

Savills plc  
(Registered Number: 2122174)  
Annual Report and Accounts 2011

# Connecting

People. Property. Markets.

THURSDAY



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24/05/2012  
COMPANIES HOUSE

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

#### **Our vision**

Our vision is 'to become the real estate advisor of choice in our selected markets'

#### **Our strategy**

- 1 Commitment to clients
- 2 Business diversification
- 3 Geographical diversification
- 4 Maintaining financial strength

#### **Key performance indicators**

##### **Revenue**

**£721.5m**

(2010 £677.0m)

##### **Underlying profit \***

**£50.4m**

(2010 £47.3m)

##### **Underlying profit margin**

**7.0%**

(2010 7.0%)

##### **Operating cash generation**

**£35.7m**

(2010 £68.4m)

##### **Underlying earnings per share**

**29.0p**

(2010 27.9p)

##### **Geographical spread (% non-UK)**

**51%**

(2010 51%)

##### **Breadth of service offering (% non-transactional income)**

**62%**

(2010 60%)

##### **Assets under management**

**£2.8bn**

(2010 £2.8bn)

##### **Property under management (sq ft)**

**1,360m**

(2010 1,105m)

\* Underlying profit is calculated by adjusting reported pre-tax profit for profit/loss on disposals, share-based payment adjustment, impairment and amortisation of goodwill and intangible assets (excluding software), impairment of investment in associate and restructuring costs

## Group overview

The markets in which we operate .

Total employees

23,555

International offices

+200

### 1. United Kingdom

Revenue

£352.3m

Total staff

3,334

Offices

95

### 2. Asia Pacific

Revenue

£297.4m

Total staff

19,432

Offices

44

### 3. Continental Europe

Revenue

£65.5m

Total staff

751

Offices

48

### 4 US

Revenue

£6.3m

Total staff

38

Offices

08

## Our services and expertise

### Transaction Advisory

The Transaction Advisory business stream comprises commercial, residential, agricultural agency and investment advice on purchases and sales **See page 10**

### Consultancy

Provision of a wide range of professional property services including valuation, building consultancy, environmental consultancy, landlord and tenant, rating, planning, strategic projects and research **See page 12**

### Property and Facilities Management

Management of commercial, residential and agricultural property for owners. Provision of a comprehensive range of services to occupiers of property, ranging from strategic advice through project management to all services relating to a building **See page 13**

### Fund Management

Investment management of commercial and residential property portfolios for institutional or professional investors, on a pooled or segregated account basis **See page 13**

## Our people

### The best people in the business

Our success has been built on providing an environment which attracts and retains the best people in our industry. We value and reward innovation and entrepreneurialism and are proud of a culture which encourages our people to continually seek out new markets, opportunities and solutions for our clients

# Chairman's statement

Peter Smith  
Chairman

In 2011 Savills again performed well against a backdrop of volatile sentiment in many of the world's markets. We continued to develop our Commercial Transaction businesses, our Prime Residential businesses performed strongly and we grew Property Management, Fund Management and Consulting revenues.

## Results

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

## Overview

2011 showed the strength of Savills' position in the prime markets of the world's key cities and the benefits of the diversification strategy we have pursued in recent years. Our Residential Transaction Advisory revenue grew 11% primarily through the strength of our London business. The principal Commercial markets in which we operate experienced a strong first half. However, as we had long anticipated, markets in Asia, particularly Hong Kong, weakened in the final quarter resulting in lower profits from our Transactional businesses in the region. Our less volatile businesses comprising Property and Facilities Management, Consultancy and Fund Management continued to grow well. The performance of these businesses, whose combined revenue grew 12% to £442.8m (2010 £396.9m), enabled the Group to withstand the effect of reduced transaction volumes in the year.

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

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

## Business Development

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

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

## Dividends

An initial interim dividend of 3.15p (net) per share (2010 3.0p) amounting to £3.9m was paid on 25 October 2011, and a final ordinary dividend of 6.35p (2010 6.0p) is recommended, making the ordinary dividend 9.5p for the year (2010 9.0p). In addition, a supplemental interim dividend of 4.0p (2010 4.0p) is declared, based upon the underlying performance of our Transaction Advisory business. Taken together, the ordinary and supplemental dividends comprise an aggregate distribution for the year of 13.5p per share, representing an increase of 4% on the 2010 aggregate dividend of 13.0p. The final ordinary dividend of 6.35p per ordinary share will, subject to shareholders' approval at the Group's Annual General Meeting on 9 May 2012, be paid alongside the supplemental interim dividend of 4.0p per share on 14 May 2012 to shareholders on the register at 10 April 2012.

## Board and Governance

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

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

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

## People

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

**Outlook**

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

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

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

**Peter Smith**  
Chairman

# Group Chief Executive's review

## Review of operations

**Jeremy Helsby**  
Group Chief Executive

**We have made good progress in implementing our strategy of investing in both our transactional and non-transactional businesses through targeted recruitment and selective acquisitions. We are well placed, thanks to our core strengths in both the Commercial and Prime Residential sectors, to meet the developing needs of our worldwide client base.**

### **Operating highlights**

Continued strength in prime residential property, UK Residential transaction profits up 11% driven by strength in London

Significant increase in revenue (14%) and profit (16%) from Global Property and Facilities Management business with a 23% increase in total area under management

Profits in Mainland China (excluding Hong Kong) increase by 43% to £7.3m (2010 £5.1m)

Significant profit growth (38%) at Cordea Savills, the Fund Management business

Market share gains in Hong Kong and UK Commercial despite the reduced transaction market activity and consequential reduction in profits

Sustained improvement in performance from transaction business in the United States

New management team in Continental Europe took further restructuring action

Completion of several complementary acquisitions of businesses and teams to further extend service and geographic offering

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

Our Asia Pacific business delivered an excellent performance overall against the backdrop of slowing transaction markets.

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

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

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

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

### **People**

Our business depends upon us delivering excellent service to our clients. We therefore focus on recruiting, training and motivating high performers who bring knowledge based upon their experiences, are capable of challenging established thinking and who can design and implement the solutions to our clients' needs. To achieve this we draw on the widest possible pool of talent, irrespective of age, gender or background. In what has historically been a very male-dominated sector, I am particularly pleased that this year more than a third of entrants into our award winning graduate programme are female.

During the year, we have continued to focus on growth through bolt-on acquisitions and the recruitment of both teams and individuals around the world. Significant additions to our teams have been made across our business streams in the US, throughout Asia, in the UK and Continental Europe. It is both exciting and refreshing to bring in new people. However, retaining and motivating existing staff is just as critical to the growth of our business, so I am equally proud of the fact that across the world many of our businesses are led by senior professionals who have built their careers in this industry with Savills.

For those in the UK at the beginning of their careers, I am delighted that Savills UK business was awarded the Times Graduate Recruitment Award for Property, for the fifth consecutive year. It is a testament to the strength of our people that Savills also won 2011 Property Agency of the Year awards in the UK, Hong Kong, Spain, Thailand, Vietnam and Shanghai.

# Key Performance Indicators

## Financial KPIs

### Revenue (£m)

2011	721.5
2010	677.0
2009	560.7
2008	568.5
2007	650.5

**The measure:** Revenue growth is the increase/decrease in revenue year on year

**The target:** To deliver growth in revenue from expansion both geographically and by business segment

### Underlying profit (£m)\*

2011	50.4
2010	47.3
2009	25.2
2008	33.2
2007	85.5

**The measure:** Underlying profit growth is the increase/decrease in underlying profit year on year

**The target:** To deliver sustainable growth in underlying profit

### Underlying profit margin (%)\*

2011	7.0
2010	7.0
2009	4.5
2008	5.8
2007	13.2

**The measure:** Profitability after all operating costs but before the impact of exceptional costs, financing, taxation, and the results of associates and joint ventures

**The target:** To deliver growth in operating margin by improving the profitability of services offered

\* Underlying profit is calculated by adjusting reported per-tax profit for profit/loss on disposals, share-based payment adjustment, impairment and amortisation of goodwill and intangible assets (excluding software), impairment of investment in associate and restructuring costs

### Cash generation (£m)

2011	35.7
2010	68.4
2009	39.7
2008	(5.5)
2007	102.8

**The measure:** The amount of cash the business has generated from operating activities

**The target:** Maintain strong cash generation to fund working capital requirements, shareholder dividends and strategic initiatives of the Group

### Underlying earnings per share (pence)

2011	29.0
2010	27.9
2009	14.5
2008	18.1
2007	46.1

**The measure:** Earnings per share (EPS) is the measure of profit generation. EPS is calculated by dividing underlying profit by the weighted average number of shares in issue

**The target:** To deliver growth in EPS to enhance shareholder value

## Non-financial KPIs

### Geographical spread (% non-UK)

2011	51.2
2010	50.8
2009	48.6
2008	44.7
2007	37.6

**The measure:** Geographical diversity is measured by the split of revenues by region

**The target:** To selectively expand outside the UK in our chosen geographic markets

### Breadth of service offering (% non-transactional income)

2011	61.8
2010	60.0
2009	64.8
2008	63.3
2007	53.3

**The measure:** Revenue by type of business segment

**The target:** Selectively expand in non-transactional services in key markets

### Assets under management (£bn)

2011	2.8
2010	2.8
2009	2.5
2008	3.0
2007	3.5

**The measure:** Growth in the increase of assets under management for our Fund Management business Cordea Savills LLP

**The target:** To increase the value of investment portfolios through portfolio management and the launch of new funds

### Property under management (million sq ft)

2011	1,359.6
2010	1,104.6
2009	896.2
2008	944.3
2007	708.4

**The measure:** Total sq ft property under management

**The target:** Over the cycle, to grow the area under management

## Transaction Advisory

### Services

Acquisitions  
Divestments  
Leasing and rentals  
Sales and leaseback  
Capital raising

### Revenue (£m)

**£275.3m**

2011	275.3
2010	270.7
2009	197.5
2008	208.4
2007	304.1

Contribution to Group revenue (%)

**38%**

Underlying profit before tax (£m)\*

**£24.2m**

2011	24.2
2010	30.8
2009	6.3
2008	3.2
2007	48.6

## Consultancy

### Services

Valuation  
Building consultancy  
Housing consultancy  
Capital allowances and rating  
Affordable housing and student accommodation  
Landlord and tenant  
Planning  
Research  
Environmental consultancy  
Strategic projects

### Revenue (£m)

**£143.4m**

2011	143.4
2010	134.2
2009	119.4
2008	131.8
2007	141.5

Contribution to Group revenue (%)

**20%**

Underlying profit before tax (£m)\*

**£12.6m**

2011	12.6
2010	10.6
2009	10.9
2008	16.3
2007	22.3

## Transaction Advisory

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Acquisitions  
Divestments  
Leasing and rentals  
Sales and leaseback  
Capital raising

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Building consultancy  
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2008	131.8
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Contribution to Group revenue (%)

**20%**

Underlying profit before tax (£m)\*

**£12.6m**

2011	12.6
2010	10.6
2009	10.9
2008	16.3
2007	22.3

## Property Management

### Services

Asset management  
Facilities management  
Commercial management  
Land and farm management  
Project management

### Revenue (£m)

**£278.6m**

2011	278.6
2010	243.7
2009	215.2
2008	191.4
2007	159.7

Contribution to Group revenue (%)

**39%**

Underlying profit before tax (£m)\*

**£16.7m**

2011	16.7
2010	14.4
2009	12.6
2008	14.2
2007	10.9

## Fund Management

### Services

Pooled funds  
Portfolio management  
Segregated accounts  
Investment mandates

### Revenue (£m)

**£20.8m**

2011	20.8
2010	19.0
2009	17.4
2008	19.5
2007	15.4

Contribution to Group revenue (%)

**3%**

Underlying profit before tax (£m)\*

**£4.7m**

2011	4.7
2010	3.4
2009	2.9
2008	3.6
2007	4.1

\* Underlying profit is calculated by adjusting reported per-tax profit for profit/loss on disposals, share-based payment adjustment, impairment and amortisation of goodwill and intangible assets (excluding software), impairment of investment in associate and restructuring costs

# Group Chief Executive's review

## Segmental reviews

The Savills Group advises on commercial, rural, residential and leisure property. We also provide corporate finance advice, fund management and a range of property related financial services. Operations are conducted internationally through four business streams.

### Business diversification

Non-transactional business represents approximately 52% of our underlying profit. The growth of property management income, now representing 39% of Group revenues, and the relative stability of both Fund Management and the Consultancy business, together comprising 23%, show the benefit of a diversified strategy over the course of the property cycle.

### Strong positions in both commercial and residential markets

We believe that it is important to be a significant force in both commercial and residential property in our chosen markets. Experience across the range of services we provide in both these disciplines adds to the quality and depth of our service to clients and differentiates us from our competitors. By being strong in both markets, we can best serve the needs of developers, owners, occupiers and investors in the increasing global trend toward mixed use projects.

### Geographical diversification

Our objective is to mitigate the risk of exposure to any one economy or market by being market leaders both in our domestic UK markets and also in our selected overseas markets. Across the cycle we see the benefit of this as the dynamic Asia Pacific markets complement our historical strengths in the UK. In 2011, overseas businesses represented 51% of Group revenues led by Asia Pacific which accounted for 41% of global revenue.

### Maintaining financial strength

We seek to maintain our financial strength in order to withstand volatile market conditions and to take advantage of opportunities as they arise. In a people business, we do not believe it is appropriate to take on material amounts of debt over the long term. Rather we maintain adequate banking facilities to meet short and medium term requirements.

### Commitment to our clients

Throughout the cycle, we seek to serve our clients in the principal locations in which they operate by providing them with the services that they require. This means that we have continued to build our Transaction Advisory businesses in the core markets of Continental Europe and the US.

### Transaction Advisory

	2011	2010	+/-
Revenue £m	275.3	270.7	+2%
Underlying profit before tax £m	24.2	30.8	-21%

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

### UK Residential

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

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

### UK Commercial

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

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

#### Asia Pacific Commercial

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

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

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

#### Asia Pacific Residential

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

#### Continental European Commercial

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

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

#### US Commercial

The revenue of our New York based Investment Advisory business increased by 103% (constant currency 113%) to £6.3m (2010 £3.1m). US transaction markets continued to show recovery through the first half as the CMBS financing market became more active. The second half was more muted as the Euro crisis caused the debt markets to stall. There was, however, an increased interest in Prime East Coast opportunities from international investors, a trend we expect to continue in 2012. We have continued to invest in the business, making some significant hires in cross border advisory and the hospitality sector, and opening offices in Washington and on the West Coast. This investment resulted in the underlying loss of £1.4m which nevertheless represented a significant improvement on the prior year (2010 £3.6m loss).

#### Consultancy

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

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

#### UK Consultancy

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

#### Asia Pacific Consultancy

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

### Continental European Consultancy

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

### Property and Facilities Management

	2011	2010	+/-
Revenue £m	278.6	243.7	+14%
Underlying profit before tax £m	16.7	14.4	+16%

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

### UK Property Management

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

### Asia Pacific Property Management

Overall the business grew revenue by 14% to £172.4m (2010: £151.0m). The Property and Facilities Management business is a significant strength for Savills in Asia, complementing our Transaction Advisory businesses in the region. The total square footage under management in the region was up 22% to approximately 1.2bn sq ft (2010: 0.98bn sq ft). We acquired an interest in CKH Strata Property Management in Singapore during the year, which enhanced our Property Management business there for the future. The business withstood the effect of the introduction of minimum wage legislation in Hong Kong and wage inflation in China, however, these costs, together with losses in Thailand, restricted growth in underlying profit which increased by 5% to £10.9m (2010: £10.4m). We start 2012 better positioned across the region.

### Continental European Property Management

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

### Fund Management

	2011	2010	+/-
Revenue £m	20.8	19.0	+9%
Underlying profit before tax £m	4.7	3.4	+38%

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

### Summary

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

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

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

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

Jeremy Helsby

Group Chief Executive

## **Captions**

### **Property Prime London Residential**

A Belgravia house in London valued in excess of £40 million. Demand for London's ultra prime market remained strong, boosting values by over 18% in 2011. The best addresses in the best locations have been elevated to international asset class status and are valued as a relatively safe store of wealth in an uncertain world.

### **Property Chiswick Park Unit Trust**

The Chiswick Park Unit Trust (CHISPUT), which owns Chiswick Park in West London, was sold to The Blackstone Group for £480 million, reflecting a 6.6% net initial yield. Savills jointly advised the vendors and is jointly retained letting agent for the existing vacant space and the two remaining sites.

### **Property SOHO Zhongshan Plaza**

SOHO China Limited, represented by Savills Shanghai, acquired Shanghai New World Changning Commercial Center for US\$500 million (RMB3.2 billion). The deal represented SOHO China's largest acquisition in Shanghai to date. Renamed "SOHO Zhongshan Plaza", it is located in downtown Shanghai, and comprises two towers totalling 142,184 sq m, including 100,199 sq m of office space and 12,664 sq m of retail accommodation.

### **Property Shanghai World Finance Center**

Savills represented state owned Bao Steel (the largest steel manufacturer in China) and two insurance companies (Guohua Life Insurance & Tianping Auto Insurance) in the acquisition of a number of floors of the Shanghai World Finance Center (SWFC) for a total consideration of US\$222 million (RMB1.4 billion). Completed in 2008, the building comprises 101 floors totalling 492 metres in height and is located in Pudong.

### **Property 666 Fifth Avenue in Manhattan**

Representing Spanish retail group Inditex, Savills acquired the \$324 million high-value retail venue at 666 Fifth Avenue in Manhattan. The sale price of \$8,361 per square foot reflected the strategic importance of this site.

### **Property Westfield Group**

Westfield Group (WDC ASX), advised by Savills UK, expanded into Continental Europe with an agreement to acquire a 50% interest in a major development site in Milan, Italy. The 170,000 sq m project is expected to total investment in the range of €1bn – €1.25bn.

# Group Chief Financial Officer's report

## Financial review

**Simon Shaw**  
Group Chief Financial Officer

The continued strength of the Group's business, particularly in the UK and Asia resulted in revenue for the year increasing by approximately 7% to £721.5m (2010: £677.0m) which represented growth of 6% in constant currency. Underlying profit grew by 7% to £50.4m (2010: £47.3m).

### Financial Highlights

Group revenue up 7% to £721.5m (2010: £677.0m)

Underlying Group profit before tax\* up 7% to £50.4m (2010: £47.3m)

Group profit before tax up 9% to £40.0m (2010: £36.8m)

Total dividend for the year up 4%. Final ordinary and supplementary interim dividends total 10.35p per share (2010: 10p) taking the total dividend for the year to 13.5p per share (2010: 13p)

\* Calculated on a consistent basis in accordance with note 7

### Financial review

The continued strength of the Group's business, particularly in the UK and Asia, resulted in revenue for the year increasing by approximately 7% to £721.5m (2010: £677.0m), which represented growth of 6% in constant currency. Underlying profit grew by 7% to £50.4m (2010: £47.3m)

### Underlying profit margin

Underlying profit margin at 7% remains in line with last year reflecting principally the effect of increased Consultancy, Property Management and Fund Management profits, offset by increased losses within our Continental European Transaction business

### Net interest

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

### Taxation

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

### Restructuring and goodwill

In the fourth quarter, the Group's Continental European business underwent further restructuring. This, together with some branch closures, gave rise to an aggregate restructuring charge of £1.9m (2010: £nil) on the closure of certain offices including those in Rome and Barcelona. At the year end, an impairment review established that an aggregate charge of £5.4m (2010: £4.4m) was necessary, the majority of which provided for the excess carrying value of goodwill in our Italian and Spanish businesses. Each of these had been substantially affected by the Euro sovereign debt crisis, which focused significantly on these southern European economies

### Earnings per share

Basic earnings per share were 21.5p (2010: 20.5p). Adjusting on a consistent basis for restructuring costs and impairment charges, profits and losses on disposals, share-based payment charges and amortisation of intangible assets, underlying basic earnings per share increased 4% to 29.0p (2010: 27.9p)

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

### Cash resources, borrowings and liquidity

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

Gross borrowings at year end reduced to £6.4m (2010: £10.3m). These included £3.9m in respect of the US Dollar term loan, taken out to finance the acquisition of Savills US in 2007 and £1.2m in overdrafts. Cash is typically retained in a number of subsidiaries in order to meet the requirements of commercial contracts or capital adequacy. In addition, cash in certain territories is retained to meet future growth requirements where to remit it would necessitate the Group suffering withholding taxes

The Group's cash flow profile is biased towards the second half of the year. This is as a result of seasonality in trading and the major cash outflows associated with dividends, profit related remuneration payments and related payroll taxes in the first half. The Group cash inflow for the year from operating activities was £35.7m (2010: £68.4m), primarily as a result of higher profit related remuneration payments in 2011 than in 2010, reflecting the Group's improved profits in 2010 compared with 2009. As much of the Group's revenue is transactional in nature, the Board's strategy is to maintain low levels of gearing, but retain sufficient credit facilities to enable it to meet cash requirements during the year and business development opportunities as they arise. During the year the Group's £50m revolving credit facility was renewed for a further three years to 31 March 2014. At the year end the Group had undrawn facilities, including overdrafts of £63.5m (2010: £65.6m)

### **Capital and shareholders' interests**

Non-controlling interests represented a loss of £1.2m (2010 loss £1.3m) reflecting losses in Europe and the US. During the year ended 31 December 2011, 0.4 million new shares were allotted to participants exercising their options under the Sharesave Scheme and the Executive Share Option Scheme (2001). No shares were repurchased for cancellation (2010 nil). The total number of ordinary shares in issue at 31 December 2011 was 132.6m (2010 132.2m).

### **Savills pension scheme**

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

### **Net assets**

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

### **Business development**

During the year the Group increased its shareholding in a number of existing subsidiaries such as our businesses in Vietnam and Italy. In January the Group acquired Thomas Davidson, a London based retail business for £2.5m. In February Savills Sweden acquired Stadsmuren AB, a project management firm and Loudden AB, a facilities management firm for total consideration of £5.6m. These, together with the acquisitions of CKH Strata in Singapore and the London Planning Practice, resulted in the Group investing a total of £10.0m (2010 £17.4m) in the year.

### **Key performance indicators**

The Group uses a number of key performance indicators (KPIs) to measure its performance and review the impact of management strategies. These KPIs are detailed under the Key Performance Indicators section of the Operating Review on page 7. The Group continues to review the mix of KPIs to ensure that these best measure our performance against our strategic objectives, in both financial and non-financial areas.

### **Financial policies and risk management**

The Group has financial risk management policies which cover financial risks considered material to the Group's operations and results. These policies are subject to continuous review in light of developing regulation, accounting standards and practice. Compliance with these policies is mandatory for all Group companies and is reviewed regularly by the Board.

### **Treasury policies and objectives**

The Group Treasury policy is designed to reduce the financial risks faced by the Group, which primarily relate to funding and liquidity, interest rate exposure and currency rate exposures. The Group does not engage in trades of a speculative nature and only uses derivative financial instruments to hedge certain risk exposures. The Group's financial instruments comprise borrowings, cash and liquid resources and various other items such as trade receivables and trade payables that arise directly from its operations. Surplus cash balances are generally held with A+ rated banks and, reflecting increased concern over individual counterparty credit risk, increasingly the Group places surplus deposits with AAA rated institutional money market funds.

### **Interest rate risk**

The Group finances its operations through a mixture of retained profits and bank borrowings, at both fixed and floating interest rates. Borrowings issued at variable rates expose the Group cash flow to interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain at least 70% of its borrowings in fixed rate instruments.

### **Liquidity risk**

The Group prepares an annual funding plan approved by the Board which sets out the Group's expected financing requirements for the next 12 months. These requirements are expected to be met through existing cash balances, loan facilities and expected cash flows for the year.

### **Foreign currency**

The Group operates internationally and is exposed to foreign exchange risks. As both revenue and costs in each location are generally denominated in the same currency, transaction related risks are relatively low and generally associated with intra group activities. Consequently, the overriding foreign currency risk relates to the translation of overseas profits and losses into sterling on consolidation. The Group does not actively seek to hedge risks arising from foreign currency translations due to their non-cash nature and the high costs associated with such hedging. The net impact of foreign exchange rate movements in 2011 was a £3.1m increase in revenue and a decrease of £0.1m in underlying profit (2010 £1.1m increase).

### **Simon Shaw**

Group Chief Financial Officer

# Corporate responsibilities

## Key highlights in 2011

### People

- Continued to embed the Savills Values through the appraisal process and integration into promotion and reward criteria
- Continued to work to be an employer of choice to allow us to recruit, motivate and retain talented people

### Clients

- Maintained our focus on continuously improving client service – in particular by further developing our cross border service capacity
- Implemented a client care training programme, which is being progressively extended across the Group

### Environment

- Listed within the top ten of the FTSE350 Carbon Disclosure Leadership Index 2011

### Community

- Continued emphasis on good corporate citizenship Savills Guardian, our Facilities Management business in Hong Kong, won the '5-Year Plus Caring Company' certificate
- Retained membership of FTSE4Good, evidencing our commitment to meeting globally recognised corporate responsibility standards

### Corporate responsibility at Savills

Corporate responsibility ('CR') is our commitment to the positive impact that our business can make, through our people, on the stakeholders and communities with whom we interface. During 2011 our CR programme saw some notable achievements and saw us reach some key milestones – in particular becoming a founder member of the Institute of Environmental Management and Assessment's quality mark scheme and being the only real estate advisor to be listed in FTSE350 Carbon Disclosure index 2011

The Board as a whole is responsible for determining our CR strategy. The Group Executive Board (GEB) is responsible for delivering it on a day to day basis. The GEB is also responsible for ensuring compliance with our corporate values and standards. The framework for delivering our CR objectives is focused by a CR Working Group which is chaired by the Group Chief Executive and comprises senior representatives from a range of business and central teams. In this capacity, the CR Working Group is responsible for co-ordinating activity to deliver our agreed goals and for monitoring Group-wide progress and performance. Operational forums, reporting to the Working Group, are established as necessary to develop and deliver initiatives at business level in the four critical areas of CR, namely People, Clients, Environment and Community.

We continue to maintain our focus on ensuring that our people worldwide work within our specified financial, operational and compliance framework, and that these standards are consistently applied. We demand the highest professional standards from all of our people all of the time and have a zero tolerance to breaches. However, given the breadth of activities and the number of people we employ there may be occasions when we do not meet the high standards we aspire to. Where we fail to reach these high standards, we treat any breach with the utmost seriousness.

We continue to include the consideration of CR related issues in our Key Risk Registers ensuring that we can readily identify emerging issues and respond to these on a timely basis.

### People

Our vision to be the real estate advisor of choice in our selected markets and deliver superior financial performance can only be achieved through the dedication, commitment and excellence of our people.

Our people strategy remains focused on supporting delivery of the highest standards of client service through motivated and engaged people. We believe that a positive culture is essential to high quality client service. This positive culture is encapsulated in our Values, which are reflected in all our practices and procedures. Our reputation has been built on our people and we believe that employees whose behaviours reflect our Values deliver the excellent client service that we strive to provide. Our Values are:

Pride in everything we do

We

- take great pride in delivering services of the highest quality,
- always go 'the extra mile' to meet our clients' objectives, and
- seek to employ only the best people

Always act with integrity We

- behave responsibly,
- act with honesty and respect for other people, and
- adhere to the highest standards of professional ethics

Take an entrepreneurial approach to business We

- seek out new markets and opportunities for clients, and take a creative and entrepreneurial approach to delivering value,
- are forward thinking, and always aim to build long term client relationships,
- aim to be a leader in every market we enter, and commit ourselves with passion, energy and expertise, and
- approach problems with a proactive, practical attitude, delivering robust solutions

Help our people fulfil their true potential We

- encourage an open and supportive company culture in which every individual is respected,
- help our people to excel through appropriate training and development,
- share success, and reward achievement, and
- recognise that our people's diverse strengths combined with good teamwork produce the best results

We continue to work to be an employer of choice and to provide an environment in which our people can flourish and succeed. This will allow us to recruit, motivate and retain talented people. In this respect we support the Core Principles of the International Labour Organization. We engage with our people to communicate our vision and strategy through well established internal channels. Most of

our businesses have an intranet through which key messages are communicated, while all major corporate announcements are communicated across the Group as they are released externally, along with a senior management briefing to allow full details to be cascaded through the businesses. Individual businesses use a variety of methods to communicate, including regular face to face briefings led by senior management, which also provide us with a mechanism for receiving employee feedback.

