

Notes to the financial statements

Year ended 31 December 2010

1. General information

Savills plc (the 'Company') and its subsidiaries (together the 'Group') is a leading international property advisory Group. The Group operates through a network of offices in the UK, Europe, Asia Pacific and the US. Savills is listed on the London Stock Exchange and employs 21,588 staff worldwide.

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

These consolidated financial statements were approved for issue by the Board of Directors on 16 March 2011.

2. Accounting policies

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

Basis of preparation

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

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

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

Consolidation

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

Subsidiaries

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

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

Associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2. Accounting policies continued

Joint ventures

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

Segment reporting

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

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

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

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

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

Foreign currency translation

– Functional and presentation currency

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

– Transactions and balances

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Goodwill

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

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

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

Notes to the financial statements continued

2. Accounting policies continued

Goodwill continued

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

Intangible assets other than goodwill

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Financial instruments

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

Available-for-sale investments

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

Trade receivables

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

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

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

2. Accounting policies continued

Cash and cash equivalents

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

Bank borrowings

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

Trade payables

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

Derivative financial instruments and hedging

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

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

Gains and losses relating to the effective portion of hedges of net investments in foreign operations are recognised in other comprehensive income. Gains or losses relating to the ineffective portion are recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed or sold.

Share capital

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

Taxation

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

Deferred income tax is recognised using the liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax base.

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

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

Pension obligations

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

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

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

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

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

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

Share-based payments

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

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

Notes to the financial statements continued

2. Accounting policies continued

Share-based payments continued

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

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

Employee Benefit Trust

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

Provisions

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

Revenue

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

– Residential transactional fees

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

– Commercial transactional fees

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

– Property consultancy

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

– Property and facilities management

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

– Fund management

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

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

– Financial services

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

– Work in progress

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

– Interest income

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

– Dividend income

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

– Other income

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

Leases

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

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

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

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

2. Accounting policies continued

Leases continued

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

Dividends

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

Standards, amendments and interpretations to standards effective in 2010

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- IAS 27 (revised) 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The revised standard was applied to the acquisition of further interests in Savills Sweden AB and Cordea Savills LLP and the sale and repurchase of a non-controlling share in Savills Singapore PTE. These were accounted for as transactions with non-controlling equity holders and £14.6m was charged to equity as a result. Previously this would have been capitalised to goodwill. See note 16(f) for further details of these transactions. The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.
- IFRS 3 (revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard was applied to the acquisition of 100% of the voting share capital of Incoll Management Pty Limited. Acquisition costs of £0.2m have been included in the income statement. Previously, these would have been included in the consideration for the acquisition. See Note 16(e) for further details of this transaction. The change in accounting policy has been applied prospectively and consequently no adjustments were necessary to any of the amounts previously recognised in the financial statements.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This does not have a material impact on the Group's financial statements.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. This interpretation does not have a material impact on the Group's financial statements.
- IAS 38 (amendment), 'Intangible assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. This amendment does not have a material impact on the Group's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment does not have a material impact on the Group's financial statements.
- IAS 36 (amendment), 'Impairment of assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'. This amendment does not have a material impact on the Group's financial statements.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance does not have a material impact on the Group's financial statements.

Notes to the financial statements continued

2. Accounting policies continued

Standards, amendments and interpretations to standards effective in 2010 continued

- IFRS 8, 'Operating segments'. The amendment changes 'total assets' from a mandatory reporting requirement for reportable segments to only being required where total assets for segments are regularly reported to the chief operating decision maker. The Group does not disclose segmental assets to the chief operating decision maker, but voluntarily discloses non-current assets on a geographical basis.
- IAS 18, 'Revenue'. The amendment provides additional guidance regarding the determination as to whether an entity is acting as an agent or principal. The new guidance does not have a material impact on the Group's financial statements.

Other standards, amendments and interpretations effective in 2010 and not discussed above are not relevant to the Group. These include:

- IFRS 1 (amendment), 'First time adoption' – additional exemptions, effective for accounting periods beginning on or after 1 January 2010.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement', on 'Eligible hedged items', effective for accounting periods beginning on or after 1 July 2009.
- IFRIC 12, 'Service concession arrangements', effective for accounting periods beginning on or after 30 March 2009.
- IFRIC 18, 'Transfer of assets from customers', effective for transfers of assets from customers received on or after 31 October 2009.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', disclosure of non-current assets (or disposal groups) classified as held for sale or discontinued operations, effective for accounting periods beginning on or after 1 January 2010.
- IAS 7, 'Statement of cash flows', classification of expenditures on unrecognised assets, effective for accounting periods beginning on or after 1 January 2010.
- IAS 17, 'Leases', classification of leases of land and buildings, effective for accounting periods beginning on or after 1 January 2010.
- IAS 39, 'Financial Instruments: Recognition and measurement', treating loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts, cash flow hedge accounting, effective for accounting periods beginning on or after 1 January 2010.
- IFRIC 9, 'Reassessment of embedded derivatives', effective for accounting periods beginning on or after 1 July 2009.

