

# Notes to the Financial Statements

## Year ended 31 December 2008

### 1. General information

Savills plc ('the Company') and its subsidiaries (together 'the Group') is a leading international property advisory group. It has an extensive network of offices and associates throughout the UK, continental Europe, the Americas, Asia Pacific and Africa. Savills is listed on the London Stock Exchange and employs 19,834 staff worldwide in 182 offices.

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 10 March 2009.

### 2. Accounting policies

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

#### Basis of preparation

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

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

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

#### Consolidation

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

#### Subsidiaries

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

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

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

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

#### Transactions with minority interests

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

#### Associates

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

accumulated impairment loss) identified on acquisition (see Note 17(a)).

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

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

#### Joint ventures

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

#### Segment reporting

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

#### Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

## 2. Accounting policies continued

### Foreign currency translation

#### – Functional and presentation currency

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

#### – Transactions and balances

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

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

The differences between retained profits of overseas subsidiaries and associated undertakings translated at average and closing rates of exchange are taken to reserves, as are differences arising on the retranslation of overseas net assets to Sterling at the end of the year (using closing rates of exchange). Any differences that have arisen since 1 January 2004 are presented as a separate component of equity. As permitted under 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 balance sheet date.

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

### Goodwill

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

In respect of associates, goodwill is included in the carrying value of the investment. Goodwill arising on acquisition is capitalised and subject to annual impairment reviews. Goodwill is stated 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 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 15).

### 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 developing or maintaining computer software programmes are recognised as an expense as incurred.

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

Amortisation charges are spread on a straight-line basis over the period of the assets' estimated useful lives as follows:

Computer software	3 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

## 2. Accounting policies continued

### Financial instruments

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

#### Investments

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

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

#### 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.

#### Cash and cash equivalents

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

#### Bank borrowings

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

#### Trade payables

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

#### Derivative financial instruments and hedging

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

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

Gains and losses relating to the effective portion of hedges of net investments in foreign operations are recognised in equity. 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

Taxation is that chargeable on the profits for the period, together with deferred taxation. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Where applicable tax regulations are subject to interpretation, provisions are established where appropriate on the basis of amounts expected to be paid.

Deferred income tax is provided in full using the liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for the tax base. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates,

except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that it will not reverse in the foreseeable future.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets and liabilities are not discounted. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Income tax and deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### Pension obligations

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

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

## 2. Accounting policies continued

### Pension obligations continued

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

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

### Share-based payments

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

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

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

### Employee Benefit Trust

The Company has established The Savills plc 1992 Employee Benefit Trust (the EBT), the purposes of which are to grant awards to employees, to acquire shares in the Company pursuant to the Savills 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 balance sheet of the Group. 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 and it is probable that the Group will be required to settle that obligation and the amount has been reliably estimated. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

### Revenue

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

#### – Residential transactional fees

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

#### – Commercial transactional fees

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

#### – Property consultancy

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

#### – Property and facilities management

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

#### – Fund management

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

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 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 with the exception of residential properties where 50% is recognised at exchange and the remaining 50% at completion.

#### – Work in progress

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

#### – Interest income

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

#### – Dividend income

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

#### – Other income

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

### Accounting for leases

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) are capitalised in property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then depreciated over the lower of the lease life or the estimated useful lives on the same basis as owned assets.

## 2. Accounting policies continued

### Accounting for leases continued

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

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

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

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

### Interpretations effective in 2008

The following interpretations are mandatory for the Group's accounting periods beginning on or after 1 January 2008:

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation was early adopted in 2007 but does not have an impact on the Group or Company's financial statements as all share-based transactions are equity-settled.

### Standards, amendments and interpretations effective in 2008 but not relevant

- IFRIC 12, 'Service concession arrangements' is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations as none of the Group's companies provide public sector services.

### 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 2009, but have not been early adopted:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held-for-sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. It is not expected to have a material impact on the Group's financial statements.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). Prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements but will change the accounting for the Sharesave Schemes.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amendments require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the amendments from 1 January 2009. It is not expected to have any impact on the Group's financial statements.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) to transactions with non-controlling interests from 1 January 2010.

## 2. Accounting policies continued

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

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) to all business combinations from 1 January 2010.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) to all partial disposals of subsidiaries from 1 January 2010.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) from 1 January 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).  
A prepayment may only be recognised as an intangible asset in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).  
The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of service being rendered.

The Group will apply the IAS 19 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

This amendment clarifies that it is possible for there to be movements in the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009).  
The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

There are also a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Group's accounts.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). Net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

- IFRIC 17, 'Distributions of Non-cash Assets to Owners' (effective from 1 July 2009) applies in the accounting treatment of distribution of non-cash assets to owners. It is not expected to have a material impact on the Group's financial statements.

## 2. Accounting policies continued

Amendments and interpretations to existing standards that are not yet effective but are not relevant

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008 or later, but are not relevant to the Group's operations:

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Group's operations because it is Group policy for an investment in an associate to be equity accounted.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) . Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the Group's operations because it is Group policy for an investment in a joint venture to be equity accounted.

The minor amendments to the following standards are not relevant to the Group's operations:

- IAS 20 'Accounting for government grants and disclosure of government assistance', IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', IAS 41, 'Agriculture', IFRS 1 (Amendment) 'First time adoption of IFRS', IAS 27 'Consolidated and separate financial statements' IAS 16 (Amendment), 'Property, plant and equipment' (and

consequential amendment to IAS 7, 'Statement of cash flows') IAS 23 (Amendment), 'Borrowing costs', and IAS 38 (Amendment), 'Intangible assets'.

- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11 Construction Contracts.
- IFRIC 18, 'Transfers of Assets from Customers' (effective from 1 July 2009). IFRIC 18 is not relevant to the Group's operations as it does not account for transfers of assets from customers.

## 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, US dollar and Hong Kong 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 transactions 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 2008, if the average currency conversion rates for the year had changed with all other variables held constant, the Group post tax (loss)/profit for the year would have increased or decreased as shown below:

Movement of currency against Sterling				
£m	-20%	-10%	+10%	+20%
<b>For the year ended 31 December 2008</b>				
Estimated impact on post tax (loss)/profit				
Euro	0.6	0.3	(0.2)	(0.4)
Hong Kong dollar	(2.1)	(0.9)	0.8	1.4
US dollar	1.7	0.7	(0.6)	(1.1)
Estimated impact on components of equity				
Euro	(0.1)	(0.1)	0.1	0.1
Hong Kong dollar	(23.3)	(10.4)	8.5	15.6
US dollar	1.7	0.7	(0.6)	(1.1)
<b>For the year ended 31 December 2007</b>				
Estimated impact on post tax profit				
Euro	(1.6)	(0.7)	0.6	1.1
Hong Kong dollar	(3.2)	(1.4)	1.2	2.1
US dollar	1.6	0.7	(0.6)	(1.1)
Estimated impact on components of equity				
Euro	(3.1)	(1.4)	1.1	2.0
Hong Kong dollar	(12.5)	(5.5)	4.5	8.3
US dollar	4.8	2.1	(1.8)	(3.2)

### Price risk

The Group is not materially exposed to equity securities price risk because listed investments held on the balance sheet 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Occasionally, the Group enters into floating-to-fixed interest rate swaps to hedge the cash flow interest rate risk on borrowings.

### 3. Financial risk management continued

#### Interest rate risk continued

For the year ended 31 December 2008, if the average interest rate for the year had changed with all other variables held constant, the Group post-tax (loss)/profit for the year would have increased or decreased as shown below:

£m	Movement of interest rates			
	+/- 0.50%	+/- 1.00%	+/- 1.50%	+/- 2.00%
<b>For the year ended 31 December 2008</b>				
Estimated impact on post-tax (loss)/profit	<b>0.1</b>	<b>0.3</b>	<b>0.4</b>	<b>0.6</b>
<b>For the year ended 31 December 2007</b>				
Estimated impact on post-tax profit	0.1	0.3	0.4	0.6

#### 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.

Significant credit risk existed at balance sheet date in relation to deferred consideration on disposal of a joint venture and banking counterparties:

- £10m is due in December 2009 for the last deferred payment in relation to the disposal of Infinergy Limited. This payment is underwritten by a guarantee provided by ABN AMRO. There were no other significant receivables or individual trade receivable balances at 31 December 2008 and 31 December 2007.
- Bank counterparty ratings deteriorated during the year due to the effects of the credit crunch, and as a result our credit risk has increased. However, no credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The table below shows bank counterparty ratings at the balance sheet date:

Counterparty rating (provided by S&P)	2008 Balance £m	2007 Balance £m
AAA	<b>5.8</b>	–
AA	<b>1.5</b>	60.4
AA–	<b>19.4</b>	3.8
A+	<b>10.8</b>	31.7
A	<b>27.6</b>	8.1
A–	<b>6.4</b>	3.8
BBB–	<b>3.8</b>	2.9
Total	<b>75.3</b>	110.7

#### 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 23) and cash and cash equivalents (Note 20)) 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 balance sheet 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>As at 31 December 2008</b>			
Borrowings	<b>5.6</b>	<b>5.7</b>	<b>9.7</b>
Loan notes	<b>7.6</b>	<b>1.1</b>	–
Derivative financial instruments	–	–	<b>1.2</b>
Trade and other payables	<b>145.2</b>	<b>7.4</b>	<b>9.4</b>
	<b>158.4</b>	<b>14.2</b>	<b>20.3</b>

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
<b>As at 31 December 2007</b>			
Borrowings	4.6	4.0	11.1
Loan notes	6.1	7.0	0.6
Derivative financial instruments	–	–	0.2
Trade and other payables	234.3	7.1	6.8
	245.0	18.1	18.7

#### 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 2008.

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

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 monitor a number of debt measures 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.

#### 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 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 10.

##### Income taxes

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

##### Fair value of options granted to employees

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

##### Estimated impairment of 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 15.

##### 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 25(a). Additional claims could be made which might not be covered by existing provisions or by insurance as detailed in Note 30.

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

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

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

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

## 5. Segment analysis

Year ended 31 December 2008	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated* £m	Total £m
<b>Revenue</b>							
United Kingdom – commercial	51.9	76.9	45.5	19.5	1.6	–	195.4
– residential	64.2	24.0	14.7	–	15.8	–	118.7
	116.1	100.9	60.2	19.5	17.4	–	314.1
Rest of Europe	34.2	11.5	21.9	–	–	–	67.6
Asia Pacific	56.2	19.4	109.3	–	–	–	184.9
America	1.9	–	–	–	–	–	1.9
<b>Total revenue</b>	<b>208.4</b>	<b>131.8</b>	<b>191.4</b>	<b>19.5</b>	<b>17.4</b>	<b>–</b>	<b>568.5</b>
<b>Operating profit/(loss)</b>							
United Kingdom – commercial	7.1	11.4	4.5	3.9	(0.1)	(9.1)	17.7
– residential	(9.0)	20.2	1.5	–	(2.5)	(1.9)	8.3
	(1.9)	31.6	6.0	3.9	(2.6)	(11.0)	26.0
Rest of Europe	(22.2)	(0.6)	(4.4)	–	–	(4.9)	(32.1)
Asia Pacific	1.8	2.0	3.5	–	–	–	7.3
America	(11.9)	–	–	–	–	–	(11.9)
<b>Operating (loss)/profit</b>	<b>(34.2)</b>	<b>33.0</b>	<b>5.1</b>	<b>3.9</b>	<b>(2.6)</b>	<b>(15.9)</b>	<b>(10.7)</b>
Finance income (Note 11)							2.5
Share of post tax profit/(loss) from associates and joint ventures	1.0	(1.1)	0.9	(0.3)	–	–	0.5
<b>Loss before income tax</b>							<b>(7.7)</b>
Income tax expense							(4.6)
<b>Loss for the year</b>							<b>(12.3)</b>
<b>Year ended 31 December 2007</b>							
<b>Revenue</b>							
United Kingdom – commercial	79.4	84.0	38.9	15.4	3.5	–	221.2
– residential	115.0	30.4	12.7	–	26.3	–	184.4
	194.4	114.4	51.6	15.4	29.8	–	405.6
Rest of Europe	45.4	10.7	18.1	–	–	–	74.2
Asia Pacific	60.6	16.4	90.0	–	–	–	167.0
America	3.7	–	–	–	–	–	3.7
<b>Total revenue</b>	<b>304.1</b>	<b>141.5</b>	<b>159.7</b>	<b>15.4</b>	<b>29.8</b>	<b>–</b>	<b>650.5</b>
<b>Operating profit</b>							
United Kingdom – commercial	15.9	14.2	3.0	4.1	1.0	(3.0)	35.2
– residential	17.8	5.7	0.7	–	3.5	–	27.7
	33.7	19.9	3.7	4.1	4.5	(3.0)	62.9
Rest of Europe	3.9	2.1	(0.3)	–	–	–	5.7
Asia Pacific	8.9	1.6	4.1	–	–	–	14.6
America	0.2	–	–	–	–	–	0.2
<b>Operating profit/(loss)</b>	<b>46.7</b>	<b>23.6</b>	<b>7.5</b>	<b>4.1</b>	<b>4.5</b>	<b>(3.0)</b>	<b>83.4</b>
Finance income (Note 11)							2.1
Share of post tax profit/(loss) from associates and joint ventures	1.1	(1.4)	0.7	–	–	–	0.4
<b>Profit before income tax</b>							<b>85.9</b>
Income tax expense							(28.0)
<b>Profit for the year</b>							<b>57.9</b>

\* For the purpose of the segmental information above, and to assist in the comparison of segmental information, the benefit arising from the amortisation of the share-based payment charge (as discussed in more detail in Note 14(b)) is retained within the unallocated segment.