We are further refining our development programme to focus on three themes – embedding core competencies at all levels, supplemented by director level training, concentrating on people management, business knowledge and development, and client relationship management, and a bespoke, focused leadership development programme to ensure that our high potential individuals are equipped to become the next generation of leaders in the Group. This focused approach will be developed in the UK, refined and then extended globally.

We also continue to focus on attracting and recruiting the best graduates. We came first, for the fifth year running, in the property category of Graduate Employers of Choice at The Times Graduate Recruitment Awards 2011.

#### **Health and safety**

Savills is committed to the health, safety and welfare of our employees and others affected by our business operations. Safe working practices form an integral part of our day to day business and we aim to find practical and pragmatic solutions to health and safety risks. To this end our safety strategy is focused on priorities such as reducing significant occupational exposure to workplace hazards and maintaining regulatory compliance. Our 'positive safety' programme has continued to be developed to actively promote a safety culture within the business. In 2011 we rolled out a series of internal training workshops for our Directors and Senior Managers aimed at refreshing their knowledge of their responsibilities for health and safety. This has raised awareness and resulted in further initiatives including a UK driven initiative focusing on the personal safety of employees when working out of the office, and in particular lone working. This initiative highlighted the risks involved and also provided practical solutions to minimise those risks. We will continue to roll out further health and safety training across our business during 2012.

We have a specifically designed health and safety system which is customised to fit our business. This meets the requirements of HSG65 and we have continued with our implementation of more demanding standards. Our system includes a health and safety champion network comprising senior leaders appointed in each country and service line with responsibility for the delivery of focused health and safety risk agendas. We have in place systems, processes and metrics for reporting personal and process safety performance that support internal performance management, promote learning and enable public reporting.

To enhance the management of health and safety risks across the Group further, we continue the systematic reporting of recordable occupational accidents to business heads.

#### **Clients**

We are committed to delivering a high quality service to all our clients. We recognise the need to deliver exceptional client care and the importance of client satisfaction. We seek regular feedback from our clients which is augmented by independent market research, which focuses on brand recognition and client service levels. This provides an important independent rating of the standard of our client service.

Supporting this commitment and to provide a further independent endorsement of the quality of service that we deliver for our clients, we continue to work towards accreditation under ISO 9001:2008 (Quality Management) across our UK office network. This accreditation also makes us more competitive when tendering for work, particularly when bidding for public sector contracts. At the end of 2011, 53 UK locations were ISO 9001:2008 accredited.

The Green Agenda continues to be encouraged by Governments and public opinion and influences our thinking when advising clients. We have long established and highly regarded teams which advise both Governments and clients on sustainability issues across the built environment. For example, our UK Energy team has been operating in the renewable and conventional energy sectors for over 15 years and is now a leading advisor on renewable energy projects, working with clients to deliver wind, solar and other clean energy projects.

In Asia, Savills Guardian was again awarded the 'Class of Excellence' Wastewise label in Hong Kong's 2011 Awards for Environmental Excellence. Its sister company in Hong Kong, Savills Property Management, maintained its focus on fostering environmental awareness with clients by producing an annual environment report and inviting them to participate in the annual Savills Green Gathering event to share ideas and understand the latest developments for energy efficiency and water saving. During 2011, more than 99 buildings managed by Savills in Hong Kong collected more than 138,000 kgs of paper, 10,600 kgs of plastic and almost 9,800 kgs of metal for recycling.

Similarly, 28 buildings managed by Savills participated in promoting low carbon emissions and energy efficiency of buildings facilities in 2011. Our efforts were recognised with the award of three Certificates for Excellence and Certificates of Environmental Good.

#### **Environment**

The direct impact of our operations on the environment is low compared to many other industries. The most significant contribution we can make is through providing quality advice to our clients, incorporating the principles of sustainability wherever appropriate. However, we also recognise the value of reducing the direct impact of our activities on the environment to as low a level as is reasonably practicable. By seeking to reduce our environmental impact we are able to achieve increased operational efficiencies and savings. It also improves our attractiveness as an employer of choice. Our updated Group Environmental Policy is based on these core principles.

They are implemented via our subsidiaries through both their services and day to day actions. As an example of our focus on minimising our direct impact, we have adopted an ongoing programme of office-based environmental initiatives which include reduced printed paper wastage, sourcing recycled or sustainable paper products, powering down idle desktop equipment and encouraging a wide range of recycling initiatives. We continue to encourage the use of online facilities, reducing travel time by the expansion of our online training services within the UK. We will be completing the move of our primary data centres in both Hong Kong and UK to greener data centres using hosted providers in early 2012.

Our cross-company UK 'Green Group' co-ordinates our internal actions and communicates the results and good practice to our staff. Building on the progress made over the past few years, more than 80% of our UK locations now have their energy needs satisfied by one supplier. Likewise, our German offices source their electricity from a single supplier with savings being generated both in costs and emissions. A key selection criterion is the use of renewable energy resources to reduce further our environmental impact.

As part of our drive to control our environmental impact and to act as a hallmark of quality for our clients, we have continued to support our offices who are attempting to adopt ISO 14001:2004 (Environmental Management). This is designed to achieve sound environmental performance by using a proactive range of practical office management measures consistent with our aim of carbon reduction.

Savills is the only UK real estate advisor to be featured in the top ten of the FTSE 350 Carbon Disclosure Leadership Index 2011. The 2011 Leadership Index comprises 36 companies drawn from the FTSE 350 and is based on an analysis of the responses to a detailed questionnaire which focuses on greenhouse gas emissions, reduction strategies and the Company's perception of the risks and opportunities associated with climate change.

In Asia Pacific, properties managed by Savills Guardian continued to gain awards from the Environmental Protection Department for its performance in protecting the environment via promotion of waste separation facilities for facilities management clients. In addition, the Property Management team in Hong Kong also received a number of awards and holds ISO 14001 certification (energy efficiency, waste reduction, indoor air quality and water quality) in recognition of its commitment to improving environmental performance.

Our East Melbourne Project Management team was recently awarded a 5 Star Green Star – Office Interiors v1.1 Certified Rating from the Green Building Council of Australia, which represents 'Australian Excellence' in environmentally sustainable construction. This was awarded for a fit-out project and is a major achievement, with only our other projects in Victoria having achieved a similar rating.

Our Australian offices participated in Earth Hour in 2011 – a global initiative to turn off as much power as possible for one hour each year sending a powerful message for action on climate change.

#### UK Environmental Reporting 2010/11 GHG Emissions<sup>1</sup>

	2011		2010		Change %
	Unit	t/CO <sub>2</sub> e	Unit	t/CO <sub>2</sub> e	
Business mileage	6,683	2,181.6	6,514	2,217.2	-1.6%

1 (Business mileage increased during the year reflecting increased volumes in our UK residential agency business.)

#### Community

Globally, we have continued to support charitable causes. Locally, our teams across our businesses continue to support local initiatives. In the UK, we focused on raising money and awareness for various causes or through events in support of our two main corporate charities, HoneyPot and LandAid. During 2011, a charity bike ride in aid of HoneyPot attracted over 80 riders and aimed to raise over £20,000.

Savills UK graduates continued to support ICAN, a charity assisting children with speech, language and communication needs, organising various fundraisers including an inter-company cricket match, a 10km run and a women in property networking event.

In Asia, Savills Guardian launched its first Education Fund Scheme in 2000 and has since then run this programme every year. The scheme extends to all children residing in our managed properties and the purpose is to reward students with good results and to relieve burdens on families with financial hardship. In recognition of continual efforts in this area, Savills Guardian, which was first awarded the 'Caring Company' logo in 2002/03, now holds the 'Caring Company 5 consecutive years' logo. Since 2010, Savills Hong Kong has also held the 'Caring Company' logo.

During 2011, over 130 employees participated in the Hong Kong marathon which supports The Hong Kong Amateur Athletic Association. A team at Savills Hong Kong also took part in a charity walk organised by the Redford Charity Foundation to raise funds to build a fourth Redford foundation school in China.

#### Future plans

We remain committed to continuous improvement in the area of CR and building on the work we have done in previous years. During 2012 and subsequent years, we will seek to further develop our CR approach, focusing on those activities where we are best placed to make a significant contribution.

## Risks and uncertainties facing the business

Given the scale and diversity of our businesses, the Board of Directors recognises that the nature, scope and potential impact of our key operational and strategic risks are subject to continuous change. The Board oversees an established risk management framework which is designed to provide it with appropriate visibility of the Group's key risks. The Board regularly assesses the effectiveness of its strategies for managing and mitigating these risks and the controls implemented to negate them.

The Corporate Governance report on pages 27 to 32 describes the systems and processes through which the Board manages and mitigates risks.

Our consideration of the key risks and uncertainties relating to the Group's operations, along with their potential impact and the mitigating factors in place, is set out below. It is not possible to mitigate fully all of our risks and there may be other risks and uncertainties besides those listed below which may also adversely affect the Group.

Key risk	Description	Mitigating factors
Volatility in the markets in which we operate	<p>Market conditions globally may deteriorate in 2012 and there is, therefore, uncertainty in several of our sectors and markets. The restrictions facing our clients on credit availability continues. Group earnings and/or our financial condition could be adversely affected by these macroeconomic uncertainties.</p> <p>Savills operates in 23 countries which increases the risk that we will be affected by geopolitical and economic uncertainties associated with doing business in those jurisdictions.</p>	<p>Our strategy of diversity of service line and geographic spread mitigates the impact on the business of weak market conditions in specific geographies, particularly from more widespread uncertainty, but these factors cannot entirely mitigate the overall risk to earnings. To reduce the potential impact of these risks, we continually focus on our cost base and seek to improve operational efficiencies.</p> <p>Our continual monitoring of market conditions and review of market changes against our Group strategy, supported by the quarterly reforecasting and reporting undertaken by all of our businesses, remain key to our ability to respond rapidly to changes in our operating environment.</p> <p>In line with our strategy of being the property advisor of choice in our chosen markets, we continue to invest selectively in our business where new opportunities present themselves to enhance our service to our clients.</p> <p>Our business model is such that we do not overdepend on one particular country. When entering a new country we undertake due diligence to assess the impact of any political or economic issues in that particular country.</p>
Achieving the right market positioning in response to the needs of our clients	The markets in which we operate remain highly competitive and we need to ensure that we continue to reflect the changing needs of our clients.	To remain competitive in all markets, it is imperative that we continue to provide the quality of client care and service that our clients expect from us. This need drives our strategy to continuously grow the capabilities and strengthen the services offered by the Group. We continue to invest in the development of client relationships globally and associated best in class systems to support our client service offering.
Reputational and brand risk	Savills is a brand with an excellent reputation in the principal markets in which we operate. We recognise the need to maintain our reputation as a quality brand and to continue to ensure the quality of the service we provide.	<p>We recognise that our brand strength is vital to maintaining market share and expanding into new markets. To this end, we have a brand management programme in place to ensure the brand's positioning, identity and personality is clearly and consistently promoted.</p> <p>We recognise that the quality of the service we offer is vital to maintaining the brand and we have in place policies, controls and processes to monitor the quality of our client service to support our programme of continuous improvement.</p>
Recruitment and retention of high calibre staff	We recognise that our ability to deliver our strategy is dependent on us attracting, developing, motivating and retaining people of the highest quality. This is fundamental to the future success of our business.	<p>We continue our investment in the development of our people and extended our programmes across a number of businesses, particularly China/Hong Kong.</p> <p>Our profit sharing approach to remuneration is combined with selective use of share based and other longer term incentives to ensure that our people are incentivised to perform over the longer term and to remain with the business. Team scorecards and individual appraisals ensure that rewards are based on improvements in client service, business development, people</p>

		management, delivery of personal and financial objectives (such as working in co-operation with other teams from other parts of the business as well as financial performance)
Maintaining standards of professional, regulatory and statutory compliance	<p>We are required to meet a broad range of regulatory compliance requirements in each of the markets in which we operate. For example, in the UK, the Financial Services Authority (FSA) regulates the conduct of Savills Capital Advisors and Cordea Savills Investment Management, and the insurance intermediary services we provide to clients in our UK commercial businesses. In addition, the UK Office of Fair Trading regulates our residential business in the UK. A number of the services we provide through our UK businesses are regulated by The Royal Institution of Chartered Surveyors (RICS). Failure to satisfy regulatory compliance requirements may result in fines being imposed, adverse publicity, brand reputational damage and ultimately the withdrawal of regulatory approvals.</p> <p>We also have a number of key statutory obligations including the protection of the health, safety and welfare of our employees and others affected by our activities.</p>	A comprehensive review was undertaken during the year of our Group Policy Framework, which sets out our standards regarding professional, regulatory, statutory compliance and business conduct. To support this Framework each of our businesses has their own regulatory and statutory compliance resources who maintain the internal processes and controls required to fulfil our compliance obligations. Our compliance environment, at all levels, is subject to regular review by internal audit and other assurance providers.
Legal risk	<p>Failure to fulfil our regulatory or contractual obligations to clients could subject the Group to regulatory action and/or claims from clients. The adverse outcome of such action/claims could negatively impact our reputation, financial condition and/or the results of our businesses. For example</p> <p>–</p> <p>in accepting client engagements, Group companies may be subject to standard of care obligations. Failure to fulfil these obligations could result in claims being made against the relevant Group company and/or its employees.</p> <p>–</p> <p>in our Property Management business, we may assume responsibility for appointing and/or supervising third party contractors that provide construction and engineering services for our managed properties. Again, failure to discharge these responsibilities in accordance with our obligations could result in claims being made against the Group companies.</p> <p>–</p> <p>in our Valuation consultancy businesses, we can be subject to claims alleging the over-valuation of a property.</p>	<p>The Group has Legal and Regulatory Compliance Policies which are designed to mitigate against the risk of such action/claims being made and where such claims occur, to limit liability, particularly in relation to consultancy services such as Valuations. Such policies are regularly reviewed and communicated.</p> <p>The Group maintains appropriate levels of professional indemnity insurance to respond to such claims and mitigate the Group's financial exposure to such claims.</p>
Managing our financial risks	<p>For all areas of financial risk we have an established financial control framework with clear responsibilities for operational and finance teams at all levels of the Group.</p> <p>We recognise that there is a currency risk attached to operating in a large number of countries, particularly given the transaction element of our business.</p>	<p>The key financial risks and uncertainties are covered in the Financial review on pages 14 and 15.</p> <p>We minimise the risk as far as possible in local operations through natural hedging by ensuring that revenue and cost are managed in the local currency.</p>

# Board of Directors

## 1 Peter Smith

Chairman of Savills plc and Chairman of the Nomination Committee

**Appointment to the Board** Peter was appointed to the Board as a Non-Executive Director on 24 May 2004 and was elected Chairman with effect from 1 November 2004. Aged 65

**Background and relevant experience** Formerly, he was Senior Partner of PricewaterhouseCoopers (PwC) and served for two years as Chairman of Coopers & Lybrand International and as a member of the global leadership team of PwC. He served as Chairman of RAC plc and was a Non-Executive Director of Safeway plc and the Equitable Life Assurance Society.

**Other appointments** He is a Non-Executive Director of N M Rothschild & Sons Limited, Rothschild Bank AG, Associated British Foods plc and Chairman of Templeton Emerging Markets Investment Trust plc.

**Committee membership** Remuneration Committee and Nomination Committee

## 2 Jeremy Helsby

Group Chief Executive

**Appointment to the Board.** Jeremy joined Savills in 1980 and was appointed to the Board in 1999. Aged 56

**Background and relevant experience** He was Chairman and Chief Executive Officer of Savills Commercial and Savills Europe for seven years until he was appointed as Group Chief Executive on 7 May 2008.

**Committee membership** Nomination Committee

## 3 Simon Shaw

Group Chief Financial Officer

**Appointment to the Board** Simon joined Savills as Group Chief Financial Officer in March 2009. Aged 47

**Background and relevant experience** He is a Chartered Accountant. He was Chief Financial Officer of Gyrus Group PLC from 2003 until its sale to Olympus Corporation in 2008, having previously been Chief Operating Officer of Profile Therapeutics plc between 1998 and 2003. Between 1991 and 1997 he was a corporate financier, latterly at Hambros Bank Limited.

**Other appointments** He is Non-Executive Chairman of Synairgen plc.

## 4 Martin Angle

Independent Non-Executive Director and Chairman of the Audit Committee

**Appointment to the Board.** Martin was appointed to the Board on 2 January 2007. He will replace Timothy Ingram as the Senior Independent Non-Executive Director from 9 May 2012. Aged 61

**Background and relevant experience** Formerly, he was Group Finance Director of TI Group plc and held various executive roles with Terra Firma Capital Partners and its portfolio companies, including The Waste Recycling Group (Executive Chairman) and Le Meridien Hotel Group (Deputy Chairman). He also held a number of senior positions in investment banking with S G Warburg & Co., Morgan Stanley and Dresdner Kleinwort.

**Other appointments** He is a Non-Executive Director of Pennon Group plc, OAO Severstal, Shuaa Capital psc (Dubai) and Chairman of The National Exhibition Group. He is also a Trustee and Treasurer of the FIA Foundation.

**Committee membership** Audit Committee, Remuneration Committee and Nomination Committee

## 5 Timothy Ingram

Senior Independent Non-Executive Director

**Appointment to the Board:** Timothy was appointed to the Board on 27 June 2002. He will stand down from the Board at the Annual General Meeting on 9 May 2012. Aged 64

**Background and relevant experience** He was Chief Executive of Caledonia Investments plc from 2002 until his retirement in July 2010. He was formerly Chief Executive of First National Finance Corporation, a main Board Director of Abbey National plc and a Non-Executive Director of Hogg Robinson plc and The Sage Group plc.

**Other appointments** He is now Chairman of Collins Stewart plc and is a Non-Executive Director of Alliance Trust plc and Alok Industries Limited.

**Committee membership** Audit Committee, Remuneration Committee and Nomination Committee

## 6 Charles McVeigh

Independent Non-Executive Director and Chairman of the Remuneration Committee

**Appointment to the Board** Charles was appointed to the Board as a Non-Executive Director on 1 August 2000. Aged 69

**Background and relevant experience** Formerly, he was Co-Chairman of Citigroup's European Investment Bank and served on the Boards of Witan Investment Company plc, Clearstream, the London Stock Exchange, LIFFE, British American Business Inc and was a member of both the Development Board and Advisory Council of the Prince's Trust. He was also appointed by the Bank of England to serve on the City Capital Markets Committee and the Legal Risk Review Committee and was a member of the Fulbright Commission.

**Other appointments** He is currently Chairman of Citigroup's Corporate and Investment Banking – Global Wealth Management Partnership. He serves on the Board of EFG-Hermes, Petropavlosk plc (formerly Peter Hambro Mining plc) and was appointed as a trustee of the Landmark Trust in 2010.

**Committee membership** Audit Committee, Remuneration Committee and Nomination Committee

## 7 Tim Freshwater

Independent Non-Executive Director

**Appointment to the Board** Tim was appointed to the Board as a Non-Executive Director on 1 January 2012. Aged 67

**Background and relevant experience** He was Managing Director and Chairman of Corporate Finance Goldman Sachs (Asia) from 2001 until 2005. He was formerly with Jardine Fleming, becoming Group Chairman in 1999, and was Partner at Slaughter and May from 1975 to 1996.

**Other appointments** He is currently Vice-Chairman Goldman Sachs (Asia). He is also currently Non-Executive Chairman of Grosvenor Asia Pacific Limited and a Non-Executive Director of Aquarius Platinum Limited, Chong Hing Bank Limited, COSCO Pacific Limited and Swire Pacific Limited.

**Committee membership** Audit Committee, Remuneration Committee and Nomination Committee

## Group Executive Board

### 2 Jeremy Helsby

Group Chief Executive

For photograph and full biography see opposite page

### 3 Simon Shaw

Group Chief Financial Officer

For photograph and full biography see opposite page

### 8 Chns Lee

Group Legal Director & Company Secretary

**Appointment to the Group Executive Board** Chris joined Savills in June 2008 and was appointed to the Group Executive Board in August 2008. He has responsibility for legal and compliance issues globally. Aged 46

**Background and relevant experience** He held equivalent roles with Alfred McAlpine plc, Courts plc and Scholl plc between 1997 and 2008, prior to which he was Deputy Group Secretary of Delta plc from 1990 to 1997

### 9 Rupert Sebag-Montefiore

Chairman – L&P

**Appointment to the Group Executive Board** Rupert joined Savills in 1980 and was appointed to the Group Executive Board when it was formed in February 2008. Aged 58

**Background and relevant experience** On 26 October 2004, he became Chairman of Savills (L&P) Limited, having served as its Managing Director since May 2000. He is responsible for the UK Residential and general practice surveying business and is Head of Savills Global Residential

### 10 Mark Ridley

Chairman and Chief Executive – Commercial

**Appointment to the Group Executive Board** Mark was appointed to the Group Executive Board when it was formed in February 2008. Aged 50

**Background and relevant experience** He joined Savills in July 1996 and was appointed Chairman and Chief Executive of Savills Commercial Limited in January 2008 and prior to this appointment was head of the Manchester office, which he set up in 1996

### 11 Robert McKellar

Chief Executive – Asia Pacific

**Appointment to the Group Executive Board** Robert was appointed to the Group Executive Board when it was formed in February 2008. Aged 52

**Background and relevant experience** He was appointed Chief Executive of Asia Pacific on 31 March 2005 having served as the Group Finance Director since June 2000 and prior to this since December 1994 acted as Finance Director of Savills Commercial Limited

### 12 Raymond Lee

Chief Executive – Savills Group in Hong Kong, Macau and Greater China

**Appointment to the Group Executive Board** Raymond was appointed to the Group Executive Board in January 2011. Aged 50

**Background and relevant experience** He joined Savills in 1989. In 2009, Raymond became the CEO of Savills Group in HK and Macau and in 2010 was appointed CEO of Greater China. Raymond is a Fellow of the Hong Kong Institute of Directors

### 13 Simon Hope

Global Head of Capital Markets

**Appointment to the Group Executive Board** Simon was appointed to the Group Executive Board when it was formed in February 2008. Aged 47

**Background and relevant experience** He joined Savills in September 1986 and he is responsible for our Global Capital Markets business and Head of Savills Commercial Investment. He is also a member of the Chanties Fund Property Board

### 14 Borja Sierra

Chief Executive – Continental Europe

**Appointment to the Group Executive Board** Borja was appointed to the Group Executive Board in January 2011. Aged 43

**Background and relevant experience** He joined Savills in 1998. He is responsible for Savills Continental European offices. Formerly he was Head of Savills in Spain for 10 years, and in February 2008 he was appointed as Executive Managing Director of Savills New York office, where he assumed responsibility for Savills cross-border business

### 15 John Lyons

Chief Executive – America

**Appointment to the Group Executive Board** John was appointed to the Group Executive Board in January 2009. Aged 54

**Background and relevant experience** He is President and Chief Executive of Savills LLC, overseeing the Company's activities throughout North America. In 1996, he founded and acted as Chief Executive Officer of Granite Partners LLC until its acquisition by Savills in 2007. His affiliations include the Urban Land Institute, the International Council of Shopping Centers, the Mortgage Bankers Association and the Wharton-Zell Lurie Real Estate Institute

### 16 Justin O'Connor

Chief Executive – Cordea Savills

**Appointment to the Group Executive Board** Justin was appointed to the Group Executive Board in September 2010. Aged 52

**Background and relevant experience** He joined Cordea Savills in January 2004 as Head of Business Development. He was subsequently appointed Chief Executive of Cordea Savills in January 2006

# Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2011

## Principal activity

Savills plc (the 'Company') is a holding company. The activities of its principal subsidiaries are to provide transactional advice, consultancy and management services in connection with commercial, residential and agricultural property, property related financial services and fund management.

## Operations

The Company and its subsidiaries (together the 'Group') operate through a network of offices and associates in the Americas, the UK, Continental Europe, Asia Pacific, Africa and the Middle East.

## Dividend

The profit attributable to shareholders is £26.5m (2010: £25.0m). An interim dividend of 3.15p (net) per ordinary share amounting to £3.9m (2010: £3.7m) was paid on 17 October 2011. It is recommended that a final dividend of 6.35p (net) per ordinary share (amounting to £7.8m) is paid, alongside the supplemental interim dividend of 4p per ordinary share (amounting to £5.0m) declared by the Board on 14 March 2012, on 14 May 2012 to shareholders on the register at 10 April 2012.

## Principal developments

The development of the business is detailed in the sections entitled Review of operations and Financial review on pages 6 to 15.

The principal risks and uncertainties are detailed on pages 19 and 20.

## Directors

Short biographical details of the current Directors are shown on pages 22 and 23. All the Board served throughout the year with the exception of Tim Freshwater who joined the Board as a Non-Executive Director with effect from 1 January 2012. Timothy Ingram will stand down from the Board at the conclusion of the Annual General Meeting on 9 May 2012 following which Martin Angle will become the Senior Independent Director. Clare Hollingsworth will join the Board as a Non-Executive Director with effect from 2 April 2012. Following these changes the Board will comprise the Non-Executive Chairman, two Executive Directors and four Independent Non-Executive Directors (full details are provided on page 27).

In accordance with the recommendations of the UK Corporate Governance Code, the Board has resolved that all Directors should stand for annual re-election. The Board is satisfied that each Director who is standing for re-election continues to show the necessary commitment and to be an effective member of the Board due to their skills, expertise and business acumen. Notwithstanding his appointment in 2000, the Board considers that Charles McVeigh continues to be entirely independent in character and judgement.

Interests in the issued share capital of the Company held at the beginning and end of the year under review by those who were Directors at 31 December 2011 or their families are set out on page 37 of the Remuneration report. Details of share options held by the Directors pursuant to the Company's share option schemes are provided in the Remuneration report on page 38. It is the Board's policy that the Group Executive Board Members should retain at least 105,000 shares (value at 31 December 2011: £343,980) in the Company and that the Group Chief Executive retain at least 150,000 shares (value at 31 December 2011: £491,400) at all times.

In accordance with DTR4, the Directors' responsibilities statement is set out on page 40 of this Annual Report.

## Enhanced Business Review

In accordance with Section 417, Companies Act 2006, the Company is required to set out in this report a fair review of the business of the Group during the year ended 31 December 2011 and of the position of the Group at the end of that financial year, together with a description of the principal risks and uncertainties facing the Group. The information can be found in the following sections of this Annual Report and are incorporated into this report by reference:

Review of operations	page 06
Key performance indicators	page 07
Financial review	page 14
Corporate responsibilities	page 16
Risks and uncertainties	page 19

## Statement of Disclosure to Auditors

In accordance with Section 418, Companies Act 2006 each Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no information, which would be needed by the Company's auditors in connection with preparing their audit report, of which the auditors are not aware, and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any such information and to establish that the auditors are aware of it.

## Additional Information Disclosure

Pursuant to regulations made under the Companies Act 2006 the Company is required to disclose certain additional information. Those disclosures not covered elsewhere within this Annual Report are as follows:

## Share capital and major shareholdings

The share capital of the Company is detailed on page 90.

The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carries one vote. There are no unusual restrictions on the transfer of ordinary shares. The Directors may refuse to register a transfer of a certificated share unless the instrument of transfer is (i) lodged at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, or (ii) in respect of only one class of shares.

The Directors may also refuse to register a transfer of a share (whether certificated or uncertificated), whether fully paid or not, in favour of more than four persons jointly. The Board may also close the register of shareholders for up to 30 days effectively suspending the registration of all transfers, however, in respect of uncertificated shares, consent from CREST would be required for such a closure.

