



12 MARCH 2008

**SAVILLS PLC**  
**("Savills" or "the Group")**

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**RECORD RESULT FOR SAVILLS**

Savills plc, the international property advisers, is pleased to announce its preliminary results for the year ended 31 December 2007.

**Operational Highlights**

- Strong performance during 2007; underlying profits before tax up 14% to £85.5m reflecting the benefits of the Group's business and geographical diversification
- US platform established with acquisition of Savills Granite. Asian and continental European businesses continuing to grow strongly
- Continued investment in growth through acquisitions, recruiting new teams and opening new offices:
  - Further geographic expansion: US, Vietnam and Taiwan
  - 29 new offices opened
  - Important acquisitions successfully completed: Hephher Dixon (UK planning) Christopher Rowland (UK residential) and Granite (US commercial)
  - Selective hiring of both individuals and teams
- £41 million spent on share buy backs for cancellation and for Employee Benefit Trust
- Jeremy Helsby appointed as Group Chief Executive effective from May 2008 and Mark Dearsley appointed as Group Finance Director effective from September 2007

**Financial Highlights**

**Underlying results\***

- Revenue up 26% to £650.5m (2006: £517.6m)
- Underlying Group profit before tax up 14% to £85.5m (2006: £75m)
- Underlying basic earnings per share up 13% to 46.1p (2006: 40.8p)

\*Underlying Group profit is calculated by adjusting reported profit before tax to deduct profit on disposals of £0.7m (2006: £5.1m), share based payment adjustment of £4.8m (2006: £6.1m) and add back amortisation of intangibles and impairment of goodwill and available-for-sale investments of £5.1m (2006: £1.8m).

**Reported IFRS results – continuing operations**

- Revenue up 26% to £650.5m (2006: £517.6m)
- Group profit before tax up 2% to £85.9m (2006: £84.4m)
- Basic earnings per share 45.5p (2006: 46.0p)
- Proposed final dividend of 12p net per share (2006: 11p), making 18p for the year, an increase of 12.5%

**Aubrey Adams, Group Chief Executive of Savills plc, commented:**

“Underlying pre-tax profits increased from £75.0m to £85.5m and reported IFRS pre-tax profits increased from £84.4m to £85.9m. In the UK, acquisition and organic expansion continued to bring new teams and new expertise into all parts of the business. Commercial investment transactions slowed in the second half following the effect of the credit squeeze and the anticipation of yields moving out. On the Residential side, prime markets held up well, but showed some signs of slowing towards the end of the year. Our Consultancy teams produced a strong performance.

In Europe, investment markets remained firm and we expanded our range of services.

Asia Pacific saw strong growth in revenues, with a significant increase in profitability. This was largely attributable to organic growth in our businesses in Hong Kong, China, Australia and Singapore.”

**Jeremy Helsby, Group Chief Executive (Designate) of Savills plc, commented:**

“I strongly believe that Savills’ unique culture will be its greatest asset in the times ahead. This culture is embodied in the Savills brand and sets us apart from our competitors. Our clients understand that the Savills brand represents the best people, a premium service that is creative and entrepreneurial, and one that is dynamic and distinctive. This culture combined with the very high quality of Savills staff across the globe, our strong financial position and emphasis on cost control will ensure that we are well placed to take advantage of the opportunities that might arise in the months ahead as a result of the volatile financial markets.”

**Peter Smith, Non-Executive Chairman of Savills plc, commented:**

“2008 will be a challenging year for the property industry worldwide. However, not all segments and geographies will be affected equally. With its broad range of services, its high quality staff and its geographic spread Savills is well placed to seize the opportunities.

The outlook for our UK and US Commercial Capital Markets businesses and our UK Residential and Mortgage Broking businesses, continues to depend on how quickly confidence returns to financial markets. Our Transactional businesses in Europe and Asia continue to be more resilient. Demand for our Consulting, Property Management and Fund Management services remains strong in all our markets across the world.”

For further information, contact:

**Savills**

Aubrey Adams, Group Chief Executive  
Jeremy Helsby, Group Chief Executive (Designate)  
Mark Dearsley, Group Finance Director

020 7409 8844

**Citigate Dewe Rogerson**

Sarah Gestetner  
George Cazenove

020 7638 9571

There will be an analyst presentation today at 9am at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY.

## **CHAIRMAN'S STATEMENT**

Despite turmoil in the financial markets and the consequent effects on property investment markets, Savills had an excellent 2007, producing a record result. This outstanding achievement reflects the significant efforts over the last few years to broaden our geographical spread and diversify our business lines.

### Results

The Group's underlying profit before tax was £85.5m, a 14% increase on 2006. Revenue increased by 26% to £650.5m. Reported profit before tax was £85.9m (2006: £84.4m).

### Dividends

The Board has recommended an increase in the final dividend for 2007 of 9% to 12p per share to those shareholders on the register on 11 April 2008, payable on 14 May 2008. This gives a total ordinary dividend for the year ended 31 December 2007 of 18p (2006: 16p). In the five years to 31 December 2007 underlying earnings have increased by an average of 24% per annum and dividends by an average of 29% per annum.

### Major acquisitions

In 2007, as part of our continuing strategy both to grow geographically and add greater diversity to the Group, we acquired Granite Partners LLC in the US for an initial consideration of US\$54m to form Savills Granite. This means that we can now offer clients commercial investment sales, debt and equity placement and advisory services in the US and gives us a platform from which to grow progressively the range of services we can offer to both US clients and for those with an interest in the US.

Our acquisition of Hephher Dixon Limited at the beginning of the year for £5.1m enabled our planning business become a major force in London and across the regions.

We continued to build our UK residential network with a number of acquisitions including that of Christopher Rowland Limited.

### Share buyback programme

At the last Annual General Meeting shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 10% of the issued share capital. During the year ended 31 December 2007, 3.5m shares, representing 2.6% of issued share capital were repurchased for cancellation under this programme. The Company may make further purchases of shares under this authority up to the Annual General Meeting (AGM) to be held on 7 May 2008. As in previous years, shareholders will again be asked to consider a resolution to approve the repurchase of shares at this year's AGM.

### Board and staff

I am delighted to welcome Mark Dearsley, who was appointed as Group Finance Director with effect from 3 September 2007.

On 18 October 2007 we announced the retirement after 18 years of Aubrey Adams, Group Chief Executive, which will take effect from the AGM on 7 May 2008. Aubrey joined Savills in 1990 and was appointed Managing Director in 1991. Under Aubrey's leadership Savills has become a leading global property advisory business with revenues growing from £24m in 1992 to over £650m in 2007. A loss of some £2.3m in 1992 has been transformed into a profit of £86m this year and the Company is now a constituent of the FTSE 250. I would like to thank Aubrey on behalf of all our staff, clients and shareholders for the significant role that he has played in expanding our business.

We engaged outside advisers to assist us in the appointment of Aubrey's successor and a number of candidates were interviewed. I was pleased to announce that Jeremy Helsby will succeed Aubrey as Group Chief Executive. Jeremy joined Savills in 1980 and has successfully developed the UK Commercial business from revenue of £47m in 2001 to over £142m in 2007. Jeremy has also led the growth of our Continental European business, establishing 13 Savills offices and associations in 8 countries over the past seven years. I look forward to working with Jeremy in his new role.

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

#### Our People

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

#### Strategy

Our strategy remains unchanged and Jeremy Helsby outlines his priorities in his Group Chief Executive (Designate's) message.

#### Outlook

2008 will be a challenging year for the property industry worldwide. However, not all segments and geographies will be affected equally. With its broad range of services, its high quality staff and its geographic spread Savills is well placed to seize the opportunities.

The outlook for our UK and US Commercial Capital Markets businesses and our UK Residential and Mortgage Broking businesses, continues to depend on how quickly confidence returns to financial markets. Our Transactional businesses in Europe and Asia continue to be more resilient. Demand for our Consulting, Property Management and Fund Management services remains strong in all our markets across the world.

**Peter Smith, Chairman**

## **REVIEW OF OPERATIONS**

### Group Chief Executive's Review

Underlying pre-tax profits increased from £75.0m to £85.5m and reported IFRS pre-tax profits increased from £84.4m to £85.9m. In the UK, acquisition and organic expansion continued to bring new teams and new expertise into all parts of the business. Commercial investment transactions slowed in the second half following the effect of the credit squeeze and the anticipation of yields moving out. On the Residential side, prime markets held up well, but showed some signs of slowing towards the end of the year. Our Consultancy teams produced a strong performance.

In Europe, investment markets remained firm and we expanded our range of services.

Asia Pacific saw strong growth in revenues, with a significant increase in profitability. This was largely attributable to organic growth in our businesses in Hong Kong, China, Australia and Singapore.

I am delighted that Jeremy will be taking over from me and will continue to develop and grow the business in line with our stated strategy.