**5. Segment analysis continued**

Other segmental items included in the income statement are as follows:

Year ended 31 December 2008	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated* £m	Total £m
<b>Depreciation (Note 16)</b>							
United Kingdom – commercial	0.5	1.2	0.7	0.1	0.1	0.6	3.2
– residential	1.1	0.2	0.1	–	–	–	1.4
Rest of Europe	0.4	0.2	0.3	–	–	–	0.9
Asia Pacific	0.7	0.1	0.8	–	–	–	1.6
America	0.1	–	–	–	–	–	0.1
	2.8	1.7	1.9	0.1	0.1	0.6	7.2
<b>Amortisation of intangibles (Note 15)</b>							
United Kingdom – commercial	0.7	–	0.1	0.1	–	0.2	1.1
– residential	0.1	–	0.1	–	–	–	0.2
Rest of Europe	0.8	0.1	0.9	–	–	–	1.8
Asia Pacific	0.1	0.1	0.2	–	–	–	0.4
America	1.5	–	–	–	–	–	1.5
	3.2	0.2	1.3	0.1	–	0.2	5.0
<b>Impairment of intangible assets (Note 15)</b>							
United Kingdom – residential	6.2	–	0.3	–	0.5	–	7.0
Rest of Europe	14.1	1.1	2.2	–	–	–	17.4
Asia Pacific	1.6	–	3.3	–	–	–	4.9
America	7.7	–	–	–	–	–	7.7
	29.6	1.1	5.8	–	0.5	–	37.0
<b>Other exceptional items</b>							
United Kingdom – commercial	–	(16.9)	–	–	–	0.8	(16.1)
– residential	5.0	–	–	–	0.7	1.1	6.8
Rest of Europe	0.8	–	–	–	–	5.4	6.2
	5.8	(16.9)	–	–	0.7	7.3	(3.1)
<b>Other non-cash expenses</b>							
United Kingdom – commercial	2.1	3.5	0.7	–	–	0.5	6.8
– residential	0.3	1.2	0.3	–	0.3	–	2.1
Rest of Europe	1.1	0.1	0.1	–	–	–	1.3
	3.5	4.8	1.1	–	0.3	0.5	10.2

**5. Segment analysis continued**

<b>Year ended 31 December 2007</b>	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated* £m	Total £m
<b>Depreciation (Note 16)</b>							
United Kingdom – commercial	0.5	0.8	0.4	0.1	0.1	0.6	2.5
– residential	1.1	0.2	0.2	–	–	–	1.5
Rest of Europe	0.3	0.1	0.2	–	–	–	0.6
Asia Pacific	0.6	0.1	0.9	–	–	–	1.6
	2.5	1.2	1.7	0.1	0.1	0.6	6.2
<b>Amortisation of intangibles (Note 15)</b>							
United Kingdom – commercial	0.6	–	0.1	0.1	–	0.2	1.0
– residential	–	–	0.1	–	–	–	0.1
Rest of Europe	1.0	0.1	0.4	–	–	–	1.5
Asia Pacific	0.1	0.1	0.8	–	–	–	1.0
America	0.5	–	–	–	–	–	0.5
	2.2	0.2	1.4	0.1	–	0.2	4.1
<b>Impairment of assets (Notes 15 and 17(b))</b>							
United Kingdom – commercial	0.3	–	–	–	–	1.0	1.3
Rest of Europe	–	–	0.3	–	–	–	0.3
	0.3	–	0.3	–	–	1.0	1.6
<b>Other non-cash expenses</b>							
United Kingdom – commercial	1.9	1.8	0.3	0.3	0.4	0.3	5.0
– residential	2.6	0.9	0.2	–	–	–	3.7
	4.5	2.7	0.5	0.3	0.4	0.3	8.7

## 5. Segment analysis continued

Year ended 31 December 2008	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
<b>Segment assets</b>							
United Kingdom – commercial	36.4	29.8	10.0	16.8	2.8	0.5	96.3
– residential	44.9	27.0	16.6	–	7.9	1.5	97.9
Rest of Europe	35.2	10.4	14.8	–	–	10.5	70.9
Asia Pacific	55.1	15.3	86.6	–	–	10.7	167.7
America	29.9	–	–	–	–	–	29.9
	201.5	82.5	128.0	16.8	10.7	23.2	462.7
Investment in associates and joint ventures	5.4	0.2	5.4	(0.1)	–	–	10.9
<b>Total assets</b>	<b>206.9</b>	<b>82.7</b>	<b>133.4</b>	<b>16.7</b>	<b>10.7</b>	<b>23.2</b>	<b>473.6</b>
<b>Segment liabilities</b>							
United Kingdom – commercial	14.6	18.4	7.6	11.0	0.5	7.6	59.7
– residential	21.2	16.7	9.6	–	5.3	–	52.8
Rest of Europe	20.5	6.2	9.8	–	–	–	36.5
Asia Pacific	27.9	7.4	30.3	–	–	–	65.6
America	10.5	–	–	–	–	–	10.5
	94.7	48.7	57.3	11.0	5.8	7.6	225.1
Unallocated liabilities							
– tax	–	–	–	–	–	7.9	7.9
– borrowings	–	–	–	–	–	29.6	29.6
<b>Total liabilities</b>	<b>94.7</b>	<b>48.7</b>	<b>57.3</b>	<b>11.0</b>	<b>5.8</b>	<b>45.1</b>	<b>262.6</b>
Segment net assets	112.2	34.0	76.1	5.7	4.9	(21.9)	211.0
<b>Capital expenditure</b>							
United Kingdom – commercial	0.2	0.4	0.1	0.3	0.1	1.3	2.4
– residential	1.7	1.5	1.1	–	–	–	4.3
Rest of Europe	0.3	0.6	0.4	–	–	–	1.3
Asia Pacific	0.6	2.3	1.4	–	–	–	4.3
America	1.0	–	–	–	–	–	1.0
	3.8	4.8	3.0	0.3	0.1	1.3	13.3

**5. Segment analysis continued**

<b>Year ended 31 December 2007</b>	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
<b>Segment assets</b>							
United Kingdom – commercial	50.4	36.3	6.7	14.9	20.5	30.6	159.4
– residential	79.3	26.7	9.7	–	–	–	115.7
Rest of Europe	65.1	17.1	13.2	–	–	–	95.4
Asia Pacific	49.1	11.2	63.2	–	–	5.8	129.3
America	28.9	–	–	–	–	–	28.9
	272.8	91.3	92.8	14.9	20.5	36.4	528.7
Investment in associates and joint ventures	5.3	0.1	3.5	–	–	–	8.9
<b>Total assets</b>	<b>278.1</b>	<b>91.4</b>	<b>96.3</b>	<b>14.9</b>	<b>20.5</b>	<b>36.4</b>	<b>537.6</b>
<b>Segment liabilities</b>							
United Kingdom – commercial	29.7	25.3	3.5	8.0	13.0	9.3	88.8
– residential	50.2	23.8	5.7	–	–	–	79.7
Rest of Europe	22.2	9.5	1.6	–	–	–	33.3
Asia Pacific	26.8	4.3	26.1	–	–	–	57.2
America	8.0	–	–	–	–	–	8.0
	136.9	62.9	36.9	8.0	13.0	9.3	267.0
Unallocated liabilities							
– tax	–	–	–	–	–	13.8	13.8
– borrowings	–	–	–	–	–	33.2	33.2
<b>Total liabilities</b>	<b>136.9</b>	<b>62.9</b>	<b>36.9</b>	<b>8.0</b>	<b>13.0</b>	<b>56.3</b>	<b>314.0</b>
Segment net assets	141.2	28.5	59.4	6.9	7.5	(19.9)	223.6
<b>Capital expenditure</b>							
United Kingdom – commercial	0.5	0.6	0.2	0.1	0.2	1.2	2.8
– residential	3.8	1.7	0.9	–	–	–	6.4
Rest of Europe	0.8	0.2	1.2	–	–	–	2.2
Asia Pacific	0.7	0.3	1.1	–	–	–	2.1
America	5.0	–	–	–	–	–	5.0
	10.8	2.8	3.4	0.1	0.2	1.2	18.5

The matrix approach of disclosing both the business and geographical segments as primary reporting formats provides the most useful information, as the Group is strongly affected by both differences in the types of services it provides and the geographical areas in which it operates.

All operations are continuing. The unallocated segment includes holding company costs, group bonuses and other expenses not directly attributable to the operating activities of the Group's business segments. Segment assets include property, plant and equipment, goodwill and intangible assets, receivables and operating cash and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including intangible additions resulting from acquisitions through business combinations and separately acquired.

The Group manages its business segments on a global basis. Operations are based in four main geographical areas. The UK is the home of the parent Company with segment operations throughout England and Scotland. Asia Pacific segment operations are based in Hong Kong, Macau, China, Korea, Japan, Taiwan, Thailand, Singapore, Vietnam and Australia. 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.

**6(a). Operating profit**

Operating profit, including exceptional items, is stated after charging/(crediting):

	<b>Group</b>	
	<b>Year to 31 December 2008 £m</b>	Year to 31 December 2007 £m
Other operating expenses include:		
– Impairment of available-for-sale investments and financial assets at fair value through profit or loss	8.4	1.0
– Net foreign exchange (gains)/losses	(0.6)	0.2
– Loss on sale of property, plant and equipment	0.3	0.7
– Operating lease rentals – Hire of plant and machinery	2.2	1.4
– Property	20.5	16.5
– Rental income	(0.9)	(0.8)
Other income – dividend and investment income	(0.2)	(0.7)
Profit on disposals is made up as follows:		
Profit on disposals – Available-for-sale investments	0.5	0.4
– Joint ventures	16.9	–
– Associates	–	0.3
	<b>17.4</b>	<b>0.7</b>

**6(b). Income Statement of the Company**

As permitted by Section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these accounts.

The Company receives dividends from subsidiaries and charges subsidiaries for the provision of Group related services. The profit after income tax of the Company for the year was £61.0m (2007 – £37.4m).

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

	<b>Group</b>	
	<b>Year to 31 December 2008 £m</b>	Year to 31 December 2007 £m
<b>Audit services</b>		
Fees payable to Company auditor for the audit of parent Company and consolidated accounts	0.2	0.2
<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	0.8	0.6
Other services pursuant to legislation	–	0.3
Tax services	0.4	0.2
Services relating to corporate finance transactions proposed to be entered into by the Company	0.1	0.3
	<b>1.5</b>	<b>1.6</b>

**7(a). Underlying profit before tax**

	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Reported profit before exceptional items and income tax	26.2	85.9
Adjustments:		
Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments	4.2	5.1
Share-based payment adjustment	3.3	(4.8)
Profit on disposal of associate, joint ventures and available-for-sale investments	(0.5)	(0.7)
Underlying profit before tax	33.2	85.5

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

The impairment of goodwill and available-for-sale investments relates to the year to 31 December 2007 which were not considered exceptional.