As at 14 March 2012, the latest practicable date before the publication of this Annual Report, the Company had been notified of the following interests in the Company's ordinary share capital in accordance with Chapter 5 of the UK Listing Authority's Disclosure and Transparency Rules

Shareholders	Number of shares	%
Artisan Partners Limited Partnership	15,787,164	11.91
Franklin Templeton Institutional, LLC	14,433,732	10.89
FIL Limited	6,549,524	4.94
BlackRock, Inc	6,514,966	4.91
Majedie Asset Management Limited	6,489,019	4.89
Artemis Investment Management Limited	6,472,808	4.88
Ignis Investment Services Limited	5,262,038	3.97
Legal & General Group Plc	5,230,378	3.94

As at 31 December 2011, the Savills plc 1992 Employee Benefit Trust (the 'EBT') held 9,198,857 shares. Any voting or other similar decisions relating to these shares are taken by the trustees of the EBT, who may take account of any recommendation of the Company. The EBT waives all but 0.01p per share of its dividend entitlement. For further details of the EBT please refer to Note 2 to the financial statements.

#### Purchase of own shares

In accordance with the Listing Rules at the Annual General Meeting on 4 May 2011, shareholders gave authority for a limited purchase of Savills shares of up to 10% of the issued share capital. During the year, no shares were purchased under the authority.

The Board proposes to seek shareholder approval at the Annual General Meeting on 9 May 2012 to renew the Company's authority to make market purchases of its own ordinary shares of 2.5p each for cancellation or to be held in treasury. Details of the proposed resolution are included in the Notice of Annual General Meeting circulated to shareholders with this Annual Report and Accounts (the 'AGM Circular').

#### Change of control

There are no significant agreements which take effect, alter or terminate in the event of change of control of the Company except that under its banking arrangements, a change of control may trigger an early repayment obligation.

#### Articles of Association ('Articles')

The Company's Articles are governed by relevant statutes and may be amended by special resolution of the shareholders in a general meeting.

The Company's rules about the appointment and replacement of Directors are contained in the Articles. The powers of the Directors are determined by UK legislation, and the Articles of the Company in force from time to time.

#### Annual General Meeting

The Annual General Meeting ('AGM') is to be held at 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ at 12 noon on 9 May 2012, details are contained in the AGM Circular circulated to shareholders with this Annual Report and Accounts.

#### Half Year Report

Like many other listed public companies, we will no longer be circulating printed Half Year reports to shareholders. Rather, future Half Year results' statements will be published on the Company's website. This is consistent with our target of saving printing and distribution costs.

#### Creditors' payment policy

The Group does not follow any specified code or standard on payment practice. However, the Group aims to settle supplier accounts in accordance with the individual terms of business agreed with each supplier. There were 39.3 days' purchases outstanding at the end of the year for the Company (2010: 35.4 days).

#### Charitable donations and political contributions

The amount paid to charitable organisations during the year was £233,372 (2010: £370,242). In addition to these donations, the Group also operates a 'Give As You Earn' scheme which allows employees to donate a portion of their monthly salary to a registered charity. The Group also operates a profit share waiver scheme whereby employees can elect to waive an element of any annual profit share in favour of registered charities of their choice upon which the Group augments the donation to the chosen charity by 10%. These additional Group contributions totalled £149,456 (2010: £195,140) during the year. There were no political contributions (2010: £nil).

#### Corporate governance

The Corporate Governance report, the Remuneration report and the Directors' responsibilities are set out on pages 27 to 40 and form part of this report.

#### Employees

The Directors recognise that the quality, commitment and motivation of Savills staff is a key element in the success of the Group, see pages 16 and 17 for more information.

Employees are able to share in this success through profit share schemes and share plans, see pages 36 and 37 for more information. The Group encourages its employees to develop their skills through training and continued professional development.

It is the policy of the Group to provide employment on an equal basis irrespective of gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age. In particular, the Group gives full consideration to applications for employment from disabled persons. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment and to provide training and career development and promotion to disabled employees.

**Insurance cover**

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

In accordance with the Articles, the Directors and the Group Legal Director & Company Secretary have been granted an indemnity issued by the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage to the extent that a Director or the Group Legal Director & Company Secretary is proved to have acted fraudulently or dishonestly.

**Auditors**

In accordance with Section 489, Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board



Chris Lee  
Group Legal Director & Company Secretary  
14 March 2012

Registered Office  
20 Grosvenor Hill  
Berkeley Square  
London W1K 3HQ

# Corporate Governance report

The Board is responsible to shareholders for the management and control of the Company's activities and is committed to the highest standards of Corporate Governance, as set out in the UK Corporate Governance Code (the 'Code'). The Code may be reviewed on the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk). It is the Board's view that the Company was fully compliant with the provisions of the Code during the year.

The following section together with the Directors' report on pages 24 to 26 and the Directors' Remuneration report on pages 33 to 39 provides details of how the Company applies the principles and complies with the provisions of the Code.

## Board composition and balance

During the year, the Board comprised a Non-Executive Chairman, three Independent Non-Executive Directors and two Executive Directors.

The posts of Chairman and Group Chief Executive are separated. The Chairman is responsible for the workings and leadership of the Board and for the balance of its membership. The Group Chief Executive is responsible for leading and managing the business within the authorities delegated by the Board.

The Board considers that during the year the Company was in full compliance with the Code, which requires that at least half the Board, excluding the Chairman, are Independent Non-Executive Directors.

In this regard, the Board considers Martin Angle, Timothy Ingram and Charles McVeigh to be Independent Non-Executive Directors, who are independent of management and have no business or other relationship which could interfere materially with the exercise of their judgement. In particular, and notwithstanding his long service on the Board, the Board continues to consider that Charles McVeigh remains entirely independent in character and judgement.

Since 1 November 2004, Timothy Ingram has been the Senior Independent Director. The Senior Independent Director is available to shareholders if they have concerns which have not been addressed by contact with the Chairman and/or Group Chief Executive.

As part of the Board's succession planning, and to ensure that it has the blend of skills, experience and independence that it requires to provide leadership and to shape the overall strategic development of the Group, and in particular in the context of the planned retirement of Timothy Ingram from the Board on 9 May 2012, Spencer Stuart was appointed during the year to conduct a search for two new Independent Non-Executive Directors. In commissioning this search, the Nomination Committee reviewed what additional steps it could take to address concerns about creating a more diverse board and asked Spencer Stuart to ensure that a representative number of women with the desired skill sets were included in the shortlists.

Following this search two new Independent Non-Executive Directors have been appointed to the Board. Tim Freshwater joined the Board effective 1 January 2012, and Clare Hollingsworth will join the Board effective 2 April 2012. As explained above Timothy Ingram will stand down as a Non-Executive Director at the conclusion of the AGM on 9 May 2012, following which Martin Angle will replace him as the Senior Independent Director. From the date of Timothy Ingram's retirement from the Board, the Board will comprise the Non-Executive Chairman, four Independent Non-Executive Directors and two Executive Directors.

The biographies of the Board members appear on pages 22 and 23.

## Functioning of the Board

The Directors receive management information, including financial, operating and strategic reports, in advance of Board meetings. The Board receives presentations from non-board members on matters of significance and periodically meetings are held in regional centres to give the Board greater insight into the business in that region. The Group Legal Director & Company Secretary provides the Board with ongoing reports that cover legal and regulatory changes and developments.

The Board has adopted a formal schedule of matters specifically reserved to it for decision making, although its primary role is to provide leadership and to review the overall strategic development of the Group as a whole. In addition, the Board sets the Group's values and standards and ensures that the Group's businesses act ethically and that its obligations to its shareholders are understood and met. The Board is specifically responsible for

- approval of Group strategy and its budgetary and business plans,
- approval of significant investments, any decision to divest or close any Group business and capital expenditure,
- review of performance, assessed against the Group's strategy, objectives, business plans and budgets,
- approval of annual and half year results and interim management statements, accounting policies and the appointment and, subject to shareholder approval, remuneration of the external auditors,
- approval of the dividend policy and interim dividends and the recommendation of final dividends,
- changes to the Group's capital structure and the issue of any securities,
- establishing the Group's risk appetite, system of internal control, governance and approval authorities,
- executive performance and succession planning, including the appointment of new Directors, and
- determining standards of ethics and policy in relation to business practice, health, safety, environment, social and community responsibilities.

At its meetings during the year, the Board discharged the duties above and received updates on the following: financial performance, key management changes, material new projects, financial plans, legal and regulatory updates, and in particular

- reviewed Board membership and commenced a search for new Non-Executive Directors culminating in two appointments. Tim Freshwater joined the Board with effect from 1 January 2012 and Clare Hollingsworth will join the Board with effect from 2 April 2012,
- introduced a new consolidated Group Code of Conduct to ensure that the Group's ethical trading policies were readily available to all employees, and in particular to ensure that employees have a single reference point (which is available in local language as appropriate) which details the Group's commitment to ethical business and the Group's requirements in this respect. This Code also serves to address the issues raised by the UK Bribery Act 2010,
- reviewed the strategies and policies being pursued to mitigate risks, particularly those in relation to financial services, and
- maintained the Directors' conflicts of interests register.

One of the Board's meetings during the year was specifically devoted to the review and approval of the Group's strategy. Members of the Group Executive Board joined this meeting to present the proposed strategy of the business or service line for which they were responsible. The delivery of strategic plans is continually monitored and reviewed by the Board and periodic updates on progress and market developments are presented by the Group's business heads.

As well as planned briefings, Directors are also expected to take responsibility for identifying their own individual needs and to take appropriate steps to ensure that they are properly informed about the Group and their responsibilities as a Director.

The Board has delegated authority to certain committees to carry out specified objectives as defined by their terms of reference. Additional information on the responsibility of each of the Board Committees appears on pages 29 to 31.

#### Board induction and training

An induction programme is provided for each new Director which introduces the Group's business, its operations, strategic plans, key risks and its governance arrangements, and includes one to one briefings from Business Heads and an introduction to each Group business' development strategy.

Where appropriate, tailored training courses are made available and Directors also receive regular updates on developments in legislative and regulatory matters.

#### Board performance and evaluation

In 2010, the Board engaged Lintstock Limited ('Lintstock') on a three year appointment to undertake an annual independent evaluation of Board and Board Committee performance and to identify areas where performance and procedures might be further improved. Lintstock's evaluation considers

- Board composition, expertise and dynamics,
- Board support, time management and Board Committee performance,
- strategic, operational and risk oversight, in particular testing this following the restructuring of the Board in 2010, succession planning and human resource management, and
- priorities for change.

On completion of the review process, Lintstock presented a report, considering the key themes and issues raised, and formulated a number of recommendations to further enhance Board effectiveness and confirming the Board's major priorities for 2012 as being strategy development and implementation, succession planning and people development and the further development of a global approach to client servicing.

A performance assessment of the Non-Executive Directors and the Group Chief Executive was undertaken by the Chairman during the year. In addition, the Group Chief Executive conducted a performance review of the Group Chief Financial Officer, and the Senior Independent Director led a review of the Chairman's performance, with input from all Directors.

The individual assessments of each Director confirmed that performance was effective, and the Board subsequently endorsed these assessments and confirmed that the contributions made by each Director, each of whom (with the exception of Timothy Ingram), in accordance with the Code, offers themselves for re-election at the AGM on 9 May 2012, continued to be effective and that the Company should support their re-election. The details of the Directors, are set out on page 22.

#### Directors' conflicts of interest

From 1 October 2008, Directors have had a statutory duty to avoid situations in which they have, or could have, an interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles by the other Directors. The Board has adopted a set of guiding principles on managing conflicts and approved a process for identifying current and future actual and potential conflicts of interest. It was also agreed that the Nominations Committee would review authorised conflicts at least annually or if and when a new potential conflict situation was identified or a potential conflict situation materialised. During 2011, actual and potential conflicts of interest that were identified by each Director were subsequently authorised by the Committee, subject to appropriate conditions in accordance with the guiding principles.

#### Board meetings

During the year the Board held eight scheduled meetings and a separate strategic review to confirm Group strategy. Directors' attendance at scheduled Board and Committee meetings convened in the year ended 31 December 2011 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings in year</b>	8	4	5	2
	Attended	Attended	Attended	Attended
<b>Non-Executive Directors</b>				
Peter Smith	8	–	5	2
Martin Angle	8	4	5	2
Timothy Ingram	7	3	3	2
Charles McVeigh	8	4	5	2
<b>Executive Directors</b>				
Jeremy Helsby*	8	–	–	2
Simon Shaw*	8	–	–	–

\* Members of the Group Executive Board

The Board and Committee meetings are structured to allow open discussion. All Directors receive detailed papers in advance of Board meetings. When unable to be present in person, Directors may attend by audio or video conference. When Directors are not able to attend Board or Committee meetings, their comments on the papers to be considered at that meeting are relayed in advance to the Chairman of that meeting.

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

The Group Legal Director & Company Secretary, whose appointment is a matter reserved for the Board, is responsible for advising and supporting the Chairman and the Board on company law and corporate governance matters and for ensuring that Board procedures are followed, as well as ensuring that there is a smooth flow of information to enable effective decision making. All the Directors have access to the advice and services of the Group Legal Director & Company Secretary and through him have access to independent professional advice in respect of their duties at the Company's expense

#### **Board committees**

The Board has delegated certain authorities to committees each with formal terms of reference, which are available on request or on the Company's website ([www.savills.com](http://www.savills.com)). The membership of each committee is detailed on page 22. The principal committees of the Board are as follows

#### **Nomination Committee**

The Board has delegated to the Committee responsibility for reviewing and progressing appointments to the Board or Board composition. During the year, the Committee comprised the three independent Non-Executive Directors, together with the Chairman and Group Chief Executive. The Committee is chaired by the Group Chairman, Peter Smith (save in circumstances where the Chairman's succession is considered). The Committee meets at least once a year and met twice during 2011. The Committee's main activities during the year included

- considering the balance of skills, knowledge and experience available to the Board, particularly in the context of the planned retirement of Timothy Ingram, the Senior Independent Director, from the Board on 9 May 2012, and commissioning a search to secure new independent Non-Executive Directors with the desired profiles,
- reviewing leadership needs of the organisation with a view to ensuring the continued ability to compete effectively in the marketplace,
- considering the proposed re-appointment of the Non-Executive Directors, before making a recommendation to the Board regarding their re-election, and
- considering and approving the Directors' potential Conflict of Interests

The Committee provides a forum to consider Board succession planning and to make recommendations to the Board on specified matters including its composition, structure, size and balance

The Articles provide that Directors must submit themselves for re-election every three years and that newly appointed Directors must submit themselves for reappointment at the first AGM after their appointment. Notwithstanding the requirements provided by the Articles, the Board has resolved, consistent with the recommendations of the Code (which applies to financial years starting on or after 29 June 2010), that all Directors should stand for annual re-election. In making recommendations to shareholders for the reappointment/re-election of any Director, the Nomination Committee considers the Director's performance and their ongoing contribution to the success of the Company and makes its relevant recommendation to the Board

The Board endorses the aims of the Davies' Report entitled 'Women on the Board' and when considering future appointments will, with the support of the Nomination Committee, base such appointments on merit, against an objective criteria and with due regard for the benefits of diversity including gender diversity. These principles were applied to the search that the Committee commissioned during 2011 for two new additional independent Non-Executive Directors

#### **Audit Committee**

The Committee comprised the three independent Non-Executive Directors and is chaired by Martin Angle. The Committee met four times during the year. The meetings are also attended by the Group Chairman (Non-Executive), Group Chief Executive, Group Chief Financial Officer, Group Financial Controller, representatives from the internal and the external auditors, Group Director of Audit and Risk, Group Legal Director & Company Secretary and other senior executives of the Group by invitation. Martin Angle has recent, and relevant financial experience and the Board considers that the members of the Audit Committee collectively have sufficient recent and relevant financial experience to carry out the functions of the Committee

Subsequent to year end, Tim Freshwater was appointed as a member of the Audit Committee effective from the date of his appointment on 1 January 2012 and Charles McVeigh retired as a member of the Committee effective 31 January 2012, in accordance with the FRC Guidance on Audit Committees, having already served three 3 year terms as a member of the Committee

The Board has delegated to the Committee responsibility for overseeing the financial reporting, internal risk management and control functions and for making recommendations to the Board in relation to the appointment of the Company's internal and external Auditors. The Committee is authorised to investigate any matter within its terms of reference and, where necessary, to obtain external legal or other independent professional advice. The Committee's principal activities during the year have included

- reviewing the half year and annual financial statements with particular reference to accounting policies, together with significant estimates and financial reporting judgements and the disclosures made therein,
- monitoring the financial reporting process,
- reviewing management representations made to the external auditors,
- reviewing the Group's procedures to ensure that all relevant information is disclosed,
- discussing any issues arising out of the half year review or the full year audit with the external auditors (in the absence of management where appropriate),
- making recommendations to the Board with regard to continuing the appointment and remuneration of the external auditors,
- overseeing the Group's relations with the external auditors and the effectiveness of the audit process,
- reviewing and assessing the effectiveness of the Group's internal financial controls and their application,
- monitoring and reviewing the effectiveness of the internal audit function, reviewing all reports prepared by the internal auditors and assessing management's responses to such reports, and
- reviewing and assessing the effectiveness of the Group's internal control and risk management systems (see pages 19 and 20)

During the last 12 months, the Committee in particular oversaw the launch of the Group's new Code of Conduct, and the implementation of additional controls to support its introduction, considered the control framework in each of the Group's main businesses and agreed recommendations for further improving these and specifically considered the controls around the Group's valuation practices to ensure that these remained robust

To enable it to carry out its duties and responsibilities effectively, the Committee relies on information and support from management across the business

The Committee also considers on an ongoing basis the independence of the external auditors and has established policies to consider the appropriateness or otherwise of appointing the external auditors to perform non-audit services, including consideration as to whether the auditors are the most suitable supplier of such services

As detailed on page 26 the external auditors are PricewaterhouseCoopers LLP. The external auditors are responsible for the annual audit and have also provided certain non-audit services to the Company, principally advice on taxation matters. The approval of the Committee is required prior to awarding contracts to the external auditors for non-audit services in excess of £100,000. Below this level the Chairman is kept apprised of new instructions given to the external auditors for the delivery of non-audit services. The Audit Committee is satisfied that such work was best undertaken by PricewaterhouseCoopers LLP and the objectivity of the external auditors has not been impaired by reason of this further work. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness and continued independence. Accordingly, it has not considered it necessary to tender the audit work since the audit was last tendered in 2000, although the merits of undertaking a tender process remain under continuous review. The external auditors are required to rotate the audit partner responsible for the Group audit every five years and the last partner change was in 2011. There are no contractual obligations restricting the Company's choice of external auditor. The Auditors' report appears on page 41.

The provision of internal audit services during 2011 was jointly delivered by the Group's internal audit team and a panel arrangement with BDO LLP and Grant Thornton LLP. The Board's responsibility for internal control and risk is detailed on pages 31 and 32.

#### **Remuneration Committee**

During the year the Committee comprised the three Independent Non-Executive Directors and the Non-Executive Chairman, and was chaired by Charles McVeigh. It meets at least three times a year. The Group Legal Director & Company Secretary is secretary to the Committee and also provides advice to it. On his appointment effective 1 January 2012, Tim Freshwater became a member of the Remuneration Committee. With effect from 2 April 2012 the Committee will be chaired by Clare Hollingsworth, and Charles McVeigh will cease to be a member.

The Committee's principal responsibilities are to determine Company policy on senior executive remuneration and to agree the remuneration packages of the Executive Directors and members of the Group Executive Board. The Committee (excluding the Non-Executive Chairman) also determines the level of fees payable to the Non-Executive Chairman.

In addition to the above responsibilities, during 2011 the Committee commissioned Towers Watson, its external adviser, to undertake a review of the Group's remuneration policy and in particular to consider the appropriateness of the Group's profit sharing and longer term incentive arrangements. Towers Watson concluded that these remained appropriate, in particular given the strong linkage between financial performance and reward. No changes to the structure of the Group's remuneration arrangements were proposed or effected following this review.

Given the central part that remuneration plays in the success of the Group, in terms of recruitment, motivation and retention of high quality employees, the Group Chief Executive is consulted on the remuneration package of the Group Chief Financial Officer and attends Committee meetings by invitation. The Committee reviews the remuneration of the other members of the Group Executive Board.

The Committee is advised by Towers Watson and the Group Legal Director & Company Secretary. The Committee does not deal with the fees paid to the Non-Executive Directors, which are decided by the Executive Directors and the Chairman (except when his own fee is being discussed).

The report of the Remuneration Committee is set out on pages 33 to 39. The Remuneration report will be put to shareholders for approval at the AGM on 9 May 2012.

#### **Group Executive Board ('GEB')**

The GEB comprises the Group Chief Executive, the Group Chief Financial Officer, the heads of the Group's principal businesses and the Group Legal Director & Company Secretary. Under the leadership of the Group Chief Executive, the GEB is responsible for overseeing the development and implementation of strategy, the operational performance of the Group and other specific matters delegated to it by the Board.

An explanation of how the Group creates and preserves value, and the strategy for delivering its objectives is included in the Group Chief Executive's review on pages 6 to 13.

Members of the GEB are detailed on page 23.

#### **Relations with shareholders**

The Group recognises the importance of maintaining regular dialogue with its shareholders. The Group Chief Executive and Group Chief Financial Officer have a regular programme of meetings and presentations with analysts and investors, including presentations following the publication of the Company's full and half year results. This programme maintains the ongoing two-way dialogue between the Company and shareholders, and helps to ensure that the Board is aware of shareholders' views on a timely basis. The Board also receives feedback at least twice each year from its corporate brokers on investors' and the market's perceptions of the Company. The Chairman and the Senior Independent Director are also available to shareholders.

The AGM provides the Board with a valuable opportunity to communicate with private shareholders and is generally attended by all the Directors. Shareholders are given the opportunity to ask questions during the meeting and to meet Directors following the conclusion of the formal part of the meeting. In accordance with the Code, the level and manner of voting of proxies lodged on each resolution at the AGM is declared at the meeting and published on the Company's website. The Directors aim to give as much notice of the AGM as possible which will be at least 21 clear days, as required by the Articles. In accordance with the Articles, electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a general meeting.

The Company has taken advantage of the provisions within the Companies Act 2006 which allow communications with shareholders to be made electronically where shareholders have not requested hard copy documentation. Details of the information available for shareholders can be found on page 100. Information about the Company is also available on the Company's website ([www.savills.com](http://www.savills.com))

#### **Internal control and risk management**

The Board has overall responsibility for establishing and maintaining the Group's system of risk management and internal control to safeguard shareholders' investments and the Group's assets, and for reviewing the effectiveness of this system. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the Group's system of risk management and internal control are

- a comprehensive system for planning and reporting the performance of each operating subsidiary. The GEB and the Board meet regularly and review the Group's results against plan and the previous year. The Group regularly reviews performance forecasts. Clear responsibilities are given to operational and financial managers for the maintenance of effective financial controls and the production of accurate and timely financial management information,
- the regular review and assessment of the performance of the business including in relation to risk management and internal control by the Board and its subcommittees, including the GEB,
- attendance at operating subsidiary and associate boards by the Group Chief Executive and Group Chief Financial Officer. These boards and their associated committees also meet regularly and have formal reporting structures. Directors of operating subsidiaries are also closely involved in the day to day business of their respective operations and are tasked with identifying key risks and ensuring that appropriate action is taken to mitigate and manage these,
- a Group Risk Management Policy which sets out the process for identifying, evaluating and managing the key risks to the Group's business objectives, supported by an appropriate organisational structure and clearly defined management responsibilities,
- a Group Risk Committee which reports to the GEB and is tasked with the review, discussion and challenge of key risks reported, the ongoing Group-wide development of internal control and the monitoring of internal audits and other sources of assurance on the effectiveness of internal controls. The Committee is chaired by the Group Chief Financial Officer and consists of senior subsidiary business management and Group function heads including the Group Director of Risk and Internal Audit, Group Legal Director & Company Secretary and Group IT Director,
- a programme of assurance activities which assesses the effectiveness of the Group's internal controls in respect of key risks which includes
  - a programme of internal audits undertaken in accordance with an annual risk based plan approved by the Audit Committee. The plan is designed to ensure that internal audit reviews are focused on priority controls across the Group to provide both independent review and challenge on the effectiveness of these controls, and the promotion of good practice and consistency in their development,
  - compliance programmes within the Group's regulated businesses in support of the Group's commitment to conduct its business responsibly and in accordance with all laws and regulations to which its business activities are subject, and
  - an annual self assessment and certification by management of the existence and effectiveness of the controls within each of the Group's operating subsidiaries. The results are collated for review and challenge by the Group Risk Committee and onward reporting to the GEB and Audit Committee.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the system of risk management and internal control. In performing its review of effectiveness, the Audit Committee considered the following reports and activities:

- internal audit reports on the review of priority controls across the Group and the monitoring of management actions arising,
- management's own assessment of the performance of the system of risk management and internal control during 2011,
- invitation of key financial and operational managers to present on the operation of the system of risk management and internal control within their businesses,
- reports from the Group Director of Risk and Internal Audit including reporting on Group-wide key risk assessment activity and annual self assessment findings, and
- reports from the external auditors on any issues identified during the course of their work.

The Board, having reviewed the effectiveness of the system of internal control, can confirm that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified.

#### **Whistle-blowing**

The Group encourages employees to report any concerns which they feel need to be brought to the attention of management. Whistle-blowing procedures, which are published on the Group's intranet site, are available to employees who are concerned about possible impropriety, financial or otherwise, and who may wish to ensure that action is taken without fear of victimisation or reprisal.

#### **Code of Conduct**

During the year, the Group introduced a new consolidated Group Code of Conduct to ensure that the Group's ethical trading policies were readily available to all employees, and in particular to ensure that employees have a single reference point (which is available in local language as appropriate) which details the Group's commitment and approach to ethical business.

**Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Chief Executive's review on pages 6 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 14 and 15. In addition, Note 3 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources, including a £50m committed revolving credit facility that matures on 31 March 2014, together with a broad spread of businesses across different geographic areas and sectors, some of which enjoy stable revenue under contract with a number of customers. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

By order of the Board

**Peter Smith**  
Chairman

14 March 2012

# Remuneration report

## Remuneration Committee

The Board presents its Remuneration report, which has been prepared on the recommendation of the Remuneration Committee and in accordance with the Companies Act 2006. Shareholders will be invited to approve the report at the AGM on 9 May 2012.

The Committee is responsible for the broad policy governing senior employees' pay and remuneration. It sets the actual levels of all elements of the remuneration of the Executive Directors and reviews that of the members of the GEB. The Committee also oversees the administration of Savills employee share schemes. The Committee's terms of reference are available on the Company's website ([www.savills.com](http://www.savills.com)).

The Committee aims to ensure that senior employees (including Executive Directors and GEB members) are rewarded for their contribution to Savills and are motivated to enhance returns to shareholders. It advises the Board on the remuneration framework and policy for such senior executives and, once formally endorsed by the full Board, it applies the policy. The Committee members are the Independent Non-Executive Directors and the Chairman. During the year the Committee comprised the following:

Charles McVeigh (Committee Chairman),

Martin Angle,

Timothy Ingram, and

Peter Smith

Clare Hollingsworth will Chair the Committee from her appointment as a Director with effect from 2 April 2012. Charles McVeigh will stand down as a Committee member from the same date. Tim Freshwater also joined the Committee on his appointment as Director, with effect from 1 January 2012. Timothy Ingram will resign from the Committee on his retirement as Director at the conclusion of the AGM on 9 May 2012. Following these changes, the Committee will comprise Clare Hollingsworth (Chair), Martin Angle, Tim Freshwater and Peter Smith.

Biographical details of the current Committee members are set out on page 22. The Committee met on four occasions during the year. Attendance details are shown on page 29.

## Advice

Following the 2011 AGM and adoption of the Performance Share Plan, details of which are given on page 36, Towers Watson advised the Committee on appropriate salary and incentive arrangements for the Executive Directors and GEB members and undertook a review of the Group's remuneration policy to ensure that this continues to best align shareholders' and management's interests, appropriately incentivises superior performance and is consistent with peer practice. In particular, Towers Watson considered the Group's profit sharing and longer term incentive arrangements, and concluded that these remained appropriate given the strong linkage between performance and reward. No changes to the structure of the Group's remuneration arrangements were proposed or effected following this review.

The Committee was also advised and supported by the Group Legal Director & Company Secretary.

