

WEDNESDAY 7 SEPTEMBER 2005

Strong performance in the first half

Savills plc, the international property adviser, today announces interim results prepared under IFRS for the six months ended 30 June 2005.

- Group revenue for the six months was up 12.7% at £158.2m (2004 – £140.3m).
- Group profit before tax increased to £19.9m (2004 – £19.1m).
- Adjusted Group profit before tax* increased by 15.0% to £19.9m (2004 – £17.3m).
- Basic earnings per share increased to 23.9p (2004 – 23.5p).
- Adjusted basic earnings per share* increased by 12.7% to 23.9p (2004 – 21.2p).
- Interim dividend increased to 8.0p (2004 – 6.0p).

* After adjusting for the one-off impact of the IFRS credit relating to share based payments (see Note 12(i) and (j)).

Peter Smith, Chairman of Savills plc, comments: **'I am delighted to report a strong set of half year results with particularly good performance in the commercial markets both in the UK and overseas. The UK prime residential markets had a slower start to the year but the market improved in the second quarter especially in London. Asia had a very strong first half. The growing spread of Savills' business both on a geographical and product basis gives us confidence that we are well placed to achieve a good result for the full year.'**

*** Chairman's Statement and Interim Results follow ***

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CHAIRMAN'S STATEMENT

RESULTS AND DIVIDEND

We reported in our Trading Update, released on 29 June 2005, that overall Savills had performed in line with expectation and ahead of the same period last year. Strong investment markets in the UK, Europe and Asia would ensure that Commercial activity levels remain high in 2005.

I am very pleased to announce that turnover increased by 12.7% to £158.2m (2004 – £140.3m). Profit before tax increased to £19.9m (2004 – £19.1m) representing an increase of 15% compared to 2004 adjusted profit of £17.3m, adjusted for the one-off impact in 2004 of the IFRS credit relating to share based payments. Basic earnings per share for the six months to 30 June 2005 increased to 23.9p (2004 – 23.5p). Adjusted basic earnings per share increased by 12.7% to 23.9p (2004 – 21.2p). This increase was due to increased profit during the period.

As previously announced on 25 April 2005, in accordance with the terms of an Option Deed (the Deed), Trammell Crow Company (TCC) subscribed for an aggregate of 5,243,229 Ordinary Shares at an exercise price of 701.28 pence per share which resulted in aggregate purchase consideration of £36.77m being paid to the Company. This took TCC's holding in total to 19.60%; under the terms of the Deed TCC were permitted to acquire in total up to 20% in the Company. No option to TCC remains outstanding.

The additional £36.77m in subscription monies further strengthened the already strong balance sheet which has cash (net of debt) of £74.9m (2004 - £29.4m).

The Directors have decided to increase the interim dividend to 8.0p (2004 – 6.0p) to be paid on 1 November 2005; this increase reflects our confidence in the business and an element of re-balancing of the interim with the final dividend.

TRADING REVIEW

Transactional Advice

During the half year, turnover for the Transactional business was £68.2m (2004 – £64.7m) and operating profit was £10.7m (2004 – £10.3m). Transactional income in the UK commercial markets, Europe and Asia was ahead of the same period last year, though there was a downturn in the UK regional residential markets.

Leasing markets in London and the South East have started to recover with demand increasing as a result of a more optimistic outlook from corporate tenants. Regional markets remain resilient and there has been increasing demand for accommodation outside London, particularly in the Thames Valley. The retail economy softened generally over the first six months forcing many retailers to monitor very closely their ongoing property cost plans; we have, however, experienced a good level of demand for well located out of town sites with flexible planning consents.

Demand in the investment market remains strong with continuing interest from institutional investors as well as overseas buyers, although available stock remains limited. The retail warehouse investment market, where Savills is a market leader, remains buoyant with investors particularly attracted by quality of income and growth prospects. The European investment market is active and our European Investment teams had a very successful start to the year, with several major transactions completed in the first half and a strong second half anticipated.

The investment markets in Asia for commercial and residential stock have seen significant increases in activity over 2004 levels, especially in Hong Kong and mainland China. Savills' dominant position in the Hong Kong Investment Advisory business has enabled it to transact over HK\$5.6 bn worth of commercial real estate in the first six months of 2005.

Prime residential markets were undoubtedly slower at the beginning of the year, and buyers showed some hesitancy. However, after a slow start, the market strengthened in the late spring and early summer, with London being particularly strong. In marked contrast to the mainstream markets, the number of completed transactions on a like for like basis was very similar to last year.

The new homes markets became gradually more difficult throughout the first half of the year and it remains to be seen whether the 0.25 percent interest rate cut improves activity. Discounted bulk sales are still available to specialist purchasers, but the individual investor is now slower at making buying commitments with current low rates of return.

Consultancy

During the half year turnover for the Consultancy businesses was £30.1m (2004 – £24.3m) and operating profit was £4.9m (2004 – £3.5m).