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 is the difference between the IFRS 2 charge for the schemes that form part of the bonus pool and the value of the annual share award.

**7(b). Underlying segmental analysis**

Year ended 31 December 2008	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
United Kingdom – commercial	7.8	10.3	4.6	3.6	(0.1)	(3.1)	23.1
– residential	2.8	3.2	2.4	–	(0.9)	–	7.5
	10.6	13.5	7.0	3.6	(1.0)	(3.1)	30.6
Rest of Europe	(7.8)	0.8	(1.2)	–	–	–	(8.2)
Asia Pacific	4.3	2.0	8.4	–	–	–	14.7
America	(3.9)	–	–	–	–	–	(3.9)
Total underlying profit/(loss)	3.2	16.3	14.2	3.6	(1.0)	(3.1)	33.2

Year ended 31 December 2007	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
United Kingdom – commercial	17.7	13.1	3.0	4.1	1.0	(5.5)	33.4
– residential	17.3	5.6	1.6	–	4.1	–	28.6
	35.0	18.7	4.6	4.1	5.1	(5.5)	62.0
Rest of Europe	3.8	2.0	0.1	–	–	–	5.9
Asia Pacific	9.6	1.6	6.2	–	–	–	17.4
America	0.2	–	–	–	–	–	0.2
Total underlying profit/(loss)	48.6	22.3	10.9	4.1	5.1	(5.5)	85.5

**8. Exceptional items**

Exceptional items comprise the following:

	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Redundancy costs	(0.6)	–
Impairment of goodwill and intangible assets (Note 15)	(37.0)	–
Available-for-sale investment impairment (Note 17(b))*	(6.9)	–
Diminution in value of asset at fair value through the profit and loss (Note 24)*	(1.5)	–
Plant, property and equipment impairment (Note 16)*	(1.0)	–
Onerous leases (Note 25(a))*	(3.3)	–
Other*	(0.5)	–
Profit on disposal of joint venture (Note 17(a))	16.9	–
<b>Total exceptional items</b>	<b>(33.9)</b>	<b>–</b>

During the year, a number of exceptional items have been recognised and charged to the income statement. To enable a clearer understanding of the Group's underlying performance and to assist comparability between periods, the exceptional items have been separately shown in the income statement.

\* Recognised in other operating expenses on the face of the income statement.

**9(a). Employee benefits expense – Staff and Directors**

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Basic salaries and wages	231.1	184.5	5.8	4.8
Incentive bonuses and commissions	79.9	152.0	2.4	3.2
	<b>311.0</b>	<b>336.5</b>	<b>8.2</b>	<b>8.0</b>
Social security costs	25.7	28.6	0.9	0.8
Other pension costs	10.7	9.1	0.3	0.2
Share-based payments	10.0	8.1	0.4	0.2
	<b>357.4</b>	<b>382.3</b>	<b>9.8</b>	<b>9.2</b>

**9(b). Staff numbers**

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

	Group	
	Year to 31 December 2008 Number	Year to 31 December 2007 Number
UK	3,374	3,192
America	33	23
Rest of Europe	837	729
Asia Pacific	15,590	14,085
	<b>19,834</b>	<b>18,029</b>

The average number of UK employees (including directors) during the year included 35 employed under fixed term and temporary contracts (2007 – 74). The average number of employees of the Company was 122 (2007 – 127) who are all located in the UK.

**9(c). Key management compensation**

	<b>Year to 31 December 2008 £m</b>	<b>Group Year to 31 December 2007 £m</b>
Key management		
– Remuneration excluding bonuses	<b>1.1</b>	0.8
– Bonuses	<b>1.5</b>	4.8
– National Insurance	<b>0.3</b>	0.4
Fees to Non-Executive Directors	<b>0.3</b>	0.3
Total short-term employee benefits	<b>3.2</b>	6.3
Share-based payments	<b>0.8</b>	0.7
	<b>4.0</b>	7.0

The key management of the Group comprises Savills plc Board directors and their aggregate compensation is shown above. Details of directors' remuneration are contained in the Remuneration Report on pages 42 to 51.

During the year five Executive Directors made gains totalling £0.9m on the exercise of options under the DSBP, ESOP, Sharesave and 2001 Option Schemes (2007 – £2.9m).

The pension annuity for the highest paid Director was £46,813 with no lump sum accrued (2007 – £44,188 with no lump sum accrued). Retirement benefits under the defined benefit scheme are accruing for three Directors and benefits are accruing under a defined contribution scheme in Hong Kong for one Executive Director.

**10. 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 £8.4m (2007 – £6.6m).

**Defined benefit plan**

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

The most recent actuarial valuation completed, using the projected unit method, was as at 5 April 2007. 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 £100.7m and that the actuarial value of those assets represented 98% 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.

	<b>2008</b>	<b>Group 2007</b>
Principal assumptions at 31 December		
Expected return on plan assets		
– Equities	<b>7.65%</b>	8.10%
– Bonds	<b>5.35%</b>	5.00%
– Property	<b>6.65%</b>	7.10%
– Other	<b>1.85%</b>	5.35%
Expected rate of salary increases	<b>4.80%</b>	5.00%
Rate of increase to pensions in payment		
– accrued before 6 April 1997	<b>3.00%</b>	3.00%
– accrued after 5 April 1997	<b>3.30%</b>	3.40%
– accrued after 5 April 2005	<b>2.40%</b>	2.40%
Rate of increase to pensions in deferment		
– accrued before 6 April 2001	<b>5.00%</b>	5.00%
– accrued after 5 April 2001	<b>3.30%</b>	3.40%
Discount rate	<b>6.30%</b>	5.80%
Inflation assumption	<b>3.30%</b>	3.40%

**10. Pension scheme continued**

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

		<b>Group</b>	
		2008	2007
Retiring today	– Male	<b>87.1</b>	86.3
	– Female	<b>89.7</b>	88.8
Retiring in 20 years	– Male	<b>89.2</b>	87.6
	– Female	<b>91.7</b>	89.9

Sensitivity analysis of the discount rate:

Change in assumption	Reduce by 0.5% p.a.
Impact on liabilities	Increase by 12%

The amounts recognised in the balance sheet are as follows:

	<b>Group</b>		<b>Company</b>	
	2008 £m	2007 £m	2008 £m	2007 £m
Fair value of plan assets	<b>85.9</b>	103.4	<b>4.9</b>	5.7
Present value of funded obligations	<b>(110.5)</b>	(113.4)	<b>(6.3)</b>	(6.2)
Deficit	<b>(24.6)</b>	(10.0)	<b>(1.4)</b>	(0.5)
Related deferred tax asset	<b>7.0</b>	3.5	<b>0.4</b>	0.2
Net liability	<b>(17.6)</b>	(6.5)	<b>(1.0)</b>	(0.3)

The amounts recognised in the income statement:

	<b>Group</b>	
	2008 £m	2007 £m
Current service cost	<b>3.6</b>	3.8
Interest cost	<b>6.7</b>	5.8
Expected return on plan assets	<b>(8.0)</b>	(7.1)
Total included in staff costs (Note 9)	<b>2.3</b>	2.5

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

Change in defined benefit obligation:

	<b>Group</b>	
	2008 £m	2007 £m
Present value of defined benefit obligation at start of year	<b>113.4</b>	112.1
Current service cost	<b>3.6</b>	3.8
Interest cost	<b>6.7</b>	5.8
Plan participants contributions	<b>1.2</b>	1.2
Actuarial gain	<b>(13.6)</b>	(8.5)
Benefits paid	<b>(0.8)</b>	(1.0)
Present value of defined benefit obligation at end of year	<b>110.5</b>	113.4

**10. Pension scheme continued**

Change in plan assets:

	<b>Group</b>	
	<b>2008</b>	2007
	<b>£m</b>	£m
Fair value of plan assets at start of year	<b>103.4</b>	96.6
Expected return on plan assets	<b>8.0</b>	7.1
Actuarial loss	<b>(29.9)</b>	(2.7)
Employer contributions	<b>4.0</b>	2.2
Plan participants contributions	<b>1.2</b>	1.2
Benefits paid	<b>(0.8)</b>	(1.0)
Fair value of plan assets at end of year	<b>85.9</b>	103.4

The actual return on plan assets was £(21.9)m (2007 – £4.4m). 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 balance sheet date.

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

	<b>Group</b>	
	<b>2008</b>	2007
	<b>£m</b>	£m
Actuarial losses brought forward	<b>(8.5)</b>	(14.3)
Net actuarial (loss)/gain for the year	<b>(16.3)</b>	5.8
Accumulated net actuarial losses	<b>(24.8)</b>	(8.5)

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

	<b>2008</b>	2007
Equities	<b>73%</b>	79%
Bonds	<b>18%</b>	15%
Property	<b>4%</b>	5%
Cash	<b>5%</b>	1%
Total	<b>100%</b>	100%

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

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

	<b>2008</b>	2007	2006	2005	2004
	<b>£m</b>	£m	£m	£m	£m
Plan assets	<b>85.9</b>	103.4	96.6	85.4	60.8
Defined benefit obligation	<b>(110.5)</b>	(113.4)	(112.1)	(102.8)	(81.1)
Deficit	<b>(24.6)</b>	(10.0)	(15.5)	(17.4)	(20.3)
Experience gain/(loss) on plan liabilities	<b>1%</b>	(5%)	(3%)	(14%)	(14%)
Experience (loss)/gain on plan assets	<b>(35%)</b>	(4%)	3%	8%	3%

The Group expects to contribute £3.9m (2008 – £4.2m) (£0.2m – Company, 2008 – £0.1m) to its pension plan in 2009, being 23.8% of pensionable salaries (2008 – 23.8%).

**11. Finance income and costs**

	<b>Group</b>	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Bank interest receivable	5.2	4.5
Fair value gain – forward foreign currency contracts and interest rate swaps	1.8	–
Finance income	7.0	4.5
Bank interest payable	(3.9)	(2.3)
Fair value loss – forward foreign currency contracts and interest rate swaps	(0.6)	(0.1)
Finance costs	(4.5)	(2.4)
<b>Net finance income</b>	<b>2.5</b>	<b>2.1</b>

**12. Income tax expense**

	<b>Group</b>	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m
<b>Analysis of tax expense for the year</b>		
<b>Current tax</b>		
United Kingdom:		
Corporation tax at 28.5% (2007 – 30%)	9.6	21.3
Adjustment in respect of previous years	(0.9)	0.1
	8.7	21.4
Foreign tax	3.3	7.2
Adjustment in respect of previous years	(0.6)	(0.2)
Total current tax	11.4	28.4
<b>Deferred tax</b>		
Representing:		
United Kingdom	(3.6)	1.0
Foreign tax	(3.6)	(0.9)
Adjustment in respect of previous years	0.4	(0.5)
Total deferred tax (Note 18)	(6.8)	(0.4)
Income tax expense	4.6	28.0

The tax charged to equity is as follows:

	<b>Group</b>		<b>Company</b>	
	2008 £m	2007 £m	2008 £m	2007 £m
Current tax credit on employee benefits	1.2	3.8	0.1	0.3
Deferred tax on pension actuarial losses/(gains)	4.6	(2.0)	0.3	(0.1)
Deferred tax charge on employee benefits	(1.1)	(6.5)	(0.1)	(0.4)
Deferred tax on revaluations of available-for-sale investments	0.2	(0.1)	–	–
Deferred tax on foreign exchange reserves	(0.6)	(0.2)	–	–
Tax on items taken directly to reserves	4.3	(5.0)	0.3	(0.2)

**12. Income tax expense continued**

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies. The tax for the year is higher (2007 – higher) than the standard rate of corporation tax in the UK (28.5%). The total tax charge on (loss)/profit can be reconciled to accounting (loss)/profit as follows:

	Year to 31 December 2008 £m	Group Year to 31 December 2007 £m
(Loss)/profit before tax	(7.7)	85.9
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(2.2)	25.8
Effects of:		
Adjustments to tax in respect of previous years	(1.1)	(0.6)
Adjustments in respect of foreign tax rates	(2.7)	(2.1)
Impact of falling share price below fair value of share awards/options at date of grant	1.8	2.1
Income not subject to tax	(4.0)	(0.5)
Non-deductible tax losses	(0.4)	–
Expenses and other charges not deductible for tax purposes	13.2	3.3
Income tax expense on (loss)/profit	4.6	28.0

The effective tax rate of the Group for the year ended 31 December 2008 is (121%) (2007 – 32.6%).