## Remuneration policy

It is essential that the Group provides remuneration packages which attract, retain and motivate Executive Directors, GEB members and employees of the highest quality. Benefit packages awarded to Executive Directors and GEB members are structured to provide a competitive mix of variable performance related (ie profit share and longer term incentives) and fixed remuneration (principally base salary). In setting the remuneration of the Executive Directors and GEB members the Committee is also able to consider corporate performance on environmental, social and governance issues.

The Board accepted all of the recommendations relating to the Executive Directors' and GEB members' remuneration made by the Remuneration Committee during the financial year ended 31 December 2011.

The remuneration of each of the Directors is shown on page 35.

## Base salary

Savills business philosophy is founded on the premise that employees should be motivated through highly incentive based (and therefore variable) remuneration. Salaries for fee-earners, particularly more senior ones, are below market medians for similar businesses and a greater emphasis is placed on the performance related elements of either profit share or commission in the total remuneration package. These lower salary levels help to limit related costs (eg pension) and also have the effect of reducing the fixed element of the Group's cost base. For support staff, salaries are generally around market median levels. Salaries for all employees are reviewed annually (although not necessarily increased) by each Group business.

In 2011, salary costs in the Group's UK businesses increased by 5.6% overall, and by 6.6% for longer serving senior individuals who were previously members of the Pension Plan of Savills (the 'Plan') and who ceased to accrue further final salary pension benefits following the closure of the Plan, effective 31 March 2010. As a former member of the Plan, the base salary of Jeremy Helsby was increased by 7.1% to £225,000 p.a., with effect from 1 April 2011. The base salary of Simon Shaw, who was not a member of the Plan, was not increased during 2011. Given the continuing market uncertainty, there will be no increases in the base salary of the Executive Directors or GEB members during 2012.

## Performance related profit share

In general, each Group business has a fee-earner discretionary profit share scheme where the annual profit share pool available for distribution is derived from the profit of that Group business after charging all costs (pre-profit share) including central overheads and finance charges. The profit share pool for each subsidiary company is generated by a formula. The amounts available for distribution within these profit share pools are calculated in bands between 30% of the pre-tax and pre-profit share profits through to 65% for excellent performance, based on the achievement of predetermined targets. These bands are reviewed regularly.

The Committee expects, over the cycle, profit share and commissions, in aggregate, to be in the order of between 55% to 65% of each Group business' pre-tax profits excluding charges for such payments. Awards to fee-earning employees are assessed by reference to fee-earning achievements, the profitability of the individual's area of responsibility, contribution to business development and managerial responsibilities.

A portion of the profit share of the Executive Directors and GEB members is deferred for a period of not less than three years and awarded in shares under the terms of the Deferred Share Bonus Plan, details of which can be found on page 36

#### **Share related incentives**

Senior employees, GEB members and Executive Directors may participate in the Deferred Share Bonus Plan, the Performance Share Plan, the Sharesave Scheme and the Share Incentive Plan, details of which are given on pages 36 and 37. Details of any awards made to Executive Directors under these schemes are given on page 38

Senior employees and GEB members, but not the Executive Directors, may also participate in the Deferred Share Plan, details of which are given on page 36

#### **Longer term incentives**

Following a review of long term incentives by the Committee, advised by Towers Watson, the Performance Share Plan (the 'PSP') was introduced in May 2011 following shareholder approval as this was better aligned to the Group's strategic objectives and better linked Executive reward with shareholder value creation. Details of awards made to Executive Directors under the PSP are given on page 38

Prior to May 2011, longer term incentives were provided through the grant of options pursuant to the Savills Executive Share Option Scheme (2001) (the 'Scheme'). The Scheme reached the end of its agreed ten year life span in May 2011 (although options granted pursuant to its terms up to and including May 2011 continue to be exercisable subject to the satisfaction of performance criteria attaching to them)

#### **Pension**

The Pension Plan of Savills (the 'Plan'), which provided final salary pension benefits to employees who joined the Group before 2000 (including the Group Chief Executive) closed to future benefit accrual with effect from 31 March 2010. From 1 April 2010 pension benefits for former members of the Plan have been provided through the Group's defined contribution Personal Pension Plan (the 'GPP'), or for those individuals (including the Group Chief Executive) who were precluded from joining another Registered Pension Scheme due to A-Day rules, through a separate non-pensionable salary supplement (equal in value to the contributions that would otherwise have been paid on their behalf into the GPP). As a transitional arrangement, employer pension contributions in relation to all former Plan members, including the Group Chief Executive, were set at 20% of pensionable salary for the period until March 2015, thereafter employer pension contributions for former Plan members, including the Group Chief Executive, will reduce to 14% of pensionable salary

#### **Benefits**

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

#### **External directorships**

The Executive Directors and GEB members are allowed to accept external non-executive directorships, subject to approval by the Board and any conditions that it might impose. For non-executive directorships which are considered to arise by virtue of an Executive Director's or GEB member's position within Savills, the fees are paid directly to Savills. During 2011 and unrelated to his employment with the Group, Simon Shaw received a fee of £30,000 in relation to his continuing appointment as Non-Executive Chairman of Synairgen plc

#### **Non-Executive Directors' remuneration**

The fees for the Non-Executive Chairman are determined by the Remuneration Committee (excluding the Non-Executive Chairman)

The fees for the other Non-Executive Directors are set by the Board, excluding the Non-Executive Directors, within the limits set by the Articles. The Non-Executive Directors do not participate in any share related incentive plans (including the Performance Share Plan) nor do they receive any performance related payments, nor do they receive any pension entitlement. The fees payable to the Non-Executive Directors were increased from 1 July 2011 for the first time since 1 July 2008 to ensure that these were consistent with the market, reflecting their responsibilities and commitment. Peter Smith's fee as Group Chairman was not increased during 2011

#### **Executive Directors' remuneration**

##### **Salary and profit share**

The salary and profit share arrangements of the Executive Directors are structured to reflect the role and responsibility of each individual within the Group. The base salaries for all Executive Directors are set at levels which are significantly below market medians. Profit share for Executive Directors in respect of the 2011 financial year reflects, firstly, the Group's financial performance and secondly an objectives-based element reflecting individual performance/contribution during the course of the year measured against pre-set targets determined by the Committee. The Committee evaluated performance against these targets and awarded profit share accordingly

The maximum profit share potential for the Group Chief Executive is £2m in any year and for the Group Chief Financial Officer is £1.5m. Part of any profit share is delivered in the form of deferred shares with the proportion that is delivered in the form of deferred shares rising as profit share increases

The above arrangements also apply for the 2012 and 2013 financial years

## Pension

Jeremy Helsby participated in the Plan until its closure to future accrual with effect from 31 March 2010. From that date, as an individual subject to A-Day pension limits, he received a non-pensionable salary supplement (which at 20% of pensionable salary was equal in value to the contributions that would otherwise have been paid on his behalf into the GPP). For Simon Shaw, the Company contributes 18% of pensionable salary to his personal pension plan (equal in value to the contributions that would otherwise have been paid on his behalf into the GPP).

Under the GPP, only base salary is pensionable.

### Analysis of Directors' remuneration (audited)

	Salary/fees	Profit share		Benefits	Employer pension contribution (including final salary, GPP and profit share waived)		Total
		Year to 31 December 2011	Year to 31 December 2011		Year to 31 December 2011	Year to 31 December 2011	
	£	Cash £ <sup>†</sup>	Deferred £	£	£	£	£
<b>Executive Directors</b>							
Jeremy Helsby	221,250	823,360	168,640	10,757	44,250	1,268,257	1,178,160
Simon Shaw	175,000	559,337	114,563	10,990	31,500	891,390	971,500
<b>Non-Executive Directors<sup>##</sup></b>							
Martin Angle (Chairman – Audit Committee) <sup>***</sup>	51,250	–	–	–	–	51,250	44,490
Timothy Ingram <sup>**</sup>	45,000	–	–	–	–	45,000	40,000
Charles McVeigh (Chairman – Remuneration Committee) <sup>****</sup>	50,000	–	–	–	–	50,000	47,500
Peter Smith	150,000	–	–	–	–	150,000	150,000

\* For details of the Deferred Share Bonus Plan please refer to page 36

\*\* The Senior Independent Director, with effect from 1 July 2011, receives an additional fee of £5,000 p a (2010 £nil)

\*\*\* The Chairman of the Audit Committee, with effect from 1 July 2011, receives an additional fee of £10,000 p a (2010 £7,500)

\*\*\*\* The Chairman of the Remuneration Committee, with effect from 1 July 2011, receives an additional fee of £7,500 p a (2010 £7,500)

# Excluded from the cash profit share figure for 2011 for Jeremy Helsby is £20,000 which was waived in favour of a contribution to a registered charity (2010 Jeremy Helsby waived £14,000 and Simon Shaw waived £25,000) and in relation to Simon Shaw, £40,000 which was waived in favour of a contribution to his defined contribution pension scheme (2010 £nil)

## Fees payable to the Non-Executive Directors were increased from £40,000 to £45,000 p a from 1 July 2011 (the previous increase was in July 2008)

### Pensions Disclosure

	Increase/(decrease) in accrued pension during the year in excess of inflation <sup>1</sup>		Transfer value of the increase/(decrease) less Director's contributions <sup>1</sup>		Accumulated total accrued pension at the end of the year <sup>2</sup>		Total increase in accrued pension during the year <sup>2</sup>		Transfer value of total pension at start and end of year <sup>3</sup>		Increase/(decrease) in transfer value over the year, less Director's contributions <sup>4</sup>	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	£	£	£	£	£	£	£	£	£	£	£	£
<b>Executive Directors</b>												
Jeremy Helsby <sup>*</sup>	(66)	(1,080)	(1,730)	(26,374)	52,390	49,958	2,432	454	1,373,637	1,046,450	327,187	61,049

### Notes

- The table shows the increase in accrued pension during the year, excluding any increase for inflation. The inflation measure has been taken as the increase in CPI subject to a maximum of 5% p a in accordance with Schedule 3 of the Pension Scheme Act 1993. The transfer value of this increase in pension is also shown, less the contributions made by the Director during the year.
- The accumulated accrued pension entitlement shown is that determined at the Director's date of leaving the Plan (31 March 2010) increased in line with the Plan rules to the year end. The actual increase in pension over the year is also shown.
- The transfer value of the total pension accrued at the year end, determined at the year end is set out along with the comparative amounts at the end of the previous year.
- The increase/(decrease) in the amount of this transfer value, less the contributions made by the Director during the period, has also been determined.
- Pensionable service ceased at 31 March 2010 for all members of the Plan. Mr Helsby became a deferred pensioner as at 30 April 2010. These figures do not allow for benefits and contributions in respect of the DC scheme.

### Share related incentives

#### Directors' Deferred Share Bonuses and other schemes

The Group operates six employee share schemes, one of which (the Executive Share Option Scheme (2001)) is now closed to new entrants. The principal features of all these schemes are summarised below. The Committee keeps these schemes under review to ensure their continued effectiveness and compliance with best practice and contribution to shareholder value.

### **The Deferred Share Bonus Plan (the 'DSBP') and the Deferred Share Plan (the 'DSP')**

The DSBP was adopted by the Board on the recommendation of the Remuneration Committee in 2001. The DSBP reached the end of its ten year life span in May 2011, when it was renewed for a further ten year term (without any change of substance except for the introduction of claw-back provisions – see paragraph below). The DSBP (as renewed) provides for the award of nil cost options or conditional shares based on performance achievements measured against predetermined targets over the immediately preceding financial year. The performance targets are specific to each individual and either relate to Group thresholds, business unit targets or a combination of both. In order to support retention of key fee-earners, a proportion of any profit share is required to be taken in the form of deferred shares. The DSBP is a fundamental part of Savills' successful executive remuneration strategy, which is to include a meaningful performance related pay element and to control the level of base annual salaries at senior levels significantly below market comparables. The deferred element provides an added incentive in the form of potential share price growth over the deferred period together with an important retention aspect in that awards normally lapse in the event that executives leave service before the vesting date.

Awards of nil cost options/conditional shares normally vest after a deferral period of not less than three years although a longer deferral period may apply. The shares are subject to forfeiture if the executive leaves service prior to the vesting date other than in defined 'good leaver' situations (eg redundancy or ill-health). The shares to satisfy awards are acquired by purchase in the market through an independent employee benefit trust (the 'EBT') with funds provided by the relevant employing company. For awards made from 2006 onwards, the number of shares awarded is increased on the vesting date to reflect final and interim dividends paid to ordinary shareholders during the deferral period. There are no powers to issue new shares (or to reissue existing treasury shares) under either the DSBP or the EBT and therefore there is no dilution of existing shareholdings. The EBT can hold up to 15% of the Company's issued share capital. This limit was agreed after full consultation with institutional shareholders in 2002–2003 and approved by ordinary resolution of shareholders at the AGM in 2003.

In summary, the combination of a profit share which is highly geared to reward performance and achievement of pre-set targets together with a deferred element in the form of Savills shares is fundamental to Savills' remuneration strategy both as an incentive and as a retention tool.

The DSP provides for the grant of awards of deferred shares which normally vest not earlier than three years from the award date (the deferral period may be longer). The DSP provides the scope for the Board to make such awards (which may be in the form of nil-cost options or conditional shares) to key executives where the Board considers that there are particular business reasons, in the interests of the Company, for applying a retention element to remuneration (for example on the acquisition of a business). Awards under the DSP are forfeited if the executive leaves the employment of the Group before the end of the deferral/option period (with exceptions for 'good leavers'). The shares required to satisfy DSP awards are funded through the EBT in the same manner as DSBP awards are funded (see paragraph two of this section). There are no powers to issue new shares or to reissue existing treasury shares under the DSP and therefore there is no dilution of existing shareholdings. The Executive Directors are not eligible to receive awards under the DSP.

In accordance with current best corporate governance practice, both the DSBP and DSP include claw-back provisions which can be applied in exceptional circumstances such as misstatement of performance or misconduct.

### **The Performance Share Plan (the 'PSP')**

The PSP was authorised by shareholders at the AGM in May 2011 to replace the 2001 Executive Share Scheme, which had reached the end of its agreed 10 year life. The PSP provides for the award of nil cost options or conditional awards of ordinary shares in the Company and may also include an award of Company Share Option Plan ('CSOP') options (approved by HM Revenue and Customs ('HMRC')).

Awards under the PSP are made on a discretionary basis although it is anticipated that only Executive Directors, GEB members and certain other senior executives will participate. The first awards under the PSP were granted in 2011 and are exercisable/vest dependent on performance measured against two distinct metrics over at least a three year period from grant. These are exercisable/vest not later than ten years from the date of award (with exceptions for 'good leavers') subject to the satisfaction of the performance criteria attaching to them measured over the three years following award, as follows:

- (a) 50% of the initial value of an award will be subject to the Company's Total Shareholder Return ('TSR') performance measured against the TSR of the FTSE Mid 250 Index (excluding investment trusts) providing alignment with shareholder value creation,
- (b) the other 50% of the initial value of an award is subject to real (ie growth in excess of RPI) Group Earnings per Share ('EPS') growth performance, to provide a close focus on earnings growth over the performance period.

Awards vest as follows:

- (a) for the TSR linked part of an award, 25% (ie threshold) will vest if the Company's TSR matches Index performance, rising to 100% (ie maximum) if the Company's TSR outperforms the Index by 8% p a , compound with sliding scale vesting between the two points, and
- (b) for the EPS growth linked part of an award, 25% (ie threshold) will vest if the Company's real EPS growth (ie growth in excess of RPI) is 3% p a , compound rising to 100% (ie maximum) if the Company's real (ie growth in excess of RPI) EPS growth is 8% p a , compound with sliding scale vesting between the two points.

PSP awards will normally be made annually to Executive Directors and GEB members and biennially to certain other senior executives. Although awards under the PSP are not expected to be made at the maximum level (other than in special recruitment/retention circumstances), in any event no person may receive in any financial year awards over ordinary shares in the Company with a value (calculated at the date of grant of the award) of more than £1m. Where an award under the PSP involves the grant of a CSOP option, the CSOP option will be granted up to the prevailing HMRC limit.

The Remuneration Committee may adjust, upwards or downwards, the number of ordinary shares in the Company which may be received at the end of the performance period if it considers that the outcome of the measurement of the performance conditions does not accurately reflect the underlying performance of the financial health of the Company. In the event that the Remuneration Committee proposes to make an upward adjustment, the Remuneration Committee will seek to consult with shareholders in advance.

### The Executive Share Option Scheme (2001) (the '2001 Scheme')

The 2001 Scheme was authorised by shareholders at the AGM in 2001 and comprises a scheme approved by HMRC and a schedule under which options which do not fall within the HMRC approval limits may be granted. The 2001 Scheme reached the end of its ten year agreed life span in May 2011, although options granted up to and including May 2011 continue to be exercisable in the normal fashion, subject to the satisfaction of performance conditions attaching to them, ie options granted under the 2001 Scheme are normally exercisable not earlier than three years following the date of grant and not later than ten years from the date of grant (with exceptions for 'good leavers'). The exercise of options is subject to the achievement of a performance target related to the increase in the Company's earnings per share compared with a stated percentage above inflation, measured by the Retail Prices Index (all items) ('RPI') over a fixed three year period. The ability to re-measure performance over a later period if not met within the initial three year period was removed in 2004 subject to one transitional grant whereby the performance could, if necessary, be re-measured over an extended period of four years. Options are currently satisfied by the issue of new shares within the ABI's dilution limits.

The performance target that applies to options granted between 2001 and 2005 requires that the Company's earnings per share must increase over the period of three consecutive financial years by an average of at least 3% p a above inflation (as measured by the RPI). Options granted from 2006 onwards are subject to a tiered approach whereby, in respect of any grant, the first one-third of the number of shares under option is subject to the above RPI + 3% p a target with an escalating performance requirement in respect of the remaining two-thirds as follows:

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

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

As explained above the 2001 Scheme was replaced when it reached the end of its agreed ten year lifespan in May 2011 by the PSP.

### The Sharesave Scheme (the 'Sharesave Scheme')

Executive Directors are eligible to participate in the Sharesave Scheme, which is an HMRC approved scheme open to all employees of nominated participating companies who have a minimum of three months' service at the date of invitation. The Sharesave Scheme was adopted by shareholders in 1998 with a ten year life and, following shareholder approval, replaced in 2008 with an updated scheme. The Sharesave Scheme is linked to a monthly savings contract and options are granted at a maximum 20% discount to market price. The most recent invitation was limited to three year savings contracts, although the rules currently allow three or five year savings contracts to be offered.

### The Share Incentive Plan (the 'SIP')

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

### Ordinary shares (audited)

Interests in the share capital of the Company beneficially held by the Directors as at 31 December 2011 are detailed below:

	At 31 December 2011	31 December 2010
Martin Angle	–	–
Jeremy Helsby	604,849	604,849
Timothy Ingram	24,000	24,000
Charles McVeigh	–	–
Simon Shaw	1,091	655
Peter Smith	20,000	20,000

As at 14 March 2012, no Directors have bought or sold shares since 31 December 2011, with the exception of Simon Shaw who participates in the SIP and as such has acquired 105 shares through the SIP since 31 December 2011.

It is the Board's policy that each Executive Director should aim to hold at least 105,000 shares (valued at 31 December 2011 £343,980) in the Company (except for the Group Chief Executive who should own at least 150,000 shares (valued at 31 December 2011 £491,400)). Directors are expected to build holdings to this level over time, principally through the retention of shares released to them (after settling any tax due) following the vesting of share awards. Above these limits the Board takes the view that the Directors may retain or sell shares as they see fit.

### The Sharesave Scheme (audited)

Directors	At 31 December 2010				At 31 December 2011			
	31 December 2010	Granted during year	Exercised during year	Lapsed during year	31 December 2011	Market price on date of exercise	Exercise price per share	Number of shares Exercisable within six months from
Simon Shaw	3,398	–	–	–	3,398	–	267p	01 12 12

### The Performance Share Plan

Directors	At 31 December 2010			At 31 December 2011			Market value at date of vesting	First vesting date
	31 December 2010	Awarded during year	Vested during year	31 December 2011	Closing mid-market price of a Savills plc share the day before grant			
Jeremy Helsby	–	97,016	–	97,016	412 3p	–	01 01 14	
Simon Shaw	–	60,635	–	60,635	412 3p	–	01 01 14	

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

Number of shares

Directors	At 31 December 2010	Granted during year	HMRC Approved/ Unapproved	Exercised during year	Lapsed during year	At 31 December 2011	Market price on date of exercise	Exercise price per share	Date normally first exercisable	Expiry date
Jeremy Helsby	9,338	–	Approved	9,338	–	–	395p	321 25p	14 03 08	14 03 15
	23,662	–	Unapproved	23,662	–	–	395p	321 25p	14 03 08	14 03 15
	50,000	–	Unapproved	–	50,000	–	–	300 125p	16 04 11	16 04 18
	135,064	–	Unapproved	–	–	135,064	–	288 75p	17 04 12	17 04 19
	114,386	–	Unapproved	–	–	114,386	–	340 95p	19 04 13	19 04 20
Simon Shaw	10,389	–	Approved	–	–	10,389	–	288 75p	17 04 12	17 04 19
	114,286	–	Unapproved	–	–	114,286	–	288 75p	17 04 12	17 04 19
	61,592	–	Unapproved	–	–	61,592	–	340 95p	19 04 13	19 04 20

The total pre-tax gain on options exercised during the year was £24,338

## The Deferred Share Bonus Plan (audited)

Number of shares

Directors	At 31 December 2010	Awarded during year	Vested during year	At 31 December 2011	Closing mid-market price of a Savills plc share the day before grant	Market value at date of vesting	Normal vesting date
Jeremy Helsby	60,929	–	60,929	–	328 25p	358 1p	17 03 11
	72,727	–	–	72,727	288 75p	–	17 04 12
	34,538	–	–	34,538	340 2p	–	13 04 13
	–	76,238	–	76,238	363 2p	–	30 03 14
Simon Shaw	42,621	–	–	42,621	340 2p	–	13 04 13
	–	63,986	–	63,986	363 2p	–	30 03 14

The total pre-tax gain on shares vested during the year was £218,187

33,000 options granted under the Executive Share Option Scheme (2001) were exercised by Directors during the year and 50,000 options lapsed. Under the DSBP 60,929 shares vested during the year, no DSBP awards lapsed. During the year, the aggregate gain on the exercise of share options and shares vested was £242,525. The mid-market price of the shares at 30 December 2011 was 327 6p and the range during the year was 256 2p to 427 1p.

## Directors' service contracts

The service contracts of the Group Chief Executive and Group Chief Financial Officer can be terminated by the Company on provision of 12 months' notice. The Chairman's letter of engagement allows for six months' notice. Other Non-Executive Directors are appointed for an initial period of three years. These appointments may also be renewed for subsequent terms. Details are as follows:

	Date appointed to Board	End date of current letter of appointment	Notice period
Martin Angle	2 January 2007	1 January 2013	Terminable at will
Tim Freshwater	1 January 2012	31 December 2015	Terminable at will
Jeremy Helsby	1 May 1999	n/a*	12 months
Timothy Ingram	27 June 2002	26 June 2012	Terminable at will
Charles McVeigh	1 August 2000	31 July 2012	Terminable at will
Simon Shaw	16 March 2009	n/a*	12 months
Peter Smith	24 May 2004	23 May 2013	6 months

\* But subject to the Articles of Association

The Company may, if it chooses, terminate an Executive Director's service contract by making a payment in lieu of notice to him. The Group Chief Executive and Group Chief Financial Officer are entitled to receive a pro rata profit share on termination of employment in respect of the period up to the date of expiry of their contractual notice periods provided they are classified as 'good leavers' (which expression does not include dismissal due to poor performance).

## Performance graph

The total shareholder return delivered by the Company over the last five years is shown in the chart below. Over this period the Company has delivered total shareholder return of -10% per annum (FTSE 250 (excluding investment trusts) 1% per annum, FTSE 350 Super Sector Real Estate -17% per annum). Savills was ranked 136th by performance in the FTSE 250 (excluding investment trusts) and ranked 7th by performance in the FTSE 350 Super Sector Real Estate over the five years to 31 December 2011.

The Directors believe that the FTSE 250 (excluding investment trusts) is the most appropriate index against which to compare total shareholder return ('TSR') over the medium term as it is an index of companies of similar size to Savills. Savills TSR relative to that of the FTSE 350 Super Sector Real Estate Index is also shown, as this Index better reflects conditions in real estate markets over recent years.

