuneration Committee with regard to those of their staff who are Executive Directors.

Salary and annual bonus: Savills' business philosophy is founded on the premise that employees should be motivated through highly incentive-based remuneration packages and, as part of this policy, basic salaries and benefits are strictly controlled. Each operating subsidiary has a bonus scheme directly related to the profit of that subsidiary after charging all costs, including central overheads and finance charges; the amounts available for distribution within these bonus pools are calculated in bands between 27% of profit through to 59% for excellent performance based on the achievement of pre-determined thresholds. 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.

The Managing Director's salary and bonus are fixed by the Remuneration Committee, having regard to the Group's performance and the remuneration packages of the other Executive Directors.

Each of the main employing companies currently includes a profit related pay (PRP) element within its remuneration package. PRP applies to all relevant staff, including Executive Directors, employed by each employing company.

Pension: The Inland Revenue approved Pension and Life Assurance Plan of Savills (the Plan) provides life assurance benefits to all relevant staff including the Chairman and the Executive Directors. Currently two Executive Directors also participate in the Plan for pension benefits. The Plan is a defined benefit scheme which provides a pension based on final basic salary and length of service. Only basic salary is pensionable. The normal retirement age is 60. In addition to Plan contributions, the Group is making contributions to one Executive Director's defined contribution individual pension plan.

Currently one Executive Director's Plan pension benefits are subject to the Inland Revenue earnings cap for approved pension schemes. There are no "top up" provisions for staff or Directors who are subject to this cap.

Directors' remuneration (continued)

Benefits: Executive Directors and senior staff are provided with a company car (or salary allowance), and they and their immediate families are members of the Savills Medical Scheme.

Analysis of Directors' remuneration:

Executive Directors	Salary/fees 1998 £	Salary/fees 1997 £	Annual bonus 1998 £	Annual bonus 1997 £	Benefits 1998 £	Benefits 1997 £	Total excl. pension 1998 £	Total excl. pension 1997 £
Aubrey Adams	110,048	107,893	190,000	148,675	590	513	300,638	257,081
James Dean	86,687	78,438	136,752	326,060	354	512	223,793	405,010
Robert Dean	96,250	97,167	60,220	101,406	5,430	7,772	161,900	206,345
Victoria Mitchell	95,441	91,667	185,000	176,000	5,732	5,764	286,173	273,431
Justin Roberts	90,834	84,167	558,739	268,925	6,674	6,597	656,247	359,689
Charles Sanderson	93,583	91,667	196,365	72,501	4,930	4,852	294,878	169,020
Rupert Sebag-Montefiore	74,853	68,333	130,000	118,550	2,367	3,177	207,220	190,060
Geoffrey van Cutsem	100,890	97,167	224,000	191,000	3,707	3,629	328,597	291,796

Non-Executive Directors	Salary/fees 1998 £	Salary/fees 1997 £	Annual bonus 1998 £	Annual bonus 1997 £	Benefits 1998 £	Benefits 1997 £	Total excl. pension 1998 £	Total excl. pension 1997 £
Godfrey Blott* (appointed 23.10.97)	11,250	-	-	-	-	-	11,250	-
David Craig	32,083	30,000	-	-	-	-	32,083	30,000
David Davies* (appointed 23.10.97)	11,250	-	-	-	-	-	11,250	-
Richard Jewson	59,167	55,000	-	-	-	-	59,167	55,000

* Fees for Godfrey Blott and David Davies are paid to First Pacific Holdings (UK) Limited.

Analysis of Directors' pension entitlements - defined benefit scheme:

In the following table, the increase in accrued pension during the year excludes any increase for inflation.

The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less the Director's contributions.

The accumulated accrued pension entitlement shown is that which would be paid annually on retirement based on service to 30 April 1998.

Directors' remuneration (continued)

Executive Directors	Increase in accrued pension during the year 1998 £	1997 £	Transfer value of increase 1998 £	1997 £	Accumulated total accrued pension at the end of the year 1998 £	1997 £
Justin Roberts	1,494	1,500	18,594	10,969	6,692	5,017
Rupert Sebag-Montefiore	1,873	3,218	18,893	20,268	20,104	17,597

Analysis of Directors' pension entitlements - defined contribution scheme:

The Company has made a contribution of £15,000 (1997 - £15,000) to Rupert Sebag-Montefiore's defined contribution individual pension plan.

Directors' share options

Options currently subsist under two share option schemes.

(a) Outstanding options remain under the Savills plc United Kingdom Executive Share Option Scheme, an Inland Revenue approved scheme which has now expired. No grants have been made under this Scheme during the year under review. Under the rules of the Scheme, no further grants are permitted.

(b) Under the Savills plc 1992 Executive Share Option Scheme (the ESOP), senior executives may receive options to purchase shares at a nominal exercise price, exercisable in normal circumstances between five and seven years after grant. The ESOP is operated in conjunction with The Savills plc 1992 Employee Benefit Trust (EBT).

Grants are made by the Board on a phased basis, having regard to individuals' performances and anticipated contributions to the Group. Grants to Executive Directors are approved by the Remuneration Committee. Details of Executive Directors' share options are set out below.

Executive share options

Directors	Number of shares At 01.05.97	Exercised during year	At 30.04.98	Exercise price	Date from which exercisable	Expiry date
Rupert Sebag-Montefiore	15,322	15,322*	-	50p	24.03.91	24.03.98
	13,340	-	13,340	24p	20.08.95	20.08.02

* The mid-market price at the date of exercise was 133.5p.

Directors' share options (continued)

ESOP share options

Directors	Number of shares				Exercise price	Date from which exercisable	Expiry date
	At 01.05.97	Granted during year	Exercised during year	At 30.04.98			
Aubrey Adams	80,000	-	-	80,000	Nominal	02.08.98	02.08.00
James Dean	25,000	-	-	25,000	Nominal	15.08.99	15.08.01
Justin Roberts	40,000	-	-	40,000	Nominal	15.08.99	15.08.01
	20,000	-	-	20,000	Nominal	30.01.01	30.01.03
Charles Sanderson	25,000	-	-	25,000	Nominal	15.08.99	15.08.01
	20,000	-	-	20,000	Nominal	30.01.01	30.01.03
Rupert Sebag-Montefiore	25,000	-	25,000*	-	Nominal	25.01.98	25.01.00
	30,000	-	-	30,000	Nominal	15.08.99	15.08.01
	30,000	-	-	30,000	Nominal	30.01.01	30.01.03
	20,000	-	-	20,000	Nominal	25.07.01	25.07.03
	-	20,000	-	20,000	Nominal	14.01.03	14.01.05

* The mid-market price at the date of exercise was 142p.