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

The following standards and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2011, and have not been early adopted:

- IFRS 9, 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments and the Group makes an irrevocable election to present gains and losses on that investment in other comprehensive income. In the current reporting period, the Group recognised £1.0m of such losses in other comprehensive income.
- IAS 32 (amendment), 'Classification of rights issues'. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011. It is not expected to have any impact on the Group's financial statements.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to its creditor to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

2. Accounting policies continued

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

- IFRS 3 (amendment), 'Business combinations'. Firstly, the amendments clarify that the requirements in IAS 39 do not apply to contingent consideration that arose from a business combination whose acquisition date preceded the application of IFRS 3 (revised 2008) and to provide guidance on how to account for such balances. Secondly, it limits the choice of accounting applied to non-controlling interests to those that are present ownership instruments and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Thirdly, it now provides guidance on share-based payment transactions of an acquiree that the acquirer chooses to replace and clarifies that those awards should be accounted for in the same way as acquiree awards that the acquirer is obliged to replace. The Group will apply these amendments from 1 January 2011. It is not expected to have a material impact on the Group's financial statements.
 - IFRS 7 (amendment), 'Financial instruments: Disclosures'. The amendment clarifies that the disclosure requirement in respect of maximum exposure to credit risk applies only to financial assets whose carrying amounts do not show the reporting entity's maximum exposure to credit risk in order to avoid repetition. The requirements to disclose the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated and the fair value of collateral and other credit enhancements have been removed. The Group will apply these amendments from 1 January 2011. It is not expected to have a material impact on the Group's financial statements.
 - IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that entities may present required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. It also reinforces the disclosure of dividends per share either in the statement of changes in equity or the notes to the financial statements. The Group will apply these amendments from 1 January 2011. It is not expected to have a material impact on the Group's financial statements.
 - IAS 34 (amendment), 'Interim Financial Reporting'. The amendment aligns the disclosures required by IAS 34 with those of other IFRSs and takes into account some of the disclosures required by IFRS 7, 'Financial instruments: Disclosures' around fair value measurement. The Group will apply these amendments from 1 January 2011. It is not expected to have a material impact on the Group's financial statements.
 - 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. It is not expected to have a material impact on the Group's financial statements.
- Other standards, amendments and interpretations not yet effective and not discussed above are not relevant to the Group. These include:
- IFRS 7 (amendment), 'Financial instruments: Disclosures on derecognition – transfers of financial assets, effective for accounting periods beginning on or after 1 July 2011.
 - IFRS 1 (amendment), 'First time adoption' – financial instrument disclosures, effective for accounting periods beginning on or after 1 July 2010, accounting policy changes in the year of adoption, revaluation basis as deemed cost, use of deemed cost for operations subject to rate regulation, effective for accounting periods beginning on or after 1 January 2011.
 - IAS 24 (amendment), 'Related party disclosures', disclosures for state-controlled entities, effective for accounting periods beginning on or after 1 January 2011.
 - IFRIC 13, 'Customer loyalty programmes', fair value of award credits, effective for accounting periods beginning on or after 1 January 2011.

Notes to the financial statements continued

3. Financial risk management

Financial risk factors

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

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

Foreign exchange risk

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

For the year ended 31 December 2010, if the average currency conversion rates against Sterling for the year had changed with all other variables held constant, the Group post tax profit for the year would have increased or decreased as shown below:

Movement of currency against Sterling				
£m	-20%	-10%	+10%	+20%
2010				
Estimated impact on post-tax profit				
Euro	0.9	0.5	(0.6)	(1.4)
Hong Kong dollar	(1.2)	(0.6)	0.8	1.8
US dollar	0.7	0.4	(0.5)	(1.1)
Estimated impact on components of equity				
Euro	5.2	2.8	(3.4)	(7.7)
Hong Kong dollar	(16.3)	(8.9)	10.9	24.5
US dollar	3.0	1.6	(2.0)	(4.5)
2009				
Estimated impact on post-tax profit				
Euro	0.8	0.4	(0.5)	(1.2)
Hong Kong dollar	(0.6)	(0.3)	0.4	0.8
US dollar	1.7	0.9	(1.1)	(2.5)
Estimated impact on components of equity				
Euro	3.9	2.1	(2.6)	(5.9)
Hong Kong dollar	(13.0)	(7.1)	8.6	19.5
US dollar	3.7	2.0	(2.5)	(5.6)

Price risk

The Group is not materially exposed to equity securities price risk because listed investments held on the balance sheet are not significant. The Group is not exposed to commodity price risk.