### **Aubrey Adams, Group Chief Executive**

#### Group Chief Executive (Designate's) message

In my first message to shareholders I would like to thank Aubrey for his huge contribution to the success of Savills over the last 18 years. I take over from Aubrey at a time when we announce another set of record results for Savills. However, looking forward we are experiencing unsettled and volatile market conditions in many of the markets in which we operate across the globe. Making accurate predictions for Savills' future trading therefore is difficult. I hope that with the benefit of my 28 years at Savills and of my experience of working for different Savills subsidiaries in many different markets and countries, that I am well placed and have the experience to guide the Group successfully through these challenging times.

I strongly believe that Savills' unique culture will be its greatest asset in the times ahead. This culture is embodied in the Savills brand and sets us apart from our competitors. Our clients understand that the Savills brand represents the best people, a premium service that is creative and entrepreneurial, and one that is dynamic and distinctive. This culture combined with the very high quality of Savills staff across the globe, our strong financial position and emphasis on cost control will ensure that we are well placed to take advantage of the opportunities that might arise in the months ahead as a result of the volatile financial markets.

The challenge will be to prioritise all these opportunities to maximise shareholder value in both the short and long term. Our strategy will be to continue to grow globally but also to build on the significant acquisitions and recruitment that we have made over the last two years. Our aim is to continue to diversify our income earnings globally to reduce our reliance on the UK market, which currently represents a significant percentage of our earnings.

My vision for Savills for 2008 and beyond is for the Savills brand to be the market leader. We have a brand that is the envy of our competitors and one I am determined to grow, nurture and expand across the globe. I have a passion for Savills, a passion that is shared by all who work for Savills, from our graduates, where for the second year running we were voted the 'Graduate Employer of Choice for Property 2007' by The Times, right up to our Executive Board, whose loyalty and passion is evidenced by the Board's extensive experience at Savills.

Our clients deserve and expect the best from Savills. I am committed to ensuring that they will receive the high level of professionalism, drive, creativity, entrepreneurialism, honesty and quality that is synonymous with the Savills brand. I am excited by the new challenges ahead of me and my aim is to ensure that Savills continues to build and grow its global business for the benefit of its clients, staff and shareholders.

### **Jeremy Helsby, Group Chief Executive (Designate)**

## GROUP STRATEGY

### Introduction: Savills is entering a new phase in its evolution

Savills has established successful businesses in many of the major property markets around the world, focusing its energy and resource on building strong local businesses with excellent local people. Each of the subsidiaries has had the freedom to maximise its earnings relatively independently, and to grow rapidly with the markets in which they are operating. As we enter 2008, the objective for the Group continues to be to grow earnings, but the strategy to achieve that growth will emphasise growing market share in the markets in which we are already established, making more of what we have already, for example through more effective cross-selling and client relationship management.

### Savills vision

The vision overall for Savills remains: 'To be one of the leading providers of real estate services in the major markets of the world'. There is clearly a separation between the truly global players and the rest of the property services competitors. Savills is already a major global player and intends to stay in the top league. However, while total global revenues are important, being perceived as a leader by clients and prospective employees is essential, and this requires a careful balance between being global – in range and capability – and local – having depth of expertise and breadth of service in key local markets. By getting the balance right, we believe we will deliver superior returns to shareholders, and we will be the employer of choice for outstanding individuals in our chosen markets.

### The market

#### *Clients – trends*

There is no doubt that property remains an important asset class and, as markets become more transparent and the corporate users of property continue to sell off their property assets, this trend will continue. We plan to continue to strengthen the services we can offer our clients, from transaction and corporate finance advice, through valuation, leasing, property management, and, in places, facilities management.

We also believe that more global cross-border capital flows into property will continue – cross-border investors have represented the fastest growing segment of most markets over the past two years and, in Europe, now account for almost half of the total investment market. The domestic investment markets remain large however, particularly in North America and Asia, reinforcing the importance of strong local businesses. Savills will focus on expanding share in the largest markets in which it operates, prioritising growth efforts on the cities and countries that have substantial domestic markets as well as being both sources and destinations for international capital investment.

For developers, the trend worldwide is for mixed-use projects, where offices, hotel, retail and residential are all important elements. Savills is uniquely qualified among the major global players in this market, with its depth and breadth of both residential and commercial businesses. This will be an area of focus for Savills over the next few years.

Investors are looking to the emerging markets for greater returns. While these markets are currently small, their future potential and forecast growth rates are appealing. Savills will be taking a proactive approach to identifying the right opportunities to enter these markets.

#### *The competitive environment*

We have a strong and diverse client base that is the envy of many of our competitors. In more challenging market conditions ahead we will have to compete effectively both to retain existing and win new clients. In particular, we will be aiming to do more to retain our current clients and ensure they understand the range of our services and the value we can bring to their business.

The employment market for top quality staff remains highly competitive in all countries. However, Savills has an excellent track record of hiring and retaining top people both at graduate and more experienced levels. We are continuing to make improvements to our working environment, career development prospects and remuneration structures to ensure we remain the employer of choice in the industry.

*Savills strategy – focused expansion and making more of our existing assets*

Based on the assessment of the market dynamics and trends, our strategy for 2008-2010 builds from our strengths and achievements in 2007.

*Building scale and brand recognition in the major cities and countries of the world*

In the UK, we will continue to strengthen and grow our share in existing segments through selected acquisitions and hiring. This includes areas where Savills is already a leader, for example in Planning and Housing Association work, and also in higher growth sectors and discipline areas that have a different revenue profile from transactions.

We will also selectively expand into new areas of specialisation. We will continue to grow our UK Residential business, although expansion of the network will slow down during the current period of economic uncertainty, and we will focus in 2008 on improving productivity in existing offices and integrating the teams and businesses acquired and recruited in 2007.

In the US, the Savills Granite business is focussing on expanding its share in New York City and adding capability in selected sector-focussed teams. The priority in the US is using New York City as a platform to build and expand our presence in the US with the aim of building our share of international capital flows into and out of North America.

Expansion in Europe will be focussed on the countries which we believe will benefit the most from increased cross-border investment activity. In these key markets we will be increasing our Capital Markets teams and expanding into new sectors and cities. We will also be expanding our Consultancy teams across Europe with particular focus on our existing Valuation and Property Management teams. We will selectively establish in new locations and we have already opened a new office in Brussels. We have initiatives in place to improve our cross-selling from London to Europe and, having established our relationship with Asteco in the Middle East in 2007, we will now be working to grow referrals between them and the rest of Savills' businesses.

In Asia our strategy is to consolidate and extend the regional platform that has been built over the past few years. We will be creating an integrated regional service platform to better handle clients' pan-regional requirements. In China we will grow revenue from existing offices, marketing our services to domestic investors, as well as extending into new cities when the time is right. Selected sector teams will be strengthened and Japan will be restructured to improve profitability.

*Continued pursuit of the cross-border investment market*

The aim is to establish a leadership position in this market through improved client relationship management and teamwork. Some of our leading investment specialists have been taken out of their previous roles to concentrate on developing this area of the business.

*Exploring new opportunities in the strongest emerging economies*

We will continue to pursue opportunities in selected emerging markets.

*Growth in fund management*

We continue to see fund management as an important part of our global business. Cordea Savills plans to continue expanding its product range in Europe and, in Asia to build on its strategic venture with Nichani Group in India.

*Exploit our strength in residential on a more global scale*

Savills has an enviable, nationwide prime Residential business in the UK, and new homes businesses in a number of major cities around the world. In addition, we have an associate network of residential agents in popular, upmarket resort destinations around the world. This breadth and depth of customers and knowledge gives the business a real advantage over commercial competitors in advising our clients on mixed development opportunities worldwide. It also supports the Savills brand positioning as 'premium', and 'international'.

*Exploiting our strengths*

An important theme for Savills over the next few years will be making better use of our strengths and assets. This relates to taking a longer term view of client relationships, as well as how we manage the business internally. More effort will be directed to make clients aware

of what we can do for them. For 2008 there are already initiatives in place to further improve the co-operation between our UK mortgage broking and residential businesses, between the various commercial departments in the UK, and to grow international cross-referrals of clients between the US, UK, Europe, Asia and the Middle East. We have improved management structures to strengthen intra-regional cooperation within both Asia and Europe. Team structures and remuneration will be selectively adapted in order to support this initiative. Following a review of our HR policies and practices in 2007, we will be working to improve our people policies and management practices.

*Building the brand*

One of the most important assets of the Group is the Savills brand and our aim is to strengthen the Savills brand recognition across the globe. We have started to review its identity, and to understand better the perception of clients, and both current and prospective employees. This in turn will help us to improve our marketing and communications over the coming years and ensure that investments in marketing are most effective. The identity revolves around the people who work at Savills – passionate, creative, hungry, fun, entrepreneurial – and our premium, global reputation in the market. We aim to maintain this focus on great people and premium brand positioning. We have recently established a new Marketing and Communications working group, reporting into the new Group Chief Executive.