Our professional businesses have been extremely busy with our expertise in valuations, affordable housing and social housing increasingly in demand especially on larger scale projects. Our planning, building and housing consultancy divisions have been strengthened and we are now able to provide a strong presence and service both in London and the regions.

The demand for valuation services to satisfy the rise in IPOs and commercial property purchases in mainland China has pushed revenues ahead of last year's equivalent. Australia has also seen considerable uplift in the need for property valuation services partly on the back of international accounting reporting requirements.

Property and Facilities Management

During the half year, turnover for the combined Property and Facilities Management businesses was £47.1m (2004 – £40.0m) and operating profit was £3.4m (2004 – £2.0m).

In Asia, Property Management revenues have increased markedly due to the addition of the Japanese Property Management business towards the end of 2004 and the increased success we have had in Greater China; winning new contracts at satisfactory margins.

The UK Property Management business has expanded by both strategic acquisition and organic growth. The profit from this business stream was ahead of 2004 and the business is now well positioned to improve profitability.

Following the successful integration of a specialist Shopping Centre Management team within the London office and recruitment of new experienced staff into Birmingham and Leeds the overall position for Commercial Management is encouraging.

We also continue to expand our commercial property management capabilities throughout the rest of Europe and have recently acquired a large property management business in France.

Property Trading and Investment

During the half year, no turnover was generated from the Property Trading businesses (2004 – £1.2m) and a small operating loss of £0.1m was made (2004 – £1.1m profit). As previously noted in Savills' 2004 Report and Accounts, the Group currently holds no assets for property trading.

Fund Management

During the half year, turnover for the Fund Management business was £2.3m (2004 – £1.7m) and a profit of £0.3m was made (2004 – £0.3m loss). Cordea Savills continues to develop its resources with the addition of staff in the UK and Italy. During the first half, Cordea Savills'

Wealth Management team launched its Diversified Residential Opportunities Fund, a vehicle that will invest in a portfolio of residential accommodation, typically let on long leases. Fund management is a growing part of our business and we now have a range of funds available for charities, institutions and individual investors.

Financial Services

During the half year, turnover for the Financial Services businesses was £10.4m (2004 – £8.5m) and operating profit was £1.3m (2004 – £1.6m).

Savills Private Finance continues to trade well, specifically in the high net worth mortgage broking market. Its Commercial Debt broking, Wealth Management and Property Insurance divisions are also making significant contributions. New offices have been opened in Leeds, Sevenoaks and York bringing the total number of offices to twenty. The slight decrease in profit was as a result of an increase in fixed costs associated with the investment in and growth of the business. The business is now well placed to ensure further profit growth.

OUTLOOK

The continued underlying confidence in property as an asset class is expected to underpin the market. This, together with the growing spread of Savills' business both on a geographical and product basis, gives us confidence that we are well placed to achieve a good result for the full year.

Independent review report to Savills plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated interim income statement, the consolidated interim balance sheet, the consolidated interim statement of cash flows, the consolidated statement of recognised income and expense and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in Note 1, the next annual financial statements of the Group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in Note 1.

The accounting policies are consistent with those that the Directors intend to use in the next annual financial statements. As explained in Note 1, there is, however, a possibility that the Directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
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London
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7 September 2005

a) The maintenance and integrity of the Savills website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report since it was initially presented on the website

b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

SAVILLS plc
CONSOLIDATED INTERIM INCOME STATEMENT (unaudited)
six months ended 30 June 2005

	Notes	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000	Year to 31.12.04 £'000
Revenue				
Revenue		158,154	140,348	316,619
Other revenue - sale of trading properties		-	-	11,356
Total Group revenue	3	158,154	140,348	327,975
Less:				
Employee benefits expense		(95,010)	(78,010)	(190,922)
Depreciation expense		(2,109)	(1,950)	(4,051)
Amortisation of intangibles		(588)	(337)	(663)
Impairment of goodwill		-	-	(639)
Changes in trading property stock		-	-	(9,177)
Other operating expenses		(41,885)	(41,639)	(75,363)
Profit on disposal of subsidiary undertakings		-	-	763
Profit on disposal of associated undertakings		-	155	154
Profit on disposal of investment property		-	-	8,094
Operating profit	3	18,562	18,567	56,171
Finance costs		(202)	(610)	(584)
Finance income		1,607	1,003	2,361
Net finance income		1,405	393	1,777
Share of post tax (loss)/profit from associates and joint ventures		(18)	137	364
Profit before tax		19,949	19,097	58,312
Taxation	4	(6,222)	(5,742)	(17,340)
Profit for the period		13,727	13,355	40,972
Attributable to:				
Equity shareholders of the parent		13,700	13,162	40,690
Minority interest		27	193	282
		13,727	13,355	40,972
Basic earnings per share	6	23.9p	23.5p	72.7p
Diluted earnings per share	6	22.1p	21.5p	66.1p