**13. Dividends**

	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend for 2007 of 12.0p per share (2006 – 11.0p)	14.7	13.4
Interim dividend of 6.0p per share (2007 – 6.0p)	7.3	7.3
	22.0	20.7
Proposed final dividend for the year ended 31 December 2008 of 3p per share	3.7	

The final dividend in respect of the year ended 31 December 2008 is to be proposed at the Annual General Meeting on 6 May 2009. 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, has waived all dividends on the shares it holds.

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

Basic earnings per share are based on the profit for the year and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 9,742,738 shares (2007 – 11,164,834 shares) and QUEST, 2,154 shares (2007 – 2,154 shares).

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

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

	Year to 31 December 2008 Earnings £m	Year to 31 December 2008 Shares million	Year to 31 December 2008 EPS pence	Year to 31 December 2007 Earnings £m	Year to 31 December 2007 Shares million	Year to 31 December 2007 EPS pence
Basic earnings per share	(11.3)	121.7	(9.3)	55.3	121.6	45.5
Effect of additional shares issuable under option	–	3.7	–	–	3.2	(1.2)
Diluted earnings per share	(11.3)	125.4	(9.3)	55.3	124.8	44.3

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

Excludes exceptional items, impairment of goodwill and available-for-sale investments and amortisation of intangibles, share-based payment adjustment and disposals.

	Year to 31 December 2008 Earnings £m	Year to 31 December 2008 Shares million	Year to 31 December 2008 EPS pence	Year to 31 December 2007 Earnings £m	Year to 31 December 2007 Shares million	Year to 31 December 2007 EPS pence
Basic earnings per share	(11.3)	121.7	(9.3)	55.3	121.6	45.5
Exceptional items after tax	29.5	–	24.3	–	–	–
Basic earnings before exceptionals	18.2	121.7	15.0	55.3	121.6	45.5
Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments after tax	3.0	–	2.5	4.6	–	3.8
Share-based payment adjustment after tax	2.4	–	2.0	(3.4)	–	(2.8)
Profit on disposal of associate, joint venture and available-for-sale investments after tax	(1.6)	–	(1.4)	(0.5)	–	(0.4)
Underlying basic earnings per share	22.0	121.7	18.1	56.0	121.6	46.1
Effect of additional shares issuable under option	–	3.7	(0.6)	–	3.2	(1.2)
Underlying diluted earnings per share	22.0	125.4	17.5	56.0	124.8	44.9

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

The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment is the difference between the IFRS 2 charge for the schemes that form part of the bonus pool and the value of the annual share award.

The gross amounts of the above adjustments are profits on disposals £0.5m (2007 – £0.7m), share-based payment adjustment £3.3m (2007 – (£4.8m)) and add back of amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments of £4.2m (2007 – £5.1m).

**15. 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 2008	139.6	15.5	5.1	6.5	7.1	173.8	1.5
Acquisitions (Note 17(e))	11.6	2.4	–	–	–	14.0	–
Other additions	–	–	–	–	1.3	1.3	0.5
Initial recognition of deferred tax on intangibles (Note 18)	1.3	1.8	–	1.5	–	4.6	–
Exchange movement	20.9	2.9	1.7	0.7	1.0	27.2	–
At 31 December 2008	173.4	22.6	6.8	8.7	9.4	220.9	2.0
<b>Accumulated amortisation and impairment</b>							
At 1 January 2008	0.9	3.6	1.3	2.0	5.5	13.3	1.1
Amortisation charge for the year	–	2.2	1.3	0.7	0.8	5.0	0.2
Impairment	32.5	0.5	2.8	1.2	–	37.0	–
Exchange movement	6.5	0.7	1.4	0.6	1.2	10.4	–
At 31 December 2008	39.9	7.0	6.8	4.5	7.5	65.7	1.3
<b>Net book value</b>							
At 31 December 2008	133.5	15.6	–	4.2	1.9	155.2	0.7

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.

						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 2007	100.2	11.0	3.8	6.3	5.9	127.2	1.1
Acquisitions (Note 17(e))	36.6	4.0	1.0	0.2	0.1	41.9	–
Other additions	–	–	–	–	1.0	1.0	0.4
Disposals	–	(0.1)	–	–	–	(0.1)	–
Exchange movement	2.8	0.6	0.3	–	0.1	3.8	–
At 31 December 2007	139.6	15.5	5.1	6.5	7.1	173.8	1.5
<b>Accumulated amortisation and impairment</b>							
At 1 January 2007	0.3	1.8	0.4	0.9	4.8	8.2	0.9
Amortisation charge for the year	–	1.7	0.9	0.9	0.6	4.1	0.2
Impairment	0.6	–	–	–	–	0.6	–
Exchange movement	–	0.1	–	0.2	0.1	0.4	–
At 31 December 2007	0.9	3.6	1.3	2.0	5.5	13.3	1.1
<b>Net book value</b>							
At 31 December 2007	138.7	11.9	3.8	4.5	1.6	160.5	0.4

**15. Goodwill and intangible assets continued**

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 & Facilities Management £m	Fund Management £m	Financial Services £m	Total £m
United Kingdom	25.8	9.2	5.5	0.4	0.1	41.0
Rest of Europe	36.1	1.7	14.3	–	–	52.1
Asia Pacific	10.6	3.2	21.6	–	–	35.4
America	24.8	–	–	–	–	24.8
Total goodwill and intangibles (excluding software)	97.3	14.1	41.4	0.4	0.1	153.3

**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.

**Key assumptions**

Key assumptions used for value-in-use calculations:

*Market recovery*

The models used assume that the property markets in which the Group operates begin to recover during 2010.

*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 costs 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.

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:

	2008 Pre-tax discount rate range	2007 Pre-tax discount rate range
United Kingdom	11.6%	12.4%
Rest of Europe	11.6% – 12.5%	11.4%
Asia Pacific	11.6% – 13.4%	10.84%
America	12.5%	–

*Long-term growth rate*

To forecast beyond the five years covered by detailed forecasts, a terminal value was calculated, using a 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.

## 15. Goodwill and intangible assets continued

### Impairment charge

Following impairment testing, a £37.0m charge has been recognised through the income statement (2007 – £0.6m) relating to goodwill and intangibles on historical acquisitions where carrying values are no longer supported by the discounted cash flow analysis.

Due to the materiality of the 2008 impairments, these have been treated as exceptional items. Significant impairments recognised are as follows:

*Savills America* – Due to the US investment market slowing dramatically in 2008, an impairment charge has been recognised of £7.7m using a pre-tax discount rate of 12.5%. This includes accelerated amortisation of £0.6m for the Granite trademark.

*Savills Ireland (formerly Hamilton Osborne King)* – Ireland's economy has weakened significantly following the global credit crisis. This has limited the debt markets, dampened occupational demand and rapidly slowed down the development cycle. It has therefore been necessary to impair our investment in Ireland by £15.0m. This includes £1.9m on the HOK trademark. A pre-tax discount rate of 12.1% was used.

*Savills Korea* – Total impairment of £4.9m has been recognised using a pre-tax discount rate of 11.79%.

*Savills Korea (formerly BHPK)* – Following the fall in the investment market in Korea which is unlikely to return to previous levels, an impairment of all the existing goodwill of £1.6m for BHPK has been recognised.

*Savills Korea Asset Management (formerly KAA)* – The write-down in intangibles of £1.1m for the Korea property management business reflects loss of contracts that were acquired at the date of acquisition, which have since been terminated or deemed no longer profitable. In addition, 70% of the goodwill has been impaired (£2.2m).

*Christopher Rowland (UK residential business)* – An impairment charge has been recognised for Christopher Rowland with all goodwill written off (£3.9m) as the agency market has been significantly hit by the economic downturn in the Home Counties. The pre-tax discount rate used was 11.6%.

### 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. Future impairments may be impacted by the following factors:

*Market conditions* – the timing and growth expectations for market recovery are key in the determination of the cash flow projections. Management expect the market to begin to recover during 2010. If a marked downturn continues beyond this period, further impairments may occur.

*Cost base* – the cost base assumptions reflects management's cost savings measurements undertaken during 2007 and 2008 and assumes limited growth in the fixed cost base going forward. Commissions and bonuses are correlated to the Group's revenue and profits and the percentage payout. These are assumed to be consistent with existing rates.

**16. Property, plant and equipment**

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
<b>Cost or valuation</b>					
At 1 January 2008	0.4	16.5	38.8	0.2	55.9
Additions	–	3.2	5.3	–	8.5
Acquisitions (Note 17(e))	–	1.0	0.1	–	1.1
Disposals	–	(0.2)	(1.8)	(0.1)	(2.1)
Exchange movement	–	0.2	5.8	(0.1)	5.9
At 31 December 2008	0.4	20.7	48.2	–	69.3
<b>Accumulated depreciation and impairment</b>					
At 1 January 2008	–	7.9	26.2	0.1	34.2
Charge for the year	–	2.0	5.2	–	7.2
Impairment	–	1.0	–	–	1.0
Disposals	–	(0.1)	(1.4)	(0.1)	(1.6)
Exchange movement	–	0.1	4.7	–	4.8
At 31 December 2008	–	10.9	34.7	–	45.6
<b>Net book value</b>					
At 31 December 2008	0.4	9.8	13.5	–	23.7

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

The impairment charge of £1.0m arose on the write off of office fit out costs where the properties are no longer in use and the leases have been classed as onerous.

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
<b>Cost or valuation</b>					
At 1 January 2007	0.4	13.1	31.9	0.2	45.6
Additions	–	4.0	7.5	0.1	11.6
Acquisitions (Note 17(e))	–	0.2	0.5	–	0.7
Disposals	–	(0.8)	(1.5)	(0.1)	(2.4)
Exchange movement	–	–	0.4	–	0.4
At 31 December 2007	0.4	16.5	38.8	0.2	55.9
<b>Accumulated depreciation</b>					
At 1 January 2007	–	6.6	22.4	0.1	29.1
Charge for the year	–	1.5	4.7	–	6.2
Disposals	–	(0.2)	(1.4)	–	(1.6)
Exchange movement	–	–	0.5	–	0.5
At 31 December 2007	–	7.9	26.2	0.1	34.2
<b>Net book value</b>					
At 31 December 2007	0.4	8.6	12.6	0.1	21.7

**16. Property, plant and equipment continued**

Company	Freehold property owned £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2008	0.1	1.1	7.1	8.3
Additions	–	–	0.5	0.5
At 31 December 2008	0.1	1.1	7.6	8.8
<b>Accumulated depreciation and impairment</b>				
At 1 January 2008	–	0.2	6.5	6.7
Charge for the year	–	0.2	0.4	0.6
Impairment	–	0.6	–	0.6
At 31 December 2008	–	1.0	6.9	7.9
<b>Net book value</b>				
At 31 December 2008	0.1	0.1	0.7	0.9

Impairment relates to fit out of offices where the property lease has been classed as onerous.