No Directors' executive share options or ESOP share options lapsed during the year. The mid-market price of the shares at 30 April 1998 was 135p and the range during the year was 104.5p to 142.5p.

At 30 April 1998, all the Executive Directors were deemed to have an interest (for the purposes of the Companies Act 1985) in 2,517,785 shares held by the Trustee of the EBT.

Service contracts

The Directors' contracts of employment or service contracts contain a notice period of one year or less. The Directors who are standing for re-election at the Annual General Meeting are Godfrey Blott, David Davies, Richard Jewson, Justin Roberts and Rupert Sebag-Montefiore. Godfrey Blott and David Davies were appointed to the Board as representatives of First Pacific Davies (UK) Limited, which may nominate two directors to the Board whilst its shareholding in the Company remains at 15% or more of the issued share capital. Richard Jewson does not have a service contract with the Company. Justin Roberts and Rupert Sebag-Montefiore both have a contract with a notice period of one year or less.

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.

R. W. JEWSON
Chairman of the Remuneration Committee
6 July 1998

Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' Report regarding the respective responsibilities of Directors and Auditors set out on page 32, is made with a view to distinguishing for shareholders those respective responsibilities in relation to the Accounts.

Company law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. The Directors consider that in preparing the Accounts the Company has:

- selected appropriate accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts; and
- prepared the Accounts on the going concern basis as it is appropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors, KPMG Audit Plc, to the Members of Savills plc

We have audited the Accounts on pages 33 to 53. We have also examined the amounts disclosed relating to emoluments, share options, long term incentive scheme interests and Directors' pension scheme entitlements which form part of the Remuneration Committee's Report on pages 27 to 30.

Respective responsibilities of Directors and Auditors

As described on page 31, the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Group'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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the affairs of the Company and the Group as at 30 April 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

6 July 1998
London

Consolidated Profit & Loss Account

year ended 30 April 1998

	Notes	1998 £'000	1997 £'000
Turnover			
Continuing operations		71,520	54,815
Acquisitions		603	-
	2	72,123	54,815
Operating profit			
Continuing operations		8,267	6,615
Acquisitions		190	-
	2 & 3	8,457	6,615
Profit/(loss) on disposal of property	2	36	(116)
Profit on disposal of investment		395	-
Income from interests in associated undertakings		1,572	713
Profit before interest		10,460	7,212
Net interest	7	852	405
Profit on ordinary activities before taxation	2	11,312	7,617
Taxation on profit on ordinary activities	8	(3,754)	(2,745)
Profit on ordinary activities after taxation		7,558	4,872
Minority interests		19	(57)
Profit for the financial year		7,577	4,815
Dividends paid & proposed	9	(2,332)	(1,386)
Profit for the year transferred to reserves	19	5,245	3,429
Earnings per share (1997 restated)	10	17.1p	12.5p

There are no recognised gains or losses other than those shown in the profit and loss account above.

There is no material difference between the results disclosed in the consolidated profit and loss account and the results on a historical basis.

The movement on reserves is set out in Note 19 to the Accounts.

The Notes on pages 37 to 53 form part of the Accounts.

Balance Sheets

at 30 April 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Tangible assets	11	5,886	5,059	578	639
Investments	12	8,440	5,485	20,043	14,014
		14,326	10,544	20,621	14,653
Current assets					
Property held for sale		10,533	2,770	-	-
Work in progress		1,584	1,308	-	-
Debtors	13	20,891	17,278	713	3,220
Cash at bank & in hand		26,439	6,775	24,225	4,397
		59,447	28,131	24,938	7,617
Creditors - amounts falling due within one year	15	35,861	21,546	8,188	6,241
Net current assets		23,586	6,585	16,750	1,376
Total assets less current liabilities		37,912	17,129	37,371	16,029
Creditors - amounts falling due after more than one year	16	69	18	-	-
Provisions - for liabilities & charges	17	196	332	-	-
Net assets		37,647	16,779	37,371	16,029
Capital & reserves					
Called up equity share capital	18	2,683	2,125	2,683	2,125
Share premium account	19	24,998	8,833	24,998	8,833
Merger reserve	19	-	-	3,009	3,009
Profit & loss account	19	9,915	5,751	6,681	2,062
Shareholders' funds - equity		37,596	16,709	37,371	16,029
Minority interests - equity		51	70	-	-
		37,647	16,779	37,371	16,029

Approved by the Board of Directors on 6 July 1998 and signed on its behalf by

R. W. JEWSON

A. J. ADAMS

The Notes on pages 37 to 53 form part of the Accounts.