## **SAVILLS MARKETPLACE OVERVIEW**

### UK

#### *Commercial*

Retail and industrial/distribution tenant demand remained positive during 2007. Steady demand in regional office markets continued throughout the year, particularly for Grade A space. In the Central London office market, while levels of leasing activity were well above average in the first three quarters of 2007, there was some caution in the final quarter of the year. While we have seen little evidence of requirements being eased as a result of the credit squeeze, it is clear that banking sector tenants are less certain about the future than they were a year ago.

In the second half of the year, the investment markets in the UK were hit hard by the credit squeeze, with debt-backed purchasers significantly less active than they have been in recent years. Transactional activity was driven by equity investors, both domestic and international. The relatively low levels of transactional activity have made it hard for investors to ascertain the degree to which yields have corrected and some element of valuation lag is further complicating this.

Barring any major external shock in 2008, we expect tenant demand outside the London office markets to remain stable and heavily biased towards Grade A buildings and locations. Until the credit squeeze has eased demand for Central London offices is likely to remain subdued. However, given the current low levels of vacancy in this market we do not believe there will be a significant downward correction in the rents on Grade A buildings.

Once the credit squeeze has begun to ease, we expect a gradual pick up in the volume of capital market transactions across the UK commercial property market, with investors continuing to focus on opportunities that offer the prospect of above average rental growth. Cross-border investors are expected to continue to view the UK as an attractive investment market due to its landlord favourable lease structure, high levels of liquidity and transparency.

#### *Residential*

The UK mainstream residential market started 2007 strongly. However, five successive interest rate rises had a progressive impact upon price growth and market activity over the course of the year. Annual UK house price growth, which peaked in the middle of 2007, fell by the year end, as tightened affordability was compounded by the fallout from the credit squeeze. Markets in the South East proved the most resilient to the slowdown, with no noticeable impact upon rates of price growth being evident in London until August, when buyer confidence was hit by poor economic news reports and accessibility to mortgage finance became more constrained. As confidence dipped, so did market activity. Turnover in the new homes market was noticeably down in the last quarter, as demand from buy to let purchasers and other investors tailed off.

Prime markets performed strongly in the first half of the year, with annual house price growth at the very top end of the Central London market reaching 29% in June, fuelled by record City bonus payouts and strong overseas demand. Price growth in the rest of Prime Central London ended the year at slightly over 16%, even after accounting for a 2% fall in prices in the last quarter, which occurred as a result of uncertainty in the City and reduced earnings expectations amongst those employed in the financial sector.

The 2008 market is expected to be characterised by low turnover and flat house price growth. Further cuts in interest rates, a freeing up of capital markets and some reassurance that the taxation of non-domiciled residents is not going to be too onerous, will be critical to the performance of the sector in 2008.

### Europe

Tenant demand for commercial property across Europe remained steady for most of 2007. Occupiers in all sectors were, however, more selective on location, with a heavy preference towards prime properties. While the credit squeeze raised questions about the prospects for banking sector demand there has been little evidence of tenant requirements being put on hold. Looking ahead we expect leasing activity to remain stable in 2008 unless there is a major external shock. Occupiers in the retail and distribution markets will continue to focus on

locations that deliver high profitability per square foot. Occupational demand for offices will remain heavily skewed towards Grade A properties.

In the investment markets, following a strong first half to 2007, volumes have been restrained by the credit squeeze. Debt has become harder to obtain, and debt backed buyers have consequently been less active. Equity investors have remained active across Europe, focusing on both trophy investments and rental growth opportunities.

Investors in Europe in the second half of 2007 were focusing on Grade A properties in the office, retail and industrial sectors with secondary properties being increasingly difficult to sell. Investors' main focus continued to be Germany where the potential for sustained rental growth continues to attract investors, both domestic and international. Looking forward to 2008, general activity in the European Investment markets will be constrained until there is a greater availability of debt from the banks. We expect investors to continue to focus on France, and Paris in particular, where yields for prime office and retail have proven resilient and where there remains significant demand for good quality, well let office buildings. In Spain, there appears to be concern that the residential markets have been overpriced but there is still a very active commercial market with investors believing that 2008 will provide some interesting buying opportunities.

We believe that there will be increased interest in the Nordic region as some of the countries there begin to attract increased investor demand.

The Netherlands market has remained resilient throughout 2007, and in 2008 to date, with many of the Dutch banks being largely unaffected by the credit squeeze. We see this market attracting significant investor interest in 2008 in both the retail and office sectors.

#### Asia

In 2007, Asia was largely unaffected by the credit squeeze with investor and occupier markets continuing to perform strongly. Upward economic momentum remained. Local and international investors were particularly active during 2007 and a considerable weight of institutional funds targeted the region. Yield compression and a limited stock of available properties created a challenging operating environment for investors and forced many to look further afield to second tier markets for opportunities.

In the prime office markets, corporate expansion at a time of generally limited supply drove rents up. In the retail markets, growing visitor numbers and rising household incomes generated strong consumer demand amidst constrained supply levels, especially at the top end of the market.

Residential markets performed well with some evidence of moderating price growth after a year of rapid gains. In China, measures were being taken to cool the economy and curb inflation and may act to cool the market in the near term.

#### US

In the second half of 2007, with the advent of the subprime credit issues, buyers and sellers became more cautious and the credit markets became significantly more restrictive resulting in costlier debt and slowing sales volumes. The subprime credit squeeze and its ensuing effects on consumer confidence, construction starts, unemployment and GDP had a significant impact on commercial property. While the overwhelming majority of subprime loans are related to single family home mortgages, the fallout spread to the commercial lending sector. We expect this sentiment to continue into 2008.

## SEGMENTAL REVIEWS

### Transactional Advice

Year to 31 December 2007	2007 £m	2006 £m	Change
Revenue	304.1	247.2	+23%
Underlying profit before tax	48.6	46.2	+5%

Our Transactional Advice business comprises four major elements:

– Capital Markets – we advise a wide range of investors including institutions, REITS, sovereign funds and private clients on buying or selling commercial property throughout Europe, Asia and, since July 2007, the US.

– Occupational/Corporate Services – we provide letting advice to property owners and represent tenants and owner occupiers in negotiations on acquiring/disposing of their accommodation including offices, retail and industrial. We continue to support the business needs of global corporate occupiers in providing them with a full range of strategic advisory, professional, transactional and management services across varied property portfolios and asset classes.

– Residential – we act for vendors of residential properties and also have a specialist purchasing business in the UK.

– Development – we advise on acquisitions and disposal of development land/sites.

#### Performance in 2007

Overall we increased transactional revenues by 23% to £304.1m, which represents 47% of total Group revenue. Underlying profit before tax increased by 5% to £48.6m, representing 57% of total Group underlying profit before tax. Overall margins were down 3% reflecting the slowing investment market particularly in the UK.

In the first half, investment markets across the UK and Europe were strong with all asset classes being in demand from both local and international investors, resulting in rising prices and falling yields. The second half was very different following the global credit squeeze, saw a decrease in investment activity, particularly in the UK and US.

In continental Europe, investment markets remained firm and were less affected by the credit squeeze. Germany, in particular, was popular with investors seeing good rental growth opportunities in all sectors.

In July 2007 we acquired a capital markets business, Granite Partners LLC, in the US (now Savills Granite), which traded in line with our expectations in the second half. This was a good performance in a market where the impact of the credit squeeze was most noticeable.

In Asia, our Capital Markets team had a successful 2007, with major increases from our businesses in Hong Kong, Macau, Singapore and Australia. The addition of a new office in Taipei, together with new offices in Chengdu, Dalian and Tianjin in Greater China plus the opening of Savills offices in Hanoi and Ho Chi Minh City were additional factors contributing to the growth of transactional income.

Our Occupational business is focused mainly on London and the other European capitals. Demand in the London City market was mixed with some large potential requirements for additional space from financial sector tenants being put on hold. In the West End, strong demand resulted in record rents being achieved throughout the year for Grade A accommodation in prime locations. In the rest of Europe, tenant demand remained firm, with many international occupiers expanding their operations throughout Europe, leading to a number of pre-lets in many major cities where there remains a severe shortage of good quality, well located buildings.

The UK residential agency market experienced a confident start to the year; prime Central London saw price growth of 16% in 2007, with the super prime market reaching as high as 39%. However most of this growth occurred in the first half of the year. In the second half, market sentiment slowed and there was minimal price growth. The country market also showed strong demand during 2007, although this tailed off in the Autumn.

The UK residential development market experienced strong demand for land for more traditional housing as there is still a lack of supply in most parts of the UK. However, the market for new build apartments, where government policy focused growth on high density apartment schemes, has led to over-supply in some regional cities. Prime central London developments continue to perform well.

#### Key achievements of 2007

We continued to expand our Capital Markets teams in all regions. In Madrid, where we recently recruited a new team, we advised on the largest transaction in Spanish history advising Pontegadea on the acquisition of an 11 building portfolio from Santander Bank, for a price of €500m. In December, the Madrid team also advised Deka Immobilien on the acquisition of the PricewaterhouseCoopers headquarters in Mexico City from BCBA for in excess of US\$110m.

The UK Capital Markets team transacted more than £57bn of property deals with a number of high profile transactions in the City, London.