Company	Freehold property owned £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2007	0.1	1.6	6.8	8.5
Additions	–	0.1	0.4	0.5
Disposals	–	(0.6)	(0.1)	(0.7)
At 31 December 2007	0.1	1.1	7.1	8.3
<b>Accumulated depreciation</b>				
At 1 January 2007	–	0.2	6.0	6.2
Charge for the year	–	0.2	0.6	0.8
Disposals	–	(0.2)	(0.1)	(0.3)
At 31 December 2007	–	0.2	6.5	6.7
<b>Net book value</b>				
At 31 December 2007	0.1	0.9	0.6	1.6

**17(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 2008	2.0	4.2	6.2	2.2	0.2	2.4
Additions	0.4	–	0.4	–	–	–
Transfer to subsidiary	(2.1)	–	(2.1)	–	–	–
Disposal	–	(0.1)	(0.1)	–	–	–
Movement on loans	–	(2.1)	(2.1)	–	–	–
Exchange movement	0.8	0.5	1.3	0.1	–	0.1
At 31 December 2008	1.1	2.5	3.6	2.3	0.2	2.5
<b>Share of profit/(loss)</b>						
At 1 January 2008	(2.0)	–	(2.0)	2.3	–	2.3
Group's share of retained (loss)/profit	(0.6)	–	(0.6)	1.1	–	1.1
Disposal	3.9	–	3.9	–	–	–
Dividends received	(0.5)	–	(0.5)	(0.6)	–	(0.6)
Exchange movement	0.6	–	0.6	0.6	–	0.6
At 31 December 2008	1.4	–	1.4	3.4	–	3.4
<b>Net book value</b>						
At 31 December 2008	2.5	2.5	5.0	5.7	0.2	5.9
<b>Net book value</b>						
At 31 December 2007	–	4.2	4.2	4.5	0.2	4.7

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

	2008 £m	2007 £m
Current assets	2.5	3.4
Non-current assets	2.3	1.6
Current liabilities	(2.3)	(5.2)
Minority interests' share	–	0.2
Net assets	2.5	–
Revenue	6.4	4.3
Expenses	(6.8)	(4.9)
Share of income tax	(0.2)	(0.2)
Share of post-tax loss from joint ventures	(0.6)	(0.8)

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

	2008 £m	2007 £m
Current assets	9.6	6.8
Non-current assets	4.5	4.1
Current liabilities	(7.1)	(5.2)
Non-current liabilities	(1.3)	(1.2)
Net assets	5.7	4.5
Revenue	22.0	17.4
Expenses	(20.5)	(15.7)
Share of income tax	(0.4)	(0.5)
Share of post-tax profit from associates	1.1	1.2

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

On 12 June 2008, the Group disposed of its 50% stake in Infinergy Limited to its joint venture partner. Proceeds of £13.0m have been received with the remaining £10.0m due in December 2009 which includes interest of £1m. The deferred payment is underwritten by an ABN AMRO guarantee. Profit on disposal before tax, net of costs on disposal, was £16.9m.

The joint ventures and associates have no significant liabilities to which the Group is exposed to, nor has the Group any significant contingent liabilities or capital commitments in relation to its interests in the joint ventures and associates. The market value of the Group's holding in Adventis plc, an associate company, was £2.0m at 31 December 2008 (2007 – £5.5m).

**17(b). Available-for-sale investments**

	Group 2008 £m	Group 2007 £m
<b>At 1 January</b>	<b>21.6</b>	8.8
Additions	<b>3.1</b>	21.8
Subsidiaries acquired (Note 17(e))	–	0.1
Revaluation (deficit)/surplus transferred to equity (Note 28)	<b>(0.5)</b>	0.6
Disposals	<b>(3.6)</b>	(9.6)
Impairment	<b>(6.9)</b>	(1.0)
Exchange movement	<b>2.5</b>	0.9
<b>At 31 December 2008</b>	<b>16.2</b>	21.6
Available-for-sale investments comprise the following:		
Listed securities Asia Pacific – equity securities	<b>0.9</b>	1.3
Unlisted securities UK – equity securities	<b>1.4</b>	1.4
UK – limited partnership	–	0.7
UK – investment funds	<b>3.2</b>	2.6
European – investment funds	<b>10.7</b>	15.6
	<b>16.2</b>	21.6

An impairment charge of £6.9m has been recognised in relation to Cordea Savills investment funds. Where the unit price is less than the original unit price we have taken the downward revaluation as an impairment to the income statement. Even though the funds are mostly five-seven year closed end funds, this approach has been adopted in light of the deterioration of underlying property asset values. The most significant impairments relate to the Cordea Savills Italian Opportunities Fund 1 (£2.0m) and Cordea Savills Italian Opportunities Fund 2 (£1.6m). No amounts were outstanding at 31 December 2008 in relation to the disposal of available-for-sale investments (2007 – £5.2m). In 2007 an impairment charge of £1.0m was recognised in relation to the investment in VoxVue Corp. Available-for-sale investments are denominated in the following currencies:

	Group 2008 £m	Group 2007 £m
Sterling	<b>4.7</b>	4.7
Euro	<b>10.5</b>	15.6
Other	<b>1.0</b>	1.3
	<b>16.2</b>	21.6

At 31 December 2008, the Group held the following available-for-sale investments:

Investment	Holding	Principal activity
Savills Investor Syndicate No. 1 (entity registered in England and Wales)	4.5%	Retail investment property fund
Pinnacle Regeneration Group plc (registered in England and Wales)	12.1%	Social housing
Cordea Savills Dawn Syndication (entity registered in England and Wales)	1.0%	Investment property fund
Cordea Savills Student Hall Fund (entity registered in Jersey)	1.3%	Student accommodation property fund
Cordea Savills Italian Opportunities Fund 1 (entity registered in Luxembourg)	0.7%	Investment property fund
Cordea Savills Italian Opportunities Fund 2 (entity registered in Luxembourg)	0.4%	Investment property fund
Serviced Land No. 2 (entity registered in England and Wales)	2.0%	UK land investment fund
Cordea Savills German Retail Fund (entity registered in Luxembourg)	1.5%	Retail investment property fund
Cordea Savills Nordic Retail Fund (entity registered in Luxembourg)	8.0%	Retail investment property fund
Cordea Nichani Indian Opportunities No. 1 LP (registered in Mauritius)	1.0%	Investment property fund

**17(b). Available-for-sale investments continued**

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. As at 31 December 2008 the Group held conditional commitments for investment funds as detailed in Note 29.

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

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
<b>Cost</b>			
At 1 January 2008	17.4	112.0	129.4
Additions	5.0	7.6	12.6
Repayments	–	(8.7)	(8.7)
Exchange movement	–	6.1	6.1
At 31 December 2008	22.4	117.0	139.4

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

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

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

Subsidiary undertakings	Holding	Main activities
Cordea Savills LLP*+^	60.0%	Provision of fund management
Savills Commercial Limited*	100.0%	Commercial surveyors
Savills (L&P) Limited*	100.0%	General practice surveyors
Prime Purchase Limited*	100.0%	Property buying company
Cordea Savills Investment Management Limited*	60.0%	Asset manager (regulated by FSA)
Savills Private Finance Limited*	100.0%	Provision of general insurance, mortgage broking and personal financial planning services (regulated by FSA)
Savills LLC* (registered in the US)	75.0%	Property consultants
Savills Commercial (Ireland) Limited* (registered in Ireland)	100.0%	Property consultants
Savills Residential (Ireland) Limited* (registered in Ireland)	100.0%	Property consultants
Savills Consultores Inmobiliarios SA* (registered in Spain)	100.0%	Property consultants
Savills Immobilien Beratungs GmbH* (registered in Germany)	100.0%	Property consultants
Savills SA* (registered in France)	99.97%	Property consultants
Savills Italy SRL* (registered in Italy)	83.4%	Property consultants
Savills Nederland BV* (registered in the Netherlands)	78.0%	Property consultants
Savills Sweden AB* (registered in Sweden)	51.0%	Property consultants
Savills Spolka z Organizacja* (registered in Poland)	83.6%	Property consultants
Savills (Hong Kong) Limited* (registered in Hong Kong)	100.0%	Mixed practice agency, valuation and research
Savills (Singapore) Pte Limited* (registered in Singapore)	100.0%	Property management and agency
Savills Japan KK* (registered in Japan)	100.0%	Property management and agency
Savills Valuation and Professional Services Limited* (registered in Hong Kong)	100.0%	Valuation and research

\* Shares/interests held indirectly by the Company

+ Limited Liability Partnership

^ From April 2009, the Cordea Savills LLP management members are able to sell their partnership interests and require Savills to sell theirs on the same terms. Alternatively, Savills may acquire the management interests on the same terms plus £1.

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

Subsidiary undertakings	Holding	Main activities
Savills Korea Asset Management Limited* (formerly Korea Asset Advisors Co Limited) (registered in Korea)	55.0%	Property management
Savills Korea Co. Limited* (formerly BHP Korea Limited) (registered in Korea)	55.0%	Property agency and consultants
Savills (Vietnam) Limited* (registered in BVI)	64.4%	Property management and agency
Savills (Thailand) Limited* (registered in Thailand)	100.0%	Property agency, consultants and management
Savills (Taiwan) Limited* (registered in Taiwan)	100.0%	Property agency and consultants
<b>Joint ventures</b>		
GES Holdings Limited (Macau)	50.0%	Property management
<b>Associated undertakings</b>		
Hutton Asia Pte Ltd (Singapore)	48.0%	Property agency
Adventis Group plc*	33.0%	Provision of marketing and media services

\* Shares/interests held indirectly by the Company

+ Limited Liability Partnership

^ From April 2009, the Cordea Savills LLP management members are able to sell their partnership interests and require Savills to sell theirs on the same terms. Alternatively, Savills may acquire the management interests on the same terms plus £1.

**17(e). Acquisitions of subsidiaries**

During the year, the Group made a number of small acquisitions including the purchase of a further 32.2% shareholding in Savills (Vietnam) Limited for £4.5m.

	Provisional fair value to Group
	Total £m
<b>Subsidiaries acquired</b>	
Property, plant and equipment	1.1
Deferred tax assets	0.1
Current assets: Trade and other receivables	1.4
Cash and cash equivalents	1.5
Total assets	4.1
Current liabilities: Trade and other payables	(1.8)
Current income tax liabilities	(0.2)
Net assets	2.1
Minority share of net assets	(0.2)
Fair value of net assets acquired	1.9
Goodwill (Note 15)	11.6
Other intangibles (Note 15)	2.4
Purchase consideration and costs	15.9
Analysis of purchase consideration and costs:	
Purchase consideration	15.7
Acquisition costs	0.2
	15.9
Consideration and costs satisfied by:	
Cash	11.6
Transfer from investment in joint venture	2.1
Deferred consideration and other payables owing at balance sheet date	2.2
	15.9

**17(e). Acquisitions of subsidiaries continued**

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

The purchase of an additional 32.2% share in Vietnam takes our total shareholding up to 64.4%. Accordingly, this business is now accounted for as a subsidiary. Consideration of £4.5m was paid with goodwill on acquisition provisionally determined at £3.7m.

During the year, other businesses were acquired for a cash consideration of £9.2m and deferred consideration of £2.2m. Goodwill on acquisition of £7.9m has been provisionally determined, and is attributable to key staff and their industry reputation. Intangible assets of £2.4m have been identified and relate to customer/business relationships and other intangibles.

Included in Group operating profit relating to acquisitions is revenue of £3.9m (2007 – £18.3m), staff costs of £2.8m (2007 – £9.3m), depreciation of £nil (2007 – £0.2m), amortisation of £0.2m (2007 – £0.5m) and other operating charges of £1.5m (2007 – £6.1m). If the date for all acquisitions made during the year had been at the beginning of the year, amounts relating to these acquisitions would have been revenue of £6.0m (2007 – £21.9m), staff costs of £4.0m (2007 – £11.6m), depreciation of £0.1m (2007 – £0.2m), amortisation of £0.2m (2007 – £1.2m) and other operating charges of £2.2m (2007 – £7.5m).