Consolidated Cash Flow Statement

year ended 30 April 1998

	Notes	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Net cash inflow from operating activities	24		5,671		7,286
Returns on investments & servicing of finance:					
Interest received		1,148		663	
Interest paid		(416)		(254)	
Interest element of finance leases		(7)		(4)	
Dividends received		445		192	
Minority interest dividend paid		(30)		-	
Net cash inflow from returns on investments & servicing of finance			1,140		597
Taxation:					
Net UK corporation tax paid		(2,434)		(1,236)	
ACT paid		(561)		(82)	
Tax paid			(2,995)		(1,318)
Capital expenditure & financial investment:					
Purchase of tangible fixed assets		(2,987)		(1,601)	
Purchase of fixed asset investments		(132)		(78)	
Sale of tangible fixed assets		383		1,106	
Purchase of own shares		(1,884)		(697)	
Loans to associates		(1,516)		(1,547)	
Repayments of loans to associates		715		846	
Net cash outflow from capital expenditure & financial investment			(5,421)		(1,971)
Acquisitions & disposals:					
Purchase of subsidiary undertaking	12(c)	(953)		(164)	
Net (overdraft)/cash acquired with subsidiary undertaking		(10)		278	
Purchase of interests in associated undertakings		(150)		(1,616)	
Purchase of business		-		(100)	
Sale of investment		545		-	
Net cash outflow from acquisitions & disposals			(568)		(1,602)
Equity dividends paid			(1,599)		(1,167)
Cash (outflow)/inflow before use of liquid resources & financing			(3,772)		1,825
Management of liquid resources:					
Decrease in monies held by the Trustee of the EBT	26	113		103	
Increase in short-term deposits		(19,000)		-	
Net cash (outflow)/inflow from management of liquid resources			(18,887)		103
Financing:					
Issue of shares		16,723		246	
Increase in short term borrowings		6,696		757	
Capital element of finance leases		(72)		(10)	
Inception of finance leases		97		-	
Net cash inflow from financing			23,444		993
Increase in cash for the year	26		785		2,921

The Notes on pages 37 to 53 form part of the Accounts.

Balance Sheets

at 30 April 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Tangible assets	11	5,886	5,059	578	639
Investments	12	8,440	5,485	20,043	14,014
		14,326	10,544	20,621	14,653
Current assets					
Property held for sale		10,533	2,770	-	-
Work in progress		1,584	1,308	-	-
Debtors	13	20,891	17,278	713	3,220
Cash at bank & in hand		26,439	6,775	24,225	4,397
		59,447	28,131	24,938	7,617
Creditors - amounts falling due within one year	15	35,861	21,546	8,188	6,241
Net current assets		23,586	6,585	16,750	1,376
Total assets less current liabilities		37,912	17,129	37,371	16,029
Creditors - amounts falling due after more than one year	16	69	18	-	-
Provisions - for liabilities & charges	17	196	332	-	
Net assets		37,647	16,779	37,371	16,029
Capital & reserves					
Called up equity share capital	18	2,683	2,125	2,683	2,125
Share premium account	19	24,998	8,833	24,998	8,833
Merger reserve	19	-	-	3,009	3,009
Profit & loss account	19	9,915	5,751	6,681	2,062
Shareholders' funds - equity		37,596	16,709	37,371	16,029
Minority interests - equity		51	70	-	-
		37,647	16,779	37,371	16,029

Approved by the Board of Directors on 6 July 1998 and signed on its behalf by

R. W. JEWSON

A. J. ADAMS

The Notes on pages 37 to 53 form part of the Accounts.

Consolidated Cash Flow Statement

year ended 30 April 1998

	Notes	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Net cash inflow from operating activities	24		5,671		7,286
Returns on investments & servicing of finance:					
Interest received		1,148		663	
Interest paid		(416)		(254)	
Interest element of finance leases		(7)		(4)	
Dividends received		445		192	
Minority interest dividend paid		(30)		-	
Net cash inflow from returns on investments & servicing of finance			1,140		597
Taxation:					
Net UK corporation tax paid		(2,434)		(1,236)	
ACT paid		(561)		(82)	
Tax paid			(2,995)		(1,318)
Capital expenditure & financial investment:					
Purchase of tangible fixed assets		(2,987)		(1,601)	
Purchase of fixed asset investments		(132)		(78)	
Sale of tangible fixed assets		383		1,106	
Purchase of own shares		(1,884)		(697)	
Loans to associates		(1,516)		(1,547)	
Repayments of loans to associates		715		846	
Net cash outflow from capital expenditure & financial investment			(5,421)		(1,971)
Acquisitions & disposals:					
Purchase of subsidiary undertaking	12(c)	(953)		(164)	
Net (overdraft)/cash acquired with subsidiary undertaking		(10)		278	
Purchase of interests in associated undertakings		(150)		(1,616)	
Purchase of business		-		(100)	
Sale of investment		545		-	
Net cash outflow from acquisitions & disposals			(568)		(1,602)
Equity dividends paid			(1,599)		(1,167)
Cash (outflow)/inflow before use of liquid resources & financing			(3,772)		1,825
Management of liquid resources:					
Decrease in monies held by the Trustee of the EBT	26	113		103	
Increase in short-term deposits		(19,000)		-	
Net cash (outflow)/inflow from management of liquid resources			(18,887)		103
Financing:					
Issue of shares		16,723		246	
Increase in short term borrowings		6,696		757	
Capital element of finance leases		(72)		(10)	
Inception of finance leases		97		-	
Net cash inflow from financing			23,444		993
Increase in cash for the year	26		785		2,921

The Notes on pages 37 to 53 form part of the Accounts.

Reconciliation of Movements in Shareholders' Funds

year ended 30 April 1998

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Profit for the financial year	7,577	4,815	6,951	1,132
Dividends	(2,332)	(1,386)	(2,332)	(1,386)
Retained profit/(loss) for the year	5,245	3,429	4,619	(254)
Issue of share capital	16,723	1,996	16,723	1,996
Goodwill written off	(1,121)	(3,993)	-	-
Transfer of goodwill on disposal	40	-	-	-
Net increase in shareholders' funds	20,887	1,432	21,342	[illegible]
Shareholders' funds at beginning of year	16,709	15,277	16,029	[illegible]
Shareholders' funds at end of year	37,596	16,709	37,371	[illegible]

The Notes on pages 37 to 53 form part of the Accounts.

Notes to the Accounts

year ended 30 April 1998

1. Principal accounting policies

Basis of accounting - The Accounts on pages 33 to 53 have been prepared under the historical cost convention as modified by the revaluation of investments in life assurance policies, as permitted by the alternative accounting rules set out in the fourth schedule to the Companies Act 1985, and in accordance with applicable accounting standards.

Consolidation - The consolidated accounts deal with the results of Savills plc and its subsidiaries and associated undertakings. The results of subsidiary undertakings acquired or disposed of during the year are included from, or up to, the date control passes. Intra-group sales and profits are eliminated on consolidation. The Group's share of the results of associated undertakings is included in the consolidated profit and loss account, and the Group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the most recent audited accounts of the undertakings concerned, or management accounts where recent audited accounts are unavailable.