**Total Shareholder Return (rebased)  
Five years to 31 December 2011**

By order of the Board

**Charles McVeigh**

Chairman of the Remuneration Committee

14 March 2012

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

## Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Directors' responsibility statement

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- the Directors' report contained on pages 24 to 26 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

By order of the Board

**Jeremy Helsby**

Group Chief Executive

**Chns Lee**

Group Legal Director & Company Secretary

14 March 2012

# Independent auditors' report to the members of Savills plc

We have audited the financial statements of Savills plc for the year ended 31 December 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of financial position, the Consolidated statement of changes in equity and Company statement of changes in equity, the Consolidated and Company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's profit and Group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 32, in relation to going concern,
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



**David A. Snell (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

14 March 2012

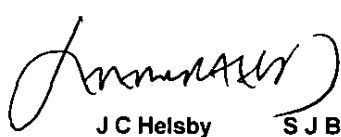
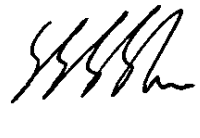
## Consolidated income statement for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
<b>Revenue</b>	5	<b>721 5</b>	677 0
<b>Less</b>			
Employee benefits expense	8(a)	(458 8)	(437 6)
Depreciation	15	(7 1)	(6 6)
Amortisation and impairment of goodwill and intangible assets	6(a)	(9 1)	(8 1)
Other operating expenses	6(a)	(213 4)	(188 3)
Other operating income	6(a)	0 5	0 3
Profit/(loss) on disposal of subsidiaries, joint venture and available-for-sale investment	6(a)	2 3	(0 1)
<b>Operating profit</b>		<b>35 9</b>	36 6
Finance income	10	1 4	1 2
Finance costs	10	(1 3)	(2 2)
		0 1	(1 0)
Share of post-tax profit from associates and joint ventures	16(a)	4 0	1 2
<b>Profit before income tax</b>		<b>40 0</b>	36 8
Income tax expense	11	(13 2)	(11 7)
<b>Profit for the year</b>		<b>26 8</b>	25 1
<b>Attributable to</b>			
Owners of the Company		26 5	25 0
Non-controlling interests		0 3	0 1
		26 8	25 1
<b>Earnings per share</b>			
Basic earnings per share	13(a)	21 5	20 5
Diluted earnings per share	13(a)	20 9	19 8
<b>Underlying earnings per share</b>			
Basic earnings per share	13(b)	29 0	27 9
Diluted earnings per share	13(b)	28 2	27 0

# Consolidated and Company statements of financial position at 31 December 2011

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
<b>Assets Non-current assets</b>					
Property, plant and equipment	15	18 4	17 7	1 4	1 3
Goodwill	14	135 6	134 3	—	—
Intangible assets	14	16 9	19 6	1 4	1 5
Investments in subsidiaries	16(c)	—	—	126 0	126 6
Investments in associates and joint ventures	16(a)	13 8	11 6	—	—
Deferred income tax assets	17	29 4	25 5	1 9	1 6
Available-for-sale investments	16(b)	14 4	14 2	—	—
Non-current receivables		3 0	—	—	—
		231 5	222 9	130 7	131 0
<b>Assets Current assets</b>					
Work in progress		4 2	3 6	—	—
Trade and other receivables	18	191 2	179 2	16 7	14 5
Current income tax receivable		0 8	2 4	1 6	4 9
Derivative financial instruments	23	0 1	—	—	—
Cash and cash equivalents	19	80 0	97 2	15 8	—
		276 3	282 4	34 1	19 4
<b>Liabilities Current liabilities</b>					
Borrowings	22	6 3	6 3	—	6 3
Derivative financial instruments	23	0 1	0 1	—	—
Trade and other payables	20	208 7	209 9	11 8	12 4
Current income tax liabilities		6 7	6 6	—	—
Employee benefit obligations	24(b)	6 7	4 7	—	—
Provisions for other liabilities and charges	24(a)	11 1	7 8	0 1	0 2
		239 6	235 4	11 9	18 9
<b>Net current assets</b>		36 7	47 0	22 2	0 5
<b>Total assets less current liabilities</b>		268 2	269 9	152.9	131 5
<b>Liabilities Non-current liabilities</b>					
Borrowings	22	0 1	4 0	—	—
Derivative financial instruments	23	—	0 4	—	—
Trade and other payables	21	9.0	16 8	5 1	5 3
Retirement and employee benefit obligations	9 & 24(b)	43 1	29 0	2 0	1 2
Provisions for other liabilities and charges	24(a)	9 5	7 8	1 2	1 2
Deferred income tax liabilities	17	2 1	2 8	—	—
		63 8	60 8	8 3	7 7
<b>Net assets</b>		204 4	209 1	144 6	123 8
<b>Equity Capital and reserves attributable to owners of the Company</b>					
Share capital	25	3 3	3 3	3 3	3 3
Share premium		85 3	84 0	85 3	84 0
Other reserves	27	23 6	24 2	3 3	3 3
Retained earnings	27	93 4	98 9	52 7	33 2
		205 6	210 4	144 6	123 8
<b>Non-controlling interests</b>		(1 2)	(1 3)	—	—
<b>Total equity</b>		204 4	209 1	144.6	123 8

The consolidated financial statements of Savills plc, registered number 2122174, were approved by the Board of Directors on 14 March 2012 and signed on its behalf by


  
 J C Helsby      S J B Shaw

## Consolidated statement of comprehensive income for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Profit for the year		26 8	25 1
<b>Other comprehensive income</b>			
Fair value loss on available-for-sale investments	16(b)	(0 9)	(0 3)
Actuarial (loss)/gain on defined benefit pension scheme	9	(20 3)	10 5
Tax on items relating to components of other comprehensive income	11	5 0	(2 1)
Currency translation differences		0 1	4 8
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(16 1)</b>	12 9
<b>Total comprehensive income for the year</b>		<b>10 7</b>	38 0
<b>Total comprehensive income attributable to</b>			
Owners of the Company		10 4	37 8
Non-controlling interests		0 3	0 2
		<b>10 7</b>	38 0

# Consolidated statement of changes in equity for the year ended 31 December 2011

Attributable to owners of the Group								
	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
<b>Balance at 1 January 2011</b>		<b>3 3</b>	<b>84 0</b>	<b>24 2</b>	<b>98 9</b>	<b>210 4</b>	<b>(1 3)</b>	<b>209 1</b>
Profit for the year		–	–	–	26 5	26 5	0 3	26 8
Other comprehensive income/(loss)								
Fair value loss on available-for-sale investments	16(b)	–	–	(0 9)	–	(0.9)	–	(0.9)
Actuarial loss on defined benefit pension scheme	9	–	–	–	(20 3)	(20.3)	–	(20 3)
Tax on items directly taken to reserves	11	–	–	0 2	4 8	5 0	–	5 0
Currency translation differences		–	–	0 1	–	0 1	–	0 1
<b>Total comprehensive income/ (loss) for the year</b>		<b>–</b>	<b>–</b>	<b>(0 6)</b>	<b>11 0</b>	<b>10 4</b>	<b>0.3</b>	<b>10 7</b>
Transactions with owners								
Employee share option scheme								
– Value of services provided	27	–	–	–	11 3	11 3	–	11 3
Purchase of treasury shares	27	–	–	–	(10 1)	(10.1)	–	(10 1)
Issue of share capital	26(a) &(b)	–	1 3	–	–	1 3	–	1 3
Dividends	12	–	–	–	(16 3)	(16.3)	(0 6)	(16 9)
Non-controlling interest arising on business combination	16(e)	–	–	–	–	–	0.5	0 5
Transactions with non-controlling interests	16(g)	–	–	–	(1 4)	(1 4)	(0 1)	(1 5)
<b>Balance at 31 December 2011</b>		<b>3 3</b>	<b>85 3</b>	<b>23 6</b>	<b>93 4</b>	<b>205 6</b>	<b>(1 2)</b>	<b>204 4</b>

Attributable to owners of the Group								
	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
<b>Balance at 1 January 2010</b>		<b>3 3</b>	<b>83 0</b>	<b>19 6</b>	<b>91 2</b>	<b>197 1</b>	<b>0 6</b>	<b>197 7</b>
Profit for the year		–	–	–	25 0	25 0	0 1	25 1
Other comprehensive income/(loss)								
Fair value loss on available-for-sale investments	16(b)	–	–	(0 3)	–	(0 3)	–	(0 3)
Actuarial gain on defined benefit pension scheme	9	–	–	–	10 5	10 5	–	10 5
Tax on items directly taken to reserves	11	–	–	0 2	(2 3)	(2 1)	–	(2 1)
Currency translation differences		–	–	4 7	–	4 7	0 1	4 8
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>4 6</b>	<b>33 2</b>	<b>37 8</b>	<b>0 2</b>	<b>38 0</b>
Transactions with owners								
Employee share option scheme								
– Value of services provided	27	–	–	–	11 3	11 3	–	11 3
Purchase of treasury shares	27	–	–	–	(11 2)	(11 2)	–	(11 2)
Issue of share capital	26(b)	–	1 0	–	–	1 0	–	1 0
Dividends	12	–	–	–	(11 0)	(11 0)	(1 1)	(12 1)
Transactions with non-controlling interests	16(g)	–	–	–	(14 6)	(14 6)	(1 0)	(15 6)
<b>Balance at 31 December 2010</b>		<b>3 3</b>	<b>84 0</b>	<b>24 2</b>	<b>98 9</b>	<b>210 4</b>	<b>(1 3)</b>	<b>209 1</b>

# Company statement of changes in equity for the year ended 31 December 2011

	Notes	Attributable to owners of the Company						Total shareholders' equity £m
		Share capital £m	Share premium £m	Capital redemption reserve* £m	Other reserves* £m	Share-based payments reserve** £m	Retained earnings** £m	
<b>Balance at 1 January 2011</b>		<b>33</b>	<b>840</b>	<b>03</b>	<b>30</b>	<b>11</b>	<b>321</b>	<b>1238</b>
Profit for the year	6(b)	–	–	–	–	–	465	465
Other comprehensive income								
Actuarial loss on defined benefit pension scheme	9	–	–	–	–	–	(11)	(11)
Tax on items directly taken to reserves	11	–	–	–	–	–	04	04
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>458</b>	<b>458</b>
Employee share option scheme								
– Value of services provided		–	–	–	–	09	–	09
– Exercise of share options		–	–	–	–	(02)	(99)	(101)
Issue of share capital		–	13	–	–	–	–	13
Distribution for Employee Benefit Trust		–	–	–	–	–	(08)	(08)
Dividends		–	–	–	–	–	(163)	(163)
<b>Balance at 31 December 2011</b>		<b>33</b>	<b>853</b>	<b>03</b>	<b>30</b>	<b>18</b>	<b>509</b>	<b>1446</b>

	Notes	Attributable to owners of the Company						Total shareholders' equity £m
		Share capital £m	Share premium £m	Capital redemption reserve* £m	Other reserves* £m	Share-based payments reserve** £m	Retained earnings** £m	
<b>Balance at 1 January 2010</b>		<b>33</b>	<b>830</b>	<b>03</b>	<b>30</b>	<b>09</b>	<b>476</b>	<b>1381</b>
Profit for the year		–	–	–	–	–	50	50
Other comprehensive income								
Actuarial gain on defined benefit pension scheme		–	–	–	–	–	06	06
Tax on items directly taken to reserves		–	–	–	–	–	(03)	(03)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>53</b>	<b>53</b>
Employee share option scheme								
– Value of services provided		–	–	–	–	06	–	06
– Exercise of share options		–	–	–	–	(04)	(97)	(101)
Issue of share capital		–	10	–	–	–	–	10
Distribution for Employee Benefit Trust		–	–	–	–	–	(01)	(01)
Dividends		–	–	–	–	–	(110)	(110)
<b>Balance at 31 December 2010</b>		<b>33</b>	<b>840</b>	<b>03</b>	<b>30</b>	<b>11</b>	<b>321</b>	<b>1238</b>

\* Included within Other reserves on the face of the Statement of Financial Position is the capital redemption reserve and other reserves as disclosed above

\*\* Included within Retained earnings on the face of the Statement of Financial Position is tax on items taken directly to other comprehensive income (Note 11), share-based payments reserve and retained earnings as disclosed above

# Consolidated and Company statements of cash flows for the year ended 31 December 2011

	Notes	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
<b>Cash flows from operating activities</b>					
Cash generated from/(used in) operations	30	47 1	78 2	29 5	(13 0)
Interest received		1 1	0 7	1 4	1 1
Interest paid		(1 0)	(1 3)	–	(0 1)
Income tax (paid)/received		(11 5)	(9 2)	4 7	(1 6)
<b>Net cash generated from/(used in) operating activities</b>		<b>35 7</b>	<b>68 4</b>	<b>35 6</b>	<b>(13 6)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		0 2	0 3	–	–
Proceeds from sale of joint venture and available-for-sale investments		2 0	–	–	–
Cash outflow in relation to disposal of subsidiaries, net of cash disposed	16(f)	(1 4)	–	–	–
Dividends received from joint ventures and associates		1 9	3 0	–	–
Repayment of loans by associates, joint ventures and subsidiaries		0 7	0 5	3 5	8 2
Loans to associates, joint ventures and subsidiaries		(2 3)	(0 3)	–	(8 4)
Acquisition of subsidiaries, net of cash acquired	16(e)	(7 2)	(8 3)	–	–
Deferred consideration paid in relation to prior year acquisitions		(1 3)	(4 0)	–	–
Purchase of property, plant and equipment	15	(9 2)	(5 5)	(0 8)	(0 9)
Purchase of intangible assets	14	(1 2)	(1 7)	(0 4)	(0 7)
Purchase of investment in associates, joint ventures and available-for-sale investments		(2 0)	(1 2)	–	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(19 8)</b>	<b>(17 2)</b>	<b>2 3</b>	<b>(1 8)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		1 3	1 0	1 3	1 0
Proceeds from borrowings		29 5	26 0	–	–
Purchase of own shares for Employee Benefit Trust	27	(10 1)	(11 2)	–	–
Contribution to Employee Benefit Trust		–	–	(0 8)	(0 1)
Purchase of non-controlling interests	16(g)	(1 5)	(8 9)	–	–
Deferred consideration paid to non-controlling interests in relation to prior year acquisitions		(2 4)	–	–	–
Repayments of borrowings		(33 8)	(32 1)	–	–
Dividends paid	12	(16 9)	(12 1)	(16 3)	(11 0)
<b>Net cash used in financing activities</b>		<b>(33 9)</b>	<b>(37 3)</b>	<b>(15 8)</b>	<b>(10 1)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>					
		<b>(18 0)</b>	<b>13 9</b>	<b>22 1</b>	<b>(25 5)</b>
Cash, cash equivalents and bank overdrafts at beginning of year		96 5	80 9	(6 3)	19 2
Effect of exchange rate fluctuations on cash held		0 3	1 7	–	–
<b>Cash, cash equivalents and bank overdrafts at end of year</b>	19, 22	<b>78 8</b>	<b>96 5</b>	<b>15 8</b>	<b>(6 3)</b>

# Notes to the financial statements

## Year ended 31 December 2011

### 1 General information

Savills plc (the 'Company') and its subsidiaries (together the 'Group') is a leading international property advisory Group. The Group operates through a network of offices in the UK, Europe, Asia Pacific and the US. Savills is listed on the London Stock Exchange and employs 23,555 staff worldwide.

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

These consolidated financial statements were approved for issue by the Board of Directors on 14 March 2012.

### 2. Accounting policies

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

#### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

#### Consolidation

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

#### Subsidiaries

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

The acquisition of subsidiaries is accounted for using the acquisition method. For the purpose of consolidation, the purchase consideration is allocated between the underlying net assets acquired, including contingent liabilities and intangible assets other than goodwill, on the basis of their fair value. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Acquisition related costs are expensed as incurred.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

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

#### Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 16(a)).

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been aligned to ensure consistency with the policies adopted by the Group. Gains and losses on dilution of the Group's share of equity in associates are recognised in the income statement.

#### **Joint ventures**

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

#### **Segment reporting**

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

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

As the Group is strongly affected by both differences in the types of services it provides and the geographical areas in which it operates, the matrix approach of disclosing both the business and geographical segments formats is used.

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

#### **Foreign currency translation**

##### **– Functional and presentation currency**

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

##### **– Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss and are recognised in the income statement, except for available-for-sale equity investments, which are recognised in other comprehensive income. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction.

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

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

#### **Property, plant and equipment**

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

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

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

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

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

#### **Goodwill**

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

In respect of associates, goodwill is included in the carrying value of the investment.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### Goodwill continued

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in the geographical region in which it operates (Note 14)

### Intangible assets other than goodwill

Intangible assets acquired as part of business combinations and incremental contract costs are valued at fair value on acquisition and amortised over the useful life. Fair value on acquisition is determined by third-party valuations where the acquisition is significant.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use,
- management intends to complete the software product and use or sell it,
- there is an ability to use or sell the software product,
- it can be demonstrated how the software product will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available, and
- the expenditure attributable to the software product during its development can be reliably measured.

Measurement subsequent to initial recognition is at cost less accumulated amortisation and impairment.

Intangible assets are tested for impairment where there is an indication that an asset may be impaired. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value-in-use. Amortisation charges are spread on a straight-line basis over the period of the assets' estimated useful lives as follows:

Computer software	3 – 5 years
Property management contracts	2 – 10 years
Incremental contract costs	10 years
Business and customer relationships	6 – 10 years
Brands	5 years

### Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever an indicator of impairment exists. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value-in-use.

Value-in-use is determined using the discounted cash flow method, with an appropriate discount rate to reflect market rates and specific risks associated with the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position at fair value when the Group becomes party to the contractual provisions of the instrument. Subsequent measurement depends on the classification and is discussed below.

#### Available-for-sale investments

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

#### Trade receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

#### Cash and cash equivalents

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

#### Bank borrowings

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

### **Trade payables**

Trade payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### **Derivative financial instruments and hedging**

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

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

Gains and losses relating to the effective portion of hedges of net investments in foreign operations are recognised in other comprehensive income. Gains or losses relating to the ineffective portion are recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed or sold.

### **Share capital**

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

### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Pension obligations**

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

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

The defined benefit scheme charge consists of interest costs, expected return on plan assets, past service costs and the impact of any settlements or curtailments and is charged as an expense as they fall due.

All actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise.

### **Pension obligations continued**

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

The net defined benefit cost is allocated amongst participating Group subsidiaries on the basis of pensionable salaries.

### **Share-based payments**

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

### **Employee Benefit Trust**

The Company has established the Savills plc 1992 Employee Benefit Trust (the 'EBT'), the purposes of which are to grant awards to employees, to acquire shares in the Company pursuant to the Savills Deferred Share Bonus Plan and the Savills Deferred Share Plan and to hold shares in the Company for subsequent transfer to employees on the vesting of the awards granted under the schemes. The assets and liabilities of the EBT are included in the Group statement of financial position. Investments in the Group's own shares are shown as a deduction from equity.

### **Provisions**

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

#### **– Professional indemnity claims**

Provisions on professional indemnity claims are recognised when it is probable that the Group will be required to settle claims against it as a result of a past event and the amount of the obligation can be reliably estimated.

#### **– Dilapidation provisions**

The Group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs are made where a legal obligation is identified and the liability can be reasonably quantified.

#### **– Onerous leases**

A provision is recognised where the costs of meeting the obligations under a lease contract exceed the economic benefits expected to be received and is measured as the net least cost of exiting the contract, being the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it.

#### **– Restructuring provision**

A provision is recognised when there is a present constructive obligation to meet the costs of restructure. This arises when there is a detailed formal plan for the restructuring, identifying at least the business or part of the business concerned, principal locations affected and the location, function and approximate number of employees to be compensated for terminating their services.

### **Revenue**

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

#### **– Residential transactional fees**

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

#### **– Commercial transactional fees**

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

#### **– Property consultancy**

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

### **Revenue continued**

#### **– Property and facilities management**

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

#### **– Fund management**

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

Annual management fees are recognised, gross of costs, in the period to which the service has been provided, in accordance with the contracted fee agreements. Transaction fees are recognised on the date of completion of a purchase or sale transaction. Distribution fees are recognised on the completion of a signed subscription agreement and performance fees are recognised as earned and when approved by the fund.

**– Financial services**

Insurance commission revenue is recognised when the insurance policy sold is in effect and the amount of commission earned is determinable. Indemnity commission is recognised when the policy sold is in effect. Mortgage commission is recognised on completion.

**– Work in progress**

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

**– Interest income**

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

**– Dividend income**

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

**– Other income**

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

**Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. The assets are then depreciated over the lower of the lease terms or the estimated useful lives of the assets.

The capital elements of future obligations under finance leases are included as liabilities in the statement of financial position. Leasing payments comprise capital and finance elements and the finance element is charged to the income statement.

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

A lease is classified as onerous where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**Dividends**

Dividend distributions are recognised as a liability in the Group's financial statements in the period in which they are approved by the Company's shareholders.

Interim dividends are recognised when paid.

**Standards, amendments and interpretations to standards effective in 2011**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- IAS 32 (amendment), 'Classification of rights issues'. The amendment applies to annual periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. This amendment does not have an impact on the Group's financial statements.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to its creditor to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This interpretation does not have an impact on the Group's financial statements.
- IFRIC 14 (amendments), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. These amendments do not have a material impact on the Group's financial statements.

**Standards, amendments and interpretations to standards effective in 2011 continued**

- IFRS 3 (amendment), 'Business combinations'. The amendments apply to annual periods beginning on or after 1 July 2010. Firstly, they clarify that the requirements in IAS 39 do not apply to contingent consideration that arose from a business combination whose acquisition date preceded the application of IFRS 3 (revised 2008) and to provide guidance on how to account for such balances. Secondly, it limits the choice of accounting applied to non-controlling interests to those that are present ownership instruments and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Thirdly, it now provides guidance on share-based payment transactions of an acquiree that the acquirer chooses to replace and clarifies that those awards should be accounted for in the same way as acquiree awards that the acquirer is obliged to replace. The amendments do not have a material impact on the Group's financial statements.

- IFRS 7 (amendment), 'Financial instruments Disclosures' The amendment applies to annual periods beginning on or after 1 January 2011. It clarifies that the disclosure requirement in respect of maximum exposure to credit risk applies only to financial assets whose carrying amounts do not show the reporting entity's maximum exposure to credit risk in order to avoid repetition. The requirements to disclose the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated and the fair value of collateral and other credit enhancements have been removed. This amendment does not have a material impact on the Group's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements' The amendment is effective for annual periods beginning on or after 1 January 2011. It clarifies that entities may present required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. It also reinforces the disclosure of dividends per share either in the statement of changes in equity or the notes to the financial statements. This amendment does not have a material impact on the Group's financial statements.
- IAS 34 (amendment), 'Interim Financial Reporting' The amendment is effective for annual periods beginning on or after 1 January 2011. The amendment aligns the disclosures required by IAS 34 with those of other IFRSs and takes into account some of the disclosures required by IFRS 7, 'Financial instruments Disclosures' around fair value measurement. This amendment does not have a material impact on the Group's financial statements.

Other standards, amendments and interpretations effective in 2011 and not discussed above are not relevant to the Group. These include

- IFRS 1 (amendment), 'First time adoption' – financial instrument disclosures, effective for accounting periods beginning on or after 1 July 2010, accounting policy changes in the year of adoption, revaluation basis as deemed cost, use of deemed cost for operations subject to rate regulation, effective for accounting periods beginning on or after 1 January 2011.
- IAS 24 (amendment), 'Related party disclosures', disclosures for state-controlled entities, effective for accounting periods beginning on or after 1 January 2011.
- IFRIC 13, 'Customer loyalty programmes', fair value of award credits, effective for accounting periods beginning on or after 1 January 2011.

**Standards, amendments and interpretations to standards that are not yet effective and have not been early adopted by the Group**

The following standards and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2012, and have not been early adopted

- IFRS 7 (amendment), 'Financial instruments Disclosures' on derecognition – transfers of financial assets, effective for accounting periods beginning on or after 1 July 2011.
- IAS 1 (amendment), 'Financial statement presentation', regarding other comprehensive income, effective for accounting periods beginning on or after 1 July 2012.
- IAS 19 (amendment), 'Employee benefits', effective for accounting periods beginning on or after 1 January 2013.
- IFRS 9, 'Financial instruments' This standard is the first step in the process to replace IAS 39, 'Financial instruments recognition and measurement'. The effective date has been delayed to annual periods beginning on or after 1 January 2015. Early adoption is permitted, however, the standard has not yet been endorsed by the EU. The Group is yet to assess IFRS 9's full impact.
- IFRS 10, 'Consolidated financial statements', effective for accounting periods beginning on or after 1 January 2013.
- IFRS 11, 'Joint arrangements', effective for accounting periods beginning on or after 1 January 2013.
- IFRS 12, 'Disclosures of interests in other entities', effective for accounting periods beginning on or after 1 January 2013.
- IFRS 13, 'Fair value measurement', effective for accounting periods beginning on or after 1 January 2013.

**Standards, amendments and interpretations to standards that are not yet effective and have not been early adopted by the Group continued**

Other standards, amendments and interpretations not yet effective and not discussed above are not relevant to the Group. These include

- IFRS 1 (amendment), 'First time adoption' on fixed dates and hyperinflation, effective for accounting periods beginning on or after 1 July 2011.
- IAS 12 (amendment), 'Income taxes' on deferred taxation on investment property, effective for accounting periods beginning on or after 1 January 2012.

### 3 Financial risk management

#### Financial risk factors

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

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

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks primarily with respect to the Euro, Hong Kong dollar, Australian dollar and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group finances some overseas investments through the use of foreign currency borrowings. The Group does not actively seek to hedge risks arising from foreign currency translations due to their non-cash nature and the high costs associated with such hedging, however when there is a material committed foreign currency exposure the foreign exchange risk will be hedged.

For the year ended 31 December 2011, if the average currency conversion rates against Sterling for the year had changed with all other variables held constant, the Group post tax profit for the year would have increased or decreased as shown below.

£m	Movement of currency against Sterling			
	-20%	-10%	+10%	+20%
<b>2011</b>				
Estimated impact on post-tax profit				
Euro	1.1	0.6	(0.7)	(1.6)
Hong Kong dollar	(1.4)	(0.8)	0.9	2.1
US dollar	0.3	0.2	(0.2)	(0.4)
Estimated impact on components of equity				
Euro	7.1	3.9	(4.8)	(10.7)
Hong Kong dollar	(14.9)	(8.1)	10.0	22.4
US dollar	1.4	0.7	(0.9)	(2.0)
<b>2010</b>				
Estimated impact on post-tax profit				
Euro	0.9	0.5	(0.6)	(1.4)
Hong Kong dollar	(1.2)	(0.6)	0.8	1.8
US dollar	0.7	0.4	(0.5)	(1.1)
Estimated impact on components of equity				
Euro	5.2	2.8	(3.4)	(7.7)
Hong Kong dollar	(16.3)	(8.9)	10.9	24.5
US dollar	3.0	1.6	(2.0)	(4.5)

#### Price risk

The Group is not materially exposed to equity securities price risk because listed investments held on the statement of financial position are not significant. The Group is not exposed to commodity price risk.

#### Interest rate risk

The Group has both interest-bearing assets and liabilities. The Group finances its operations through a mixture of retained profits and bank borrowings, at both fixed and floating interest rates. Borrowings issued at variable rates expose the Group cash flow to interest rate risk, which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain at least 70% of its borrowings in fixed rate instruments.

For the year ended 31 December 2011, if the average interest rate for the year had changed with all other variables held constant, the Group post tax profit for the year would have increased or decreased as shown below.

£m	Increase in interest rates			
	+0.50%	+1.00%	+1.50%	+2.00%
<b>2011</b>				
Estimated impact on post-tax profit	0.1	0.3	0.4	0.6
<b>2010</b>				
Estimated impact on post-tax profit	0.2	0.3	0.5	0.7
£m	Decrease in interest rates			
	-0.50%	-1.00%	-1.50%	-2.00%
<b>2011</b>				
Estimated impact on post-tax profit	(0.1)	(0.3)	(0.4)	(0.4)
<b>2010</b>				
Estimated impact on post-tax profit	(0.2)	(0.3)	(0.3)	(0.2)

#### Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. The Group has policies that require appropriate credit checks on potential customers before business commences. A risk control framework is used to assess the credit quality of clients, taking into account financial position, past experience and other factors.

Individual risk limits for banks and financial institutions are set based on external ratings and in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

As at the reporting date, no significant credit risk existed in relation to banking counterparties. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There were no other significant receivables or individual trade receivable balances as at 31 December 2011.

The table below shows Group cash balances split by counterparty ratings at the reporting date.

Counterparty rating (provided by S&P)	2011 £m	2010 £m
AA	–	12.2
AA–	38.1	32.2
A+	22.2	30.5
A	11.8	8.3
A–	0.1	7.6
BBB+ or below	7.8	6.4
Total	80.0	97.2

### Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities (Note 22) and cash and cash equivalents (Note 19)) on the basis of expected cash flow. This is carried out at local level in the operating companies of the Group in accordance with Group practice as well as on a Group consolidated basis.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
<b>2011</b>			
Borrowings	6.2	–	–
Finance leases	0.1	0.1	–
Derivative financial instruments	0.1	–	–
Trade and other payables	181.1	8.8	0.2
	<b>187.5</b>	<b>8.9</b>	<b>0.2</b>

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
<b>2010</b>			
Borrowings	5.8	3.9	–
Loan notes	0.4	–	–
Finance leases	0.1	0.1	–
Derivative financial instruments	0.1	0.4	–
Trade and other payables	185.7	16.8	0.5
	<b>192.1</b>	<b>21.2</b>	<b>0.5</b>

### Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders, and
- to maintain an optimal capital structure to reduce the cost of capital.

Savills plc is not subject to any externally imposed capital requirements, with the exception of our FSA regulated entities, which complied with all capital requirements during the year ended 31 December 2011. For more information on FSA capital adequacy requirements, please visit [www.cordeasavills.com](http://www.cordeasavills.com).

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board has put in place a distribution policy which takes into account the degree of maintainability of Savills' different profit streams and the Group's overall exposure to cyclical Transaction Advisory profits, as well as the requirement to maintain a certain level of cash resources for working capital and corporate development purposes. The Board will recommend an ordinary dividend broadly reflecting the profits derived from our less volatile businesses. In addition, when profits from the cyclical Transaction Advisory business are strong, the Board will consider and, if appropriate, recommend the payment of a supplemental dividend alongside the final ordinary dividend. The value of any such supplemental dividend will vary depending on the performance of the Group's Transaction Advisory business and the Group's anticipated working capital and corporate development requirements through the cycle. It is intended that, in normal circumstances, the combined value of the ordinary and supplemental dividends declared in respect of any year are covered at least 1.5 times by statutory retained earnings and/or at least 2.0 times by underlying profits after taxation.

The Group's policy is to borrow centrally if required to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are then on-lent or contributed as equity to certain subsidiaries. The Board of Directors monitors a number of debt measures on a rolling forward 12 month basis including gross cash by location, gross debt by location, cash subject to restrictions, total debt servicing cost to operating profit, gross borrowings as a percentage of EBITDA (earnings before interest, tax, depreciation and amortisation), and forecast headroom against available facilities. These internal measures indicate the levels of debt that the Group has and are closely monitored to ensure compliance with banking covenants and that the Group has sufficient unused facilities.