Interest rate risk

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

For the year ended 31 December 2010, if the average interest rate for the year had changed with all other variables held constant, the Group post tax profit for the year would have increased or decreased as shown below:

Increase in interest rates				
£m	+ 0.50%	+ 1.00%	+ 1.50%	+2.00%
2010				
Estimated impact on post-tax profit	0.2	0.3	0.5	0.7
2009				
Estimated impact on post-tax profit	0.0	0.0	0.0	0.1
Decrease in interest rates				
£m	- 0.50%	- 1.00%	- 1.50%	-2.00%
2010				
Estimated impact on post-tax profit	(0.2)	(0.3)	(0.3)	(0.2)
2009				
Estimated impact on post-tax profit	0.0	0.0	0.0	(0.1)

Credit risk

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

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

As at the balance sheet date, no significant credit risk existed in relation to banking counterparties. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There were no other significant receivables or individual trade receivable balances as at 31 December 2010.

3. Financial risk management continued

Credit risk continued

The table below shows Group cash balances split by counterparty ratings at the balance sheet date:

Counterparty rating (provided by S&P)	2010 £m	2009 £m
AAA	–	5.1
AA	12.2	11.8
AA–	32.2	23.1
A+	30.5	23.5
A	8.3	5.4
A–	7.6	5.6
BBB+ or below	6.4	7.1
Total	97.2	81.6

Liquidity risk

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

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

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

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

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
2009			
Borrowings	5.6	4.9	3.8
Loan notes	0.7	0.3	–
Derivative financial instruments	–	–	0.7
Trade and other payables	141.6	10.8	1.1
	147.9	16.0	5.6

Capital risk management

The Group's objectives when managing capital are:

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

Savills plc is not subject to any externally imposed capital requirements, with the exception of our FSA regulated entities, which complied with all capital requirements during the year ended 31 December 2010.

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

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

Notes to the financial statements continued

3. Financial risk management continued

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

The capital structure is as follows:

£m	Group		Company	
	2010	2009	2010	2009
Equity	209.1	197.7	123.8	138.1
Cash and cash equivalents	97.2	81.6	–	19.2
Bank overdrafts	(0.7)	(0.7)	(6.3)	–
Borrowings	(9.6)	(14.6)	–	–
Net cash/(debt)	86.9	66.3	(6.3)	19.2

Fair value estimation

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

£m	Level 1	Level 2	Level 3	Total
2010				
Assets				
Available-for-sale investments				
– Unlisted	–	14.2	–	14.2
Total assets	–	14.2	–	14.2
Liabilities				
Derivative financial instruments	–	0.5	–	0.5
Total liabilities	–	0.5	–	0.5

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009:

£m	Level 1	Level 2	Level 3	Total
2009				
Assets				
Available-for-sale investments				
– Unlisted	0.2	13.8	–	14.0
Derivative financial instruments	–	0.1	–	0.1
Total assets	0.2	13.9	–	14.1
Liabilities				
Derivative financial instruments	–	0.7	–	0.7
Total liabilities	–	0.7	–	0.7

The fair value of listed available-for-sale investments is based on quoted market prices at the balance sheet date. The quoted market price is the current bid price. These instruments are included in Level 1.

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

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

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

4. Critical accounting estimates and management judgements

Critical accounting estimates and assumptions

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

Pension benefits

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

Income taxes

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

4. Critical accounting estimates and management judgements continued

Fair value of options granted to employees

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

Estimated impairment of assets

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

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

Valuation of intangible assets and useful life

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

Provisions

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

Critical judgements in applying the entity's accounting policies

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

Award of options and deferred shares to employees

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

5. Segment analysis

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board (GEB). The operating segments are determined based on differences in the nature of their services and geographical location as the Group is strongly affected by both factors. The reportable operating segments derive their revenue primarily from property related services. Refer to the Group overview on pages 2 and 3 and the Segmental reviews on pages 8 to 13 for further information on revenue sources.