Our Capital Markets teams across Asia Pacific had an outstanding year and our Hong Kong and Macau based teams alone transacted more than HK\$24bn of property deals during 2007. In China, we completed the sale of two office towers in Suzhou's 'Times Square' for US\$90m to a Korean fund.

In Australia, our Capital Markets team completed the sale of a A\$300m residential land sale at Alkimos, the largest sale of a single residential land holding ever in Western Australia.

In the US, Savills Granite advised private property investor and developer, The Starmount Company, on the sale of its shopping centre, retail and office portfolio comprising 46 properties for £262m. Savills Granite also expanded its core competencies by adding several new employees with expertise in urban office markets and senior housing. The firm continues to develop its specialty in the sale of medical office properties.

The UK Agency Offices team transacted 5.9m sq ft and the National Industrial team transacted 12.0m sq ft. The teams continue to operate a diversified business model representing owners and occupiers alike and focussed on the most prime and large scale developments across the UK. A key transaction for the Offices team involved pre letting 85% of the space at 40 Portman Square, London at rents in excess of £115 per sq ft on behalf of Delancey and Standard Life. They also leased and concluded a sale and leaseback of an 850,000 sq ft distribution centre in Nottingham to B&Q plc.

A key achievement for the Retail Warehouse agency team was being retained by B&Q to market their surplus stores and we sold approximately 400,000 sq ft in 2007. Additionally, we now act on over 100 retail parks throughout the UK for leading landlords, such as British Land, Hammerson and Land Securities.

Food stores remain a key area of growth and we now have a dedicated Food Store team. Our retail development work in the food store sector, primarily for Tesco, has included providing development consultancy advice on several major schemes, and acquisition advice on sites across the country from the north of Scotland to the Home Counties. We also provided brokerage advice on the acquisition of two portfolios of stores from Somerfield. In total, our work for Tesco resulted in them acquiring over 300,000 sq ft of retail space.

Our Leasing teams in Australia were particularly active and included leasing 51,000 sq m, the whole of Darling Park Tower 1, to the Commonwealth Bank Group, believed to be the largest leasing transaction of an existing building.

During the year, our UK Residential business continued to expand, opening new offices in Barnet, Chester, Bournemouth, Cheltenham, Loughton and Stratford-upon-Avon, as well as strengthening many of our existing teams. We acquired Christopher Rowland, with offices in Northwood, Rickmansworth, Amersham and Chesham. Overall in London, transactions were up 12% over 2006 with an average sale price of almost £2m, compared with £1.45m in 2006. The London Region set new benchmarks for prime houses in Belgravia at over £3,000 per sq ft in February with a sale price circa £30m. In the country, transactions were up by 30% over last year at an average sale price of £875,000. Achievements include the sale of 'Polwartha', Rock at a guide of £4.95m (the highest price per sq ft for a house in Cornwall).

Savills marketed 26,000 acres of farmland representing over 14% of the land openly marketed, once again proving to be the market leader in this sector. Out of 16 farms and estate sales over £10m in the UK, Savills sold 11. Those sold included The Park Place Estate, near Henley in Oxfordshire, an unmodernised house set in 499 acres sold with a guide price of £45m.

Prime Purchase, our purchasing advisory business, which specialises in acting on behalf of retained buyers of residential property in both London and the country, had an exceptional year. In 2007, the average search time in London was just 3.9 months. In the country, over 56% of properties were secured for clients either privately or before advertising.

We have continued to grow significantly our Development Land team throughout the main UK cities. Savills were instructed by Derwent London plc to dispose of Greenwich Reach, London, a mixed use development site of 7.8 acres. Planning permission was granted for the redevelopment of the site to provide 980 residential units. The development was sold for £112m to Galliard Homes Ltd.

From our 24 regional New Homes centres we are providing consultancy advice or have concluded terms of business on residential developments with a combined gross development value of £20bn. We continue to maintain a high market share within prime Central London with strong off plan sales being achieved at premium prices frequently to overseas buyers for internationally recognised developments such as One Hyde Park. Nationally, interest in investment properties has slowed with some localised markets becoming oversaturated; however, many creatively marketed well-priced city centre apartment schemes have still sold well.

In Singapore, our Residential Sales team were very active and concluded more than S\$1bn (£360m) of en bloc sales in the second half of 2007 alone, including the sale of Westwood Apartments to a Malaysian conglomerate for S\$435m (£156m).

#### Future plans

We will continue to develop our Transactional businesses worldwide through a mixture of acquisitions and strategic recruitment.

## Consultancy

Year to 31 December 2007	2007 £m	2006 £m	Change
Revenue	141.5	98.8	+43%
Underlying profit before tax	22.3	16.1	+39%

Our Consultancy business covers a wide range of professional property services including:

- Valuation – a professional service typically focussing on valuations for bank lending purposes.
- Building Consultancy – providing a wide range of advice on all aspects of building including structural surveys and advice on fitting out.
- Housing Consultancy – advising housing associations and institutions on all aspects of housing including affordable housing and student accommodation.
- Landlord and Tenant – advising on all issues stemming from rent review and lease renewals.
- Town and Country Planning – comprehensive service advising on all aspects of planning including assisting with planning appeals.
- Research – a highly regarded research department providing research capabilities including reports on specific markets for clients.

### Performance in 2007

We increased the revenue of our consultancy business in 2007 to £141.5m, an increase of 43% (2006: £98.8m). Underlying profit before tax increased by 39% to £22.3m (2006: £16.1m). The strong performance reflects the long-term investment in this business. Margins are slightly down reflecting both the investment being made and salary pressure in this growing market.

Our UK Commercial Valuation team increased revenue by over 45% and we are now one of the leading valuation practices in London. In Europe, we valued assets in excess of €5.5bn and our clients included both UK based and international lenders, together with a number of European funds. In March 2007, we set up a new London based European Valuation team, focussing on valuation instructions outside of the UK. This new team had an excellent first year working closely with all our Valuation teams across Europe. During 2007, we expanded our Valuation teams across the network. Working with our European Valuation team, our local European teams had a good year. The biggest growth was in Germany where our valuation revenue in 2007 increased four-fold compared to 2006. We now have a team of 23 valuers in Germany based in Frankfurt and Berlin, servicing both domestic and international clients. Elsewhere we recruited into all our existing teams with a particular focus on Italy, the Netherlands and Sweden.

2007 was another busy year for our UK Residential Valuation team. We have seen particular growth in loan security valuations and have provided valuation advice to over 80 lending institutions. Due to Savills' size and reputation we are benefiting from a tightening of lenders' approved valuers panels.

Our UK Housing Consultancy team also had another strong year, specialising in stock condition surveys and procurement advice to local authorities and housing associations. We are a leading provider of these specialist services and last year we carried out a record number of surveys and substantially increased our market share in providing procurement and investment advice.

Our UK Landlord & Tenant team is one of the most experienced in the country. We were retained on over 100 retail and shopping parks including 25 of the top 100 UK schemes. Our high calibre staff in London, Birmingham and Manchester have continued to be involved with

some of the highest value single let office and industrial/warehouse properties throughout the country.

Our specialist UK Business Rates team had an exceptionally busy year making significant savings for clients in respect of their ongoing and future rates liabilities. The changes in the 2007 budget to reform the Empty Rates Relief System provided additional business as we advised clients on how to mitigate their rates liability in light of the new legislation.

Following the acquisition and integration of Hephher Dixon at the start of 2007 we are now one of the largest and most diverse planning consultancy businesses in the UK, based in 13 locations throughout the country. We continue to build on the strength in our housing, commercial, retail and mixed use sectors and expanded into other important areas including public sector, environmental and urban design, the water industry, healthcare and airports.

Our planning specialisation in renewable energy is contributing to the build up in value in Infinergy Limited, a company set up to acquire consents for wind farming in which Savills has a 50% stake.

In Asia, the growth in the professional services markets remained strong throughout the year. We saw significant growth of our businesses in Hong Kong, Macau, China and Australia. We are the leading valuer for IPOs in Hong Kong. During the year our expansion into mainland China and the addition of new offices in Vietnam enabled us to offer our services to a wider market.

#### Key achievements

High profile valuation instructions in Europe included a €1.7bn portfolio of German office buildings, a €200m portfolio of around 60 office buildings in France and a portfolio of retail schemes in Sweden and Finland. In the UK, the Retail Planning Consultancy team obtained planning permission for new floor space at Cleveland Retail Park for Hammerson and promoted a retail park in Southend as part of the football club's proposals.

Our London Planning team continued to secure permissions to expand and add value to the already large and award winning Arsenal Regeneration Area, around the new Emirates Stadium. This includes 2,600 new homes, together with business, retail and leisure space.

Our Regional Planning teams are engaged in a number of high profile projects including Wellington Place, a 2m sq ft mixed use development for MEPC in the new 'west end' of Leeds. The diversity of our planning work is exemplified by winning consent for Bio Ethanol Ltd for a new production plant in Lincolnshire, and we continue to act for six water companies, three wind farm developers and several utilities.