Goodwill - Goodwill, representing the excess of the purchase price of businesses and shares in subsidiary or associated undertakings (including associated costs of acquisition) over the fair value of the separable net assets acquired, is eliminated against reserves in the year of acquisition.

Turnover - Turnover in respect of property consultancy activities represents commissions and fees receivable excluding VAT, together with movements in work in progress. In addition, sales of properties held by the Group for its own account as trading assets are included in turnover.

Fixed assets - Fixed assets are valued at historical cost less provision for depreciation and any permanent diminution in value.

Employee Benefit Trust - The Company has established The Savills plc 1992 Employee Benefit Trust (the EBT), the purposes of which are to grant options to employees to acquire shares in the Company pursuant to the Savills plc 1992 Executive Share Option Scheme and to hold shares in the Company for subsequent transfer to employees on exercise of the options granted. The cost of shares in the EBT which have been allocated to employees pursuant to options granted is written off to the profit and loss account in full on allocation. The assets and liabilities of the EBT are included in the balance sheets of the Group and the Company.

Depreciation - Provision for depreciation is made at rates calculated to write off the cost, less estimated residual value, of tangible fixed assets over their estimated useful lives as follows:

	Years
Leasehold land & buildings	over unexpired term of lease
Furniture & office equipment	6
Motor vehicles	5
Computer equipment & software	between 3 & 5

It is the Group's policy to maintain all its freehold properties to a high standard. Because of this, such properties maintain residual disposal values at least equal to their book values and accordingly no provision for depreciation is made. Any permanent diminution in value is charged against the profit and loss account.

Property held for sale - Properties held by the Group for its own account as trading properties are stated at the lower of cost and net realisable value.

Work in progress - Work in progress is stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads. Long term work in progress is assessed on a contract by contract basis; turnover and related costs are included in the profit and loss account as contract activity progresses. Where the outcome of a long term contract can be assessed with reasonable certainty, attributable profit is recognised. Long term contracts are stated at cost net of amounts transferred to cost of sales, foreseeable losses and applicable payments on account. No value is attributed to residential agency work in progress until contracts on the underlying transactions have been exchanged, at which point income is recognised in full. No value is attributed to commercial agency work in progress until completion, at which point income is recognised in full.

Deferred taxation - Deferred taxation is provided using the liability method in respect of timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

1. Principal accounting policies (continued)

Accounting for leases - Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at amounts equal to the original cost of the assets to the lessors and depreciation has been provided on the basis of the Group depreciation policy. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest elements are charged to the profit and loss account. The annual payments under all other lease agreements, known as operating leases, are charged to the profit and loss account on an accruals basis.

Pension costs - Retirement benefits for employees are provided by a scheme which is funded by contributions from the Group and its employees. The contributions are determined by an independent qualified actuary, and are charged to the profit and loss account in order to spread the cost of pensions over the service lives of employees in the scheme. The Group also operates a number of defined contribution individual pension plans.

Foreign currency translation - Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Gains and losses from foreign currency transactions are included in the profit and loss account.

2. Segmental analysis **1998**	FPDSavills Commercial £'000	FPDSavills £'000	Financial Services £'000	Holding Company £'000	Group £'000
Turnover (all UK origin)	27,145	41,908	3,070	-	72,123
Operating profit/(loss)	4,950	5,049	(700)	(842)	8,457
Profit on disposal of property	-	-	-	36	36
Profit on disposal of associated undertaking	-	-	395	-	395
Income from interests in associated undertakings	-	-	1,521	51	1,572
Profit/(loss) before interest & taxation	4,950	5,049	1,216	(755)	10,460
Net interest	238	82	(710)	1,242	852
Profit before taxation	5,188	5,131	506	487	11,312
Net assets	3,788	4,617	7,329	21,913	37,647

1997

Turnover (all UK origin)	18,720	35,055	1,040	-	54,815
Operating profit/(loss)	2,684	4,322	(14)	(377)	6,615
Loss on disposal of property	-	-	-	(116)	(116)
Income from interests in associated undertakings	-	-	713	-	713
Profit/(loss) before interest & taxation	2,684	4,322	699	(493)	7,212
Net interest	200	62	(150)	293	405
Profit/(loss) before taxation	2,884	4,384	549	(200)	7,617
Net assets	3,870	4,328	5,226	3,355	16,779

Turnover by destination is not materially different from turnover by origin.

3. Operating profit

	1998 £'000	1997 £'000
Turnover	72,123	54,815
Staff costs (see Note 5)	(41,134)	(31,576)
Depreciation & other amounts written off tangible fixed assets	(1,928)	(1,680)
Cost of sales - trading properties	(1,396)	-
Other operating charges	(19,208)	(14,944)
Operating profit	8,457	6,615

Included in operating profit are amounts relating to acquisitions being turnover of £603,000, staff costs of £249,000, depreciation of £26,000 and other operating charges of £138,000.

Operating profit is stated after charging/(crediting):		1998 £'000	1997 £'000
Loss/(profit) on sale of fixed assets		64	(48)
Auditors' remuneration:	Audit work	106	77
	Non-audit work	26	24
Operating lease rentals:	Property	3,536	3,145
	Other	138	165
Rental income		(801)	(400)

Auditors' remuneration for the audit of the Company amounts to £26,000 (1997 - £23,000).

4. Profit & loss account of Savills plc

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these Accounts. The profit after taxation for the year of the Company was £6,951,000 (1997 - £1,132,000).

5. Staff & Directors

(a) Analysis of staff costs

	1998 £'000	1997 £'000
Basic salaries & wages	22,054	18,276
Incentive bonuses & commissions	14,578	9,848
	36,632	28,124
Social security costs	3,447	2,596
Other pension costs	1,055	856
	41,134	31,576

(b) Staff numbers

The average number of employees during the year was 870 (1997 - 753).

(c) Directors' emoluments

A breakdown of current Directors' emoluments, including those of the highest paid Director, is shown in the Report of the Remuneration Committee on pages 28 and 29.