**18. 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 during the year, without taking into consideration the offsetting balances within the same jurisdiction, are as follows:

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	19.4	9.4	1.1	0.8
– Deferred tax asset to be recovered within 12 months	3.0	3.5	0.5	0.6
	22.4	12.9	1.6	1.4
Deferred tax liabilities				
– Deferred tax liability to be recovered after more than 12 months	(4.7)	(1.6)	–	–
– Deferred tax liability to be recovered within 12 months	(0.8)	(0.6)	–	–
	(5.5)	(2.2)	–	–
Deferred tax asset – net	16.9	10.7	1.6	1.4

**18. Deferred income tax continued**

The movement on the deferred tax account is shown below:

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
At 1 January – asset	10.7	19.2	1.4	1.2
Amount credited to income statement (Note 12)	6.8	0.4	–	0.7
Tax charged to equity (Note 28)				
– Pension asset	4.6	(1.7)	0.3	(0.1)
– Employee benefits	(1.1)	(6.4)	(0.1)	(0.3)
– Revaluations of available-for-sale investments	0.2	(0.1)	–	–
– Movement on foreign exchange reserves	(0.6)	(0.2)	–	–
– Impact of change in UK tax rate on deferred tax	–	(0.4)	–	(0.1)
Exchange movement	0.9	–	–	–
Acquired with subsidiaries (Note 17(e))	–	–	–	–
Initial recognition of deferred tax on previously acquired intangible assets (Note 15)	(4.6)	–	–	–
As at 31 December – asset	16.9	10.7	1.6	1.4

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 balance sheet date, the Group has unused tax losses of £10.0m (2007 – £8.6m) available for offset against future profits. Deferred tax of £2.2m (2007 – £1.8m) has not been recognised on such losses due to the unpredictability of future income streams. Included within unrecognised losses are losses of £0.3m that expire within three years, £0.4m that expire within four years, £0.7m that expire in within five years and the remaining £8.6m being available for offset indefinitely.

Deferred income tax liabilities of £10.5m (2007: £8.7m) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled £76.7m at 31 December 2008 (2007: £68.8m).

	Accelerated capital allowances £m	Other including provisions £m	Tax losses £m	Retirement benefits £m	Employee benefits £m	Total £m
<b>Deferred tax assets – Group</b>						
At 1 January 2007	0.5	1.7	0.3	7.3	10.8	20.6
Amount (charged)/credited to income statement (Note 12)	0.2	1.6	0.7	(1.7)	–	0.8
Tax charged to equity (Note 28)	–	–	–	(2.0)	(6.5)	(8.5)
At 1 January 2008	0.7	3.3	1.0	3.6	4.3	12.9
Amount credited/(charged) to income statement (Note 12)	0.2	2.1	2.8	(1.2)	0.9	4.8
Tax (charged)/credited to equity (Note 28)	–	–	–	4.6	(1.1)	3.5
Exchange movement	–	0.3	0.8	–	–	1.1
Acquired with subsidiaries (Note 17(e))	–	–	0.1	–	–	0.1
As at 31 December 2008	0.9	5.7	4.7	7.0	4.1	22.4

**18. Deferred income tax continued**

	Accelerated capital allowances £m	Other including provisions and foreign exchange reserves £m	Unremitted profits £m	Revaluations £m	Intangible assets £m	Total £m
<b>Deferred tax liabilities – Group</b>						
At 1 January 2007	(0.2)	(0.5)	(0.2)	(0.5)	–	(1.4)
Amount credited/(charged) to income statement (Note 12)	(0.1)	(0.4)	0.1	–	–	(0.4)
Tax charged to equity (Note 28)	–	(0.2)	–	(0.1)	–	(0.3)
Acquired with subsidiaries (Note 17(e))	(0.1)	–	–	–	–	(0.1)
At 1 January 2008	<b>(0.4)</b>	<b>(1.1)</b>	<b>(0.1)</b>	<b>(0.6)</b>	–	<b>(2.2)</b>
Amount (charged)/credited to income statement (Note 12)	<b>0.1</b>	<b>0.6</b>	<b>(0.3)</b>	–	<b>1.6</b>	<b>2.0</b>
Tax charged to equity (Note 28)	–	<b>(0.6)</b>	–	<b>0.2</b>	–	<b>(0.4)</b>
Exchange movement	–	–	–	–	<b>(0.3)</b>	<b>(0.3)</b>
Initial recognition of intangible assets (Note 15)	–	–	–	–	<b>(4.6)</b>	<b>(4.6)</b>
As at 31 December 2008	<b>(0.3)</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(3.3)</b>	<b>(5.5)</b>
<b>Net deferred tax asset</b>						
At 31 December 2008						<b>16.9</b>
At 31 December 2007						10.7

	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 2007	0.3	–	0.3	0.6	1.2
Amount charged to income statement	0.1	0.6	–	–	0.7
Tax charged to equity (Note 28)	–	–	(0.1)	(0.4)	(0.5)
At 1 January 2008	<b>0.4</b>	<b>0.6</b>	<b>0.2</b>	<b>0.2</b>	<b>1.4</b>
Amount credited to income statement	<b>0.1</b>	–	<b>(0.1)</b>	–	–
Tax charged to equity (Note 28)	–	–	<b>0.3</b>	<b>(0.1)</b>	<b>0.2</b>
As at 31 December 2008	<b>0.5</b>	<b>0.6</b>	<b>0.4</b>	<b>0.1</b>	<b>1.6</b>
<b>Net deferred tax asset</b>					
At 31 December 2008					<b>1.6</b>
At 31 December 2007					1.4

**19. Trade and other receivables**

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Trade receivables	122.7	146.5	–	–
Less: provision for impairment of receivables	(10.0)	(8.1)	–	–
Trade receivables – net	112.7	138.4	–	–
Amounts owed by subsidiary undertakings	–	–	7.8	8.3
Other receivables	26.5	19.4	0.4	0.2
Income tax	–	–	3.5	1.7
Prepayments and accrued income	25.3	38.3	0.9	0.9
	164.5	196.1	12.6	11.1

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

Included in other receivables is £10m due in December 2009 for the last deferred payment in relation to the disposal of Infinergy Limited from Koop Duurzame Energie B.V., a subsidiary of Koop Holding B.V. This payment is underwritten by a guarantee provided by ABN AMRO.

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 having a significant amount owing. No sale proceeds are outstanding at 31 December 2008 on the disposal of available-for-sale investments (2007 – £5.2m included in other receivables).

Amounts owed by subsidiary undertakings to the Company are generally charged interest at 1.5% above the base rate. Inter-company trade receivables are generally cleared within the month.

As at 31 December 2008, trade receivables of £10.0m (2007 – £8.1m) 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:

	Group	
	2008 £m	2007 £m
Up to 3 months	1.6	1.2
3 to 6 months	2.3	2.6
Over 6 months	6.1	4.3
	10.0	8.1

As at 31 December 2008, trade receivables of £35.1m (2007 – £31.9m) 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:

	Group	
	2008 £m	2007 £m
Up to 3 months	24.4	23.2
3 to 6 months	5.5	5.7
Over 6 months	5.2	3.0
	35.1	31.9

**19. Trade and other receivables continued**

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<b>Group</b>	
	2008 £m	2007 £m
Sterling	95.1	113.2
Euro	22.4	30.7
Hong Kong dollar	21.4	25.5
Australian dollar	10.8	11.8
Other	14.8	14.9
	<b>164.5</b>	<b>196.1</b>

Movement on the provision for impairment of trade receivables is as follows:

	<b>Group</b>	
	2008 £m	2007 £m
At 1 January	(8.1)	(4.7)
Provisions for receivables impairment	(3.1)	(4.2)
Receivables written off during the year as uncollectible	3.0	0.8
Exchange movements	(1.8)	–
At 31 December	<b>(10.0)</b>	<b>(8.1)</b>

The creation and release of the provision for impaired receivables have been included in operating costs 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.

**20. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Cash at bank and in hand	36.2	63.6	17.1	6.6
Short-term bank deposits	39.1	47.1	–	20.2
	<b>75.3</b>	<b>110.7</b>	<b>17.1</b>	<b>26.8</b>

The effective interest rate on short-term bank deposits as at 31 December 2008 was 1.6% (2007 – 4.7%); these deposits have an average maturity of 13 days (2007 – 14 days).

Cash subject to restrictions in Asia Pacific amounts to £6.6m (2007 – £13.1m) which is cash pledged to banks in relation to property management contracts and cash remittance restrictions in certain countries. These amounts are not consolidated.

**20. Cash and cash equivalents continued**

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Cash and cash equivalents	75.3	110.7	17.1	26.8
Bank overdrafts (Note 23)	–	(0.3)	–	(12.3)
	<b>75.3</b>	<b>110.4</b>	<b>17.1</b>	<b>14.5</b>
Cash and cash equivalents are denominated in the following currencies:				
Sterling	24.8	51.7	17.1	26.8
Euro	6.3	14.2	–	–
Hong Kong dollar	26.8	25.3	–	–
Singapore dollar	4.6	1.7	–	–
Thailand baht	0.2	0.1	–	–
Australian dollar	1.5	5.0	–	–
Chinese renminbi	7.4	5.6	–	–
Japanese yen	0.2	0.7	–	–
South Korean wan	2.1	2.9	–	–
Polish zloty	0.1	1.0	–	–
Swedish krona	0.3	0.3	–	–
US dollar	0.4	2.2	–	–
Vietnam dong	0.6	–	–	–
	<b>75.3</b>	<b>110.7</b>	<b>17.1</b>	<b>26.8</b>

**21(a). Trade and other payables – current**

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Deferred consideration	1.4	6.1	–	–
Trade payables	30.1	35.6	2.4	1.4
Amounts owed to subsidiary undertakings	–	–	0.7	13.5
Other taxation and social security	22.0	30.0	0.5	1.2
Other payables	3.6	1.7	–	–
Bonus accrual	76.7	122.9	2.0	2.9
Accruals and deferred income	33.4	38.0	1.1	1.8
	<b>167.2</b>	<b>234.3</b>	<b>6.7</b>	<b>20.8</b>

**21(b). Tax liabilities – current**

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Current income tax liabilities	2.4	11.6	–	–

**22. Trade and other payables – non-current**

	Group		Company	
	Year to 31 December 2008 £m	Year to 31 December 2007 £m	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Deferred consideration	14.6	12.0	–	–
Other payables	0.3	–	–	–
Amounts owed to subsidiary undertakings	–	–	15.0	4.5
	<b>14.9</b>	12.0	<b>15.0</b>	4.5

**23. Borrowings**

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Current				
Unsecured bank loans and overdrafts due within one year or on demand	5.6	4.6	–	16.3
Loan notes	7.6	6.1	–	–
	<b>13.2</b>	10.7	–	16.3
Non-current				
Unsecured bank loans	15.3	15.1	–	15.1
Loan notes	1.1	7.4	–	–
	<b>16.4</b>	22.5	–	15.1

During the year ended 31 December 2007, the Group borrowed £19.8m for the acquisition of Granite Partners LLC in the US (now rebranded as 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 2008, at the year end exchange rate, £20.9m was outstanding (2007 – £19.1m). USD8m is due within one year. Repayments are hedged at a fixed exchange rate until August 2009.

In September 2005, £0.8m of the Variable Interest Rate Guaranteed Loan Notes 2005 were issued as part consideration for the acquisition of the business and assets of Brown Harknett International Limited. As at 31 December 2008, £0.2m were still in issue and due within one year. Interest is payable half-yearly.

In October 2005, £0.3m of the Variable Interest Rate Guaranteed Loan Notes 2005 were issued as part consideration for the acquisition of the business and assets of SY Moorhouse Wright Limited. As at 31 December 2008, £0.1m were still in issue and due within one year. Interest is payable half-yearly.

In May 2006, £4.3m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued as part consideration for the acquisition of the business and assets of Blair Kirkman LLP. As at 31 December 2008, £1.9m were still in issue and due within one year. Interest is payable half-yearly.

In June 2006, £11.5m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued as part consideration for the acquisition of the business and assets of Hamilton Osbourne King Limited. As at 31 December 2008, £5.5m were still in issue and due within one year. Interest is payable half-yearly.

In September 2006, £0.6m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued as part consideration for the acquisition of the business and assets of PCA Management Consultants Limited. As at 31 December 2008, £0.6m were still in issue. These are repayable over three years and interest is payable half-yearly. No amount is due within one year.

In July 2007, £0.6m of the Variable Interest Rate Guaranteed Loan Notes 2007 were issued as part consideration for the acquisition of 65% of the business and assets of Theodor Schone Immobilien. As at 31 December 2008, £0.4m were still in issue and due within one year. Interest is payable on redemption.