The capital structure is as follows

£m	2011	Group 2010	2011	Company 2010
<b>Equity</b>	<b>204 4</b>	<b>209 1</b>	<b>144 6</b>	<b>123 8</b>
Cash and cash equivalents	80 0	97 2	15 8	–
Bank overdrafts	(1 2)	(0 7)	–	(6 3)
Borrowings	(5 2)	(9 6)	–	–
<b>Net cash/(debt)</b>	<b>73 6</b>	<b>86 9</b>	<b>15 8</b>	<b>(6 3)</b>

#### Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011

£m	Level 1	Level 2	Level 3	Total
<b>2011</b>				
<b>Assets</b>				
Available-for-sale investments				
– Unlisted	–	14 4	–	14 4
Derivative financial instruments	–	0 1	–	0 1
<b>Total assets</b>	–	14 5	–	14 5
<b>Liabilities</b>				
Derivative financial instruments	–	0 1	–	0 1
<b>Total liabilities</b>	–	0 1	–	0 1

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010

£m	Level 1	Level 2	Level 3	Total
<b>2010</b>				
<b>Assets</b>				
Available-for-sale investments				
– Unlisted	–	14 2	–	14 2
<b>Total assets</b>	–	14 2	–	14 2
<b>Liabilities</b>				
Derivative financial instruments	–	0 5	–	0 5
<b>Total liabilities</b>	–	0 5	–	0 5

The fair value of unlisted available-for-sale investments is determined using valuation techniques using observable market data where available and rely as little as possible on entity estimates. The fair value of investment funds is based on underlying asset values determined by the Fund Managers audited annual financial statements. Fair value of other unlisted investments is based on price earnings models. These instruments are included in Level 2.

The fair value of derivative financial instruments is determined by using valuation techniques using observable market data. The fair value of derivative financial instruments is based on the market value of similar instruments with similar maturities. These instruments are included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Level 1 instruments are those whose fair values are based on quoted market prices. The Group has no Level 1 instruments.

#### 4 Critical accounting estimates and management judgements

##### Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience, current market conditions and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Pension benefits

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

##### Income taxes

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

##### Deferred taxes

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised, especially with regard to the extent that future taxable profits will be available against which losses can be utilised. Additional information is disclosed in note 17.

### Fair value of options granted to employees

The Group uses the Binomial Model in determining the fair value of options granted to employees under the Group's various schemes as detailed in the Remuneration report. Information on such assumptions is contained in Note 26. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award.

### Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment. All other assets are tested for impairment where there are indicators of impairment.

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

### Valuation of intangible assets and useful life

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

### Provisions

The Group and its subsidiaries are party to various legal claims. Provisions made within these financial statements are contained in Note 24(a). Additional claims could be made which might not be covered by existing provisions or by insurance as detailed in Note 28.

### Critical judgements in applying the entity's accounting policies

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

#### Award of options and deferred shares to employees

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

### 5 Segment analysis

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board (GEB). The operating segments are determined based on differences in the nature of their services. Geographical location also strongly affects the Group and both are therefore disclosed. The reportable operating segments derive their revenue primarily from property related services. Refer to the Group overview on page 3 and the Segmental reviews on pages 8 to 13 for further information on revenue sources.

Operations are based in four main geographical areas. The UK is the home of the parent Company with segment operations throughout the region. Asia Pacific segment operations are based in Hong Kong, Macau, China, Korea, Japan, Taiwan, Thailand, Singapore, Vietnam and Australia. Continental Europe segment operations are based in Germany, France, Spain, Netherlands, Belgium, Sweden, Italy, Ireland and Poland. America segment operations are based in New York. The sales location of the client is not materially different from the location where fees are received and where the segment assets are located.

Within the UK, commercial and residential activities are managed separately. Other geographical areas, although largely commercial based, also provide residential services, in particular Hong Kong, China, Vietnam and Singapore.

The GEB assesses the performance of operating segments based on a measure of underlying profit before tax which adjusts reported pre-tax profit by profit on disposals, share-based payments adjustment, restructuring costs and impairment and amortisation of goodwill and intangibles (excluding software). Segmental assets and liabilities are not measured or reported to the GEB, but non-current assets are disclosed geographically below.

The segment information provided to the GEB for revenue and profits for the year ended 31 December 2011 is as follows:

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

	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Fund Management £m	Financial Services £m	Other £m	Total £m
<b>Revenue</b>							
United Kingdom – commercial	48 2	73 2	56 2	19 0	0 7	–	197 3
– residential	86 8	24 3	16 2	–	8 7	–	136 0
<b>Total United Kingdom</b>	<b>135 0</b>	<b>97 5</b>	<b>72 4</b>	<b>19 0</b>	<b>9 4</b>	<b>–</b>	<b>333 3</b>
Continental Europe	30 2	10 4	20 3	–	–	–	60 9
Asia Pacific – commercial	85 5	26 3	151 0	–	–	–	262 8
– residential	16 9	–	–	–	–	–	16 9
<b>Total Asia Pacific</b>	<b>102 4</b>	<b>26 3</b>	<b>151 0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>279 7</b>
America	3 1	–	–	–	–	–	3 1
<b>Total revenue</b>	<b>270 7</b>	<b>134 2</b>	<b>243 7</b>	<b>19 0</b>	<b>9 4</b>	<b>–</b>	<b>677 0</b>
<b>Underlying profit/(loss) before tax</b>							
United Kingdom – commercial	7 7	6 4	3 9	3 4	(1 1)	(8 0)	12 3
– residential	13 3	2 7	1 9	–	(0 8)	(2 0)	15 1
<b>Total United Kingdom</b>	<b>21 0</b>	<b>9 1</b>	<b>5 8</b>	<b>3 4</b>	<b>(1 9)</b>	<b>(10 0)</b>	<b>27 4</b>
Continental Europe	(4 3)	(0 1)	(1 8)	–	–	–	(6 2)
Asia Pacific – commercial	13 4	1 6	10 4	–	–	–	25 4
– residential	4 3	–	–	–	–	–	4 3
<b>Total Asia Pacific</b>	<b>17 7</b>	<b>1 6</b>	<b>10 4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>29 7</b>
America	(3 6)	–	–	–	–	–	(3 6)
<b>Underlying profit/(loss) before tax*</b>	<b>30 8</b>	<b>10 6</b>	<b>14 4</b>	<b>3 4</b>	<b>(1 9)</b>	<b>(10 0)</b>	<b>47 3</b>

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

For 2011, the Other segment includes Savills Private Finance Limited up to the date of disposal, as well as costs and other expenses at holding company and subsidiary levels, which are not directly attributable to the operating activities of the Group's business segments. In comparative periods, Other excludes financial services.

In 2010, the Other UK residential segment represents the Group's share of post-tax losses of £2.0m from an associated company, which could not be reasonably allocated to an operating segment. The losses primarily related to the impairment of goodwill.

A reconciliation of underlying profit before tax to profit before tax is provided in Note 7.

Inter-segmental revenue is not material.

\* Transaction Advisory underlying profit before tax includes depreciation of £2.7m (2010: £2.6m), software amortisation of £0.2m (2010: £0.2m) and share of post-tax profit from associates and joint ventures of £2.3m (2010: £2.3m). Consultancy underlying profit before tax includes depreciation of £1.3m (2010: £1.4m) and software amortisation of £0.1m (2010: £0.1m). Property and Facilities Management underlying profit before tax includes depreciation of £2.3m (2010: £2.0m), software amortisation of £0.3m (2010: £0.4m) and share of post-tax profit from associates and joint ventures of £1.5m (2010: £0.9m). Fund management underlying profit before tax includes depreciation of £0.1m (2010: £0.1m) and share of post-tax profit from associates and joint ventures of £0.3m (2010: £nil). Included in Other underlying profit is depreciation of £0.7m (2010: £0.5m), software amortisation of £0.5m (2010: £0.3m) and share of post-tax loss from associates and joint ventures of £0.1m (2010: £2.0m).

Non-current assets by geography comprise:

	2011 £m	2010 £m
<b>Non-current assets</b>		
United Kingdom	74 4	69 4
Continental Europe	44 7	46 2
Asia Pacific	65 6	63 9
America	17 4	17 9
<b>Total non-current assets</b>	<b>202 1</b>	<b>197 4</b>

Non-current assets include goodwill and intangible assets, plant, property and equipment, investments in joint ventures and associates and available-for-sale investments. Deferred tax assets are not included.

## 6(a) Operating profit

Operating profit is stated after charging/(crediting)

	Group	
	2011 £m	2010 £m
Amortisation and impairment of goodwill and intangible assets include		
– Amortisation (Note 14)	37	37
– Impairment of goodwill (Note 14)	54	43
– Impairment of intangible assets (Note 14)	–	01
	91	81
Other operating expenses include		
– Net foreign exchange losses	02	01
– Bad debts expense	30	23
– Restructuring costs	19	–
– Loss on sale of property, plant and equipment	03	–
– Operating lease rentals – Hire of equipment and vehicles	23	22
– Property	238	216
– Impairment of investment in associate	20	–
Other income – dividend and investment income	(05)	(03)
Profit/(loss) on disposals is made up as follows		
Profit/(loss) on disposals – Available-for-sale investments	17	–
– Joint venture	01	–
– Subsidiaries	05	(01)
	23	(01)

## 6(b) Income Statement of the Company

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company is not presented as part of these accounts. The Company has produced its own income statement and statement of comprehensive income for approval by its board. The Company receives dividends from subsidiaries and charges subsidiaries for the provision of Group related services. The profit after income tax of the Company for the year was £46.5m (2010 £5.0m)

## 6(c) Fees payable to the Company's auditor, PricewaterhouseCoopers LLP, and its associates

	Group	
	2011 £m	2010 £m
<b>Audit services</b>		
Fees payable to Company's auditor for the audit of parent Company and consolidated financial statements	02	02
<b>Other services</b>		
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	09	08
Tax services	03	03
Advisory services	01	–
	15	13

## 7 Underlying profit before tax

	2011 £m	2010 £m
Reported profit before tax	400	368
Adjustments		
Amortisation of intangibles (excluding software) (Note 14)	26	27
Impairment of goodwill and intangible assets (Note 14)	54	44
Impairment of investment in associate (Note 16(a))	20	–
Share-based payment adjustment	08	33
Restructuring costs	19	–
(Profit)/loss on disposal of subsidiaries, joint venture and available-for-sale investment	(23)	01
Underlying profit before tax	504	473

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

The adjustment for share-based payment relates to the impact of the accounting standard for share-based compensation. The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment above addresses this by adding to or deducting from profit the difference between the IFRS 2 charge and the effective value of the annual share award in order better to match the underlying staff costs in the year with the revenue recognised in the same period.

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

	Group	
	2011 £m	2010 £m
Basic salaries and wages	2880	2581
Profit share and commissions	1111	1223
Wages and salaries	3991	3804
Social security costs	329	310
Other pension costs	155	149
Share-based payments	113	113
	4588	4376

## 8(b) Staff numbers

The weighted average number of employees (including Directors) for the year was

	Group	
	2011	2010
United Kingdom	3,334	3,222
Continental Europe	751	692
Asia Pacific	19,432	17,640
America	38	34
	23,555	21,588

The average number of UK employees (including Directors) during the year included 113 employed under fixed term and temporary contracts (2010 91)

## 8(c). Key management compensation

	Group	
	2011 £m	2010 £m
Key management		
– Short term employee benefits	12.1	6.3
– Post-employment benefits	1.1	0.2
– Share-based payments	1.9	1.4
	15.1	7.9

The key management of the Group for the year ended 31 December 2011 comprised Executive Directors and the GEB members. Details of Directors' remuneration is contained in the Remuneration report on pages 33 to 39.

During the year six (2010 five) GEB members made aggregate gains totalling £1.2m (2010 £1.1m) on the exercise of options under the DSBP, DSP, ESOP and Sharesave Schemes.

The pension annuity for the highest paid GEB members was £nil with no lump sum accrued (2010 £49,958 with no lump sum accrued). Retirement benefits under the defined benefit scheme are accruing for three (2010 three) GEB members and benefits are accruing under a defined contribution scheme in Hong Kong for two (2010 one) GEB members.

## 9 Pension scheme

### Defined contribution plans

The Group operates the Savills UK Group Personal Pension Plan, a defined contribution scheme, a number of defined contribution individual pension plans and a Mandatory Provident Fund Scheme in Hong Kong, to which it contributes. The total pension charges in respect of these plans were £16.5m (2010 £14.0m). The amount outstanding as at 31 December 2011 in relation to defined contribution schemes is £0.3m (2010 £0.2m).

### Defined benefit plan

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

The assets of the scheme are held separately from those of the Group, and invested in managed funds units. The contributions are determined by an independent qualified actuary on the basis of triennial valuations.

A full actuarial valuation was carried out as at 31 March 2010 and has been updated to 31 December 2011 by a qualified independent actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments pre-retirement, the rates of increase in salaries and the post-retirement investment return. The valuation showed that the market value of the scheme's assets was £109.6m and that the actuarial value of those assets represented 80% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The scheme has been closed to new joiners for pension benefits since 1 April 2000.

	Group	
Principal assumptions at 31 December	2011	2010
Expected return on plan assets		
– Equities	7.80%	8.10%
– Gilts	2.50%	4.00%
– Bonds	4.70%	5.20%
– Property	6.80%	7.10%
– Diversified growth funds	7.50%	7.80%
– Other	0.50%	0.50%
Expected rate of salary increases	4.50%	4.50%
Rate of increase to pensions in payment		
– accrued before 6 April 1997	3.00%	3.00%
– accrued after 5 April 1997	3.10%	3.60%
– accrued after 5 April 2005	2.30%	2.40%
Rate of increase to pensions in deferment		
– accrued before 6 April 2001	5.00%	5.00%
– accrued after 5 April 2001	2.80%	2.90%
– accrued after 5 April 2009	2.20%	2.50%
Discount rate	4.90%	5.50%
Inflation assumption	3.10%	3.60%

Using post-retirement mortality assumptions, the assured life expectations on retirement at age 60 (2010 60) are as follows

		Group	
		2011	2010
Retiring today	– Male	88 1	88 1
	– Female	89 2	89 1
Retiring in 20 years	– Male	89 5	89 5
	– Female	90 8	90 8

#### Sensitivity analysis of the discount rate

Change in assumption      Increase by 0.5% p.a. (2010 decrease by 0.5% p.a.)      Impact on liabilities      Decrease by 10.7%  
(2010 increase by 12%)

The amounts recognised in the statement of financial position are as follows

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Fair value of plan assets	129 0	119 5	7 1	6 6
Present value of funded obligations	(164 6)	(141 8)	(9 1)	(7 8)
Deficit	(35 6)	(22 3)	(2 0)	(1 2)
Related deferred tax asset	8 9	6 1	0 5	0 3
Net liability	(26 7)	(16 2)	(1 5)	(0 9)

#### The amounts recognised in the income statement

	Group	
	2011 £m	2010 £m
Current service cost	–	0 9
Interest cost	7 7	7 9
Expected return on plan assets	(8 7)	(7 9)
Total included in staff costs	(1 0)	0 9

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

#### Change in defined benefit obligation

	Group	
	2011 £m	2010 £m
Present value of defined benefit obligation at start of year	141 8	141 2
Current service cost	–	0 9
Interest cost	7 7	7 9
Plan participants contributions	–	0 3
Actuarial loss/(gain)	16 1	(7 2)
Benefits paid	(1 0)	(1 3)
Present value of defined benefit obligation at end of year	164 6	141 8

#### Change in plan assets

	Group	
	2011 £m	2010 £m
Fair value of plan assets at start of year	119 5	103 5
Expected return on plan assets	8 7	7 9
Actuarial (loss)/gain	(4 2)	3 3
Employer contributions	6 0	5 8
Plan participants contributions	–	0 3
Benefits paid	(1 0)	(1 3)
Fair value of plan assets at end of year	129 0	119 5

The actual return on plan assets was £4.5m (2010 £11.2m). The overall expected return on assets is determined as the weighted average of the expected returns on each separate asset class shown below. The expected return on plan assets is determined by the expected rate of return over the remaining life of the related liabilities held by the scheme. The expected rate of return on equities is based on market expectations of dividend yields and price earnings ratios. Expected returns on bonds are based on gross redemption yields as at the reporting date.

The amounts recognised in the consolidated statement of comprehensive income

	Group	
	2011 £m	2010 £m
Actuarial losses brought forward	(27 1)	(37 6)
Net actuarial (loss)/gain for the year	(20 3)	10 5
Accumulated net actuarial losses	(47 4)	(27 1)

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

	2011	2010
Equities	48%	51%
Gilts	–	4%
Bonds	31%	23%
Property	2%	3%
Diversified Growth Funds	18%	19%
Cash	1%	–
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

Amounts for the current and previous four years are as follows

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Plan assets	129 0	119 5	103 5	85 9	103 4
Defined benefit obligation	(164 6)	(141 8)	(141 2)	(110 5)	(113 4)
Deficit	(35 6)	(22 3)	(37 7)	(24 6)	(10 0)
Experience (loss)/gain on plan liabilities	(1%)	2%	2%	1%	(5%)
Experience (loss)/gain on plan assets	(3%)	3%	8%	(35%)	(4%)

The Group expects to contribute £7 0m to its pension plan in the period to 31 December 2012 (2011 £6 0m) The Company expects to contribute £0 4m (2011 £0 3m)

## 10 Finance income and costs

	2011 £m	Group 2010 £m
Bank interest receivable	1 1	0 9
Fair value gain – interest rate swaps	0 3	0 3
Finance income	1 4	1 2
Bank interest payable	(1 3)	(2 2)
Finance costs	(1 3)	(2 2)
<b>Net finance costs</b>	<b>0 1</b>	<b>(1 0)</b>

## 11 Income tax expense

	2011 £m	Group 2010 £m
Analysis of tax expense for the year		
<b>Current tax</b>		
United Kingdom		
Corporation tax on profits for the year	10 6	10 1
Adjustment in respect of previous years	1 1	(0 1)
	11 7	10 0
Foreign tax	6 5	6 7
Adjustment in respect of previous years	(0 3)	(0 4)
Total current tax	17 9	16 3
<b>Deferred tax</b>		
Representing		
United Kingdom	(1 9)	(4 1)
Foreign tax	(1 9)	(0 3)
Adjustment in respect of previous years	(0 9)	(0 2)
Total deferred tax (Note 17)	(4 7)	(4 6)
Income tax expense	13 2	11 7

The weighted average applicable UK tax rate was 26 5% (2010 28%) due to the reduction of the UK tax rate from 28% to 26% which was effective from 1 April 2011 The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to Group profits The tax for the year is higher (2010 higher) than the weighted average rate of 26 5% The total tax charge on profit can be reconciled to the accounting profit as follows

	2011 £m	Group 2010 £m
Profit before tax	40 0	36 8
Profit on ordinary activities at 26 5% (2010 28 0%)	10 6	10 3
Effects of		
Adjustments to tax in respect of previous years	(0 1)	(0 7)
Adjustments in respect of foreign tax rates	(2 3)	(3 0)
Impact of falling/(rising) share price compared to the fair value of share awards/options at date of grant	0 8	(0 6)
Income not subject to tax	(0 7)	–
Non-deductible tax losses	1 6	2 6
Expenses and other charges not deductible for tax purposes	3 0	3 4
Impairment of associate undertaking	0 5	–

Tax on joint ventures and associates	(1 0)	(0 3)
Effect of change in UK tax rate on deferred tax	0 8	–
Income tax expense on profit	13 2	11 7

The effective tax rate of the Group for the year ended 31 December 2011 is 33% (2010 31 8%)

During the year as a result of a further change in the UK tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the year ended 31 December 2012 has been measured using the effective rate that is expected to apply in the period (25 25%)

Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

### 11 Income tax expense continued

The tax (charged)/credited to other comprehensive income is as follows

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Current tax credit on employee benefits	3 4	2 6	0 2	–
Current tax credit on foreign exchange reserves	(0 2)	–	–	–
Current tax credit on retirement benefits	1 6	1 4	0 1	–
Deferred tax credit/(charge) on pension actuarial losses/(gains)	5 4	(3 2)	0 2	(0 2)
Deferred tax on pension additional contributions	(1 6)	(1 4)	–	(0 1)
Deferred tax on pension – effect of tax rate change	(0 6)	–	–	–
Deferred tax charge on employee benefits	(3 3)	(1 7)	(0 1)	–
Deferred tax credit on revaluations of available-for-sale investments	0 2	0 1	–	–
Deferred tax credit on foreign exchange reserves	0 1	0 1	–	–
Tax on items relating to components of other comprehensive income	5 0	(2 1)	0 4	(0 3)

### 12 Dividends – Group and Company

	2011 £m	2010 £m
Amounts recognised as distribution to owners in the year		
Ordinary final dividend for 2010 of 6 0p per share	7 4	–
Supplemental interim dividend for 2010 of 4 0p per share	5 0	–
Interim dividend of 3 15p per share (2010 3 0p)	3 9	3 7
Second interim dividend for 2009 of 6 0p per share	–	7 3
	16 3	11 0

The Board recommends a final dividend of 6 35p (net) per ordinary share (amounting to £7 8m) is paid, alongside the supplemental interim dividend of 4p per ordinary share (amounting to £5 0m), to be paid on 14 May 2012 to shareholders on the register at 10 April 2012. These financial statements do not reflect this dividend payable.

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. Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust, waived all dividends on the shares it held.

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

Basic earnings per share are based on the profit attributable to owners of the company and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 9,198,857 shares (2010 9,613,393 shares)

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

The earnings and the shares used in the calculations are as follows

	2011 Earnings £m	2011 Shares million	2011 EPS pence	2010 Earnings £m	2010 Shares million	2010 EPS pence
Basic earnings per share	26 5	123 3	21 5	25 0	122 2	20 5
Effect of additional shares issuable under option	–	3 4	(0 6)	–	4 2	(0 7)
Diluted earnings per share	26 5	126 7	20 9	25 0	126 4	19 8

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

Excludes profit/loss on disposals, share-based payments adjustment, impairment and amortisation of goodwill and intangibles (excluding software), impairment of associate undertaking and restructuring costs

	2011 Earnings £m	2011 Shares million	2011 EPS pence	2010 Earnings £m	2010 Shares million	2010 EPS pence
Basic earnings per share	26 5	123 3	21 5	25 0	122 2	20 5
Amortisation of intangibles (excluding software) after tax	2 1	–	1 7	2 1	–	1 7
Impairment of goodwill and intangible assets after tax	5 4	–	4 4	4 4	–	3 6
Impairment of investment in associate after tax	2 0	–	1 6	–	–	–
Share-based payment adjustment after tax	0 6	–	0 5	2 5	–	2 1
Restructuring costs after tax	1 4	–	1 2	–	–	–
(Profit)/loss on disposal of subsidiaries, joint venture and	(2 3)	–	(1 9)	0 1	–	–

available-for-sale investment after tax						
Underlying basic earnings per share	35 7	123 3	29 0	34 1	122 2	27 9
Effect of additional shares issuable under option	–	3 4	(0 8)	–	4 2	(0 9)
Underlying diluted earnings per share	35 7	126 7	28 2	34 1	126 4	27 0

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The Directors regard the above adjustments necessary to give a fair picture of the underlying results of the Group for the year. The adjustment for share-based payment relates to the impact of the accounting standard for share-based compensation.

The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment above addresses this by adding to or deducting from profit the difference between the IFRS 2 charge and the effective value of the annual share award in order better to match the underlying staff costs in the year with the revenue recognised in the same period.

The gross amounts of the above adjustments (Note 7) are profit on disposals of £2.3m (2010: loss of £0.1m), share-based payment adjustment £0.8m (2010: £3.3m), add back of amortisation of intangibles (excluding software) £2.6m (2010: £2.7m), impairment of goodwill and intangibles of £5.4m (2010: £4.4m), impairment of investment in associate of £2.0m (2010: £nil) and restructuring costs of £1.9m (2010: £nil).

#### 14 Goodwill and intangible assets

						Group	Company
	Goodwill £m	Customer/ business relationships £m	Brands £m	Investment and property management contracts £m	Computer software £m	Total £m	Total £m
<b>Acquired goodwill and intangible assets</b>							
<b>Cost</b>							
At 1 January 2011	178.1	22.3	6.1	10.6	11.5	228.6	3.4
Additions through business combinations (Note 16(e))	7.5	0.7	–	0.6	–	8.8	–
Disposals through business combinations (Note 16(f))	(4.6)	(1.3)	–	(0.3)	(0.4)	(6.6)	–
Initial recognition of deferred tax on intangible assets (Note 17)	0.2	–	–	–	–	0.2	–
Other additions	–	–	–	–	1.2	1.2	0.4
Disposals	–	–	–	–	(0.1)	(0.1)	–
Derecognition of fully amortised intangible assets	–	(0.3)	(6.1)	–	–	(6.4)	–
Exchange movement	(1.7)	(0.2)	–	(0.1)	–	(2.0)	–
At 31 December 2011	179.5	21.2	–	10.8	12.2	223.7	3.8
<b>Accumulated amortisation and impairment</b>							
At 1 January 2011	43.8	10.8	6.1	5.3	8.7	74.7	1.9
Amortisation charge for the year	–	2.4	–	0.2	1.1	3.7	0.5
Disposals through business combinations (Note 16(f))	(4.6)	–	–	(0.3)	(0.4)	(5.3)	–
Impairment	5.4	–	–	–	–	5.4	–
Disposals	–	–	–	–	(0.1)	(0.1)	–
Derecognition of fully amortised intangible assets	–	(0.3)	(6.1)	–	–	(6.4)	–
Exchange movement	(0.7)	(0.1)	–	–	–	(0.8)	–
At 31 December 2011	43.9	12.8	–	5.2	9.3	71.2	2.4
<b>Net book value</b>							
At 31 December 2011	135.6	8.4	–	5.6	2.9	152.5	1.4

All intangible amortisation charges in the year are disclosed on the face of the income statement. The Company's intangible assets consist of computer software only.

						Group	Company
	Goodwill £m	Customer/ business relationships £m	Brands £m	Investment and property management contracts £m	Computer software £m	Total £m	Total £m
<b>Acquired goodwill and intangible assets</b>							
<b>Cost</b>							
At 1 January 2010	169.4	21.0	6.2	10.5	10.1	217.2	2.7
Acquisitions	7.6	1.3	–	–	–	8.9	–
Other additions	1.0	–	–	0.1	1.6	2.7	0.7
Disposals	(2.0)	–	–	–	(0.6)	(2.6)	–
Exchange movement	2.1	–	(0.1)	–	0.4	2.4	–
At 31 December 2010	178.1	22.3	6.1	10.6	11.5	228.6	3.4
<b>Accumulated amortisation and impairment</b>							
At 1 January 2010	41.1	8.0	6.2	5.0	8.0	68.3	1.6
Amortisation charge for the year	–	2.5	–	0.2	1.0	3.7	0.3
Impairment	4.3	–	–	0.1	–	4.4	–
Disposals	(2.0)	–	–	–	(0.6)	(2.6)	–
Exchange movement	0.4	0.3	(0.1)	–	0.3	0.9	–
At 31 December 2010	43.8	10.8	6.1	5.3	8.7	74.7	1.9
<b>Net book value</b>							
At 31 December 2010	134.3	11.5	–	5.3	2.8	153.9	1.5
At 1 January 2010	128.3	13.0	–	5.5	2.1	148.9	1.1

During the year, goodwill and intangibles were tested for impairment in accordance with IAS 36. Goodwill and intangibles are allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment. In most cases, the CGU is an individual subsidiary or operation and these have been separately assessed and tested. A segment-level summary of the allocation is presented below.

	Transactional Advice £m	Consultancy £m	Property and Facilities Management £m	Fund Management £m	Total £m
United Kingdom	26.5	10.3	5.1	2.2	44.1
Continental Europe	30.1	0.7	11.9	–	42.7
Asia Pacific	11.4	3.1	31.1	–	45.6
America	17.2	–	–	–	17.2
Total goodwill and intangibles (excluding software)	85.2	14.1	48.1	2.2	149.6

#### Method of impairment testing

All recoverable amounts were determined based on value-in-use calculations. These calculations use discounted cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal value.

#### Assumptions

##### Market recovery

In each case the models used assume that, apart from Italy, each of the property markets in which the Group operates begin to recover during 2012/2013.

##### Discount rate

The discount rate applied to cash flows of each CGU is based on the Group's Weighted Average Cost of Capital (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use.

Key inputs to the WACC calculation are the risk-free rate, the equity market risk premium (the return that Savills shares provide over the risk-free rate), beta (reflecting the risk of the Group relative to the market as a whole) and the Group's borrowing rates.