(c) Directors' emoluments (continued)

The aggregate emoluments in connection with the management of the Group's affairs (including pension contributions) of the Directors were:		1998 £'000	1997 £'000
Executive Directors:	Remuneration excluding bonuses	779	750
	Bonuses	1,681	1,403
	Pension contributions	12	26
Fees to Non-Executive Directors		91	85
		2,563	2,264

Rupert Sebag-Montefiore has waived emoluments of £15,000 in respect of the year to 30 April 1998 (1997 - £15,000).

During the year, an aggregate gain of £48,000 was made by Directors on the exercise of executive share options and ESOP share options (1997 - £nil).

The pension annuity accrued for the highest paid Director was £6,692, with no lump sum accrued (1997 - £nil).

(d) Directors' interests

Interests in the share capital of the Company beneficially held by members of the Board of Directors or their families at 30 April 1998 are detailed below:

Ordinary shares	At 30 April 1998	At 1 May 1997
Aubrey Adams	150,000	116,670
Godfrey Blott	-	-
David Craig	-	-
David Davies	-	-
James Dean	473,000	473,000
Robert Dean	756,706	756,706
Richard Jewson	20,000	20,000
Victoria Mitchell	624,647	624,647
Justin Roberts	110,000	100,000
Charles Sanderson	50,000	50,000
Rupert Sebag-Montefiore	74,496	51,424
Geoffrey van Cutsem	1,170,000	1,170,000

James Dean held a non-beneficial interest in 30,000 ordinary shares (1997 - 30,000). This was the only non-beneficial interest in the share capital of the Company held by members of the Board of Directors or their families at 30 April 1998.

Details of Directors' share options are given in the Report of the Remuneration Committee on pages 29 and 30.

The Company has not been notified of any changes since 30 April 1998 in the interests detailed above.

6. Pension scheme

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 fund units. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by an independent qualified actuary on the basis of triennial valuations.

6. Pension scheme (continued)

The most recent actuarial valuation completed, using the projected unit method, was as at 6 April 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9.5% per annum, that salary increases would average 8% per annum and that present and future pensions would increase at the rates guaranteed in the scheme rules. The valuation showed that the market value of the scheme's assets was £10,293,000 and that the actuarial value of those assets represented 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The current Group contribution rate and the employee contribution rate are 8% and 5% of pensionable salaries respectively. These rates may change subject to the outcome of an actuarial valuation as at 6 April 1998 currently being undertaken.

The Group also operates a number of defined contribution individual pension plans.

The total pension charge to the Group for the year was £1,055,000 (1997 - £856,000).

7. Net interest	1998 £'000	1997 £'000
Interest receivable from associated undertakings	214	237
Other interest receivable & similar income	1,082	426
	1,296	663
Finance charges in respect of finance leases	(7)	(4)
Bank interest payable	(437)	(254)
	(444)	(258)
	852	405

8. Taxation	1998 £'000	1997 £'000
UK corporation tax based on the profit for the year at 31% (1997 - 33%)	3,273	2,487
Under/(over) provision in respect of prior years	34	(2)
Deferred taxation	89	19
Share of associated undertakings' taxation	358	241
	3,754	2,745

Included in the tax charge for the year was the tax on profit on disposal of property and investments of £134,000.

9. Dividends	1998 £'000	1997 £'000
Ordinary interim dividend paid	615	402
Ordinary proposed final dividend of 3.5p (net) per share (1997 - 2.5p (net) per share)	1,717	984
	2,332	1,386

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 Trust.

10. Earnings per share

The earnings per share have been calculated using the weighted average number of shares in issue of 44,347,000 (1997 - 38,425,000). The comparative figure has been restated so as to exclude from the weighted average number of shares in issue the shares held by the EBT.

11. Tangible assets

Group

		Freehold property £'000	Short leasehold property £'000	Equipment & motor vehicles Owned £'000	Equipment & motor vehicles Leased £'000	Total £'000
Cost or valuation	At 1 May 1997	750	2,480	10,629	64	13,923
	Additions	2	253	2,732	-	2,987
	Subsidiaries acquired	-	-	54	125	179
	Disposals	(180)	(252)	(988)	(30)	(1,450)
	At 30 April 1998	572	2,481	12,427	159	15,639
Depreciation	At 1 May 1997	70	1,329	7,406	59	8,864
	Charge for the year	-	142	1,759	-	1,901
	Subsidiaries acquired	-	-	4	23	27
	Disposals	(70)	(231)	(708)	(30)	(1,039)
	At 30 April 1998	-	1,240	8,461	52	9,753
Net book value	At 30 April 1998	572	1,241	3,966	107	5,886
	At 30 April 1997	680	1,151	3,223	5	5,059

Company

		Freehold property £'000	Equipment & motor vehicles owned £'000	Total £'000
Cost or valuation	At 1 May 1997	698	46	744
	Additions	46	11	57
	Disposals	(180)	(13)	(193)
	At 30 April 1998	564	44	608
Depreciation	At 1 May 1997	70	35	105
	Charge for the year	-	8	8
	Disposals	(70)	(13)	(83)
	At 30 April 1998	-	30	30
Net book value	At 30 April 1998	564	14	578
	At 30 April 1997	628	11	639

12. Investments Summary	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Own shares (see Note 12(a))	2,617	1,271	2,617	1,271
Investments in subsidiary & associated undertakings (see Note 12(b))	5,823	4,214	17,426	12,743
	8,440	5,485	20,043	14,014

(a) Investment in own shares - Group & Company	£'000
Cost	
At 1 May 1997	2,151
Additions	1,884
At 30 April 1998	4,035
Provisions for share options granted	
At 1 May 1997	880
Charge for the year	538
At 30 April 1998	1,418
Net book value	
At 30 April 1998	2,617
At 30 April 1997	1,271

During the year, the EBT purchased 1,500,000 shares of the Company with a nominal value of £75,000. The total consideration including related costs was £1,884,000.

As at 30 April 1998, the EBT held 4,632,785 shares in the Company with a nominal value of £232,000 and a market value of £6,254,000 (1997 - 3,157,785 shares with nominal value of £158,000 and market value of £3,900,000).