Building Consultancy's Industrial team has targeted the large shed developers and are working successfully with Gazeley and Industrial Securities on new developments, both speculatively and occupier led. We are continuing to grow our due diligence and project monitoring service with repeat instructions from MetLife Investments and CBRE Investors, as well as new work with Industrial Securities in Europe. We are also targeting end users directly and have provided project management support for Asda Walmart on a number of schemes. We have continued to develop our service into Europe, providing strategic project advice for some of our developer and fund clients. Europe continues to offer considerable potential for our business growth.

Our Project Management Team enjoyed a successful year and notable projects secured have included head office refurbishments for Benfield Group Ltd, Symbian Software Ltd and Zurich Insurance Company (UK) Ltd.

Our Leisure team have been instrumental in advising on several significant merger and acquisition projects in the hotel, leisure and the childcare sector in the UK and continental Europe.

Our UK Residential Valuation team has been involved in providing valuation advice to one of the four shortlisted parties for the acquisition of the £800m National Grid portfolio.

The recruitment of a 35 person valuation team in China and Hong Kong in 2006 has proved to be successful and the teams were active in the numerous IPO listings that took place during the year. In Beijing, Savills were appointed as the consultant of Wanda Plaza a 680,000 sq m mixed use complex in the Chaoyang.

In Australia, our Valuation team continued to provide valuation services on an annual basis to many of the Australian property listed trusts.

#### Future plans

Over the past few years we have broadened the range of consultancy services we offer and reinforced this with key acquisitions. We will continue to pursue this approach in 2008.

## Property and Facilities Management

Year to 31 December 2007	2007 £m	2006 £m	Change
Revenue	159.7	137.2	+16%
Underlying profit before tax	10.9	11.5	-5%

Our Property Management business consists of three main elements:

- Property Management – we manage commercial and residential property on behalf of owners.
- Facilities Management – we provide a comprehensive range of services to occupiers including all services relating to a building, project management and strategic advice.
- Land and Farm Management – in the UK we provide a specialist service to manage agricultural land including managing farms.

### Performance in 2007

During 2007 we increased revenue by 16% to £159.7m although, profit decreased by 5%. UK and Europe followed a slow first six months with a stronger second half performance resulting in a slight increase on full year profits. In Asia, profits fell by 15% reflecting year on year currency movements and reduced income from our operations in Australia and Korea.

Our Land and Farm Management business benefitted from the marked increase in confidence following CAP reforms and a rise in commodity prices. However, the challenges in the UK investment market in the second half of 2007 meant it was harder to win new commercial instructions but there are signs of investors focusing on the need for more intensive asset management and this has benefited our business.

We achieved a significant increase in revenue in Europe through a mixture of organic growth and newly recruited teams. The profit was held back however by investment in growing the infrastructure.

In Asia, we continue to expand our business and now manage 437m sq ft (2006: 334m sq ft) in Greater China, where we are increasing our market share. Margins reflect increasing competition from local operators in China, Hong Kong and Korea. In addition, Savills has made further investment into winning new business and improving its infrastructure, the benefits of which will emerge in future periods.

### Key achievements of 2007

We have continued to grow our UK Property Management business. We opened new departments in Leeds and Bristol and expanded our existing teams in London, Birmingham, Manchester, Glasgow and Edinburgh. This has enabled us to secure new clients, including Delancey and WELPUT, whilst consolidating existing relationships with other major clients including RREEF, British Land and GE Capital. We now have national property management mandates with GE Capital, ING Real Estate Investment Management, Morley, Diageo and Resolution Asset Management.

In Europe, there has been increasing demand from investors for quality property management services. In order to meet this demand, we have expanded our operations, both through acquisition and recruitment. The focus of this expansion has been in the Netherlands, Spain and Germany, where we acquired Theodor Schone, a leading property management firm based in Hamburg. This was in addition to further expansion of our Property Management team in Berlin. We have also set up a new Property Management department in Warsaw, managing in excess of 47,000 sq m.

Our Paris team won instructions to manage 171 high street retail units in Paris for Generali and 18,000 sq m of high technology warehouses in Caen for Societe da la Tour Eiffel. The team are also working on behalf of Henderson (for their Herald Fund) managing 8,300 sq m of retail warehouse in Franconville, north west of Paris.

The Asia property management practice continues to grow as demand for better quality property and asset management services increased. China and Hong Kong remained particularly strong while demand from other markets gathered pace.

In China our office in Guangzhou has been appointed as property manager to the largest international residential and commercial project in Dongguan CBD, which has a gross floor area of 980,000 sq m. In Chengdu, we were instructed to manage 'Sun Dynasty' a mixed use complex of over 650,000 sq m.

In Japan, Savills secured a number of asset management instructions from international investors, including Deka and Credit Suisse.

In Korea, Savills was appointed as the corporate facility manager for Standard Chartered First Bank Korea's 414 premises located throughout the country.

The Hong Kong government is actively encouraging anti-pollution measures in a bid to improve air quality and reduce waste. Our facility management business in Hong Kong is responding by exploring a number of eco-friendly initiatives including eco-park management, reverse vending machines (RVM's) and bio-engineering greening techniques for use on any of the buildings and property schemes under our management. The business has also been instructed to manage a number of elderly home operations, and currently we have 500 beds under management.

The Rural Management business in the UK has had an excellent year as markets gradually emerged from a long recession in British agriculture. The exception was the livestock sector, which has continuing problems in disease control. Global and city interest in soft commodities remains strong and this has led to increased professional work with rent reviews and farm contracting arrangements. We also advised on specialist sectors such as organics and our research department carried out a considerable amount of work on the measurement of carbon emissions.

We won 18 new estate management instructions across the country, including the appointment as Estate Consultants to Imperial College London.

In November, we opened a specialist Country House consultancy business targeting advice to high net worth individuals in the delivery of services and management of their homes and estates.

#### Future plans

We will continue to focus on growing our Property Management operations in UK and Europe. In Asia, property and facilities management is a cornerstone of our business and helps us secure additional advisory instructions.

## Financial Services

Year to 31 December 2007	2007 £m	2006 £m	Change
Revenue	29.8	26.9	+11%
Underlying profit before tax	5.1	4.4	+16%

The Financial Services division - Savills Private Finance Limited – is an independent adviser for residential and commercial mortgages. It is a market leader at the top end of the residential mortgage broking market sourcing loans from a wide range of banks for new purchases, remortgages and investment acquisitions. SPF also provides insurance broking services and financial planning advice to larger clients.

### Performance in 2007

We increased revenue by 11% in 2007 to £29.8m (2006: £26.9m) benefitting from the strong mortgage market. Underlying profit before tax increased by 16% to £5.1m (2006: £4.4m), margins improved from 16% to 17%. This is a strong result given the tightening of liquidity in the UK market and the significant investment in improving systems and additional regulatory costs. Currently, around two-thirds of our income comes within the M25; however, we continue to expand the traditional residential mortgage broking business geographically and now operate from 24 locations including new offices in Cardiff, Jersey and Windsor.

The Commercial and Agricultural Debt Broking business performed strongly in more difficult market conditions, where the need for independent advice has become more important.

### Key achievements of 2007

During the year we re-launched the relationship with the Residential Agency business, setting benchmarks for all offices to drive a greater flow of mortgage referrals.

### Future plans

The outstanding quality of our people and our continuing investment in developing our infrastructure will serve us well in a market where borrowers will increasingly need the advice from professional mortgage brokers. We are planning to open new offices in Newcastle, Liverpool and Exeter and are also putting extra effort into our customer contact programme to ensure we retain existing clients and continue to deliver the high level of service they expect.

## Fund Management

Year to 31 December 2007	2007 £m	2006 £m	Change
Revenue	15.4	7.2	+114%
Underlying profit before tax	4.1	0.7	+486%

As at 31 December	2007 £bn	2006 £bn	Growth
Funds under management	3.5	2.1	66%

Cordea Savills manages a number of mainly closed ended funds in the UK and Europe on behalf of institutional investors. It focuses on creating market and sector specialist funds as well as core pan-European funds. Through a limited liability partnership, Savills owns 60% of this business; the remaining 40% being owned by members of the Cordea Savills management team.

### Performance in 2007

Revenue increased to £15.4m (2006: £7.2m) reflecting the growth of funds under management to £3.5bn (2006: £2.1bn) at the year end. Underlying profit before tax increased to £4.1m (2006: £0.7m) reflecting the investment we have made over the last few years which is now starting to generate substantial income.

Cordea Savills has successfully met investor demand for alternative sectors in the UK, such as student halls as well as more specialist funds. In continental Europe, investors have been looking at more opportunistic-style ventures to meet their performance objectives. Cordea Savills was well placed to service both of these requirements and six new funds were launched.

Total staff grew to over 80 people and we opened new offices in Stockholm, Luxembourg and Dublin to complement the existing offices in London, Milan, Munich and Paris. We expanded our European institutional client base with new investors from the UK and the Netherlands, the Nordic countries and Italy.