#### Method of impairment testing continued

Group WACC was adjusted for risk relative to the country in which the assets were located. The risk-adjusted pre-tax discount range of rates used in each region for impairment testing are as follows:

	2011 Pre-tax discount rate range	2010 Pre-tax discount rate range
United Kingdom	11.0%	11.0%
Continental Europe	11.0 – 11.5%	11.0 – 11.5%
Asia Pacific	6.3 – 21.3%	8.5 – 22.0%
America	12.5%	12.5%

#### Long-term growth rate

To forecast beyond the five years covered by detailed forecasts, a terminal value was calculated, using an average long-term growth rate determined at 1.5%. This reflects management's expectations based on historical growth and current market conditions and does not exceed the long-term growth rate in any country in which the Group operates.

#### Impairment charge

Following impairment testing, a £5.4m charge has been recognised through the income statement (2010: £4.4m) relating to goodwill on historical acquisitions where carrying values are no longer supported by the discounted cash flow analysis.

£2.8m of the impairment relates to Savills Italy SRL. The economic climate in Southern Europe has adversely affected the business and the goodwill relating to this business has been fully written off. This business is included within the European transactional segment. Key assumptions include a discount rate of 11.5%.

Our Spanish business has also been subject to similar economic conditions in the region. Discounted cash flow analysis indicates that the goodwill relating to this business should be impaired by £1.9m, with a key assumption being a discount rate of 11.5%. This business operates under the European transactional, consultancy and property management segments.

The remaining £0.7m relates to Showcase, an exhibition and design business in Hong Kong. The business has not performed as expected and goodwill relating to this business has been fully written off. The business is included within the Asian property management segment.

#### Sensitivity to changes in assumptions

The level of impairment is a reflection of best estimates in arriving at value in use, future growth rates and the discount rate applied to cash flow projections. Nonetheless, there are no CGUs which management consider a reasonable possible change in a key assumption would give rise to an impairment apart from our Spanish business, which is partially impaired. Had the discount rate been increased by 0.5% to 12.0% the impairment would have been £2.1m.

Future impairments may be impacted by the following factors:

**Market conditions** – the timing and growth expectations for further recovery are key assumptions in the determination of the cash flow projections. For the purposes of the impairment tests, management expect the market to improve slightly over 2012 for the next year, but anticipate a bigger improvement from 2013 onward.

**Cost base** – the cost base assumptions reflect 2011's costs with limited growth in the fixed cost base going forward. Commissions and profit shares are correlated to the Group's revenue and profits and the percentage payout. These are assumed to be consistent with existing rates.

## 15 Property, plant and equipment

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
<b>Cost</b>					
At 1 January 2011	0.1	20.6	51.1	0.3	72.1
Subsidiaries acquired (Note 16(e))	–	–	0.2	–	0.2
Subsidiaries disposed (Note 16(f))	–	(1.0)	(1.6)	–	(2.6)
Additions	–	2.2	7.0	–	9.2
Reclassifications	–	–	0.2	(0.2)	–
Disposals	–	(3.4)	(3.3)	–	(6.7)
Exchange movement	–	–	0.1	–	0.1
At 31 December 2011	0.1	18.4	53.7	0.1	72.3
<b>Accumulated depreciation and impairment</b>					
At 1 January 2011	–	13.7	40.6	0.1	54.4
Charge for the year	–	1.9	5.2	–	7.1
Subsidiaries disposed (Note 16(f))	–	(0.4)	(1.4)	–	(1.8)
Disposals	–	(3.3)	(2.5)	–	(5.8)
At 31 December 2011	–	11.9	41.9	0.1	53.9
<b>Net book value</b>					
At 31 December 2011	0.1	6.5	11.8	–	18.4

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

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
<b>Cost</b>					
At 1 January 2010	0.4	19.7	47.4	–	67.5
Acquisitions	–	–	0.1	0.3	0.4
Additions	–	0.6	4.9	–	5.5
Transfer	(0.3)	0.3	–	–	–
Disposals	–	(0.1)	(2.3)	–	(2.4)
Exchange movement	–	0.1	1.0	–	1.1
At 31 December 2010	0.1	20.6	51.1	0.3	72.1
<b>Accumulated depreciation and impairment</b>					
At 1 January 2010	–	11.7	37.5	–	49.2
Charge for the year	–	2.0	4.5	0.1	6.6
Disposals	–	–	(2.1)	–	(2.1)
Exchange movement	–	–	0.7	–	0.7
At 31 December 2010	–	13.7	40.6	0.1	54.4
<b>Net book value</b>					
At 31 December 2010	0.1	6.9	10.5	0.2	17.7

## 15 Property, plant and equipment continued

Company	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>				
At 1 January 2011	–	0.8	8.8	9.7
Additions	–	–	0.8	0.8
Disposals	–	–	(0.1)	(0.1)
At 31 December 2011	–	0.8	9.5	10.4
<b>Accumulated depreciation and impairment</b>				
At 1 January 2011	–	0.8	7.6	8.4
Charge for the year	–	–	0.7	0.7
Disposals	–	–	(0.1)	(0.1)
At 31 December 2011	–	0.8	8.2	9.0
<b>Net book value</b>				
At 31 December 2011	–	–	1.3	1.4

Company	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>				
At 1 January 2010	0 1	0 8	7 9	8 8
Additions	–	–	0 9	0 9
At 31 December 2010	0 1	0 8	8 8	9 7
<b>Accumulated depreciation and impairment</b>				
At 1 January 2010	–	0 8	7 1	7 9
Charge for the year	–	–	0 5	0 5
At 31 December 2010	–	0 8	7 6	8 4
<b>Net book value</b>				
At 31 December 2010	0 1	–	1 2	1 3

#### 16(a) Group – Investments in joint ventures and associated undertakings

	Joint ventures			Associated undertakings		
	Investment £m	Loans £m	Total £m	Investment £m	Goodwill £m	Total £m
<b>Cost or valuation</b>						
At 1 January 2011	1 4	1 9	3 3	3 8	0 2	4 0
Additions	0 8	–	0 8	–	–	–
Loans advanced	–	2 1	2 1	0 2	–	0 2
Loans repaid	–	(0 7)	(0 7)	–	–	–
Impairment	–	–	–	(1 8)	(0 2)	(2 0)
Exchange movement	–	–	–	(0 1)	–	(0 1)
At 31 December 2011	2 2	3 3	5 5	2 1	–	2 1
<b>Share of profit</b>						
At 1 January 2011	2 5	–	2 5	1 8	–	1 8
Group's share of retained profit	1 5	–	1 5	2 5	–	2 5
Dividends received	(0 4)	–	(0 4)	(1 5)	–	(1 5)
Disposals	(0 2)	–	(0 2)	–	–	–
At 31 December 2011	3 4	–	3 4	2 8	–	2 8
<b>Total</b>						
At 31 December 2011	5 6	3 3	8 9	4 9	–	4 9

	Joint ventures			Associated undertakings		
	Investment £m	Loans £m	Total £m	Investment £m	Goodwill £m	Total £m
<b>Cost or valuation</b>						
At 1 January 2010	1 1	2 2	3 3	3 4	0 2	3 6
Additions	0 3	–	0 3	–	–	–
Loans advanced	–	0 1	0 1	0 2	–	0 2
Loans repaid	–	(0 5)	(0 5)	–	–	–
Exchange movement	–	0 1	0 1	0 2	–	0 2
At 31 December 2010	1 4	1 9	3 3	3 8	0 2	4 0
<b>Share of profit</b>						
At 1 January 2010	1 7	–	1 7	4 0	–	4 0
Group's share of retained profit	1 0	–	1 0	0 2	–	0 2
Dividends received	(0 3)	–	(0 3)	(2 7)	–	(2 7)
Exchange movement	0 1	–	0 1	0 3	–	0 3
At 31 December 2010	2 5	–	2 5	1 8	–	1 8
<b>Total</b>						
At 31 December 2010	3 9	1 9	5 8	5 6	0 2	5 8

In relation to the Group's interests in joint ventures, the assets, liabilities, income and expenses are shown below

	2011 £m	2010 £m
Current assets	10 3	7 2
Non-current assets	5 3	3 8
Current liabilities	(8 0)	(6 5)
Non-current liabilities	(2 0)	(0 6)
Net assets	5 6	3 9
Revenue	16 6	12 3
Expenses	(14 8)	(11 0)
Share of income tax	(0 3)	(0 3)
Share of post-tax profit from joint ventures	1 5	1 0

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

	2011 £m	2010 £m
Current assets	9 6	9 5
Non-current assets	1 6	5 2
Current liabilities	(6 3)	(8 5)
Non-current liabilities	–	(0 6)
Net assets	4 9	5 6
Revenue	34 1	31 9
Expenses	(31 0)	(31 2)
Share of income tax	(0 6)	(0 5)
Share of post-tax profit from associates	2 5	0 2

The joint ventures and associates have no significant liabilities to which the Group is exposed to, nor has the Group any significant contingent liabilities or capital commitments in relation to its interests in the joint ventures and associates

The Group has fully impaired the carrying value of the investment in Adventis Group plc, an associate company, due to difficult trading conditions and high levels of debt. The market value of the Group's holding in Adventis Group plc, was £0 1m at 31 December 2011 (2010 £1 0m)

The Group disposed of certain holdings in joint ventures during the year. Net assets of £0 2m were disposed and a gain of £0 1m was recognised through the income statement

#### 16(b) Available-for-sale investments

	Group 2011 £m	Group 2010 £m
<b>At 1 January</b>	<b>14 2</b>	<b>14 0</b>
Additions	1 2	0 9
Transfer from investment in subsidiary	0 3	–
Net fair value loss transferred to other comprehensive income	(0 9)	(0 3)
Impairment	–	(0 3)
Exchange movement	(0 4)	(0 1)
<b>At 31 December</b>	<b>14 4</b>	<b>14 2</b>
Available-for-sale investments comprise the following		
Unlisted securities UK – equity securities	0 8	–
UK – limited partnership	0 1	0 1
UK – investment funds	2 5	2 5
European – investment funds	10 6	11 2
Asia Pacific – equity securities	0 4	0 4
	<b>14 4</b>	<b>14 2</b>

Available-for-sale investments are denominated in the following currencies

	Group 2011 £m	Group 2010 £m
Sterling	3 4	2 6
Euro	10 6	11 2
Other	0 4	0 4
	<b>14 4</b>	<b>14 2</b>

At 31 December 2011, the Group held the following principal available-for-sale investments

Investment	Holding	Principal activity
SPF Private Clients Limited (registered in England and Wales)	19 99%	General insurance, mortgage broking and personal financial planning services
Pinnacle Regeneration Group Limited (registered in England and Wales)	3 03%	Social housing services
Cordea Savills Dawn Syndication LP (registered in England and Wales)	3 50%	Investment property fund
Cordea Savills Student Hall Fund (registered in Jersey)	2 03%	Student accommodation property fund
Cordea Savills Italian Opportunities Fund 1 (registered in Luxembourg)*	2 81%	Investment property fund
Cordea Savills Italian Opportunities Fund 2 (registered in Luxembourg)	1 33%	Investment property fund
Serviced Land No 2 LP (registered in England and Wales)	1 97%	UK land investment fund
Cordea Savills German Retail Fund (registered in Luxembourg)	1 94%	Retail investment property fund
Cordea Savills Nordic Retail Fund (registered in Luxembourg)	11 30%	Retail investment property fund
Cordea Savills UK Property Ventures No 1 LP (registered in England and Wales)	4 07%	UK land investment fund

\* This holding relates to Class C ordinary shares. The Group also holds 100% of Class A1 preference shares and 4 0% of Class B preference shares in this fund

In June 2011 60% of Savills 12 1% shareholding in Pinnacle Regeneration Group Ltd was sold resulting in a £1 7m profit on disposal. The remaining shares are held at a fair value of £0 5m

The Group does not exert significant influence over these businesses, and therefore does not equity account for these investments. These shareholdings are treated as trade investments and held at fair value

The fair value of unlisted securities is based on underlying asset values and price earnings models. The fair value of investment funds is determined by the Fund Managers annual audited financial statements

At 31 December 2011 the Group held a conditional commitment to co-invest £0 6m (2010 £0 7m) in the Cordea Savills UK Property

Ventures Fund No 1 LP, £0 1m (2010 £1 0m) in the Cordea Savills Italian Opportunities Fund 2 and £0 3m (2010 £0 4m) in the Cordea Savills Italian Opportunities Fund 1

The Company made no available-for-sale investments during the year (2010 nil)

#### 16(c) Company – Investments in subsidiaries

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
<b>Cost</b>			
At 1 January 2010	22 4	111 5	133 9
Loans repaid	–	(8 2)	(8 2)
Exchange movement	–	0 9	0 9
At 31 December 2010	22 4	104 2	126 6
Loans advanced	–	21 6	21 6
Loans repaid	–	(25 1)	(25.1)
Transfer from current receivables	–	2 9	2 9
At 31 December 2011	22 4	103 6	126 0

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

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

A full list of the Group's subsidiaries, joint ventures and associated undertakings is available from the registered office of Savills plc

Subsidiary undertakings	Holding	Main activities
Cordea Savills LLP*	100%	Provision of fund management
Savills Commercial Limited*	100%	Commercial surveyors
Savills (L&P) Limited*	100%	General practice surveyors
Prime Purchase Limited*	100%	Property buying company
Cordea Savills Investment Management Limited*	100%	Asset manager
Savills LLC** (registered in the US)	75%	Property consultants
Savills Commercial (Ireland) Limited* (registered in Ireland)	100%	Property consultants
Savills Consultores Inmobiliarios SA* (registered in Spain)	100%	Property consultants
Savills Immobilien Beratungs GmbH* (registered in Germany)	100%	Property consultants
Savills SA* (registered in France)	99 97%	Property consultants
Savills Italy SRL* (registered in Italy)	100%	Property consultants
Savills Nederland Holding BV* (registered in the Netherlands)	87%	Property consultants
Savills Sweden AB* (registered in Sweden)	98 40%	Property consultants
Forvaltningsaktiebolaget Stadsmuren* (registered in Sweden)	100%	Project management
Loudden Bygg-och Fastighetservice AB* (registered in Sweden)	70%	Facilities management
Savills Spolka z Organizacja* (registered in Poland)	100%	Property consultants
Savills (Hong Kong) Limited* (registered in Hong Kong)	100%	Mixed practice agency, valuation and research
Savills Valuation and Professional Services Limited* (registered in Hong Kong)	100%	Valuation and research
Savills Property Management Limited* (registered in Hong Kong)	100%	Property management
Guardian Property Management Limited* (registered in Hong Kong)	100%	Property management
Savills (Singapore) Pte Limited* (registered in Singapore)	100%	Property management and agency
Savills Japan KK* (registered in Japan)	100%	Property management and agency
Savills Property Services (Shanghai) Co Limited* (registered in China)	100%	Property management
Savills Property Services (Beijing) Co Limited* (registered in China)	100%	Property management
Savills Korea Asset Management Limited* (registered in Korea)	100%	Property management
Savills Korea Co Limited* (registered in Korea)	100%	Property agency and consultants
Savills (Vietnam) Limited* (registered in BVI)	72 10%	Property management and agency
Savills (Thailand) Limited* (registered in Thailand)	100%	Property agency, consultants and management
Savills (Taiwan) Limited* (registered in Taiwan)	100%	Property agency and consultants
Savills (Aust) Pty Limited* (registered in Australia)	96 19%	Property agency, consultants and management
<b>Joint ventures</b>		
GES Holdings Limited* (Macau)	50%	Property management
<b>Associated undertakings</b>		
Hutton Asia Pte Ltd* (Singapore)	48%	Property agency

\* Shares/interests held indirectly by the Company

+ Limited Liability Partnership

++ Limited Liability Company

#### 16(e) Acquisitions of subsidiaries

##### Stadsmuren and Loudden

On 25 February 2011 the Group entered into an agreement to acquire 100% of the shares of Forvaltningsaktiebolaget Stadsmuren ('Stadsmuren'), a Stockholm based property and project management firm and 70% of the shares of Loudden Bygg-och

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

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

#### Thomas Davidson & Partners

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

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

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

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

Subsidiaries acquired	Provisional fair value to Group			
	Stadsmuren/ Loudden £m	Thomas Davidson £m	Other £m	Total £m
Property, plant and equipment (Note 15)	–	–	0.2	0.2
Current assets				
Trade and other receivables	1.8	–	0.6	2.4
Current tax receivables	0.1	–	–	0.1
Cash and cash equivalents	0.7	–	0.7	1.4
Total assets	2.6	–	1.5	4.1
Current liabilities				
Trade and other payables	(1.3)	–	(0.9)	(2.2)
Employee and retirement benefit obligations (Note 24(b))	(0.2)	–	–	(0.2)
Net assets	1.1	–	0.6	1.7
Non-controlling interest	(0.2)	–	(0.3)	(0.5)
Other intangibles (Note 14)	0.6	0.7	–	1.3
Fair value of net assets acquired	1.5	0.7	0.3	2.5
Goodwill (Note 14)	4.1	1.8	1.6	7.5
Purchase consideration	5.6	2.5	1.9	10.0
Consideration satisfied by				
Net cash paid as per cash flow statement	3.5	2.5	1.2	7.2
Cash acquired	0.7	–	0.7	1.4
Deferred consideration owing at reporting date	1.4	–	–	1.4
	3.5	2.5	1.2	7.2

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

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

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

	Stadsmuren/ Loudden £m	Thomas Davidson £m	Other £m	Total £m
Turnover	11.4	2.9	4.0	18.3

Staff costs	(2 8)	(1 3)	(2 6)	(6 7)
Depreciation	–	–	(0 1)	(0 1)
Other operating charges	(7 8)	(0 6)	(0 8)	(9.2)
Operating profit (before finance charges)	0 8	1 0	0 5	2 3

#### 16(f) Disposal of subsidiaries

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

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

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

Subsidiaries disposed	£m
Property, plant and equipment (Note 15)	0 8
Other intangible assets (Note 14)	1 3
Deferred tax assets	0 1
Current assets	2 0
Trade and other receivables	
Cash and cash equivalents	1 3
Total assets	5 5
Current liabilities	(3 6)
Trade and other payables	
Provisions for liabilities and charges	(0 1)
Net assets disposed	1 8
Analysis of purchase consideration and costs	
Net assets disposed	1 8
Profit on disposal	0 5
Costs of disposal	1 5
Total consideration	3 8
Consideration satisfied by	
Cash consideration	0 1
Deferred consideration owing at balance sheet date	1 9
Interest retained as trade and other receivables	1 5
Fair value of interest retained as available-for-sale investment	0 3
Total consideration	3 8
Net cash inflow/(outflow) arising on disposal	
Cash consideration	0 1
Cash disposed	(1.3)
Net consideration	(1 2)
Directly attributable costs of disposal paid	(0 2)
	(1 4)

#### 16(g) Transactions with non-controlling interests

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

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

Under IAS 27 (revised), transactions with non-controlling interests must be accounted for as equity transactions, therefore no goodwill has been recognised. Acquisition costs related to these transactions were not significant.

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

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

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

## 17. Deferred income tax

Deferred income tax assets and liabilities are only offset where there are legally enforceable rights to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority. The deferred tax assets and liabilities are offset when realised through current tax. The deferred income tax assets and liabilities at 31 December, without taking into consideration the offsetting balances within the same jurisdiction, are as follows:

The movement on the deferred tax account is shown below:

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	25 8	18 4	1 3	1 1
– Deferred tax asset to be recovered within 12 months	3 6	7 1	0 6	0 5
	29 4	25 5	1 9	1 6
Deferred tax liabilities				
– Deferred tax liability to be recovered after more than 12 months	(1 7)	(2 4)	–	–
– Deferred tax liability to be recovered within 12 months	(0 4)	(0 4)	–	–
	(2 1)	(2 8)	–	–
<b>Deferred tax asset – net</b>	<b>27 3</b>	<b>22 7</b>	<b>1 9</b>	<b>1 6</b>

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 January – asset	22 7	23 8	1 6	1 7
Amount credited to income statement (Note 11)	5 5	4 6	0 2	0 2
Effect of UK tax rate change within income statement (Note 11)	(0 8)	–	–	–
Tax charged to other comprehensive income				
– Pension asset on actuarial loss/(gain)	5 4	(3 2)	0 2	(0 2)
– Pension asset on additional contributions	(1 6)	(1 4)	–	(0 1)
– Pension asset – effect of UK tax rate change within other comprehensive income	(0 6)	–	–	–
– Employee benefits	(3 3)	(1 7)	(0 1)	–
– Revaluations of available-for-sale investments	0 2	0 1	–	–
– Movement on foreign exchange reserves	0 1	0 1	–	–
Exchange movement	(0 1)	0 2	–	–
Acquisitions (Note 16(e))	–	0 2	–	–
Initial recognition of intangible assets	(0 2)	–	–	–
At 31 December – asset	27 3	22 7	1 9	1 6

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

As at the reporting date the Group did not recognise deferred tax income tax assets of £8 1m (2010 £5 7m) in respect of losses amounting to £24 8m (2010 £18 6m) that can be carried forward against future taxable income. Losses amounting to £1 2m (2010 £0 7m) expire within 2 years, losses amounting to £1 5m (2010 £1 2m) expire between 3 and 8 years and the remaining loss of £22 1m (2010 £16 7m) remains available for offset indefinitely.

Deferred tax assets – Group	Accelerated capital allowances £m	Other including provisions £m	Tax losses £m	Retirement benefits £m	Revaluation £m	Employee benefits £m	Total £m
At 1 January 2010	0 9	5 1	4 3	10 7	–	6 4	27 4
Amount credited/(charged) to income statement	0 1	0 8	(0 2)	–	–	3 3	4 0
Tax charged to other comprehensive income	–	–	–	(4 6)	–	(1 7)	(6 3)
Acquisitions	–	0 2	–	–	–	–	0 2
Exchange movement	–	0 3	(0 1)	–	–	–	0 2
At 31 December 2010	1 0	6 4	4 0	6 1	–	8 0	25 5
Amount credited/(charged) to income statement (Note 11)	–	1 4	1 8	(0 3)	–	1 9	4 8
Effect of UK tax rate change within income statement (Note 11)	(0 1)	(0 4)	–	–	–	(0 2)	(0 7)
Tax credited/(charged) to other comprehensive income (Note 11)	–	–	–	3 8	–	(3 3)	0 5
Effect of UK tax rate change within other comprehensive income (Note 11)	–	–	–	(0 6)	–	–	(0 6)
Transfer (to)/from deferred tax liabilities	–	(0 3)	–	–	0 3	–	–
Exchange movement	–	–	(0 1)	–	–	–	(0 1)
At 31 December 2011	0 9	7 1	5 7	9 0	0 3	6 4	29 4

	Other including provisions and foreign exchange reserves £m	Revaluations £m	Intangible assets £m	Total £m
<b>Deferred tax liabilities – Group</b>				
At 1 January 2010	(0 7)	(0 2)	(2 7)	(3 6)
Amount credited to income statement	–	–	0 6	0 6
Tax credited to other comprehensive income	0 1	0 1	–	0 2
At 31 December 2010	(0 6)	(0 1)	(2 1)	(2 8)
Amount credited to income statement (Note 11)	–	–	0 7	0 7
Effect of UK tax rate change within income statement (Note 11)	–	–	(0 1)	(0 1)
Tax credited to other comprehensive income (Note 11)	0 1	0 2	–	0 3
Transfer from/(to) deferred tax assets	0 3	(0 3)	–	–
Initial recognition of intangible assets (Note 14)	–	–	(0 2)	(0 2)
At 31 December 2011	(0 2)	(0 2)	(1 7)	(2 1)
<b>Net deferred tax asset</b>				
At 31 December 2011				27 3
At 31 December 2010				22 7

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement. The Finance Act 2011, which was substantively enacted on 5 July 2011, includes legislation reducing the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. These later reductions had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1 per cent per year to 23 per cent by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25 per cent to 23 per cent, if these applied to the deferred tax balance at 31 December 2011, would be to reduce the net deferred tax asset by approximately £1.4m (being £0.7m recognised in 2012, £0.7m recognised in 2013).

	Accelerated capital allowances £m	Other including provisions £m	Retirement benefits £m	Employee benefits £m	Total £m
<b>Deferred tax assets – Company</b>					
At 1 January 2010	0 4	0 5	0 6	0 2	1 7
Amount (charged)/credited to income statement	(0 1)	0 1	–	0 2	0 2
Tax charged to other comprehensive income (Note 11)	–	–	(0 3)	–	(0 3)
As at 31 December 2010	0 3	0 6	0 3	0 4	1 6
Amount credited to income statement	–	–	–	0 2	0 2
Tax credited to other comprehensive income (Note 11)	–	–	0 2	(0 1)	0 1
At 31 December 2011	0 3	0 6	0 5	0 5	1 9
<b>Net deferred tax asset</b>					
At 31 December 2011					1 9
At 31 December 2010					1 6

## 18 Trade and other receivables

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Trade receivables	151.1	147.0	–	–
Less provision for impairment of receivables	(7.9)	(9.1)	–	–
Trade receivables – net	143.2	137.9	–	–
Amounts owed by subsidiary undertakings	–	–	15.0	12.4
Other receivables	19.4	15.1	1.0	1.4
Prepayments and accrued income	28.6	26.2	0.7	0.7
	191.2	179.2	16.7	14.5

The carrying value of trade and other receivables is approximate to fair value.

There is no other concentration of credit risk with respect to trade and other receivables as the Group has a large number of clients internationally dispersed with no individual client owing a significant amount.

Inter-company trade receivables are generally cleared within the month.

As at 31 December 2011, trade receivables of £7.9m (2010: £9.1m) were impaired and provided for. The individually impaired receivables mainly relate to receivables from clients that have been affected by the uncertain economic conditions where funding and completion have been delayed and cash flow has become uncertain.