CONSOLIDATED INTERIM BALANCE SHEET (unaudited)

at 30 June 2005

	Notes	30.06.05 £'000	30.06.04 £'000	31.12.04 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		12,827	18,968	11,922
Goodwill		51,937	39,078	46,095
Intangible assets		3,605	1,128	2,549
Investment property		-	6,965	-
Investments in associates and joint ventures		3,045	3,431	2,831
Other investments		-	1,427	3,834
Available for sale investments	9	5,580	-	-
Deferred tax assets		18,240	15,508	17,333
		<u>95,234</u>	<u>86,505</u>	<u>84,564</u>
Current assets				
Property held for sale		-	8,604	-
Work in progress		3,127	3,191	2,666
Trade and other receivables		89,097	75,060	87,241
Cash and cash equivalents		77,254	51,233	89,919
		<u>169,478</u>	<u>138,088</u>	<u>179,826</u>
LIABILITIES				
Current Liabilities				
Interest bearing loans and borrowings		1,092	1,318	3,823
Trade and other payables		80,485	65,602	113,367
Current income tax liabilities		3,064	3,959	8,405
Employee benefits		1,614	1,526	1,499
Provisions		372	802	665
		<u>86,627</u>	<u>73,207</u>	<u>127,759</u>
Net current assets		<u>82,851</u>	<u>64,881</u>	<u>52,067</u>
Total assets less current liabilities		<u>178,085</u>	<u>151,386</u>	<u>136,631</u>
Non-current Liabilities				
Interest bearing loans and borrowings		1,243	20,467	1,115
Trade and other payables		2,169	430	2,269
Retirement and employee benefits		29,420	38,619	27,490
Provisions		2,454	2,068	1,999
Deferred tax liabilities		914	66	62
		<u>36,200</u>	<u>61,650</u>	<u>32,935</u>
Net assets		<u>141,885</u>	<u>89,736</u>	<u>103,696</u>
EQUITY				
Capital and reserves attributable to equity holders of the parent				
Share capital	8	3,315	3,072	3,026
Share premium		80,665	42,569	43,114
Other reserves		1,025	(172)	(1,243)
Retained earnings		56,597	43,749	58,609
		<u>141,602</u>	<u>89,218</u>	<u>103,506</u>
Minority interest		<u>283</u>	<u>518</u>	<u>190</u>
Total equity		<u>141,885</u>	<u>89,736</u>	<u>103,696</u>

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)
six months ended 30 June 2005

	Notes	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000	Year to 31.12.04 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (used in)/generated from operations	7	(14,650)	4,538	58,004
Interest received		1,607	1,003	2,454
Interest paid		(202)	(610)	(584)
Income tax paid		(8,360)	(7,073)	(15,303)
Net cash (used in)/generated from operating activities		(21,605)	(2,142)	44,571
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of subsidiary, net of cash disposed		-	-	4,666
Proceeds from sale of property, plant and equipment		49	82	99
Proceeds from sale of associates, joint ventures and investment property		-	321	15,628
Dividends received		143	242	3,144
Net loans (to)/repayments received from related parties		(290)	146	96
Acquisition of subsidiaries, net of cash acquired		(4,694)	(3,690)	(10,418)
Purchases of property, plant and equipment		(2,772)	(2,338)	(6,458)
Purchases of intangible assets		(440)	(330)	(944)
Purchase of investment in associates, joint ventures and other investments		(41)	(180)	(2,715)
Net cash (used in)/generated from investing activities		(8,045)	(5,747)	3,098
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital		37,845	338	903
Proceeds from borrowings		110	86	1,605
Repurchase of own shares		(520)	(327)	(5,751)
Purchase of own shares for Employee Benefit Trust		-	(2,125)	(4,238)
Repayments of borrowings		(3,790)	(331)	(7,598)
Dividends paid		(18,092)	(5,697)	(9,309)
Net cash generated from/(used in) financing activities		15,553	(8,056)	(24,388)
Net (decrease)/increase in cash and cash equivalents		(14,097)	(15,945)	23,281
Cash and cash equivalents at beginning of the period		89,919	67,625	67,625
Effect of exchange rate fluctuations on cash held		1,432	(447)	(987)
Cash and cash equivalents at end of period		77,254	51,233	89,919

CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME & EXPENSE (unaudited)**six months ended 30 June 2005**

	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000	Year to 31.12.04 £'000
Revaluation of available for sale investments	778	-	-
Actuarial loss on defined benefit pension scheme	(1,783)	(6,485)	(9,495)
Deferred tax on items directly taken to reserves	3,770	3,937	4,652
Foreign exchange translation differences	1,016	(308)	(1,401)
Net income/(expense) recognised directly in equity	3,781	(2,856)	(6,244)
Profit for the period	13,727	13,355	40,972
Less minority interest share of results of joint ventures	13	-	-
Total recognised income and expense for the period	17,521	10,499	34,728
Attributable to:			
Equity shareholders of the parent	17,512	10,330	34,427
Minority interest	9	169	301
	17,521	10,499	34,728

NOTES

1. Basis of preparation

The financial information comprises the unaudited results for the six months to 30 June 2005 and 30 June 2004, together with the unaudited results for the twelve months ended 31 December 2004.