#### Key achievements of 2007

We have been building a reputation for creating innovative funds, especially market and sector specialist funds. Particular achievements in 2007 include the launch of the following funds:

- German Retail Fund
- Italian Opportunities No.2
- UK Property Ventures No. 1
- Pan-European Property Fund
- Cordea Nichani Indian Opportunities No.1
- Cordea Savills Nordic Retail Fund

Investment performance was particularly pleasing. The UK-based segregated mandate team was recognised with awards from two leading trade journals for managing the best performing UK pension fund property portfolio over the previous three-year period to December 2006.

The investment programme for Cordea Savills Italian Opportunities No.1 was completed in the first half of the year, and further equity raising and investment was completed for the Cordea Savills Student Hall Fund. This latter fund was also the top performer in the IPD UK Pooled Property Fund Indices for 2007 reflecting Cordea Savills' strength in alternative sector investment.

#### Future plans

Cordea Savills continues to expand its European product range in new European markets and to build on its strategic venture with Nichani Group in India.

## FINANCIAL REVIEW

### Financial highlights

The key financial information for the year was as follows:

- Revenue up 26% to £650.5m (2006 : £517.6m).
- Underlying profit before tax up 14% to £85.5m (2006: £75.0m).
- Underlying earnings per share up 13% to 46.1p.
- Dividend up 12.5% to 18p (2006 : 16p).
- £41m spent on share buy backs for cancellation and the Employee Benefit Trust (EBT) (2006: £5m).
- Continued significant investment in the business through acquisitions, investment in recruiting new teams and opening new offices.

### Acquisitions

During the year we completed a number of acquisitions both in the UK (in aggregate £12m (2006: £21.1m)), and overseas (in aggregate £31.5m (2006: £50.9m)) including:

- On 7 January 2007, the Group acquired the share capital of Hephher Dixon Limited, a leading planning consultancy, for consideration of £5.1m. Goodwill on acquisition of £4.3m has been capitalised. Cash consideration of £2.8m was paid with £2.3m deferred cash consideration due over the next five years.
- On 3 May 2007, the Group acquired the share capital of Christopher Rowland Limited, a residential property agency, for consideration of £4.0m. Goodwill on acquisition of £3.9m has been capitalised. Cash consideration of £2.1m was paid with £1.9m deferred cash consideration due over the next five years.
- On 31 July 2007, the Group acquired Granite Partners LLC, a New York based property investment banking firm, for an initial consideration of US\$54.0m, of which 75% was payable upon completion. The remainder is subject to a five year earn-out, such that the total consideration is capped at US\$84.6m, dependent on the achievement of certain EBITDA targets over a two year future period. As at the balance sheet date, this remaining 25% has been accounted for as deferred consideration at a discounted amount of £5.8m. Goodwill of £22m and intangible assets of £5.0m have been capitalised.

### Taxation

The effective tax rate is 32.6% (2006: 30.3%). The principal reason for the increase in the tax charge is the impact of the fall in the share price below the fair value price at the date of grant of share based options. This has resulted in an additional charge to tax in the income statement of £2.1m (2006: nil).

### Earnings per share and dividend

Basic earnings per share from continuing operations fell by 1% to 45.5p (2006: 46.0p). Adjusting for profit on disposals, share based payments, amortisation of intangibles and impairment of goodwill and available-for-sale investments, underlying basic earnings per share rose by 13% to 46.1p (2006: 40.8p).

The Board is recommending a final dividend of 12p (net), making 18p for the full year, a 12.5% increase on last year.

### Key performance indicators

The Group uses a number of key performance indicators to measure its performance and highlight the impact of management actions. At Group level, the most visible indicators are revenue growth, underlying profit growth, operating margins, cash generation, earnings per share, growth in assets under management and total shareholder return. The Group continues to review the mix of key performance indicators to measure our performance against strategic objectives, specialising in both financial and non financial areas.

### Financial policies and risk management

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

#### Treasury policies and objectives

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

The Group's financial instruments comprise borrowings, cash and liquid resources and various other items such as trade receivables and trade payables that arise directly from its operations.

#### Interest rate risk

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

#### Liquidity risk

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

#### Foreign currency risk

Our policy is for each business to borrow in local currencies where possible. In particular, we financed the acquisition of Granite Partners LLC in part through a 5 year US\$40m loan. 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.

#### Net interest

Net finance income is £2.1m (2006: £3.7m). Share buy-backs, investments, acquisitions and lower disposal proceeds led to lower cash balances than in 2006.

#### Capital and shareholders' interests

##### *Minority interests*

Minority interests increased to £5.9m (2006: £4.3m) and reflects acquisitions and increased profits from Cordea Savills during the year.

##### *Share capital*

During the year ended 31 December 2007, 189,000 shares were issued to participants in the Savills Executive Share Option Scheme (2001 Scheme) and 66,041 shares to participants in the Savills Sharesave Scheme. No shares were issued to the QUEST. 3.5m shares were repurchased for cancellation during the year. The total number of ordinary shares in issue at 31 December 2007 was 131.8m (2006: 135.1m).

##### *Cash flow and liquidity*

The Group generated cash from operating activities of £102.8m (2006: £76.1m).

At the year end, the Group had cash and cash equivalents of £110.7m (2006: £124.1m). At the same time it had borrowings of £33.2m (2006: £19.3m). However, the Group's cash flow profile is highly seasonal, with significant cash outflows in the second quarter of the year for dividends, taxation and staff bonuses.

The Group retains cash balances throughout the year in a number of subsidiaries. This reflects factors including: fiscal - minimising withholding tax on remittance where future investment is anticipated; commercial - where cash is required to support commercial contracts; regulatory - where our regulated businesses have minimum capital requirements; and where there are minority shareholders. This position remains under review to ensure the Group has the optimal capital structure.

Overall, the Group is run with low financial gearing which the Board believes is appropriate given the transactional nature of many of its revenue streams and its tangible asset base.

#### Future liquidity

The Group's existing net cash balances available bank facilities and expected cash flows for the year provide the Group with the resources to fund operating and investment activities. At

the year end the Group also had undrawn overdraft facilities of £16.8m (2006: £8.9m). Since the year end, £10m of the overdraft facility has been replaced with a £60m, 18 month, revolving credit facility which has been put in place to provide additional flexibility.

*Net assets*

Net assets continue to grow with an increase of 5% from 31 December 2006 to £223.6m. Goodwill has increased from £99.9m to £138.7m largely due to the £22m of goodwill capitalised through the acquisition of Granite in July.

*Pension scheme*

During the year the Company and Trustees undertook a review of the Pension Plan of Savills to ensure that it complied with the Employment Equality (Age) (Amendment No.2) Regulations 2006. From January 2007 the Plan has fulfilled the Pension Act 2004 requirement of having at least one-third Member Nominated Trustees. The triennial valuation of the Plan as at 5 April 2007 has been completed and the necessary certificates were signed on 29 January 2008.

Forward looking statement

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

**Mark Dearsley, Group Finance Director**

**SAVILLS plc**  
**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2007

	Notes	Year ended 31.12.07 £m	Year ended 31.12.06 £m
<b>Continuing operations</b>			
Revenue	<b>2</b>	650.5	517.6
<b>Less:</b>			
Employee benefits expense		(382.3)	(306.1)
Depreciation		(6.2)	(5.6)
Amortisation of intangibles and impairment of goodwill and available-for-sale investments		(5.7)	(2.4)
Other operating expenses		(174.3)	(129.2)
Other income		0.7	0.8
Profit on disposal of subsidiary, associate, joint ventures and available-for-sale investments		0.7	5.1
<b>Operating profit</b>	<b>2</b>	<b>83.4</b>	<b>80.2</b>
<b>Finance income</b>		<b>4.5</b>	<b>4.8</b>
<b>Finance costs</b>		<b>(2.4)</b>	<b>(1.1)</b>
		2.1	3.7
Share of post tax profit from associates and joint ventures		0.4	0.5
<b>Profit before income tax</b>		<b>85.9</b>	<b>84.4</b>
Income tax expense (including foreign tax of £6.1m, December 2006 - £4.4m)	<b>4</b>	(28.0)	(25.6)
<b>Profit for the year from continuing operations</b>		<b>57.9</b>	<b>58.8</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	<b>3</b>	-	0.3
<b>Profit after income tax</b>		<b>57.9</b>	<b>59.1</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		55.3	57.7
Minority interest		2.6	1.4
		57.9	59.1
<b>Earnings per share</b>			
<b>From continuing and discontinued operations</b>			
Basic earnings per share	<b>7(a)</b>	45.5p	46.3p
Diluted earnings per share	<b>7(a)</b>	44.3p	44.2p
<b>From continuing operations</b>			
Basic earnings per share	<b>7(a)</b>	45.5p	46.0p
Diluted earnings per share	<b>7(a)</b>	44.3p	44.0p
<b>Underlying earnings per share</b>			
<b>From continuing and discontinued operations</b>			
Basic earnings per share	<b>7(b)</b>	46.1p	41.1p
Diluted earnings per share	<b>7(b)</b>	44.9p	39.2p
<b>From continuing operations</b>			
Basic earnings per share	<b>7(b)</b>	46.1p	40.8p
Diluted earnings per share	<b>7(b)</b>	44.9p	39.0p
<b>Dividends per share</b>			
Full year dividends proposed	<b>5</b>	18.0p	16.0p
Dividends paid	<b>5</b>	17.0p	13.0p