The ageing of these receivables is as follows:

	2011 £m	Group 2010 £m
Up to 3 months	1.1	0.9
3 to 6 months	1.5	1.6
Over 6 months	5.3	6.6
	7.9	9.1

As at 31 December 2011, trade receivables of £43.2m (2010: £40.6m) were past due but not impaired. These relate to trade receivables which are past due at the reporting date but are not considered impaired as there has not been a significant change in

credit quality and the amounts are still considered recoverable

The ageing of these receivables is as follows

	2011 £m	Group 2010 £m
Up to 3 months	31 9	31 0
3 to 6 months	6 6	5 8
Over 6 months	4.7	3 8
	43 2	40 6

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies

	2011 £m	Group 2010 £m
Sterling	93 1	89 1
Euro	21 2	21 3
Hong Kong dollar	32 2	27 5
Australian dollar	15 7	16 7
Other*	29 0	24 6
	191 2	179 2

\* Other currencies include Chinese renminbi, Singapore dollar, Polish zloty and Swedish krona

Movement on the provision for impairment of trade receivables is as follows

	2011 £m	Group 2010 £m
At 1 January	(9 1)	(9 4)
Provisions for receivables impairment	(3 2)	(2 4)
Receivables written off during the year as uncollectible	2 7	2 4
Unused provisions released	1 5	0 5
Subsidiary disposed	0 2	–
Exchange movements	–	(0 2)
At 31 December	(7 9)	(9 1)

The creation and release of the provision for impaired receivables have been included in other operating expenses in the income statement

The other classes within trade and other receivables do not contain impaired assets

The Group does not hold any collateral as security

#### 19 Cash and cash equivalents

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	69 3	91 7	15 8	–
Short-term bank deposits	10 7	5 5	–	–
	80 0	97 2	15.8	–

The carrying value of cash and cash equivalents approximates their fair value

The effective interest rate on short-term bank deposits as at 31 December 2011 was 1.19% (2010 0.87%), these deposits have an average maturity of 51 days (2010 25 days)

Cash subject to restrictions in Asia Pacific amounts to £16.3m (2010 £17.4m) which is cash pledged to banks in relation to property management contracts and cash remittance restrictions in certain countries. These amounts are consolidated.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash and cash equivalents	80 0	97 2	15 8	–
Bank overdrafts (Note 22)	(1 2)	(0 7)	–	(6 3)*
	78 8	96 5	15 8	(6 3)
Cash and cash equivalents are denominated in the following currencies				
Sterling	18 8	36 9	15 8	–
Euro	4 4	4 1	–	–
Hong Kong dollar	23 6	27 3	–	–
Singapore dollar	3 8	2 3	–	–
Australian dollar	5 9	6 1	–	–
Chinese renminbi	14 4	11 1	–	–
South Korean wan	1 5	1 3	–	–
US dollar	2 3	3 5	–	–
Other currencies**	5 3	4 6	–	–
	80 0	97 2	15 8	–

\* The Company's Sterling and Euro accounts are managed within a Group pooling banking arrangement. As at 31 December 2011, no net overdrafts existed within either pool (2010 £nil)

\*\* Other currencies include Taiwan dollar, Macau pataca, Thai baht, Japanese yen, Polish zloty and Swedish krona

## 20 Trade and other payables – current

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred consideration	8.6	3.2	–	–
Trade payables	32.2	35.6	2.0	4.8
Amounts owed to subsidiary undertakings	–	–	1.1	1.5
Other taxation and social security	27.6	24.3	3.1	–
Other payables	10.3	7.9	–	0.4
Accruals and deferred income	130.0	138.9	5.6	5.7
	<b>208.7</b>	<b>209.9</b>	<b>11.8</b>	<b>12.4</b>

The carrying value of trade and other payables approximates their fair value

## 21 Trade and other payables – non-current

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred consideration	8.8	16.6	–	–
Other payables	0.2	0.2	–	–
Amounts owed to subsidiary undertakings	–	–	5.1	5.3
	<b>9.0</b>	<b>16.8</b>	<b>5.1</b>	<b>5.3</b>

## 22 Borrowings

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
<b>Current</b>				
Bank overdrafts	1.2	0.7	–	6.3*
Unsecured bank loans due within one year or on demand	5.0	5.1	–	–
Loan notes	–	0.4	–	–
Finance leases	0.1	0.1	–	–
	<b>6.3</b>	<b>6.3</b>	<b>–</b>	<b>6.3</b>
<b>Non-current</b>				
Unsecured bank loans	–	3.9	–	–
Finance leases	0.1	0.1	–	–
	<b>0.1</b>	<b>4.0</b>	<b>–</b>	<b>–</b>

\* The Company's Sterling and Euro accounts are managed within a Group pooling banking arrangement. As at 31 December 2011, no net overdrafts existed within either pool (2010: £nil)

In 2007, the Group borrowed £19.8m for the acquisition of Granite Partners LLC in the US (now Savills LLC). The borrowings are denominated in US dollars. Interest is fixed at 5.315% via an interest rate swap until maturity date. At 31 December 2011, at the year end exchange rate, £3.9m was outstanding (2010: £9.0m). USD6.0m is due within one year.

In October 2011 Savills (Aust) Pty Ltd borrowed £1.5m as a working capital loan. The borrowings are denominated in Australian dollars and interest is fixed at 7.40%. The loan is repaid in equal monthly instalments until July 2012. At 31 December, at the year end exchange rate, £1.1m was outstanding (2010: nil) and is due within one year.

Bank loans are denominated in a number of currencies and bear interest at LIBOR or foreign equivalents as appropriate to the country in which the borrowing is incurred.

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Less than 1 year	6.3	1.2	–	6.3
Between 1 and 2 years	0.1	9.0	–	–
Between 2 and 5 years	–	0.1	–	–
	<b>6.4</b>	<b>10.3</b>	<b>–</b>	<b>6.3</b>

The maturity of non-current borrowings is as follows

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Between 1 and 2 years	0.1	4.0	–	–
Between 2 and 5 years	–	–	–	–
	<b>0.1</b>	<b>4.0</b>	<b>–</b>	<b>–</b>

The effective interest rates at the reporting date were as follows

	2011 £m	Group 2010 £m
Bank overdraft	3.76%	2.82%
Bank loans	5.77%	5.32%
Loan notes	–	5.00%
Finance leases	9.69%	10.26%

The carrying amounts of borrowings approximate to fair value

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

	2011 £m	Group 2010 £m	2011 £m	Company 2010 £m
Sterling	–	0.4	–	6.3
US dollar	3.9	9.0	–	–
Euro	1.2	0.6	–	–
Australian dollar	1.2	0.2	–	–
Hong Kong dollar	–	0.1	–	–
Thai baht	0.1	–	–	–
	6.4	10.3	–	6.3
The Group has the following undrawn borrowing facilities				
Floating rate – expiring within 1 year or on demand	13.5	15.6	–	6.3
Floating rate – expiring between 1 and 5 years	50.0	50.0	–	–

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

### 23 Derivative financial instruments

2011	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps – at fair value	–	0.1	–	–
Forward foreign exchange contracts – at fair value	0.1	–	–	–
Total	0.1	0.1	–	–
Less non-current portion	–	–	–	–
Current portion	0.1	0.1	–	–

2010	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps – at fair value	–	0.4	–	–
Forward foreign exchange contracts – at fair value	–	0.1	–	–
Total	–	0.5	–	–
Less non-current portion	–	(0.4)	–	–
Current portion	–	0.1	–	–

#### Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts in relation to the US borrowing at 31 December 2011 were £3.9m (2010: £9.0m). At 31 December 2011, the fixed interest rate was 5.315%. The floating rate is USD LIBOR.

Gains and losses on interest rate swaps are recognised in the income statement.

#### Forward foreign exchange contracts

The gross notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2011 were £13.4m (2010: £14.9m). The non-current portion represents contracts that mature in over one year.

Gains and losses on forward foreign exchange contracts are recognised in the income statement.

#### Hedge of net investments in foreign operations

The Group's USD borrowing amounting to USD6.0m (2010: USD14.0m) is designated as a hedge on the net investment in the Group's US subsidiary. The fair value of the USD borrowing at 31 December 2011 was £3.9m (2010: £9.0m). The foreign exchange gain of £0.2m (2010: loss of £0.5m) on translation of the borrowing to currency at the reporting date is recognised in foreign exchange reserves in other comprehensive income. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the statement of financial position.

### 24(a) Provisions for other liabilities and charges

	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Restructuring provision £m	Group Total £m	Company £m
At 1 January 2011	12.1	1.9	1.6	–	15.6	1.4
Released during the year	(3.0)	–	(0.1)	–	(3.1)	–
Provided during the year	7.5	0.5	0.8	0.8	9.6	–
Utilised during the year	(0.7)	–	(0.6)	–	(1.3)	(0.1)
Subsidiary disposed	(0.1)	–	–	–	(0.1)	–
Exchange movements	(0.1)	–	–	–	(0.1)	–
Total	15.7	2.4	1.7	0.8	20.6	1.3
Less non-current portion	(6.4)	(2.2)	(0.9)	–	(9.5)	(1.2)
Current portion	9.3	0.2	0.8	0.8	11.1	0.1
2010						
Current	6.5	0.5	0.8	–	7.8	0.2
Non-current	5.6	1.4	0.8	–	7.8	1.2
Total	12.1	1.9	1.6	–	15.6	1.4

### Professional indemnity claims

These arise from various legal actions, proceedings and other claims that are pending against the Group. The outcomes of these claims are not predictable with any assurance and the amounts are based on reasonable estimates, taking into account the opinions of legal counsel. The non-current portion of these provisions are expected to be utilised within the next two to five years. Included are provisions for claims relating to subsidiaries prior to their disposal.

### Dilapidation provisions

The Group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. These amounts are based on estimates of repair costs at a future date and are subject to price fluctuations in these costs and extent of repairs to be completed. The majority of the non-current portion of these provisions are expected to be utilised within the next two to six years.

### Onerous leases

A provision is recognised where the costs of meeting the obligations under a lease contract exceed the economic benefits expected to be received and is measured as the net least cost of exiting the contract, being the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it. The majority of the non-current portion of these provisions are expected to be utilised within the next two to seven years.

### Restructuring provision

This provision comprises termination payments to employees affected by restructuring and lease termination penalties.

### 24(b) Employee benefit obligations

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

Group	Total £m
At 1 January 2011	11.4
Acquisitions (Note 16(e))	0.2
Provided during the year	6.4
Utilised during the year	(3.8)
At 31 December 2011	14.2

The above provisions relate to holiday pay and long service leave in Asia Pacific and Europe and are expected to crystallise within five to seven years of the reporting date. Profit shares are included within accruals (Note 20).

The Company had no employee benefit obligations at 31 December 2011 or 31 December 2010.

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

	Group	
	2011 £m	2010 £m
Current	6.7	4.7
Non-current	7.5	6.7
	14.2	11.4

### 25 Share capital – Group and Company

Authorised and allotted	2011 Number of shares	2010 Number of shares	2011 £m	2010 £m
Ordinary shares of 2.5p each				
Authorised	202,000,000	202,000,000	5.1	5.1
Allotted, called up and fully paid	132,589,303	132,152,375	3.3	3.3

#### Movement in allotted, called up and fully paid share capital

	2011		2010	
	Number of shares	£m	Number of shares	£m
At 1 January	132,152,375	3.3	131,841,846	3.3
Allotted to direct participants on exercise of options under the Sharesave Scheme	357,928	–	310,529	–
Allotted to direct participants on exercise of options under the Executive Share Option Scheme (2001)	79,000	–	–	–
At 31 December	132,589,303	3.3	132,152,375	3.3

At the Annual General Meeting held on 4 May 2011, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 13,233,349 of its own ordinary shares (AGM held on 5 May 2010: 13,184,184). Such authority remains valid until the conclusion of the next Annual General Meeting or 1 July 2012 whichever is the earlier.

### 26 Share-based payment

Details of the terms of the following schemes are contained in the Remuneration report on pages 36 and 37.

## 26(a) Executive Share Option Scheme (2001)

The following share options have been granted under the Executive Share Option Scheme (2001) and were outstanding at 31 December 2011

Date of grant	Exercise period		Exercise price	2011 Number of shares '000	2010 Number of shares '000
30 March 2004	7 years from 30 March 2007	Unapproved	217 8p	—	46
14 March 2005	7 years from 14 March 2008	Approved	321 3p	28	37
14 March 2005	7 years from 14 March 2008	Unapproved	321 3p	67	91
16 April 2008	7 years from 16 April 2011	Unapproved	300 1p	—	160
17 April 2009	7 years from 17 April 2012	Approved	288 8p	21	21
17 April 2009	7 years from 17 April 2012	Unapproved	288 8p	530	530
19 April 2010	7 years from 19 April 2013	Unapproved	341 0p	422	422
				<b>1,068</b>	<b>1,307</b>

A reconciliation of option movements over the year to 31 December 2011 is shown below

	2011		2010	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	1,307	307 7p	885	291 8p
Granted	—	—	422	341 0p
Exercised	(79)	261 0p	—	—
Lapsed	(160)	300 1p	—	—
Outstanding at 31 December	1,068	312 3p	1,307	307 7p
Exercisable at 31 December	95	321 3p	174	293 9p

The weighted average share price on the date of exercise during the year was 404 1p (2010 £nil) and total consideration of £0.2m (2010 £nil) was received

The weighted average remaining contractual life of share options outstanding at 31 December 2011 is 7.3 years (2010 7.1 years)

## 26(b). Sharesave Scheme

During the year 357,925 shares (2010 310,529 shares) were allotted direct to participants on the exercise of options under the Sharesave Scheme, for consideration of £1,120,417. The following table shows the options remaining outstanding as at 31 December 2011

Date of grant	Exercise price	Exercise period	2011 Number of shares '000	2010 Number of shares '000
31 October 2007	318 0p	01.12.10 – 01.06.11	—	467
29 October 2009	267 0p	01.12.12 – 01.06.13	976	1,096
			<b>976</b>	<b>1,563</b>

A reconciliation of option movements over the year to 31 December 2011 is shown below

	2011		2010	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	1,563	282 2p	2,218	307 0p
Lapsed	(229)	299 1p	(344)	409 8p
Exercised	(358)	313 0p	(311)	317 8p
Outstanding at 31 December	976	267 0p	1,563	282 2p
Exercisable at 31 December	—	—	467	318 0p

The weighted average share price on the date of exercise during the year was 376 9p (2010 363 8p) and the weighted average remaining contractual life of share options outstanding at 31 December 2011 is 1.4 years (2010 1.8 years)

### 26(c) Deferred Share Bonus Plan

The following awards of deferred shares, without exercise price, have been granted under the Deferred Share Bonus Plan (the DSBP) and were outstanding at 31 December 2011

Date of award	Deferred period	Vesting date	2011 Number of shares '000	2010 Number of shares '000
13 March 2006	5 years	13 March 2011	–	34
19 March 2007	5 years	19 March 2012	534	560
17 March 2008	3 years	17 March 2011	–	2,112
17 March 2008	5 years	17 March 2013	1,192	1,245
17 April 2009	3 years	17 April 2012	815	833
17 April 2009	5 years	17 April 2014	521	535
13 April 2010	3 years	13 April 2013	492	497
13 April 2010	5 years	13 April 2015	54	57
30 March 2011	3 years	30 March 2014	739	–
30 March 2011	5 years	30 March 2016	621	–
			<b>4,968</b>	<b>5,873</b>

As at 31 December 2011, 346 (2010 423) individuals held outstanding awards under the DSBP. Awards made under the DSBP from 2006 onwards are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders throughout the deferred period.

A reconciliation of award movements over the year to 31 December 2011 is shown below

	2011		2010	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	5,873	–	7,472	–
Granted	1,378	–	574	–
Forfeited	(149)	–	(201)	–
Exercised	(2,134)	374 3p	(1,972)	353 3p
Outstanding at 31 December	4,968	–	5,873	–
Exercisable at 31 December	–	–	10	–

The weighted average exercise price for awards granted under this scheme is £nil (2010 £nil). Awards over nil shares were exercisable under this scheme as at 31 December 2011 (31 December 2010 9,998).

The weighted average remaining contractual life of share options outstanding at 31 December 2011 is 1.6 years (2010 1.4 years).

### 26(d) Deferred Share Plan

The following awards of deferred shares, without exercise price, have been granted under the Deferred Share Plan (the DSP) and remained outstanding at 31 December 2011

Date of grant	Deferred period	Vesting date	2011 Number of shares '000	2010 Number of shares '000
10 October 2006	5 years	10 October 2011	–	9
19 March 2007	5 years	19 March 2012	29	37
17 September 2007	5 years	17 September 2012	12	12
17 March 2008	3 years	17 March 2011	–	664
17 March 2008	5 years	17 March 2013	30	30
23 September 2008	3 years	23 September 2011	–	124
17 April 2009	3 years	10 April 2012	591	615
10 September 2009	3 years	10 September 2012	14	14
10 September 2009	5 years	10 September 2014	17	23
13 April 2010	3 years	13 April 2013	1,283	1,337
13 April 2010	4 years	13 April 2014	344	348
13 April 2010	5 years	13 April 2015	1,508	1,557
8 September 2010	3 years	8 September 2013	373	394
30 March 2011	3 years	30 March 2014	656	–
30 March 2011	4 years	30 March 2015	362	–
30 March 2011	5 years	30 March 2016	371	–
27 September 2011	3 years	27 September 2014	148	–
27 September 2011	5 years	27 September 2016	43	–
			<b>5,781</b>	<b>5,164</b>

As at 31 December 2011, 265 individuals (2010 236) held outstanding awards under the DSP. Awards made under the DSP are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders during the deferred period.

A reconciliation of award movements over the year to 31 December 2011 is shown below

	2011		2010	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	5,164	—	2,533	—
Granted	1,593	—	3,674	—
Forfeited	(116)	—	(71)	—
Exercised	(860)	358 Op	(972)	358 Op
Outstanding at 31 December	5,781	—	5,164	—
Exercisable at 31 December	—	—	5	—

The weighted average exercise price for awards granted under this scheme is £nil (2010 £nil) Awards over nil shares were exercisable under this scheme as at 31 December 2011 (31 December 2010 5,340)

The weighted average remaining contractual life of share options outstanding at 31 December 2011 is 2.3 years (2010 2.6 years)

#### 26(e) Performance Share Plan

The following awards of deferred shares, without exercise price, have been granted under the Performance Share Plan (the PSP) and were outstanding at 31 December 2011

Date of award	Deferred period	Vesting date	2011 Number of shares '000	2010 Number of shares '000
27 May 2011	3 years	27 May 2014	552	—
			552	—

As at 31 December 2011, 9 individuals (2010 nil) held outstanding awards under the PSP Awards made under the PSP are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders during the deferred period

A reconciliation of award movements over the year to 31 December 2011 is shown below

	2011		2010	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	—	—	—	—
Granted	552	—	—	—
Outstanding at 31 December	552	—	—	—
Exercisable at 31 December	—	—	—	—

The weighted average remaining contractual life of share options outstanding at 31 December 2011 is 2.4 years (2010 nil)

#### 26(f) Fair value of options

Options and awards for the DSBP, Sharesave Scheme, PSP and ESOS were valued at fair value using the Actuarial Binomial model of actuanes Lane Clark & Peacock LLP

The key assumptions used in the calculation are as follows

Risk free rate	2.1% p a – 5.0% p a depending on grant date and expected life
Volatility	33% p a – 51% p a depending on grant date
Correlation	57% correlation for company share price against comparator index at grant date (PSP only)
Employee turnover	zero for ESOS
Early exercise	50% of employees exercise early when options and awards are 20% in the money
Performance criteria	All vest after three years (only relevant for ESOS)

The expected volatility is measured over the three or five years prior to the date of grant to match the vesting period of the award The risk free rate is the yield on a zero coupon UK Government bonds at each grant date, with term based on the expected life of the option or award

Fair value of options and awards at grant dates are

Grant	Grant date	Fair value pence
DSBP 2006	13 March 2006	596 0
DSBP 2007	19 March 2007	656 0
DSBP 2008	17 March 2008	328 3
DSBP 2009	17 April 2009	288 9
DSBP 2010	17 April 2010	340 2
DSBP 2011	30 March 2011	363 2
Sharesave 2007	31 October 2007	96 0
Sharesave 2009	29 October 2009	129 9
DSP 2006	10 October 2006	560 5
DSP 2007	19 March 2007	656 0
DSP 2007	17 September 2007	408 8
DSP 2008	17 March 2008	328 3
DSP 2008	23 September 2008	282 8
DSP 2009	17 April 2009	288 9
DSP 2009	10 September 2009	351 9
DSP 2010	17 April 2010	340 2
DSP 2010	8 September 2010	317 0
DSP 2011	30 March 2011	363 2
DSP 2011	27 September 2011	300 0
ESOS 2004	30 March 2004	73 5
ESOS 2005	14 March 2005	102 8
ESOS 2008	16 April 2008	78 7
ESOS 2009	17 April 2009	136 8
ESOS 2010	17 April 2010	150 3
PSP 2011	27 May 2011	313 0

The total charge for the year relating to employee share-based payments plans was £11 3m (2010 £11 3m), all of which related to equity-settled share-based payment transactions

**27 Retained earnings and other reserves**

Group	Share-based payments reserve £m	Treasury shares £m	Profit and loss account* £m	Total retained earnings* £m	Capital redemption reserve £m	Foreign exchange reserves £m	Revaluation reserves £m	Total other reserves £m
<b>Balance at 1 January 2011</b>	<b>23 4</b>	<b>(30 3)</b>	<b>105.8</b>	<b>98 9</b>	<b>0 3</b>	<b>23 7</b>	<b>0 2</b>	<b>24 2</b>
Profit attributable to owners of the Company	–	–	26 5	26.5	–	–	–	–
Other comprehensive income	–	–	(15 5)	(15 5)	–	0 1	(0 7)	(0 6)
Employee share option scheme								
– Value of services provided	11 3	–	–	11 3	–	–	–	–
– Exercise of options	(10 6)	10 3	0 3	–	–	–	–	–
Purchase of treasury shares	–	(10 1)	–	(10 1)	–	–	–	–
Dividends	–	–	(16 3)	(16 3)	–	–	–	–
Transactions with non-controlling interests	–	–	(1.4)	(1 4)	–	–	–	–
<b>Balance at 31 December 2011</b>	<b>24 1</b>	<b>(30 1)</b>	<b>99 4</b>	<b>93 4</b>	<b>0 3</b>	<b>23 8</b>	<b>(0 5)</b>	<b>23 6</b>
<b>Balance at 1 January 2010</b>	<b>26 4</b>	<b>(29 2)</b>	<b>94 0</b>	<b>91 2</b>	<b>0 3</b>	<b>18 9</b>	<b>0 4</b>	<b>19 6</b>
Profit attributable to owners of the Company	–	–	25 0	25 0	–	–	–	–
Other comprehensive income	–	–	8 2	8 2	–	4 8	(0 2)	4 6
Employee share option scheme								
– Value of services provided	11 3	–	–	11 3	–	–	–	–
– Exercise of options	(14 1)	10 1	4 0	–	–	–	–	–
– Lapse of options	(0 2)	–	0 2	–	–	–	–	–
Purchase of treasury shares	–	(11 2)	–	(11 2)	–	–	–	–
Dividends	–	–	(11 0)	(11 0)	–	–	–	–
Transactions with non-controlling interests	–	–	(14 6)	(14 6)	–	–	–	–
<b>Balance at 31 December 2010</b>	<b>23 4</b>	<b>(30 3)</b>	<b>105 8</b>	<b>98 9</b>	<b>0 3</b>	<b>23 7</b>	<b>0 2</b>	<b>24 2</b>

\* Included within Profit and loss account is tax on items taken directly to equity (Note 11) as disclosed above

**28 Contingent liabilities**

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

## 29 Operating lease commitments – minimum lease payments

Group	2011 £m	Property leases 2010 £m	2011 £m	Other leases 2010 £m	2011 £m	Total 2010 £m
Future aggregate minimum lease payments under non-cancellable operating leases are as follows						
Within 1 year	19.9	21.5	3.0	2.3	22.9	23.8
Between 1 to 5 years	67.1	50.2	3.6	2.4	70.7	52.6
After 5 years	98.0	21.1	–	–	98.0	21.1
	185.0	92.8	6.6	4.7	191.6	97.5

Operating lease commitments payable by the Company at 31 December 2011 (2010 £nil) are shown below

Company	2011 £m	Property leases 2010 £m	2011 £m	Other leases 2010 £m	2011 £m	Total 2010 £m
Future aggregate minimum lease payments under non-cancellable operating leases are as follows						
Within 1 year	–	–	–	–	–	–
Between 1 to 5 years	10.1	–	–	–	10.1	–
After 5 years	79.4	–	–	–	79.4	–
	89.5	–	–	–	89.5	–

During the year, the Group entered into a 20 year lease for an office building in London from October 2012. The Group will relocate from its two existing premises in London's West End.

Significant operating leases relate to the various property leases for Savills offices in the United Kingdom, Europe and Asia Pacific. There are no significant non-cancellable subleases.

## 30 Cash generated from/(used in) operations

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Profit for the year	26.8	25.1	46.5	5.0
Adjustments for				
Income tax (Note 11)	13.2	11.7	(1.2)	(1.6)
Depreciation (Note 15)	7.1	6.6	0.7	0.5
Amortisation of intangibles (Note 14)	3.7	3.7	0.5	0.3
Loss on sale of property, plant and equipment	0.3	–	–	–
Impairment of goodwill and intangible assets (Note 14)	5.4	4.4	–	–
(Profit)/loss on disposal of subsidiaries, joint venture and available-for-sale investment (Note 6(a))	(2.3)	0.1	–	–
Net finance (income)/expense (Note 10)	(0.1)	1.0	(1.9)	(1.0)
Share of post-tax profit from associates and joint ventures (Note 16(a))	(4.0)	(1.2)	–	–
Decrease in employee and retirement obligations	(3.5)	(3.6)	(0.4)	(0.3)
Exchange movement on operating activities	(0.2)	0.1	(0.2)	(0.9)
Increase/(decrease) in provisions	4.2	5.8	(0.1)	(0.1)
(Credit)/charge for defined benefit pension scheme (Note 9)	(1.0)	0.9	(0.1)	0.1
Impairment of associated undertaking and available-for-sale investment included within operating income	2.0	0.3	–	0.2
Charge for share-based compensation	11.3	11.3	0.9	0.6
Exercise of share options	–	–	(10.1)	(10.1)
Operating cash flows before movements in working capital	62.9	66.2	34.6	(7.3)
Increase in work in progress	(0.6)	(0.7)	–	–
Increase in trade and other receivables	(9.5)	(29.4)	(4.5)	(3.4)
(Decrease)/increase in trade and other payables	(5.7)	42.1	(0.6)	(2.3)
Cash generated from/(used in) operations	47.1	78.2	29.5	(13.0)

### 31 Analysis of cash net of debt

	At 1 January £m	Acquisitions £m	Non-cash flow movements £m	Cash flows £m	Exchange movement £m	At 31 December £m
2011						
Cash and cash equivalents	97.2	–	–	(17.5)	0.3	80.0
Bank overdrafts	(0.7)	–	–	(0.5)	–	(1.2)
	96.5	–	–	(18.0)	0.3	78.8
Bank loans	(9.0)	–	–	3.9	0.1	(5.0)
Loan notes	(0.4)	–	–	0.4	–	–
Finance Leases	(0.2)	–	–	–	–	(0.2)
Cash and cash equivalents net of debt	86.9	–	–	(13.7)	0.4	73.6
2010						
Cash and cash equivalents	81.6	–	–	13.9	1.7	97.2
Bank overdrafts	(0.7)	–	–	–	–	(0.7)
	80.9	–	–	13.9	1.7	96.5
Bank loans	(13.6)	–	–	5.1	(0.5)	(9.0)
Loan notes	(1.0)	(0.2)	–	0.9	(0.1)	(0.4)
Finance Leases	–	(0.3)	–	0.1	–	(0.2)
Cash and cash equivalents net of debt	66.3	(0.5)	–	20.0	1.1	86.9

### 32 Related party transactions

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

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

These transactions took place on an arm's length basis.

#### Loans to related parties

Loans to associates and joint ventures are disclosed in Note 16(a).

#### Company transactions

The Company provided corporate function services to its subsidiaries at an arm's-length value of £11.6m (2010 £10.1m).

Dividends received from subsidiaries were £40.0m (2010 £nil). Amounts outstanding to and from subsidiaries as at 31 December 2011 are disclosed in Notes 18, 20 and 21.

### 33 Events after the reporting date

#### Gresham Down Capital Partners

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

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

#### International Property Asset Management GmbH

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

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

# Shareholder information

## Key dates for 2012

	Date
Annual General Meeting	9 May
Financial half year end	30 June
Announcement of half year results	August

### Website

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

### Shareholder enquires

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

For further administrative queries in respect of your shareholding please access our Registrars' website at [www.shareview.co.uk](http://www.shareview.co.uk)

### Electronic communications

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

### Half Year Report

Like many other listed public companies, we will no longer be circulating printed Half Year reports to shareholders. Rather, the Half Year results to be announced in August 2012 and all future Half Year results' statements will be published on the Company's website. We believe that this will be of benefit to those shareholders who do not wish to be burdened with such paper documents, and to the Company, as it is consistent with our target of saving printing and distribution costs.

### Professional advisers and service providers

#### Solicitors

CMS Cameron McKenna LLP  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

#### Registrars

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

#### Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

#### Joint Stockbrokers

UBS Investment Bank  
1 Finsbury Avenue  
London EC2M 2PP

Numis Securities Ltd  
The London Stock  
Exchange Building  
10 Paternoster Square  
London EC4M 7LT

#### Principal Bankers

Barclays Bank Plc  
1 Churchill Place  
London E14 5HP

### **Cautionary note regarding forward-looking statements**

Certain statements included in this Annual Report are forward-looking and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations. Forward-looking statements can be identified by the use of relevant terminology including the words 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to

- global economic business conditions,
- monetary and interest rate policies,
- foreign currency exchange rates,
- equity and property prices,
- the impact of competition, inflation,
- changes to regulations, taxes,
- changes to consumer saving and spending habits, and
- our success in managing the above factors

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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www.carnegieorr.co.uk

**Savills plc**

20 Grosvenor Hill

Berkeley Square

London W1K 3HQ

T +44 (0)20 7499 8644

F +44 (0)20 7495 3773

Registered in England

No 2122174