Prior to 2005, the Group prepared its audited annual financial statements and unaudited half yearly results under UK Generally Accepted Accounting Principles (UK GAAP). The audited UK GAAP annual financial statements for 2004, which represent the statutory accounts for that year, and on which the auditors gave an unqualified opinion, have been filed with the Registrar of Companies. From 1 January 2005, the Group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and implemented in the UK. As the annual 2005 financial statements will include comparatives for 2004, the Group's date of transition to IFRS under IFRS1 (First time adoption of IFRS) is 1 January 2004. However, in preparing the comparative figures for 2004, the Group has chosen to utilise the IFRS1 exemption from the requirement to restate comparative information for IAS32 and IAS39 on financial instruments.

To explain how the Group's reported performance and financial position are affected by this change, a press release was published on the 'Adoption of International Financial Reporting Standards' and issued on 29 June 2005. This is available on the company's investor relations website at www.ir.savills.com. The press release outlines the comparison of key figures under UK GAAP for 2004, with unaudited restated IFRS results and an explanation of the principal differences between UK GAAP and IFRS, together with the accounting policies which are to be used under IFRS. As detailed in Note 13 the Group has made further IFRS adjustments relating to deferred tax on share based payments and employee benefits.

These unaudited Group results for the six months to 30 June 2005 have been prepared on a basis consistent with the IFRS accounting policies as set out in the press release, except with amendments in Note 13. These interim financial statements have been prepared under the historical cost convention, except in respect of certain available for sale investments.

Under UK GAAP, operating profit, net finance costs, taxation and minority interests included the Group's share of joint venture's and associates' results, whereas the income statement under IFRS only includes the Group's share of the post tax and minority results of the joint ventures and associates on one line before the Group's pre-tax profit.

IFRS require a different format for the cash flow statements but the main change is that the statement explains the change in cash and cash equivalents, rather than just cash as under UK GAAP. Cash and cash equivalents under IFRS comprise not only cash but also short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in changes in value. These investments comprise all of the amounts previously disclosed as short term deposits under UK GAAP. As with cash under UK GAAP, the IFRS cash flow statement deals with cash and cash equivalents net of overdrafts.

These results are based on the IFRS expected to be applicable as at 31 December 2005 and the interpretation of those standards. IFRS are subject to possible amendment by and interpretative guidance from the International Accounting Standards Board, as well as the ongoing review and endorsement by the EU, and are therefore still subject to change. These figures may therefore require amendment, to change the basis of accounting and/or presentation of certain financial information, before their inclusion in the IFRS financial statements for the year to 31 December 2005, when the Group prepares its first complete set of audited IFRS financial statements.

2. Adoption of new accounting standards

As noted above IAS32 and IAS39 on financial instruments are being applied from 1 January 2005 and the changes to the balance sheet as at 1 January 2005 principally reflect the measurement of available-for-sale investments at fair value.

At 1 January 2005, these changes resulted in an increase in the value of the Group's investments of £960,000 reflecting the valuation of certain of the Group's listed equity investments to market value. A related deferred tax liability arises on this adjustment in accordance with IAS 12 'Income taxes'.

Effect of changes on summarised balance sheet as at 1 January 2005

Effect of adoption of IAS 32 and 39	Note	31.12.04	Adoption of	01.01.05
		£'000	IAS 32 and IAS 39	£'000
ASSETS				
Other Investments		3,834	(3,834)	-
Available for sale investments	9	-	4,794	4,794
Other assets		260,556	-	260,556
Total Assets		264,390	960	265,350
Deferred tax liabilities		62	288	350
Other liabilities		160,632	-	160,632
Total liabilities		160,694	288	160,982
Net assets		103,696	672	104,368
EQUITY		103,696	672	104,368