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

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

All operations are continuing. The 'other' segment includes costs and other expenses at both holding company and subsidiary levels, which are not directly attributable to the operating activities of the Group's business segments.

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

The segment information provided to the GEB for revenue and profits for the year ended 31 December 2010 is as follows:

	Transactional Advice £m	Consultancy £m	Property and Facilities Management £m	Fund Management £m	Financial Services £m	Other £m	Total £m
2010							
Revenue							
United Kingdom – commercial	48.2	73.2	56.2	19.0	0.7	–	197.3
– residential	86.8	24.3	16.2	–	8.7	–	136.0
Total United Kingdom	135.0	97.5	72.4	19.0	9.4	–	333.3
Continental Europe	30.2	10.4	20.3	–	–	–	60.9
Asia Pacific – commercial	85.5	26.3	151.0	–	–	–	262.8
– residential	16.9	–	–	–	–	–	16.9
Total Asia Pacific	102.4	26.3	151.0	–	–	–	279.7
America	3.1	–	–	–	–	–	3.1
Total revenue	270.7	134.2	243.7	19.0	9.4	–	677.0
Underlying profit/(loss) before tax							
United Kingdom – commercial	7.7	6.4	3.9	3.4	(1.1)	(8.0)	12.3
– residential	13.3	2.7	1.9	–	(0.8)	(2.0)	15.1
Total United Kingdom	21.0	9.1	5.8	3.4	(1.9)	(10.0)	27.4
Continental Europe	(4.3)	(0.1)	(1.8)	–	–	–	(6.2)
Asia Pacific – commercial	13.4	1.6	10.4	–	–	–	25.4
– residential	4.3	–	–	–	–	–	4.3
Total Asia Pacific	17.7	1.6	10.4	–	–	–	29.7
America	(3.6)	–	–	–	–	–	(3.6)
Underlying profit/(loss) before tax	30.8	10.6	14.4	3.4	(1.9)	(10.0)	47.3

Included within the Other UK residential segment is the Group's share of post tax losses of £2.0m (2009: £nil) from an associated company. Management believes this amount cannot be reasonably allocated to an operating segment. The associated company provides marketing and media services. The losses primarily relate to the impairment of goodwill.

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

Inter segmental revenue is not material.

5. Segment analysis continued

2009	Transactional Advice £m	Consultancy £m	Property and Facilities Management £m	Fund Management £m	Financial Services £m	Other £m	Total £m
Revenue							
United Kingdom – commercial	35.7	65.3	50.1	17.4	1.7	–	170.2
– residential	71.3	22.8	14.5	–	9.5	–	118.1
Total United Kingdom	107.0	88.1	64.6	17.4	11.2	–	288.3
Continental Europe	28.3	8.8	23.0	–	–	–	60.1
Asia Pacific – commercial	48.7	22.5	127.6	–	–	–	198.8
– residential	11.2	–	–	–	–	–	11.2
Total Asia Pacific	59.9	22.5	127.6	–	–	–	210.0
America	2.3	–	–	–	–	–	2.3
Total revenue	197.5	119.4	215.2	17.4	11.2	–	560.7
Underlying profit/(loss) before tax							
United Kingdom – commercial	1.2	6.9	5.1	2.9	(0.9)	(4.6)	10.6
– residential	11.8	2.3	2.0	–	(2.0)	–	14.1
Total United Kingdom	13.0	9.2	7.1	2.9	(2.9)	(4.6)	24.7
Continental Europe	(9.6)	(0.3)	(2.7)	–	–	–	(12.6)
Asia Pacific – commercial	4.6	2.0	8.2	–	–	–	14.8
– residential	2.2	–	–	–	–	–	2.2
Total Asia Pacific	6.8	2.0	8.2	–	–	–	17.0
America	(3.9)	–	–	–	–	–	(3.9)
Underlying profit/(loss) before tax	6.3	10.9	12.6	2.9	(2.9)	(4.6)	25.2

Non-current assets by geography comprise:

	2010 £m	2009 £m
Non-current assets		
United Kingdom	69.4	73.7
Continental Europe	46.2	51.6
Asia Pacific	63.9	50.9
America	17.9	17.6
Total non-current assets	197.4	193.8

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

Notes to the financial statements continued

6(a). Operating profit

Operating profit is stated after charging/(crediting):