**23. Borrowings continued**

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 balance sheet date are:

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Less than 1 year	8.2	23.0	–	21.9
Between 1 and 2 years	0.5	0.1	–	–
Between 2 and 5 years	20.9	10.1	–	9.5
	<b>29.6</b>	<b>33.2</b>	<b>–</b>	<b>31.4</b>

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
The maturity of non-current borrowings is as follows:				
Between 1 and 2 years	6.7	10.4	–	4.0
Between 2 and 5 years	9.7	12.1	–	11.1
	<b>16.4</b>	<b>22.5</b>	<b>–</b>	<b>15.1</b>

The effective interest rates at the balance sheet date were as follows:

	Group	
	2008 £m	2007 £m
Bank overdraft	7.72%	4.14%
Bank loans	5.32%	5.72%
Loan notes	4.89%	6.25%

The carrying amounts of borrowings approximate to fair value.

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

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Sterling	2.7	4.5	–	12.3
US dollar	20.9	19.1	–	19.1
Euro	6.0	9.0	–	–
Australian dollar	–	0.3	–	–
Thailand baht	–	0.1	–	–
Japanese yen	–	0.2	–	–
	<b>29.6</b>	<b>33.2</b>	<b>–</b>	<b>31.4</b>

The Group has the following undrawn borrowing facilities:

Floating rate – expiring within one year or on demand	22.2	16.8	–	10.0
Floating rate – expiring between 2 and 5 years	80.0	–	–	–

During the year ended 31 December 2008 the Group arranged a £60m multi-currency revolving credit facility. This was negotiated in February 2008 and had a maturity of 18 months. In October 2008 this facility was re-negotiated and replaced with a three year £80m multi-currency revolving credit facility. As at 31 December 2008 this facility was undrawn.

**24. Derivative financial instruments**

	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>At 31 December 2008</b>				
Financial assets at fair value through income statement	–	–	–	–
Interest rate swaps – at fair value	–	1.2	–	–
Forward foreign exchange contracts – at fair value	<b>2.6</b>	–	<b>1.5</b>	–
Total	<b>2.6</b>	1.2	<b>1.5</b>	–
Less non-current portion	–	(1.2)	–	–
Current portion	<b>2.6</b>	–	<b>1.5</b>	–
At 31 December 2007	2.0	0.2	0.5	0.2

**Financial assets at fair value through profit or loss**

The Group owns a call option to acquire an initial shareholding of 25% in a Russian residential transaction business, Intermark, that was carried at cost of £1.5m. The option has been fully impaired due to the prospects of this business and its deterioration in value as a direct result of the global economic slowdown dramatically affecting property markets in Russia and the level of Russian investment in UK property.

**Interest rate swaps**

The notional principal amounts of the outstanding interest rate swap contracts in relation to the US borrowing at 31 December 2008 were £20.9m (2007 – £9.5m). At 31 December 2008, 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 notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were £10.3m (2007 – £17.3m). 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**

A portion of the Group's US borrowing amounting to USD30m (2007 – nil) is designated as a hedge on the net investment in the Group's US subsidiary. The fair value of the total borrowing at 31 December 2008 was £20.9m (2007 – £19.1m). The foreign exchange gain of £5.7m on translation of the borrowing to currency at the balance sheet date is recognised in other reserves in equity (Note 28). The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the balance sheet.

**Financial obligations**

Savills has granted the minority shareholders in the Netherlands subsidiary a put option over the outstanding shares not already owned by Savills. This option is exercisable after 12 September 2008 at a market related price. This option has no fair value, reflecting the low probability of the put being exercised.

On the acquisition of Savills Korea and Savills Korea Asset Management (formerly BHPK and KAA respectively), Savills agreed a put and call option with the vendor. The put and call option is exercisable between 19 December 2008 and 19 December 2010 at a market related price. This reflects a forward contract with the rights and obligations currently equal and accordingly no fair value has been recognised. It is anticipated that this option will be exercised in the first half of 2009 and the Group will acquire the remaining 45% shareholding in both companies.

**25(a). Provisions**

	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Group Total £m	Company £m
At 1 January 2008	3.2	0.8	–	4.0	1.6
Provided during the year	2.6	0.3	3.3	6.2	1.1
Utilised during the year	(1.6)	(0.1)	–	(1.7)	(0.9)
31 December 2008	4.2	1.0	3.3	8.5	1.8

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

	Group £m	Company £m
Current	7.3	1.8
Non-current	1.2	–
	8.5	1.8

£4.4m of professional indemnity claims and dilapidation provisions is expected to be paid within one year.

Onerous lease costs of £3.3m (2007 – nil) have been provided for leases where the expected economic outflow exceeds the future benefits. £2.9m is expected to be paid within one year.

**25(b). Employee benefit obligations**

In addition to the defined benefit obligation pension scheme disclosed in Note 10, the following are included in employee benefit obligations:

Group	Total £m
At 1 January 2008	6.6
Provided during the year	3.5
Utilised during the year	(2.6)
Exchange movements	1.2
31 December 2008	8.7

The above provisions relate to holiday pay and long service leave in Asia Pacific and are expected to crystallise within five to seven years of the balance sheet date.

The Company had no employee benefit obligations at 31 December 2008 and 31 December 2007.

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

	Group	
	2008 £m	2007 £m
Current	3.5	2.7
Non-current	5.2	3.9
	8.7	6.6

**26. Share capital – Group and Company**

	31 December 2008 Number of shares	31 December 2007 Number of shares	31 December 2008 £m	31 December 2007 £m
Authorised and allotted				
Ordinary shares of 2.5p each:				
Authorised	202,000,000	202,000,000	5.1	5.1
Allotted, called up and fully paid	131,840,933	131,840,933	3.3	3.3
<b>Movement in allotted, called up and fully paid share capital</b>				
		2008		2007
	Number of shares	£m	Number of shares	£m
At 1 January	131,840,933	3.3	135,085,892	3.4
Allotted to employees under The Savills Executive Share Option Scheme	-	-	189,000	-
Allotted to direct participants on exercise of options under the Savills Sharesave Scheme	-	-	66,041	-
Repurchased for cancellation	-	-	(3,500,000)	(0.1)
At 31 December	131,840,933	3.3	131,840,933	3.3

At the Annual General Meeting held on 7 May 2008, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 13,184,093 of its own ordinary shares (AGM held on 9 May 2007 – 13,162,999). Such authority remains valid until the conclusion of the next Annual General Meeting or 1 July 2009 whichever is the earlier.

**27. Share-based payment**

Details of the terms of the following schemes are contained in the Remuneration Report on pages 42 to 51.

**27(a).**

The following share options, without exercise price, have been granted under the Savills plc 1992 Executive Share Option Scheme (the ESOP) and were outstanding at 31 December 2008:

Date of grant	Exercise period	31 December 2008 Number of shares '000	31 December 2007 Number of shares '000
6 April 2001	2 years from 6 April 2006	-	210
		-	210

A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008		2007	
	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	210	-	850	-
Exercised	(210)	354.1p	(640)	531.0p
Outstanding at 31 December	-	-	210	-
Exercisable at 31 December	-	-	210	-

The weighted average exercise price for options granted under this scheme is £nil (2007 – £nil).

**27. Share-based payment continued****27(b).**

The following share options have been granted under the Savills Executive Share Option Scheme (2001) and were outstanding at 31 December 2008:

Date of grant	Exercise period		Exercise price	31 December 2008 Number of shares '000	31 December 2007 Number of shares '000
30 March 2004	7 years from 30 March 2007	Unapproved	217.8p	46	46
14 March 2005	7 years from 14 March 2008	Approved	321.3p	37	47
14 March 2005	7 years from 14 March 2008	Unapproved	321.3p	91	117
13 March 2006	7 years from 13 March 2009	Unapproved	596.0p	100	100
16 April 2008	7 years from 16 April 2011	Approved	300.1p	10	–
16 April 2008	7 years from 16 April 2011	Unapproved	300.1p	187	–
				<b>471</b>	<b>310</b>

A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008		2007	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	310	394.5p	499	327.8p
Granted	197	300.1p	–	–
Forfeited	(36)	321.3p	–	–
Exercised	–	–	(189)	217.8p
Outstanding at 31 December	471	360.7p	310	394.5p
Exercisable at 31 December	174	293.9p	46	217.8p

The weighted average share price on the date of exercise during the year was £nil (2007 – 599.3p) and total consideration of £nil (2007 – £0.4m) was received.

**27(c).**

During the year nil shares (2007 – 66,041 shares) were allotted direct to participants and nil shares (2007 – nil shares) were transferred from the Qualifying Employee Share Trust on the exercise of options under the Savills Sharesave Scheme. The following table shows the options remaining outstanding as at 31 December 2008, 750,486 shares (2007 – 564,648 shares) having lapsed. No shares (2007 – 66,041 shares for consideration of £42,404) were exercised during the year.

Date of grant	Exercise price	Exercise period	31 December 2008 Number of shares '000	31 December 2007 Number of shares '000
5 May 2006	510.5p	01.07.09 – 01.01.10	227	353
31 October 2007	318.0p	01.12.10 – 01.06.11	1,026	1,650
			<b>1,253</b>	<b>2,003</b>

A reconciliation of option movements over the year to 31 December 2008 is shown below:

	2008		2007	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	2,003	352.0p	974	475.2p
Granted	–	–	1,660	318.0p
Forfeited/expired	(750)	350.4p	(565)	510.5p
Exercised	–	–	(66)	64.2p
Outstanding at 31 December	1,253	352.9p	2,003	352.0p
Exercisable at 31 December	–	–	–	–

The weighted average share price on the date of exercise during the year was £nil (2007 – 589.6p).

**27. Share-based payment continued****27(d).**

During the year no shares (2007 – nil) were either allotted to Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust, or transferred (2007 – nil) to participants on the exercise of options under the Savills Sharesave Scheme. At 31 December 2008 the Trust held 2,154 shares (2007 – 2,154 shares) of Savills plc.

**27(e).**

The following awards of deferred shares, without exercise price, have been granted under the Savills Deferred Share Bonus Plan (the DSBP) and were outstanding at 31 December 2008:

Date of award	Deferred period	Vesting date	31 December 2008 Number of shares '000	31 December 2007 Number of shares '000
14 March 2003	5 years	14 March 2008	–	1,094
15 March 2004	5 years	15 March 2009	903	955
14 March 2005	5 years	14 March 2010	1,065	1,103
13 March 2006	3 years	13 March 2009	621	688
13 March 2006	5 years	13 March 2011	34	34
19 March 2007	3 years	19 March 2010	802	847
19 March 2007	5 years	19 March 2012	635	671
17 March 2008	3 years	17 March 2011	2,447	–
17 March 2008	5 years	17 March 2013	1,386	–
			<b>7,893</b>	<b>5,392</b>

As at 31 December 2008, 459 (2007 – 330) 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 2008 is shown below:

	2008		2007	
	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	5,392	–	5,357	–
Granted	3,976	–	1,565	–
Forfeited/expired	(321)	–	(137)	–
Exercised	(1,154)	311.7p	(1,393)	669.8p
Outstanding at 31 December	7,893	–	5,392	–
Exercisable at 31 December	5	–	–	–

The weighted average exercise price for awards granted under this scheme is £nil (2007 – £nil). Awards over 5,390 shares were exercisable under this scheme as at 31 December 2008 (31 December 2007 – nil).

**27. Share-based payment continued****27(f).**

The following awards of deferred shares, without exercise price, have been granted under the Savills Deferred Share Plan (the DSP) and remained outstanding at 31 December 2008:

Date of grant	Deferred period	Vesting date	31 December 2008 Number of shares '000	31 December 2007 Number of shares '000
10 October 2006	3 years	10 October 2009	78	84
10 October 2006	5 years	10 October 2011	504	554
19 March 2007	3 years	19 March 2010	388	406
19 March 2007	5 years	19 March 2012	37	37
17 September 2007	3 years	17 September 2010	170	189
17 September 2007	5 years	17 September 2012	12	12
17 March 2008	3 years	17 March 2011	693	–
17 March 2008	5 years	17 March 2013	37	–
23 September 2008	3 years	23 September 2011	138	–
7 October 2008	3 years	7 October 2011	42	–
			<b>2,099</b>	<b>1,282</b>

As at 31 December 2008, 109 individuals (2007 – 102) 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 through the deferred period.