(b) Investments in subsidiary & associated undertakings Group	Loans to associated undertakings £'000	Interests in associated undertakings £'000	Other £'000	Total £'000
Cost & valuation				
At 1 May 1997	2,695	1,206	313	4,214
Additions	1,383	17	265	1,665
Dividends received	-	(445)	-	(445)
Repayments	(715)	-	-	(715)
Disposals	-	(110)	-	(110)
Share of retained profit for the year	-	1,214	-	1,214
At 30 April 1998	3,363	1,882	578	5,823

(b) Investments in subsidiary & associated undertakings (continued)

Additions to interests in associated undertakings are stated net of goodwill written off amounting to £133,000. The interests in associated undertakings consist of £379,000 (1997 - £472,000) in respect of cost less goodwill written off and £1,503,000 (1997 - £734,000) in respect of the Group's share of post acquisition reserves.

Company	Loans to Group undertakings £'000	Interests in Group undertakings £'000	Loans to associated undertakings £'000	Total £'000
Cost & valuation				
At 1 May 1997	4,221	8,472	50	12,743
Additions	6,780	132	-	6,912
Repayments	(2,200)	-	-	(2,200)
Disposals	-	(29)	-	(29)
At 30 April 1998	8,801	8,575	50	17,426

The Group holds 30% of the ordinary share capital of Ray Gasson & Associates Limited whose principal activity relates to farm management. This company is registered in England and Wales and operates in the UK. On 9 April 1998 the Company acquired a 20% shareholding in Profi Nederland B.V., now called FPDSavills Nederland B.V., for a consideration of £132,000. The company is registered and operates in the Netherlands and its principal activity relates to property investment. These shareholdings are treated as trade investments. The adoption of the equity accounting treatment would not have a material effect on the Group's results.

Subsidiary & associated undertakings

The principal subsidiary and associated undertakings of the Company and their principal activities are shown below. Except where otherwise noted, they are wholly owned, have share capitals wholly comprised of ordinary shares, are registered in England and Wales, operate in the UK and are consolidated into the Group Accounts.

Subsidiary & associated undertakings	*Holding*	*Description*
Aubourn Farming Limited*	75%	Provision of farm management, consultancy and agronomy services.
Barlows (Liverpool) Limited*	50%	Commercial property company.
Barlows (Sefton) Limited*	50%	Commercial property company.
de Havillands Limited* (see below)		Commercial property management and agency company.
FPDSavills Limited		General practice surveyors.
FPDSavills Commercial Limited		Commercial surveyors.
FPDSavills Licensed Retail Limited*		Licensed retail premises surveyors.
Grosvenor Hill Properties Limited*		Commercial retail property portfolio management company.

(b) Investments in subsidiary & associated undertakings (continued)

Subsidiary & associated undertakings	*Holding*	*Description*
Grosvenor Hill Ventures Limited*		Provision of property funding.
Killik & Co* (see below)	15% interest in partnership	Stockbrokers.
Liberty (Boughton) Limited* (see below)	50%	Commercial property company incorporated on 27 August 1997.
Pinnacle Group Limited*	25%	Provision of residential property portfolio management services.
Savills Finance Holdings plc		Holding company of Financial Services businesses.
Savills Finance Limited*		Provision of corporate finance advice.
Savills Financial Services Limited		Provision of financial services.
Savills Private Finance Limited*		Provision of mortgage and insurance broking services.
State Securities PLC*	30.36%	Provision of lease financing.
Trigon Limited *(Company registered in Scotland)*	50%	Provision of facilities management services.

* Shares/interests held indirectly.

(c) Acquisition of subsidiary & associated undertakings

de Havillands Limited: On 5 October 1997 the Group acquired the entire share capital of de Havillands Limited for a consideration of £1,076,000 (including associated acquisition costs). The consideration was and will be satisfied by the issue by a subsidiary undertaking of 7% Guaranteed Unsecured Loan Notes 2002. The assets and business of de Havillands Limited were transferred to that subsidiary undertaking during the year. The book value and fair value of net assets acquired was £88,000.

Included in the Group profit for the year is a profit after taxation of £190,000 relating to the acquired business for the period commencing 5 October 1997. de Havillands Limited made a profit after taxation of £198,000 from 1 October 1996 to 4 October 1997, the financial period prior to acquisition.

The acquisition of de Havillands Limited has been accounted for using the acquisition method. On consolidation, goodwill arising on this acquisition of £988,000 has been written off against reserves.

(c) Acquisition of subsidiary & associated undertakings (continued)

Acquisition of de Havillands Limited	Book & fair value to Group £'000
Tangible fixed assets	179
Current assets: Debtors	242
Net Overdraft	(10)
Work in Progress	50
Total assets	461
Creditors due within one year	(373)
Net assets	88
Goodwill	988
Purchase consideration & costs	1,076
Analysis of purchase consideration & costs	
Purchase consideration	999
Acquisition costs	77
	1,076

At the year end £123,000 of the purchase consideration remained outstanding, of which £115,000 was in the form of issued loan notes.

Liberty (Boughton) Limited: On 14 November 1997 the Group acquired a 50% interest in Liberty (Boughton) Limited, a commercial property company.

Killik & Co: On 29 January 1998 the Group sold a 10% interest in Killik & Co for a total consideration of £550,000 (less costs of £5,000), reducing the total interest in the partnership to 15%. The Company also subscribed for additional capital of £150,000.