	2010 £m	2009 £m
Other operating expenses include:		
– Net foreign exchange losses/(gains)	0.1	(1.0)
– Loss on sale of property, plant and equipment	–	0.2
– Operating lease rentals – Hire of plant and machinery	2.2	1.5
– Property	21.6	21.0
Other income – dividend and investment income	(0.3)	(0.2)
(Loss)/profit on disposals is made up as follows:		
(Loss)/profit on disposals – Available-for-sale investments	–	0.2
– Associate	–	(0.2)
– Subsidiary	(0.1)	–
	(0.1)	–

6(b). Income Statement of the Company

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company is not presented as part of these accounts. The Company has produced its own income statement and statement of comprehensive income for approval by its board. The Company receives dividends from subsidiaries and charges subsidiaries for the provision of Group related services. The profit after income tax of the Company for the year was £5.0m (2009: £3.1m).

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

	2010 £m	2009 £m
Audit services		
Fees payable to Company's auditor for the audit of parent Company and consolidated accounts	0.2	0.2
Other services		
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	0.8	0.8
Tax services	0.3	0.6
	1.3	1.6

7. Underlying profit before tax

	2010 £m	2009 £m
Reported profit before tax	36.8	13.5
Adjustments:		
Amortisation of intangibles (excluding software) (Note 14)	2.7	2.7
Impairment of goodwill and intangible assets (Note 14)	4.4	4.3
Share-based payment adjustment	3.3	4.7
Loss on disposal of subsidiary, associate and available-for-sale investments	0.1	–
Underlying profit before tax	47.3	25.2

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

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

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

	Group	
	2010 £m	2009 £m
Basic salaries and wages	258.1	227.2
Incentive bonuses and commissions	122.3	81.1
Wages and salaries	380.4	308.3
Social security costs	31.0	26.5
Other pension costs	14.9	12.6
Share-based payments	11.3	9.8
	437.6	357.2

8(b). Staff numbers

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

	Group	
	2010	2009
United Kingdom	3,222	3,079
Continental Europe	692	731
Asia Pacific	17,640	16,104
America	34	34
	21,588	19,948

The average number of UK employees (including Directors) during the year included 91 employed under fixed term and temporary contracts (2009: 60). The average number of employees of the Company was 113 (2009: 102) who are all located in the UK.

8(c). Key management compensation

	Group	
	2010 £m	2009 £m
Key management		
– Remuneration and fees excluding bonuses	2.0	1.4
– Bonuses	3.8	2.1
– National Insurance	0.7	0.5
– Share-based payments	1.4	0.4
	7.9	4.4

The key management of the Group for the year ended 31 December 2010 comprised Savills plc Board Directors during the year and the Group Executive Board. The key management of the Group for the year ended 31 December 2009 comprised Savills plc Board Directors and the Chairman and Chief Executive of Savills Commercial Limited. Details of Directors' remuneration is contained in the Remuneration Report on pages 32 to 39.

During the year five (2009: five) Executives made gains totalling £1.1m on the exercise of options under the DSBP, ESOP, Sharesave and 2001 Option Schemes (2009: £0.5m).

The pension annuity for the highest paid Executive was £49,958 with no lump sum accrued (2009: £49,504 with no lump sum accrued). Retirement benefits under the defined benefit scheme are accruing for three (2009: three) Executives and benefits are accruing under a defined contribution scheme in Hong Kong for one (2009: one) Executive.

Notes to the financial statements

continued

9. Pension scheme

Defined contribution plans

The Group operates the Savills UK Group Personal Pension Plan, a defined contribution scheme, a number of defined contribution individual pension plans and a Mandatory Provident Fund Scheme in Hong Kong, to which it contributes. The total pension charges in respect of these plans were £14.0m (2009: £8.5m).

Defined benefit plan

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

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

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

	Group	
Principal assumptions at 31 December	2010	2009
Expected return on plan assets		
– Equities	8.10%	8.30%
– Gilts	4.00%	–
– Bonds	5.20%	5.30%
– Property	7.10%	7.30%
– Diversified growth funds	7.80%	8.00%
– Other	0.50%	0.30%
Expected rate of salary increases	4.50%	5.00%
Rate of increase to pensions in payment		
– accrued before 6 April 1997	3.00%	3.00%
– accrued after 5 April 1997	3.60%	3.60%
– accrued after 5 April 2005	2.40%	2.40%
Rate of increase to pensions in deferment		
– accrued before 6 April 2001	5.00%	5.00%
– accrued after 5 April 2001	2.90%	3.70%
Discount rate	5.50%	5.60%
Inflation assumption	3.60%	3.70%