**SAVILLS plc**  
**CONSOLIDATED BALANCE SHEET**  
**at 31 December 2007**

	Notes	31.12.07 £m	31.12.06 £m
<b>Assets: Non-current assets</b>			
Property, plant and equipment		21.7	16.5
Goodwill		138.7	99.9
Intangible assets		21.8	19.1
Investments in associates and joint ventures		8.9	5.6
Deferred income tax assets		12.9	20.6
Available-for-sale investments		21.6	8.8
Financial assets at fair value through profit or loss		1.5	1.5
Derivative financial instruments		0.2	-
		227.3	172.0
<b>Assets: Current assets</b>			
Work in progress		3.2	3.2
Trade and other receivables		196.1	163.9
Derivative financial instruments		0.3	-
Cash and cash equivalents		110.7	124.1
		310.3	291.2
<b>Liabilities: Current Liabilities</b>			
Borrowings		10.7	7.3
Derivative financial instruments		-	0.2
Trade and other payables		234.3	191.8
Current income tax liabilities		11.6	10.3
Employee benefit obligations		2.7	3.0
Provisions for other liabilities and charges		2.2	1.5
		261.5	214.1
<b>Net current assets</b>		48.8	77.1
<b>Total assets less current liabilities</b>		276.1	249.1
<b>Liabilities: Non-current Liabilities</b>			
Borrowings		22.5	12.0
Derivative financial instruments		0.2	0.3
Trade and other payables		12.0	2.0
Retirement and employee benefit obligations		13.8	19.0
Provisions for other liabilities and charges		1.8	1.6
Deferred income tax liabilities		2.2	1.4
		52.5	36.3
<b>Net assets</b>		223.6	212.8
<b>Equity: Capital and reserves attributable to equity holders of the Company</b>			
Share capital	10	3.3	3.4
Share premium	10	83.0	82.4
Other reserves	10	3.9	(1.8)
Retained earnings	10	127.5	124.5
		217.7	208.5
<b>Minority interest</b>	10	5.9	4.3
<b>Total equity</b>		223.6	212.8

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2007

	Notes	Year ended 31.12.07 £m	Year ended 31.12.06 £m
<b>Cash flows from operating activities</b>			
Cash generated from continuing operations	<b>8</b>	124.3	87.4
Interest received		4.5	4.7
Interest paid		(2.3)	(0.9)
Income tax paid		(23.7)	(15.1)
<b>Net cash generated from operating activities</b>		<b>102.8</b>	<b>76.1</b>
<b>Cash flows from investing activities</b>			
Outflow from sale of subsidiary, net of cash disposed		-	(0.2)
Proceeds from sale of property, plant and equipment		0.1	0.2
Proceeds from sale of associates, joint ventures and available-for-sale investments		5.2	7.9
Dividends received		0.5	0.5
Net loans to associates and joint ventures		(1.4)	(2.0)
Acquisition of subsidiaries, net of cash acquired	<b>9</b>	(32.3)	(37.8)
Sale of assets held for sale		-	16.3
Purchase of property, plant and equipment		(11.6)	(7.3)
Purchase of intangible assets		(1.0)	(1.1)
Purchase of investment in associates, joint ventures and available-for-sale investments		(26.8)	(2.2)
Purchase of financial assets at fair value through profit or loss		-	(1.5)
<b>Net cash used in investing activities</b>		<b>(67.3)</b>	<b>(27.2)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		0.4	1.2
Proceeds from borrowings		20.3	0.2
Repurchase of own shares		(21.8)	-
Purchase of own shares for Employee Benefit Trust		(18.9)	(5.0)
Repayments of borrowings		(7.8)	(1.1)
Dividends paid		(22.1)	(16.4)
<b>Net cash used in financing activities</b>		<b>(49.9)</b>	<b>(21.1)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>(14.4)</b>	<b>27.8</b>
Cash, cash equivalents and bank overdrafts at beginning of the year		123.7	99.9
Effect of exchange rate fluctuations on cash held		1.1	(4.0)
<b>Cash, cash equivalents and bank overdrafts at end of year</b>		<b>110.4</b>	<b>123.7</b>

**SAVILLS plc**  
**CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE**  
**for the year ended 31 December 2007**

	Year ended 31.12.07 £m	Year ended 31.12.06 £m
Profit for the year	57.9	59.1
Revaluation of available-for-sale investments	0.6	0.4
Actuarial gain on defined benefit pension scheme	5.8	2.5
Tax on items directly taken to reserves	(5.0)	3.5
Foreign exchange translation differences	5.7	(4.3)
Net income recognised directly in equity	7.1	2.1
<b>Total recognised income and expense for the year</b>	<b>65.0</b>	<b>61.2</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	62.4	59.6
Minority interest	2.6	1.6
	65.0	61.2

**NOTES**

**1. Basis of preparation**

The results for the year ended 31 December 2007 have been extracted from the audited financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial information in this statement does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2007, on which the auditors have given an unqualified audit report, have not yet been filed with the Registrar of Companies.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

## 2. Segment analysis

<b>Year to 31 December 2007</b>	Trans- actional Advice £m	Consult -ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Unalloc -ated* £m	Total £m
<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							2.1
Share of post tax profit/(loss) from associates & 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 from continuing operations</b>							<b>57.9</b>

<b>Year to 31 December 2006</b>	Trans- actional Advice £m	Consult -ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Unalloc -ated* £m	Total £m
<b>Revenue</b>							
United Kingdom							
- Commercial	83.5	59.6	34.8	7.2	3.7	0.3	189.1
- Residential	91.5	22.4	8.8	-	23.2	-	145.9
	175.0	82.0	43.6	7.2	26.9	0.3	335.0
Rest of Europe	32.6	5.3	10.2	-	-	-	48.1
Asia Pacific	39.6	11.5	83.4	-	-	-	134.5
<b>Total revenue</b>	247.2	98.8	137.2	7.2	26.9	0.3	517.6
<b>Operating profit</b>							
United Kingdom							
- Commercial	19.7	11.0	3.1	0.8	1.0	0.5	36.1
- Residential	20.4	4.0	1.0	-	3.0	-	28.4
	40.1	15.0	4.1	0.8	4.0	0.5	64.5
Rest of Europe	4.3	0.7	(0.1)	-	-	-	4.9
Asia Pacific	4.2	0.7	5.9	-	-	-	10.8
<b>Operating profit</b>	48.6	16.4	9.9	0.8	4.0	0.5	80.2
Finance income							3.7
Share of post tax profit/(loss) from associates & joint ventures	0.6	(0.7)	0.6	-	-	-	0.5
<b>Profit before income tax</b>							84.4
Income tax expense							(25.6)
<b>Profit for the year from continuing operations</b>							58.8

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.

\*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 6, is retained within the unallocated segment.

### 3. Non-current assets held for sale and discontinued operations

	Year ended 31.12.07 £m	Year ended 31.12.06 £m
Revenue	-	1.1
Expenses	-	(0.4)
Profit before income tax	-	0.7
Income tax expense	-	(0.4)
Profit after income tax	-	0.3

The 2006 results relate to the assets and liabilities of the Student Halls Long Lease 1 Unit Trust which were disposed during the year ended 31 December 2006.

### 4. Income tax on profit from continuing operations

The income tax expense/(credit) has been calculated on the basis of the underlying rate in each jurisdiction adjusted for any disallowable charges.

	Year ended 31.12.07 £m	Year ended 31.12.06 £m
United Kingdom income tax		
- Current	21.4	18.7
- Deferred	0.5	2.5
Foreign income tax		
- Current	7.0	4.7
- Deferred	(0.9)	(0.3)
	28.0	25.6

### 5. Dividends

	Year ended 31.12.07 £m	Year ended 31.12.06 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend of 11.0p per share (2006 - 8.0p)	13.4	10.0
Interim dividend of 6.0p per share (2006- 5.0p)	7.3	6.2
	20.7	16.2
Proposed final dividend for the year ended 31 December 2007 of 12.0p per share	14.5	

The final dividend in respect of the year ended 31 December 2007 is to be proposed at the Annual General Meeting on 7 May 2008. These financial statements do not reflect this dividend payable.

## 6. Underlying profit before tax

	Year ended 31.12.07 £m	Year ended 31.12.06 £m
<b>(a) From continuing operations</b>		
Reported profit before income tax	85.9	84.4
<b>Adjustments:</b>		
- Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments	5.1	1.8
- Share based payment adjustment	(4.8)	(6.1)
- Profit on disposal of subsidiary, associate, joint ventures and available-for-sale investments	(0.7)	(5.1)
<b>Underlying profit before tax</b>	<b>85.5</b>	<b>75.0</b>

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 above addresses this by deducting from profit the difference between the IFRS 2 charge and the value of the annual share award.