A reconciliation of award movements over the year to 31 December 2008 is shown below:

	2008		2007	
	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	1,282	–	665	–
Granted	967	–	652	–
Forfeited/expired	(96)	–	(35)	–
Exercised	(54)	270p	–	–
Outstanding at 31 December	2,099	–	1,282	–
Exercisable at 31 December	17	–	–	–

The weighted average exercise price for awards granted under this scheme is £nil (2007 – £nil).

**27. Share-based payment continued****Fair value of options**

Options and awards for the DSBP, Sharesave Scheme and ESOS were valued at fair value using the Actuarial Binominal model of Lane Clark & Peacock actuaries.

The key assumptions used in the calculation are as follows:

Risk free rate	3.6% p.a. – 5.0% p.a. depending on grant date and expected life
Volatility	28% p.a. – 38% p.a. depending on grant date
Employee turnover	2.5% p.a. for DSBP and Sharesave and 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 2003	14 March 2003	46.0
DSBP 2004	15 March 2004	186.5
DSBP 2005	15 March 2005	278.2
DSBP 2006	13 March 2006	596.0
DSBP 2007	19 March 2007	656.0
DSBP 2008	17 March 2008	328.3
Sharesave 2003	20 May 2003	24.0
Sharesave 2006	5 May 2006	232.0
Sharesave 2007	31 October 2007	96.0
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 2008	7 October 2008	239.0
ESOS 2004	30 March 2004	73.5
ESOS 2005	30 March 2005	102.8
ESOS 2006	13 March 2006	189.0
ESOS 2008	16 April 2008	78.7

The total charge for the year relating to employee share-based payments plans was £10.0m (2007 – £8.1m), all of which related to equity-settled share-based payment transactions. After deferred tax, the charge was £9.2m (2007 – £7.9m).

## 28. Reconciliation of changes in equity

	Attributable to equity holders of the Group										
	Share capital £m	Share premium £m	Share-based payments reserve* £m	Currency translation reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Treasury shares* £m	Retained earnings* £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
<b>Balance at 1 January 2008</b>	3.3	83.0	15.8	2.2	1.4	0.3	(34.6)	146.3	217.7	5.9	223.6
Total recognised income and expense for the period	–	–	–	25.9	(0.4)	–	–	(22.7)	2.8	(0.6)	2.2
Employee share option scheme:											
– Value of services provided	–	–	10.0	–	–	–	–	–	10.0	–	10.0
– Exercise/withdrawal of options	–	–	(1.5)	–	–	–	3.8	(2.3)	–	–	–
Dividends	–	–	–	–	–	–	–	(22.0)	(22.0)	(3.1)	(25.1)
Disposals (net of tax)	–	–	–	0.2	(0.1)	–	–	–	0.1	–	0.1
Acquisitions	–	–	–	–	–	–	–	–	–	0.2	0.2
<b>Balance at 31 December 2008</b>	<b>3.3</b>	<b>83.0</b>	<b>24.3</b>	<b>28.3</b>	<b>0.9</b>	<b>0.3</b>	<b>(30.8)</b>	<b>99.3</b>	<b>208.6</b>	<b>2.4</b>	<b>211.0</b>

\* Included within retained earnings on the face of the balance sheet is tax on items taken directly to equity (Note 12), share-based payments reserve, treasury shares and retained earnings as disclosed above.

	Attributable to equity holders of the Group										
	Share capital £m	Share premium £m	Share-based payments reserve £m	Currency translation reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
<b>Balance at 1 January 2007</b>	3.4	82.4	8.5	(3.1)	1.1	0.2	(15.7)	131.7	208.5	4.3	212.8
Total recognised income and expense for the period	–	–	–	5.4	0.5	–	–	56.5	62.4	2.6	65.0
Employee share option scheme:											
– Value of services provided	–	–	7.5	–	–	–	–	0.6	8.1	–	8.1
– Exercise of options	–	0.2	(0.2)	–	–	–	–	–	–	–	–
Issue of share capital	–	0.4	–	–	–	–	–	–	0.4	–	0.4
Purchase of own shares	(0.1)	–	–	–	–	0.1	–	(21.8)	(21.8)	–	(21.8)
Purchase of treasury shares	–	–	–	–	–	–	(18.9)	–	(18.9)	–	(18.9)
Dividends	–	–	–	–	–	–	–	(20.7)	(20.7)	(1.4)	(22.1)
Disposals (net of tax)	–	–	–	(0.1)	(0.2)	–	–	–	(0.3)	–	(0.3)
Acquisitions	–	–	–	–	–	–	–	–	–	0.4	0.4
<b>Balance at 31 December 2007</b>	<b>3.3</b>	<b>83.0</b>	<b>15.8</b>	<b>2.2</b>	<b>1.4</b>	<b>0.3</b>	<b>(34.6)</b>	<b>146.3</b>	<b>217.7</b>	<b>5.9</b>	<b>223.6</b>

**28. Reconciliation of changes in equity continued**

	Attributable to equity holders of the Company							
	Share capital £m	Share premium £m	Share-based payments reserve* £m	Currency translation reserve £m	Capital redemption reserve £m	Other reserves £m	Retained earnings* £m	Total shareholders' equity £m
<b>Balance at 1 January 2008</b>	<b>3.3</b>	<b>83.0</b>	<b>0.8</b>	<b>–</b>	<b>0.3</b>	<b>3.0</b>	<b>21.8</b>	<b>112.2</b>
Total recognised income and expense for the period	–	–	–	2.6	–	–	60.4	63.0
Employee share option scheme:								
– Value of services provided	–	–	0.4	–	–	–	–	0.4
– Exercise of options	–	–	(0.1)	–	–	–	(3.8)	(3.9)
– Lapse of options	–	–	–	–	–	–	0.1	0.1
Distribution for Employee Benefit Trust	–	–	–	–	–	–	(0.9)	(0.9)
Dividends	–	–	–	–	–	–	(22.0)	(22.0)
<b>Balance at 31 December 2008</b>	<b>3.3</b>	<b>83.0</b>	<b>1.1</b>	<b>2.6</b>	<b>0.3</b>	<b>3.0</b>	<b>55.6</b>	<b>148.9</b>
<b>Balance at 1 January 2007</b>	3.4	82.4	0.6	–	0.2	3.0	26.8	116.4
Total recognised income and expense for the period	–	–	–	–	–	–	37.6	37.6
Employee share option scheme:								
– Value of services provided	–	–	0.2	–	–	–	–	0.2
– Exercise of options	–	0.2	–	–	–	–	(0.1)	0.1
Issue of share capital	–	0.4	–	–	–	–	–	0.4
Purchase of own shares	(0.1)	–	–	–	0.1	–	(21.8)	(21.8)
Dividends	–	–	–	–	–	–	(20.7)	(20.7)
<b>Balance at 31 December 2007</b>	<b>3.3</b>	<b>83.0</b>	<b>0.8</b>	<b>–</b>	<b>0.3</b>	<b>3.0</b>	<b>21.8</b>	<b>112.2</b>

\* Included within retained earnings on the face of the balance sheet is tax on items taken directly to equity (Note 12), share-based payments reserve and retained earnings as disclosed above.

**29. Capital commitments**

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Contracts placed for future capital expenditure not provided in the financial statements	<b>1.8</b>	6.2	–	–

At 31 December 2008 the Group held a conditional commitment to co-invest £0.8m in the Cordea Savills UK Ventures Fund and £1.0m in the Cordea Savills Nordic Retail Fund.

**30. 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.

**31. Operating lease commitments – minimum lease payments**

Group	Property leases		Other leases		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Commitments under non-cancellable operating leases expiring:						
Within one year	17.3	13.9	2.2	1.4	19.5	15.3
In one to five years	55.2	46.7	2.9	1.9	58.1	48.6
After five years	36.3	28.1	0.6	0.1	36.9	28.2
	<b>108.8</b>	<b>88.7</b>	<b>5.7</b>	<b>3.4</b>	<b>114.5</b>	<b>92.1</b>

Company	Property leases		Other leases		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Commitments under non-cancellable operating leases expiring:						
Within one year	0.7	0.5	–	–	0.7	0.5
In one to five years	2.4	2.0	–	–	2.4	2.0
After five years	–	0.2	–	–	–	0.2
	<b>3.1</b>	<b>2.7</b>	<b>–</b>	<b>–</b>	<b>3.1</b>	<b>2.7</b>

Significant operating leases relate to the various property leases for Savills offices in the United Kingdom, Europe and Asia. There are no significant non-cancellable subleases.

A provision of £3.3m has been recognised as part of exceptional items (Note 8) in the income statement in relation to onerous property leases in the UK and Europe.

**32. Cash generated from operations**

	Group			Company
	Year ended 2008 £m	Year ended 2007 £m	Year ended 2008 £m	Year ended 2007 £m
(Loss)/profit for the year	(12.3)	57.9	61.0	37.4
Adjustments for:				
Income tax (Note 12)	4.6	28.0	(0.9)	0.1
Depreciation (Note 16)	7.2	6.2	0.6	0.8
Amortisation of intangibles (Note 15)	5.0	4.1	0.2	0.2
Loss on sale of property, plant and equipment	0.3	0.7	–	0.4
Profit on disposal of available-for-sale investments included within other income	–	(0.7)	–	–
Impairment of assets (Note 15, 17(b) and 24)	37.0	1.6	–	1.0
Profit on disposal of associate, joint ventures and available-for-sale investments	(17.4)	(0.7)	–	–
Other exceptional items	13.8	–	0.6	–
Net finance income (Note 11)	(2.5)	(2.1)	(3.6)	(1.2)
Share of post-tax profit from associates and joint ventures (Note 17(a))	(0.5)	(0.4)	–	–
Dividend in specie from subsidiary	–	–	(42.1)	–
Exchange movement on operating activities	0.6	–	–	–
Increase in provisions	0.9	0.4	0.2	0.4
(Decrease)/increase in employee and retirement obligations	(1.5)	0.2	–	–
Charge for share-based compensation	10.0	8.1	0.3	0.3
Exercise of share options	–	–	(3.8)	–
Operating cash flows before movements in working capital	45.2	103.3	12.5	39.4
Decrease in work in progress	0.3	0.4	–	–
Decrease/(increase) in current trade and other receivables	71.6	(20.4)	(1.6)	4.7
(Decrease)/increase in current trade and other payables	(103.0)	41.0	(8.2)	(27.3)
Cash generated from operations	14.1	124.3	2.7	16.8

**33. Reconciliation of opening to closing cash net of debt**

	At 1 January £m	Non-cash flow movements £m	Cash flows £m	Exchange movement £m	At 31 December £m
For the year ended 31 December 2008					
Cash and cash equivalents	110.7	–	(50.9)	15.5	75.3
Bank overdrafts	(0.3)	–	0.3	–	–
	110.4	–	(50.6)	15.5	75.3
Bank loans	(19.4)	–	6.9	(8.4)	(20.9)
Loan notes	(13.5)	–	4.0	0.8	(8.7)
Cash and cash equivalents net of debt	77.5	–	(39.7)	7.9	45.7
For the year ended 31 December 2007					
Cash and cash equivalents	124.1	–	(14.5)	1.1	110.7
Bank overdrafts	(0.4)	–	0.1	–	(0.3)
	123.7	–	(14.4)	1.1	110.4
Bank loans	(1.0)	–	(18.3)	(0.1)	(19.4)
Loan notes	(17.9)	(0.6)	5.8	(0.8)	(13.5)
Cash and cash equivalents net of debt	104.8	(0.6)	(26.9)	0.2	77.5

**34. Related party transactions**

The Group is controlled by Savills plc, a company registered in England and Wales.

Marketing services were provided by Advertis plc, an associate company, to Savills (L&P) Limited at an arm's-length value of £5.6m (2007 – £8.9m).

The Company provided corporate function services to its subsidiaries at an arm's-length value of £11.2m (2007 – £13.3m).

Dividends received from subsidiaries were £37.5m (2007 – £44.5m). Amounts outstanding as at 31 December 2008 are disclosed in Notes 19 and 21.

**Loans to related parties**

Loans to associates and joint ventures are disclosed in Note 17(a). All loans to associates and joint ventures are non-interest bearing.

**35. Major non-cash transactions**

No loan notes were issued during the year for part consideration of acquisitions (2007 – £0.6m).