9. Pension scheme continued

Using post-retirement mortality assumptions, the assured life expectations on retirement at age 60 (2009: 60) are as follows:

		Group	
		2010	2009
Retiring today	– Male	88.1	87.1
	– Female	89.1	89.7
Retiring in 20 years	– Male	89.5	89.2
	– Female	90.8	91.7

Sensitivity analysis of the discount rate:

Change in assumption	Decrease by 0.5% p.a. (2009: decrease by 0.5% p.a.)
Impact on liabilities	Increase by 12% (2009: increase by 12%)

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Fair value of plan assets	119.5	103.5	6.6	5.7
Present value of funded obligations	(141.8)	(141.2)	(7.8)	(7.8)
Deficit	(22.3)	(37.7)	(1.2)	(2.1)
Related deferred tax asset	6.1	10.7	0.3	0.6
Net liability	(16.2)	(27.0)	(0.9)	(1.5)

The amounts recognised in the income statement:

	Group	
	2010 £m	2009 £m
Current service cost	0.9	3.2
Interest cost	7.9	7.0
Expected return on plan assets	(7.9)	(6.1)
Total included in staff costs	0.9	4.1

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

Change in defined benefit obligation:

	Group	
	2010 £m	2009 £m
Present value of defined benefit obligation at start of year	141.2	110.5
Current service cost	0.9	3.2
Interest cost	7.9	7.0
Plan participants contributions	0.3	1.1
Actuarial (gain)/loss	(7.2)	20.7
Benefits paid	(1.3)	(1.3)
Present value of defined benefit obligation at end of year	141.8	141.2

Notes to the financial statements continued

9. Pension scheme continued

Change in plan assets:

	2010 £m	Group 2009 £m
Fair value of plan assets at start of year	103.5	85.9
Expected return on plan assets	7.9	6.1
Actuarial gain	3.3	7.9
Employer contributions	5.8	3.8
Plan participants contributions	0.3	1.1
Benefits paid	(1.3)	(1.3)
Fair value of plan assets at end of year	119.5	103.5

The actual return on plan assets was £11.2m (2009: £14.0m). The overall expected return on assets is determined as the weighted average of the expected returns on each separate asset class shown below. The expected return on plan assets is determined by the expected rate of return over the remaining life of the related liabilities held by the scheme. The expected rate of return on equities is based on market expectations of dividend yields and price earnings ratios. Expected returns on bonds are based on gross redemption yields as at the balance sheet date.

The amounts recognised in the consolidated statement of comprehensive income:

	2010 £m	Group 2009 £m
Actuarial losses brought forward	(37.6)	(24.8)
Net actuarial gain/(loss) for the year	10.5	(12.8)
Accumulated net actuarial losses	(27.1)	(37.6)

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

	2010	2009
Equities	51%	53%
Gilts	4%	–
Bonds	23%	23%
Property	3%	3%
Diversified Growth Funds	19%	20%
Cash	–	1%
Total	100%	100%

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

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Plan assets	119.5	103.5	85.9	103.4	96.6
Defined benefit obligation	(141.8)	(141.2)	(110.5)	(113.4)	(112.1)
Deficit	(22.3)	(37.7)	(24.6)	(10.0)	(15.5)
Experience gain/(loss) on plan liabilities	2%	2%	1%	(5%)	(3%)
Experience gain/(loss) on plan assets	3%	8%	(35%)	(4%)	3%

The Group expects to contribute £6.0m to its pension plan in the period to 31 December 2011 (2010 – £5.8m). The Company expects to contribute £0.3m (2010 – £0.3m).

10. Finance income and costs

	Group	
	2010 £m	2009 £m
Bank interest receivable	0.9	1.9
Fair value gain – interest rate swaps	0.3	0.4
Finance income	1.2	2.3
Bank interest payable	(2.2)	(2.3)
Finance costs	(2.2)	(2.3)
Net finance costs	(1.0)	–

11. Income tax expense

	Group	
	2010 £m	2009 £m
Analysis of tax expense for the year		
Current tax		
United Kingdom:		
Corporation tax at 28.0% (2009: 28.0%)	10.1	7.6
Adjustment in respect of previous years	(0.1)	(2.9)
	10.0	4.7
Foreign tax	6.7	3.5
Adjustment in respect of previous years	(0.4)	–
Total current tax	16.3	8.2
Deferred tax		
Representing:		
United Kingdom	(4.1)	(4.4)
Foreign tax	(0.3)	(0.8)
Adjustment in respect of previous years	(0.2)	1.3
Total deferred tax (Note 17)	(4.6)	(3.9)
Income tax expense	11.7	4.3