13. Debtors	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Clients	13,764	10,614	1	-
Other debtors	1,242	2,332	42	954
Prepayments & accrued income	5,723	3,927	178	49
Amounts owed by subsidiary undertakings	-	-	189	1,971
Deferred tax	70	159	-	-
Advance corporation tax	92	246	303	246
	20,891	17,278	713	3,220

14. Deferred taxation asset - Group	Provided 1998 £'000	Provided 1997 £'000	Unprovided 1998 £'000	Unprovided 1997 £'000
Accelerated capital allowances	-	-	160	240
Other timing differences	70	159	-	-
	70	159	160	240

The movements in the year in the deferred taxation asset were as follows:	£'000
At 1 May 1997	159
Utilised during the year	(152)
Provided during the year	63
At 30 April 1998	70

15. Creditors - amounts falling due within one year	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Loan notes	221	-	-	-
Trade creditors	2,154	1,772	-	43
Amounts owed to subsidiary undertakings	-	-	238	4,481
Amounts owed to associated undertakings	27	-	-	-
Corporation tax	2,506	1,962	76	-
Advance corporation tax	341	581	92	246
Other taxation & social security	3,087	2,226	35	9
Other creditors	619	885	2	-
Dividends	1,717	984	1,717	984
Accruals & deferred income	17,603	12,284	528	478
Obligations due under finance leases	68	32	-	-
Bank loans & overdraft	7,518	820	5,500	-
	35,861	21,546	8,188	6,241

The Group has granted a fixed charge on the properties held for sale to secure a loan of £7,467,000 with Bank of Scotland.

16. Creditors - amounts falling due after more than one year	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Obligations due under finance leases	69	18	-	-

17. Provisions - for liabilities & charges **Group**	Insurance £'000	Other £'000	Total £'000
At 1 May 1997	275	57	332
Utilised during the year	(247)	(51)	(298)
Provided during the year	62	100	162
At 30 April 1998	90	106	196

18. Share capital - Group & Company	1998 No. shares	1997 No. shares	1998 £'000	1997 £'000
Ordinary shares of 5p each:				
Authorised	59,650,000	49,000,000	2,983	2,450
Allotted, called up & fully paid	53,669,050	42,515,283	2,683	2,125

(a) On 23 October 1997, 10,692,922 ordinary shares of 5p each were allotted to First Pacific Davies (UK) Limited at a price of £1.60 per share.

(b) During the year £106,109 variable rate Transferable Loan Stock 2010 was issued as deferred consideration for the acquisition of FPDSavills Licensed Retail Limited, as described in Note 27.

(c) During the year £930,000 of 7% Guaranteed Unsecured Loan Notes 2002 were issued by a subsidiary undertaking as consideration for the acquisition of the entire issued share capital of de Havillands Limited, as described in Note 27. A further £8,000 is to be issued after the year-end. Of the issued Loan Notes, £815,000 had been redeemed as at 30 April 1998.

(d) During the year 460,845 (1997 - 694,596) ordinary shares of 5p each were allotted to employees under the Savills plc United Kingdom Executive Share Option Scheme (the Scheme), for a total consideration of £240,619 (1997 - £245,763).

The following share options have been granted under the Scheme and were outstanding at 30 April 1998:

Exercise period	Exercise price	No. shares '000
7 years from 6 February 1995	30p	157
7 years from 20 August 1995	24p	78
7 years from 13 August 1996	56p	110
7 years from 22 August 1997	80p	190
		535

18. Share capital - Group & Company (continued)

(e) 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 30 April 1998:

Exercise period	No. shares '000
2 years from 25 January 1998	25
2 years from 2 August 1998	265
2 years from 15 August 1999	270
2 years from 30 January 2001	480
2 years from 25 July 2001	525
2 years from 14 January 2003	550
	2,115

(f) At the last Annual General Meeting the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 2,125,764 of its own ordinary shares. Such authority remained valid at 30 April 1998.

19. Reserves **Group**	Share premium account £'000	Profit & loss account £'000	Total £'000
At 1 May 1997	8,833	5,751	14,584
Arising on issue of shares	16,165	-	16,165
Profit transferred to reserves	-	5,245	5,245
Goodwill written off	-	(1,081)	(1,081)
At 30 April 1998	24,998	9,915	34,913

Goodwill written off arises in respect of the acquisition of de Havillands Limited (£988,000) and a further goodwill adjustment relating to the acquisition of Pinnacle Group Limited (£133,000) at the end of the previous year. On disposal of 10% of the Group's interest in Killik & Co, £40,000 of legal costs, which were eliminated against reserves on acquisition, have been reinstated. The total cumulative goodwill relating to subsidiary undertakings eliminated against reserves at 30 April 1998 amounted to £4,568,000 (1997 - £3,487,000).

Company	Share premium account £'000	Merger reserve £'000	Profit & loss account £'000	Total £'000
At 1 May 1997	8,833	3,009	2,062	13,904
Arising on issue of shares	16,165	-	-	16,165
Profit transferred to reserves	-	-	4,619	4,619
At 30 April 1998	24,998	3,009	6,681	34,688

20. Capital commitments - Group

Capital expenditure contracted at the year-end, which has not been provided for, amounted to £3,342,000 (1997 - £185,000).

21. Contingent liability

The Company holds a minority interest in the Surveyors Mutual Insurance Association (SURMIA). SURMIA currently has a deficit between net assets and estimated liabilities in respect of notified potential claimants. Potential claimants have an extended period in which to make a claim, and additional liabilities may continue to emerge. In the event of any other members of SURMIA being unable to meet their cash calls, a share of the additional shortfall would revert to the Company.

As at 30 April 1998, the Company has made a provision of £73,000 (1997 - £275,000), being Savills' share of the potential deficit based on current notified claims as advised by the professional managers of SURMIA.

It is not possible to estimate the extent of any additional future liabilities which may emerge.

22. Operating lease commitments - Group & Company

	Property leases 1998 £'000	Property leases 1997 £'000	Other leases 1998 £'000	Other leases 1997 £'000	Total 1998 £'000	Total 1997 £'000
Annual rentals payable on leases expiring:						
Within one year	327	3	33	17	360	20
In one to five years	1,167	515	119	72	1,286	587
After five years	2,121	2,647	-	-	2,121	2,647
	3,615	3,165	152	89	3,767	3,254

23. Finance leases - Group & Company

	1998 £'000	1997 £'000
Amounts payable under finance leases:		
Within one year	78	36
In one to five years	77	20
	155	56
Less: Future finance charges	(18)	(6)
	137	50

24. Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Operating profit	8,457	6,615
Depreciation charges	1,928	1,680
Loss/(profit) on sale of fixed assets	64	(48)
Increase in work in progress	(276)	(5)
Increase in property held for sale	(7,713)	(2,770)
Increase in debtors	(3,454)	(5,263)
Increase in creditors	6,263	6,934
Decrease in provisions	(136)	(135)
Movement in provision for ESOP share options granted	538	278
Net cash inflow from operating activities	5,671	7,286