3. Segment analysis

Six months to 30 June 2005	Trans- actional Advice £'000	Consult- ancy £'000	Property & Facilities Manage- ment £'000	Fund Manage- ment £'000	Property, Trading & Invest-ment £'000	Financial Services £'000	Unalloc- ated £'000	Total £'000
Revenue								
United Kingdom	45,833	25,765	17,728	2,292	-	10,409	60	102,087
Rest of Europe	7,867	719	2,209	-	-	-	-	10,795
Asia Pacific	14,528	3,576	27,168	-	-	-	-	45,272
Total revenue	68,228	30,060	47,105	2,292	-	10,409	60	158,154
Operating profit								
United Kingdom	6,582	4,331	1,114	319	(106)	1,304	(1,982)	11,562
Rest of Europe	1,717	40	254	-	-	-	-	2,011
Asia Pacific	2,421	509	2,059	-	-	-	-	4,989
Operating profit	10,720	4,880	3,427	319	(106)	1,304	(1,982)	18,562
Net Finance income								1,405
Share of results of associates and joint ventures								(18)
Profit before income tax								19,949
Taxation								(6,222)
Profit for the period								13,727
Six months to 30 June 2004								
Six months to 30 June 2004	Trans- actional Advice £'000	Consult- ancy £'000	Property & Facilities Manage- ment £'000	Fund Manage- ment £'000	Property, Trading & Invest-ment £'000	Financial Services £'000	Unalloc- ated* £'000	Total £'000
Revenue								
United Kingdom	48,457	21,273	13,255	1,676	1,226	8,478	-	94,365
Rest of Europe	4,602	313	947	-	-	-	-	5,862
Asia Pacific	11,610	2,680	25,831	-	-	-	-	40,121
Total revenue	64,669	24,266	40,033	1,676	1,226	8,478	-	140,348
Operating profit								
United Kingdom	7,304	3,313	504	(262)	1,086	1,636	373	13,954
Rest of Europe	1,031	55	54	-	-	-	-	1,140
Asia Pacific	1,951	102	1,420	-	-	-	-	3,473
Operating profit	10,286	3,470	1,978	(262)	1,086	1,636	373	18,567
Net Finance income								393
Share of results of associates and joint ventures								137
Profit before income tax								19,097
Taxation								(5,742)
Profit for the period								13,355

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.

* In 2004, the benefit of the one-off share based compensation credit as explained in note 12 (j) has not been allocated to individual segments so as to show a comparable figure to 2005.

4. Taxation

The taxation charge has been calculated on the basis of the underlying rate in each jurisdiction adjusted for any disallowable charges.

	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000	Year to 31.12.04 £'000
United Kingdom corporation tax	(2,339)	(3,988)	(15,026)
Foreign tax	(1,971)	(1,267)	(2,363)
Deferred tax	(1,912)	(487)	49
	<u>(6,222)</u>	<u>(5,742)</u>	<u>(17,340)</u>

5. Dividends

	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000	Year to 31.12.04 £'000
Amounts recognised as distribution to equity holders in the period:			
Interim dividend for the six months ended 30 June 2004 of 6.0p	-	-	3,394
Ordinary final dividend of 12.5p per share (2004 - 10.0p)	6,942	5,563	5,563
Special dividend of 20.0p per share (2004 - nil)	11,107	-	-
	<u>18,049</u>	<u>5,563</u>	<u>8,957</u>
Proposed interim dividend for the six months ended 30 June 2005 of 8.0p per share	<u>4,898</u>	-	-

The Directors have recommended an interim dividend for the six months ended 30 June 2005 of 8.0 pence per ordinary share. The interim dividend will be paid on 1 November 2005 to shareholders on the register as at 30 September 2005.

6. Basic & Diluted earnings per share

Six months to 30 June	Earnings	Shares	EPS	Earnings	Shares	EPS
	2005 £'000	2005 '000	2005 Pence	2004 £'000	2004 '000	2004 Pence
Basic earnings per share	13,700	57,334	23.9	13,162	56,189	23.5
Effect of additional shares issuable under option	-	4,639	(1.8)	-	5,328	(2.0)
Diluted earnings per share	<u>13,700</u>	<u>61,973</u>	<u>22.1</u>	<u>13,162</u>	<u>61,517</u>	<u>21.5</u>
Year to 31 December	Earnings	Shares	EPS	Earnings	Shares	EPS
	2004 £'000	2004 '000	2004 Pence	2004 £'000	2004 '000	2004 Pence
Basic earnings per share	40,690	55,938	72.7	40,690	55,938	72.7
Effect of additional shares issuable under option	-	5,647	(6.6)	-	5,647	(6.6)
Diluted earnings per share	<u>40,690</u>	<u>61,585</u>	<u>66.1</u>	<u>40,690</u>	<u>61,585</u>	<u>66.1</u>

7. Cash generated from operations	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000	Year to 31.12.04 £'000
Profit for the period	13,727	13,355	40,972
<i>Adjustments for:</i>			
Taxation	6,222	5,742	17,340
Depreciation expense	2,109	1,950	4,051
Amortisation of intangibles	588	337	663
Impairment of goodwill	-	-	639
Net finance income	(1,405)	(393)	(1,777)
Share of post tax loss/(profit) from associates and joint ventures	18	(137)	(364)
Profit on disposal of subsidiary undertakings	-	-	(763)
Profit on disposal of associated undertakings	-	(155)	(154)
Profit on disposal of investment property	-	-	(8,094)
Loss on sale of property, plant and equipment	5	41	193
(Increase)/decrease in property held for sale	-	(523)	2,052
(Decrease)/increase in provisions	(214)	679	481
Increase/(decrease) in employee and retirement obligations	342	208	(13,964)
Charge for share based compensation	636	587	1,144
Provision against investments in associates and joint ventures	8	9	16
Operating cash flows before movements in working capital	22,036	21,700	42,435
(Increase)/decrease in work in progress	(437)	(393)	126
(Increase)/decrease in debtors	(804)	4,032	(14,671)
(Decrease)/increase in creditors	(35,445)	(20,801)	30,114
Cash (used in)/generated from operations	(14,650)	4,538	58,004

8. Share Capital

On 25 April 2005 Trammell Crow Company (TCC) exercised an option to subscribe for 5,243,229 shares representing over 7% of the Group's share capital. This was in accordance with the terms of an agreed Option Deed dated 9 May 2000, entered into at the time of the Strategic Alliance. The shares were issued at a price of 701.28p, representing a 20% premium to the average closing mid-market price of the Ordinary Shares as taken over the preceding five days prior to exercise.