### (b) Underlying segmental analysis

<b>Year to 31 December 2007</b>	Trans- actional Advice £m	Consult -ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Unalloc- -ated £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
<b>Underlying profit / (loss) before tax</b>	<b>48.6</b>	<b>22.3</b>	<b>10.9</b>	<b>4.1</b>	<b>5.1</b>	<b>(5.5)</b>	<b>85.5</b>

<b>Year to 31 December 2006</b>	Trans- actional Advice £m	Consult -ancy £m	Property & Facilities Manage- ment £m	Fund Manage- ment £m	Financial Services £m	Unalloc- -ated £m	Total £m
United Kingdom							
- Commercial	20.5	10.6	2.8	0.7	1.0	(3.9)	31.7
- Residential	16.6	4.0	1.4	-	3.4	-	25.4
	37.1	14.6	4.2	0.7	4.4	(3.9)	57.1
Rest of Europe	4.7	0.8	-	-	-	-	5.5
Asia Pacific	4.4	0.7	7.3	-	-	-	12.4
<b>Underlying profit / (loss) before tax</b>	<b>46.2</b>	<b>16.1</b>	<b>11.5</b>	<b>0.7</b>	<b>4.4</b>	<b>(3.9)</b>	<b>75.0</b>

## 7. Basic and diluted earnings per share

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

Year to 31 December	Earnings	Shares	EPS	Earnings	Shares	EPS
	2007 £m	2007 million	2007 Pence	2006 £m	2006 million	2006 Pence
<b>From continuing and discontinued operations</b>						
Basic earnings per share	55.3	121.6	45.5	57.7	124.7	46.3
Effect of additional shares issuable under option	-	3.2	(1.2)	-	5.8	(2.1)
Diluted earnings per share	55.3	124.8	44.3	57.7	130.5	44.2
<b>From continuing operations</b>						
Basic earnings per share	55.3	121.6	45.5	57.4	124.7	46.0
Effect of additional shares issuable under option	-	3.2	(1.2)	-	5.8	(2.0)
Diluted earnings per share	55.3	124.8	44.3	57.4	130.5	44.0
<b>From discontinued operations</b>						
Basic earnings per share	-	121.6	-	0.3	124.7	0.3
Effect of additional shares issuable under option	-	3.2	-	-	5.8	(0.1)
Diluted earnings per share	-	124.8	-	0.3	130.5	0.2

**(b) Underlying basic earnings per share**

Year to 31 December	Earnings	Shares	EPS	Earnings	Shares	EPS
	2007 £m	2007 million	2007 Pence	2006 £m	2006 million	2006 Pence
<b>From continuing and discontinued operations</b>						
Basic earnings from continuing operations	55.3	121.6	45.5	57.7	124.7	46.3
- Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments after tax	4.6	-	3.8	1.3	-	1.0
- Share based payment adjustment after tax	(3.4)	-	(2.8)	(4.3)	-	(3.4)
- Profit on disposal of subsidiary, associate, joint venture and available-for-sale investments after tax	(0.5)	-	(0.4)	(3.5)	-	(2.8)
Underlying basic earnings per share	56.0	121.6	46.1	51.2	124.7	41.1
Effect of additional shares issuable under option	-	3.2	(1.2)	-	5.8	(1.9)
Underlying diluted earnings per share	56.0	124.8	44.9	51.2	130.5	39.2
<b>From continuing operations</b>						
Basic earnings from continuing operations	55.3	121.6	45.5	57.4	124.7	46.0
- Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments after tax	4.6	-	3.8	1.3	-	1.0
- Share based payment adjustment after tax	(3.4)	-	(2.8)	(4.3)	-	(3.4)
- Profit on disposal of subsidiary, associate, joint venture and available-for-sale investments after tax	(0.5)	-	(0.4)	(3.5)	-	(2.8)
Underlying basic earnings per share	56.0	121.6	46.1	50.9	124.7	40.8
Effect of additional shares issuable under option	-	3.2	(1.2)	-	5.8	(1.8)
Underlying diluted earnings per share	56.0	124.8	44.9	50.9	130.5	39.0

## 8. Cash generated from continuing operations

	Year ended 31.12.07 £m	Year ended 31.12.06 £m
Profit for the year from continuing operations	57.9	58.8
<i>Adjustments for:</i>		
Income tax (Note 4)	28.0	25.6
Depreciation	6.2	5.6
Amortisation of intangibles and impairment of goodwill and available-for-sale investments	5.7	2.4
Finance income	(2.1)	(3.7)
Share of post tax profit from associates and joint ventures	(0.4)	(0.5)
Profit on disposal of subsidiary, associate, joint venture and available-for-sale investments	(0.7)	(5.1)
Loss on sale of property, plant and equipment	0.7	0.4
Profit on disposal of available-for-sale investments included within other income	(0.7)	-
Increase in provisions	0.4	0.5
Increase/(decrease) in employee and retirement obligations	0.2	(2.2)
Charge for share based compensation	8.1	5.3
<b>Operating cash flows before movements in working capital</b>	<b>103.3</b>	<b>87.1</b>
Decrease in work in progress	0.4	0.4
Increase in debtors	(20.4)	(37.2)
Increase in creditors	41.0	37.1
<b>Cash generated from operations</b>	<b>124.3</b>	<b>87.4</b>

## 9. Acquisitions

On 7 January 2007, the Group acquired the share capital of Hepher Dixon Limited for consideration of £5.1m. Goodwill on acquisition of £4.3m has been capitalised and this can be attributed to key staff and their industry reputation. Cash consideration of £2.8m was paid with £2.3m deferred cash consideration due over the next five years.

On 3 May 2007, the Group acquired the share capital of Christopher Rowland Limited for consideration of £4.0m. Goodwill on acquisition of £3.9m has been determined and is attributable to key staff and their industry reputation. Cash consideration of £2.1m was paid with £1.9m deferred cash consideration due over the next five years.

On 31 July 2007, the Group acquired Granite Partners LLC for an initial consideration of US\$54.0m, of which 75% was payable upon completion. The remainder is subject to a five year earn-out, such that the total consideration is capped at \$84.6m, dependent on the achievement of certain EBITDA targets over a two year future period. As at the balance sheet date, this remaining 25% has been accounted for as deferred consideration at a discounted amount of £5.8m. Goodwill of £22.0m and intangible assets of £5.0m have been capitalised.

## 10. Statement of changes in equity

	Attributable to equity holders of the Group				Minority interest £m	Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m		
	<b>Balance at 1 January 2007</b>	<b>3.4</b>	<b>82.4</b>	<b>(1.8)</b>		
Total recognised income and expense for the year	-	-	5.9	56.5	2.6	<b>65.0</b>
Employee share option scheme:						
- Value of services provided	-	-	-	8.1	-	<b>8.1</b>
- Exercise of options	-	0.2	-	(0.2)	-	-
Issue of share capital	-	0.4	-	-	-	<b>0.4</b>
Purchase of own shares	(0.1)	-	0.1	(21.8)	-	<b>(21.8)</b>
Purchase of treasury shares	-	-	-	(18.9)	-	<b>(18.9)</b>
Dividends	-	-	-	(20.7)	(1.4)	<b>(22.1)</b>
Disposals (net of tax)	-	-	(0.3)	-	-	<b>(0.3)</b>
Acquisitions	-	-	-	-	0.4	<b>0.4</b>
<b>Balance at 31 December 2007</b>	<b>3.3</b>	<b>83.0</b>	<b>3.9</b>	<b>127.5</b>	<b>5.9</b>	<b>223.6</b>

	Attributable to equity holders of the Group				Minority interest £m	Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m		
	<b>Balance at 1 January 2006</b>	<b>3.3</b>	<b>80.9</b>	<b>6.5</b>		
Total recognised income and expense for the year	-	-	(4.2)	63.8	1.6	<b>61.2</b>
Employee share option scheme:						
- Value of services provided	-	-	-	5.3	-	<b>5.3</b>
- Exercise of options	-	0.4	-	(0.4)	-	-
Issue of share capital	0.1	1.1	-	-	-	<b>1.2</b>
Purchase of treasury shares	-	-	-	(5.0)	-	<b>(5.0)</b>
Dividends	-	-	-	(16.2)	(0.2)	<b>(16.4)</b>
Disposals (net of tax)	-	-	(4.1)	-	-	<b>(4.1)</b>
Acquisitions	-	-	-	-	2.3	<b>2.3</b>
<b>Balance at 31 December 2006</b>	<b>3.4</b>	<b>82.4</b>	<b>(1.8)</b>	<b>124.5</b>	<b>4.3</b>	<b>212.8</b>

Copies of this statement are available from the Company website at: [www.savills.com](http://www.savills.com) and also from:

Savills plc, 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ  
 Telephone: 020 7409 9928 Fax: 020 7491 0505 Email: [kcharmley@savills.com](mailto:kcharmley@savills.com)  
 Contact: Kathryn Charmley

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

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

**End**