25. Reconciliation of net cash flow to net funds

	1998 £'000	1997 £'000
Increase in cash	785	2,921
Cash inflow from increase in debt	(6,696)	(757)
Capital element of finance leases	(25)	10
Decrease in monies held by the EBT	(113)	(103)
Finance leases and debts assumed on acquisition of subsidiary	(72)	-
Increase in funds held on short-term deposit	19,000	-
	12,879	2,071
Net funds at beginning of year	5,905	3,834
Net funds at end of year	18,784	5,905

26. Analysis of changes in net funds

	At 1 May 1997 £'000	Cash flows £'000	Net funds of acquisition £'000	At 30 April 1998 £'000
Cash at bank	6,655	776	1	7,432
Overdraft	(63)	9	(11)	(65)
Liquid funds on one month deposit	120	(113)	-	7
Liquid funds on short-term deposits	-	19,000	-	19,000
	6,712	19,672	(10)	26,374
Debt: Due within one year	(757)	(6,696)	-	(7,453)
Finance leases	(50)	(25)	(62)	(137)
Net funds	5,905	12,951	(72)	18,784

27. Related party transactions

Victoria Mitchell was appointed as a Non-Executive Director of First Pacific Davies Limited on 23 October 1997. The Company is entitled to appoint a representative whilst First Pacific Davies (UK) Limited's shareholding in the Company remains at 10% or more of the issued share capital. Savills plc receives a fee of £22,500 per annum for this appointment.

Godfrey Blott and David Davies were appointed as Non-Executive Directors of the Company on 23 October 1997. First Pacific Davies (UK) Limited is entitled to appoint two representatives to the Board whilst its shareholding in the Company remains at 15% or more of the issued share capital.

On 31 October 1997 the Company issued variable rate Transferable Loan Stock 2010 to a value of £106,109 to David Myers and Ian Frost, who were Directors of FPDSavills Licensed Retail Limited until 31 October 1997 and 30 November 1997 respectively and to persons connected with them, as deferred consideration for the acquisition of FPDSavills Licensed Retail Limited.

On 5 October 1997 a subsidiary undertaking acquired de Havillands Limited for a total consideration of £937,543, which was and will be satisfied by the issue of 7% Guaranteed Unsecured Loan Notes 2002 to Aidan Grimshaw and Mark Tucker, who are Directors of de Havillands Limited and to persons and trusts connected with them.

27. Related party transactions (continued)

Since the year end, a transaction was completed relating to a wholly owned subsidiary, Property Marketing Company Limited (PMC) as set out in Note 28 below. As part of the transaction, Charles Phillpot, the Managing Director of PMC, acquired a shareholding in Oakmont Group Limited, which now owns PMC.

During the year the Group made loans to the following related undertakings: Barlows (Liverpool) Limited, Barlows (Sefton) Limited and Liberty (Boughton) Limited. Interest was charged on such loans at arm's length rates. Interest received during the year totalled £213,714.

The movements on the aggregate loans and preference shares with related undertakings were as follows:

	Loans £'000	Preference shares £'000
As at 1 May 1997	2,695	1,403
Additions	1,383	-
Repayments	(715)	-
At 30 April 1998	3,363	1,403

Savills plc and its subsidiaries provide accounting and other administrative services to some associated companies at nominal fees.

28. Post balance sheet events

Property Marketing Company Limited: On 13 May 1998, as part of a transaction involving a management buy-out of its wholly owned subsidiary Property Marketing Company Limited (PMC), the Group disposed of its interest in PMC in exchange for a 63% shareholding in the ordinary share capital of Oakmont Group Limited.

State Securities PLC: Since the year-end the Group has sold its 30.36% interest in State Securities PLC for a consideration of £3.2m, paid in cash. The book value of net assets as at 30 April 1998 was £2.3m.

James Harris Partnership: On 30 June 1998, the Group acquired a controlling interest in the James Harris Partnership, an estate agency practice based in Hampshire for a total consideration of £1.2m, which was paid in cash.

Five Year Review

year ended 30 April 1998

Profit & loss account	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
Turnover (by business):					
FPDSavills Commercial	27,145	18,720	12,805	12,812	13,442
FPDSavills	41,908	35,055	26,831	21,658	17,879
Financial Services	3,070	1,040	378	777	556
Total turnover	72,123	54,815	40,014	35,247	31,877
Operating profit/(loss) (by business):					
FPDSavills Commercial	4,950	2,684	1,120	1,356	1,492
FPDSavills	5,049	4,322	2,579	1,535	1,191
Financial Services	(700)	(14)	3	46	144
Holding Company	(842)	(377)	(315)	(70)	-
Total operating profit	8,457	6,615	3,387	2,867	2,827
Profit/(loss) on disposal of property	36	(116)	-	-	-
Profit on disposal of investment	395	-	34	-	-
Income from interests in associated undertakings	1,572	713	316	175	77
Net interest	852	405	400	464	333
Profit on ordinary activities before taxation	11,312	7,617	4,137	3,506	3,237
Taxation on profit on ordinary activities	(3,754)	(2,745)	(1,406)	(1,339)	(970)
Profit on ordinary activities after taxation	7,558	4,872	2,731	2,167	2,267
Minority interests	19	(57)	(108)	(52)	(39)
Profit for the financial year	7,577	4,815	2,623	2,115	2,228
Earnings per share (1997 restated)	17.1p	12.5p	6.7p	5.6p	6.2p
Dividends per share	4.75p	3.50p	2.80p	2.50p	2.25p

Balance sheet					
Fixed assets	14,326	10,544	10,883	9,300	5,705
Net current assets	23,586	6,585	4,995	5,732	8,096
Creditors - amounts falling due after more than one year	(69)	(18)	(30)	(23)	(9)
Provisions	(196)	(332)	(558)	(662)	(687)
	37,647	16,779	15,290	14,347	13,105

Employees					
Average number of employees	870	753	679	626	531

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