9. Available for sale investments

	£'000	
At 31 December 2004	-	
Adoption of IAS 32 & 39 - reclassification from other investments	3,834	
Remeasure to fair value	<u>960</u>	
At 1 January 2005	4,794	
Additions	10	
Revaluation	<u>776</u>	
At 30 June 2005	<u>5,580</u>	
Available-for-sale financial assets include the following:		
Listed securities	UK - equity securities	874
Unlisted securities	UK - equity securities	1,667
	Rest of world - equity securities & investment loans	37
	UK - limited partnership	<u>3,002</u>
		<u>5,580</u>

10. Reconciliation of movements in equity

	Attributable to equity holders of the Group				Minority interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings		
	£'000	£'000	£'000	£'000		
Balance at 31 December 2004	3,026	43,114	(1,243)	58,609	190	103,696
Adoption of IAS 32 and IAS 39	-	-	672	-	-	672
Balance at 1 January 2005	3,026	43,114	(571)	58,609	190	104,368
Total recognised income and expense for the period	-	-	1,591	15,921	9	17,521
Employee share option scheme:						
- Value of services provided	-	-	-	636	-	636
Issue of share capital	294	37,551	-	-	-	37,845
Purchase of own shares	(5)	-	5	(520)	-	(520)
Dividends	-	-	-	(18,049)	(43)	(18,092)
Business combinations	-	-	-	-	127	127
Balance at 30 June 2005	3,315	80,665	1,025	56,597	283	141,885
Balance at 1 January 2004	3,070	42,237	107	40,564	562	86,540
Total recognised income and expense for the period	-	-	(283)	10,613	169	10,499
Employee share option scheme:						
- Value of services provided	-	-	-	587	-	587
Issue of share capital	6	332	-	-	-	338
Purchase of own shares	(4)	-	4	(327)	-	(327)
Purchase of treasury shares	-	-	-	(2,125)	-	(2,125)
Dividends	-	-	-	(5,563)	(134)	(5,697)
Business combinations	-	-	-	-	(79)	(79)
Balance at 30 June 2004	3,072	42,569	(172)	43,749	518	89,736
Balance at 1 January 2004	3,070	42,237	107	40,564	562	86,540
Total recognised income and expense for the period	-	-	(1,420)	35,847	301	34,728
Employee share option scheme:						
- Value of services provided	-	-	-	1,144	-	1,144
Issue of share capital	26	877	-	-	-	903
Purchase of own shares	(70)	-	70	(5,751)	-	(5,751)
Purchase of treasury shares	-	-	-	(4,238)	-	(4,238)
Dividends	-	-	-	(8,957)	(352)	(9,309)
Business combinations	-	-	-	-	(321)	(321)
Balance at 31 December 2004	3,026	43,114	(1,243)	58,609	190	103,696

11. Effect of the change to IFRS on the Income Statement for the six months ended 30 June 2004 (unaudited)

Notes	UK GAAP £'000	Impact of move to IFRS							IFRS £'000
		Intangibles	Share Based Payment	Employee Benefits	Joint Ventures	Assoc- iates	Deferred Tax	Realloc- ations	
		£'000 12 (a)	£'000 12 (b)	£'000 12 (c)	£'000 12 (d)	£'000 12 (e)	£'000 12 (f)	£'000 12 (h)	
Total Group turnover	140,348	-	-	-	-	-	-	-	140,348
Operating profit	14,378	1,358	1,825	848	3	-	-	155	18,567
Share of profit of joint ventures	(13)	-	-	-	70	-	-	-	57
Share of profit of associates	97	-	-	-	-	(17)	-	-	80
Disposals	155	-	-	-	-	-	-	(155)	0
Profit before interest	14,617	1,358	1,825	848	73	(17)	-	-	18,704
Net finance income	487	-	-	-	(94)	-	-	-	393
Profit before tax	15,104	1,358	1,825	848	(21)	(17)	-	-	19,097
Income tax expense	(4,967)	-	(547)	(254)	21	17	(12)	-	(5,742)
Profit for the period	10,137	1,358	1,278	594	-	-	(12)	-	13,355
Attributable to:									
Equity holders of the parent	9,961	1,341	1,278	594	-	-	(12)	-	13,162
Minority interests	176	17	-	-	-	-	-	-	193
	10,137	1,358	1,278	594	-	-	(12)	-	13,355
Basic earnings per share	17.7p	2.4p	2.3p	1.1p	0.0p	0.0p	0.0p	0.0p	23.5p
Diluted earnings per share	16.2p	2.2p	2.1p	1.0p	0.0p	0.0p	0.0p	0.0p	21.5p