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current tax credit on employee benefits	2.6	1.4	–	–
Current tax credit on foreign exchange reserves	–	0.8	–	–
Current tax credit on retirement benefits	1.4	–	0.1	–
Deferred tax (charge)/credit on pension actuarial (gains)/losses	(3.2)	3.6	(0.2)	0.2
Deferred tax on pension additional contributions	(1.4)	–	(0.1)	–
Deferred tax charge on employee benefits	(1.7)	(1.1)	–	–
Deferred tax credit on revaluations of available-for-sale investments	0.1	0.2	–	–
Deferred tax credit on foreign exchange reserves	0.1	0.3	–	–
Tax on items relating to components of other comprehensive income	(2.1)	5.2	(0.2)	0.2

Notes to the financial statements continued

11. Income tax expense continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to Group profits. The tax for the year is higher (2009: higher) than the standard rate of corporation tax in the UK (28%). The total tax charge on profit can be reconciled to the accounting profit as follows:

	Group	
	2010 £m	2009 £m
Profit before tax	36.8	13.5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2009: 28.0%)	10.3	3.8
Effects of:		
Adjustments to tax in respect of previous years	(0.7)	(1.6)
Adjustments in respect of foreign tax rates	(3.0)	(1.1)
Impact of rising share price compared to the fair value of share awards/options at date of grant	(0.6)	(0.7)
Income not subject to tax	–	(0.2)
Non-deductible tax losses	2.6	2.3
Expenses and other charges not deductible for tax purposes	3.1	1.8
Income tax expense on profit	11.7	4.3

The effective tax rate of the Group for the year ended 31 December 2010 is 31.8% (2009: 31.9%).

12. Dividends – Group and Company

	2010 £m	2009 £m
Amounts recognised as distribution to owners in the year:		
Second interim dividend for 2009 of 6p per share	7.3	–
Interim dividend of 3p per share (2009: 3p)	3.7	3.7
Ordinary final dividend for 2008 of 3p per share	–	3.7
	11.0	7.4

The Board recommends a final dividend of 6p (net) per ordinary share (amounting to £7.4m) is paid, alongside the supplemental interim dividend of 4p per ordinary share (amounting to £4.9m), to be paid on 16 May 2011 to shareholders on the register at 8 April 2011. These financial statements do not reflect this dividend payable.

Under the terms of the Savills plc 1992 Employee Benefit Trust (the EBT), the Trustee has waived all but 0.01p of any dividend on each share held by the Trust. Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust, waived all dividends on the shares it held.

13(a). Basic and diluted earnings per share

Basic earnings per share are based on the profit attributable to owners of the company and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 9,613,393 shares (2009: 9,314,386 shares).

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

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

	2010 Earnings £m	2010 Shares million	2010 EPS pence	2009 Earnings £m	2009 Shares million	2009 EPS pence
Basic earnings per share	25.0	122.2	20.5	8.9	122.7	7.3
Effect of additional shares issuable under option	–	4.2	(0.7)	–	5.8	(0.4)
Diluted earnings per share	25.0	126.4	19.8	8.9	128.5	6.9

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

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

	2010 Earnings £m	2010 Shares million	2010 EPS pence	2009 Earnings £m	2009 Shares million	2009 EPS pence
Basic earnings per share	25.0	122.2	20.5	8.9	122.7	7.3
Amortisation of intangibles (excluding software) after tax	2.1	–	1.7	2.2	–	1.8
Impairment of goodwill and intangible assets after tax	4.4	–	3.6	4.3	–	3.5
Share-based payment adjustment after tax	2.5	–	2.1	3.4	–	2.8
Loss/(profit) on disposal of subsidiary, associate and available-for-sale investments after tax	0.1	–	–	(1.1)	–	(0.9)
Underlying basic earnings per share	34.1	122.2	27.9	17.7	122.7	14.5
Effect of additional shares issuable under option	–	4.2	(0.9)	–	5.8	(0.7)
Underlying diluted earnings per share	34.1	126.4	27.0	17.7	128.5	13.8

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

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

The gross amounts of the above adjustments (Note 7) are loss on disposal £0.1m (2009: £nil), share-based payment adjustment £3.3m (2009: £4.7m), add back of amortisation of intangibles (excluding software) £2.7m (2009: £2.7m) and impairment of goodwill and intangibles of £4.4m (2009: £4.3m).