Effect of the change to IFRS on the Balance Sheet as at ended 30 June 2004 (unaudited)

Notes	UK GAAP £'000	Impact of move to IFRS							IFRS £'000
		Intangibles	Share Based Payment	Employee Benefits	Joint Ventures	Deferred Tax	Dividend	Present- ation	
		£'000 12 (a)	£'000 12 (b)	£'000 12 (c)	£'000 12 (d)	£'000 12 (f)	£'000 12 (g)	£'000	
Assets	207,651	1,358	(428)	9,649	2,483	4,046	-	(166)	224,593
Liabilities	(106,323)	-	1,871	(31,464)	(2,483)	(18)	3,394	166	(134,857)
Net assets	101,328	1,358	1,443	(21,815)	-	4,028	3,394	-	89,736
EQUITY									
Shareholders' funds	100,827	1,341	1,443	(21,815)	-	4,028	3,394	-	89,218
Minority interest	501	17	-	-	-	-	-	-	518
	101,328	1,358	1,443	(21,815)	-	4,028	3,394	-	89,736

12. Explanation of adjustments for the six months ended 30 June 2004

a) IAS 38 Intangible assets

The goodwill amortisation expense for the first half of 2004, amounting to £1,358,000 is reversed. For acquisitions in the first half of 2004 an assessment has been made regarding the fair value of intangible assets that were acquired.

b) IFRS 2 Share Based Payments

The following adjustments have been made at 30 June 2004:

	UK GAAP £'000	IFRS 2 £'000	Total adjustment £'000
Deferred Share Bonus Plan (DSBP)	2,573	(634)	1,939
Executive Share Option Scheme	-	(56)	(56)
Sharesave Scheme	-	(58)	(58)
Impact on profit before tax	2,573	(748)	1,825
Tax	(772)	225	(547)
Impact on profit after tax	1,801	(523)	1,278

This profit and loss adjustment results in an increase in profit before tax of £1,825,000 because the amount to be charged to the bonus pool at that stage was £2,573,000, which related to the accrual of the 2004 and 2005 DSBP grants. The reserves impact of this change is an increase of £1,443,000.

c) IAS 19 Employee Benefits

The pension deficit is updated for the valuation received from the actuaries as at 5 April 2004 plus an allowance for any significant movements between that date and 30 June 2004. The charge to the profit and loss account under IFRS is equal to the current service cost which represents the increase in the pension liability in the current period as a result of the employee's employment over that period. The UK GAAP charge of £2,510,000 is reversed and replaced by £1,355,000 plus a net interest charge calculated on the net deficit within the scheme of £307,000 for the first half. This adjustment increased interim pre-tax profit by £848,000.

The movement in the deficit for the 6 months is as follows:

	£'000
Deficit as at 31 December 2003	25,528
Contributions	(1,511)
Current service cost	1,355
Net financing charge	307
Actuarial loss	6,485
Gross deficit	32,164
Less deferred tax	(9,649)
Net Deficit as at 30 June 2004	22,515

d) IAS 31 Joint Ventures

The changes in the income statements are to record the Group's share of profit after tax from joint ventures as a single line and remove turnover. The results of the remaining property joint ventures are also moved to the single line. Share of post tax profit of joint ventures increases by £70,000 which is offset by an increase in operating profit of £3,000, reduction in net interest income of £94,000 and income tax expense of £21,000.

e) IAS 28 Associates

Now reported as a single line. The resulting change is to move £17,000 income tax expense up to share of post tax profit of associates.

f) IAS 12 Deferred Tax

A deferred tax asset on share based payment awards granted before 7 November 2002 is recognised under IAS 12 in the amount of £4.0m. See Note 13 for further explanation. Deferred tax on undistributed profits within equity accounted non-UK investments amounted to £18,000 as at 30 June 2004, with a charge of £12,000 for the period.

g) IAS 10 Events after the balance sheet date

The interim dividend, amounting to £3,394,000 is reversed under IFRS.

h) IAS 1 Presentation of financial statements

Under IAS 1, items of income and expense may not be presented as extraordinary items on the face of the income statement. Under UK GAAP profit on disposal of interest in associates of £155,000 were classified as exceptionals. This is reclassified as operating items under IFRS.

i) Adjusted profit before tax

	Six months to 30.06.05 £'000	Six months to 30.06.04 £'000
Reported profit before tax	19,949	19,097
<i>Less IFRS adjustment for:</i>		
One-off share based payment credit	-	(1,825)
Adjusted profit before tax	19,949	17,272

The IFRS share based payment charge is removed to present an indication of the impact of IFRS changes on the Group going forward. The method of bonus calculation means that the adjustment will not impact profit levels in the future. For further explanation see note (j) below.

j) Earnings Per Share

Basic and diluted earnings per share as at 30 June 2004:

	Earnings £'000	Shares '000	EPS Pence	Diluted Shares '000	Diluted EPS Pence
UK GAAP	9,961	56,189	17.7	61,517	16.2
<i>IFRS adjustments:</i>					
Intangibles	1,341	-	2.4	-	2.2
Share based payment	1,278	-	2.3	-	2.1
Employee benefits	594	-	1.1	-	1.0
Deferred tax	(12)	-	0.0	-	0.0
IFRS	13,162	56,189	23.5	61,517	21.5

Adjusted basic earnings per share as at 30 June 2004 :

	UK GAAP Earnings £'000	Shares '000	UK GAAP EPS Pence	IFRS Earnings £'000	IFRS EPS Pence
Basic earnings per share	9,961	56,189	17.7	13,162	23.5
Amortisation of goodwill	1,358	-	2.4	-	-
Less IFRS share based payment charge	-	-	-	(1,278)	(2.3)
Adjusted basic earnings per share	11,319	56,189	20.1	11,884	21.2

The Directors consider the disclosure of the supplementary earnings per share necessary in order for the impact of the amortisation of goodwill under UK GAAP to be fully appreciated.

The IFRS share based payment charge is removed to present an indication of the impact of IFRS changes on the Group going forward. The method of bonus calculation means that the adjustment will not impact profit levels in the future.

The Group operates a number of deferred share bonus and option schemes, the largest of which is the Deferred Share Bonus Plan (DSBP). Under this non-pensionable annual bonus scheme for Directors and senior executives, a part of the annual bonus, at the discretion of the Remuneration Committee, may be awarded in the form of deferred conditional rights to ordinary shares in the Company, with the additional part of the bonus being paid out in cash. Annual bonuses are subject to the attainment of challenging performance targets which are specific to each individual and either relate to Group thresholds, subsidiary company targets or a combination of both for a period not exceeding the relevant financial year of the Company. The annual bonus pool for the Group is fixed, based on pre-bonus profit based calculations. The element of the bonus pool which is paid out in cash is determined by deducting share based payment charges made against income in the performance period from the bonus pool.

During 2004, the amount which was charged against the bonus pool for share based payments was the UK GAAP charge, and the balance of the bonus pool was paid out as cash bonus. The latter amount is not impacted in 2004 by the restatement of the share based payment charge to IFRS, but in the future it will be. The adjusted profit and EPS takes account of this one-off adjustment in 2004.

13. Adjustment to IFRS Income Statement and Balance Sheet for the year ended 31 December 2004.

The Group announced the impact of the adoption of International Financial Reporting Standards (IFRS) on the year to 31 December 2004 in a press release on 29 June 2005. That document was based on interpretation of 'IAS 12 Income Taxes' at the time of publication, in relation to share based payments. Subsequent to this date, the Group has booked further deferred tax assets in line with the latest interpretations on IAS 12. In addition a further deferred tax asset was booked for contributions to the Group's defined benefit pension scheme. The impact of these adjustments is explained below.

(a) Deferred tax on share options awarded before 7 November 2002

A deferred tax asset is recognised on transition relating to the future tax deduction expected to be received by the Group in relation to share options awarded before 7 November 2002. Under the IFRS 1 exemption taken by the Group, such awards are not subject to the application of IFRS 2 'Share based payment', but are subject to the application of IAS 12 'Income taxes'. Any subsequent increase or decrease in the value of this deferred tax asset, due to movements in the Group's share price is adjusted against equity each period end. The value of the asset is also increased according to the service period which has elapsed for each series of options awarded.

Upon the exercise of such options the Group becomes entitled to a tax deduction for the intrinsic value of the share awarded. At this time a similar amount is released from the deferred tax asset to offset the current tax credit, received in the period of exercise, in the income statement. As such the exercise of options awarded pre 7 November 2002 will have no impact on the Group's total tax charge going forward. The taxation charge for the year ended 2004 is therefore increased by £0.7m to reflect this.

(b) Defined benefit pension plan

A deferred tax asset of £5.4m is recognised during 2004 relating to lump sum and ongoing contributions made by the Group to its Defined Benefit Pension Scheme, which will only attract current tax deductions in future years.

(c) Net Assets at transition and for the year ended 31 December 2004

	31.12.04	1.1.04
	£'000	£'000
Net assets under IFRS as previously reported	94,739	84,106
IAS 12: Deferred tax on share based payments awarded pre 7 November 2002	3,570	2,434
IAS 12: Deferred tax on retirement benefit obligations	5,387	-
Net assets under IFRS	103,696	86,540

Copies of this statement are being sent to shareholders and are available from:

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In addition, with prior notice, copies in alternative formats i.e. large print, audio tape, braille are available if required from:

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA

This information is also available on the Company's website at: www.savills.com