Notes to the financial statements

continued

14. Goodwill and intangible assets

						Group	Company
	Goodwill £m	Customer/ business relationships £m	Brands £m	Investment and property management contracts £m	Computer software £m	Total £m	Total £m
Acquired goodwill and intangible assets							
Cost							
At 1 January 2010	169.4	21.0	6.2	10.5	10.1	217.2	2.7
Acquisitions (Note 16(e))	7.6	1.3	–	–	–	8.9	–
Other additions	1.0	–	–	0.1	1.6	2.7	0.7
Disposals	(2.0)	–	–	–	(0.6)	(2.6)	–
Exchange movement	2.1	–	(0.1)	–	0.4	2.4	–
At 31 December 2010	178.1	22.3	6.1	10.6	11.5	228.6	3.4
Accumulated amortisation and impairment							
At 1 January 2010	41.1	8.0	6.2	5.0	8.0	68.3	1.6
Amortisation charge for the year	–	2.5	–	0.2	1.0	3.7	0.3
Impairment	4.3	–	–	0.1	–	4.4	–
Disposals	(2.0)	–	–	–	(0.6)	(2.6)	–
Exchange movement	0.4	0.3	(0.1)	–	0.3	0.9	–
At 31 December 2010	43.8	10.8	6.1	5.3	8.7	74.7	1.9
Net book value							
At 31 December 2010	134.3	11.5	–	5.3	2.8	153.9	1.5

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

						Group	Company
	Goodwill £m	Customer/ business relationships £m	Brands £m	Investment and property management contracts £m	Computer software £m	Total £m	Total £m
Acquired goodwill and intangible assets							
Cost							
At 1 January 2009	173.4	22.6	6.8	8.7	9.4	220.9	2.0
Acquisitions	4.4	–	–	1.9	–	6.3	–
Other additions	–	0.2	–	–	1.2	1.4	0.7
Disposals	–	–	–	–	(0.2)	(0.2)	–
Exchange movement	(8.4)	(1.8)	(0.6)	(0.1)	(0.3)	(11.2)	–
At 31 December 2009	169.4	21.0	6.2	10.5	10.1	217.2	2.7
Accumulated amortisation and impairment							
At 1 January 2009	39.9	7.0	6.8	4.5	7.5	65.7	1.3
Amortisation charge for the year	–	2.2	–	0.5	0.9	3.6	0.3
Impairment	4.3	–	–	–	–	4.3	–
Disposals	–	–	–	–	(0.1)	(0.1)	–
Exchange movement	(3.1)	(1.2)	(0.6)	–	(0.3)	(5.2)	–
At 31 December 2009	41.1	8.0	6.2	5.0	8.0	68.3	1.6
Net book value							
At 31 December 2009	128.3	13.0	–	5.5	2.1	148.9	1.1
At 1 January 2009	133.5	15.6	–	4.2	1.9	155.2	0.7

14. Goodwill and intangible assets continued

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

	Transactional Advice £m	Consultancy £m	Property and Facilities Management £m	Fund Management £m	Total £m
United Kingdom	24.6	9.2	5.2	2.2	41.2
Continental Europe	33.6	1.4	9.2	–	44.2
Asia Pacific	11.8	4.5	31.8	–	48.1
America	17.6	–	–	–	17.6
Total goodwill and intangibles (excluding software)	87.6	15.1	46.2	2.2	151.1

Method of impairment testing

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

Assumptions

Market recovery

In each case the models used assume that each of the property markets in which the Group operates begin to recover during 2011.

Discount rate

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

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

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

	2010 Pre-tax discount rate range	2009 Pre-tax discount rate range
United Kingdom	11.0%	11.6%
Continental Europe	11.0 – 11.5%	11.6 – 12.1%
Asia Pacific	8.5 – 22.0%	12.0 – 19.0%
America	12.5%	12.5%

Long-term growth rate

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

Impairment charge

Following impairment testing, a £4.4m charge has been recognised through the income statement (2009: £4.3m) relating to goodwill and intangibles on historical acquisitions where carrying values are no longer supported by the discounted cash flow analysis.

The impairment charge relates to Theodor Schone GmbH, a German residential property management business, purchased in July 2007. The business has performed significantly below our expectations and its future prospects have been adversely affected in 2010 by management changes. This business is included under the European property management segment. Key assumptions include a pre-tax discount rate of 11.0%.

Notes to the financial statements

continued

14. Goodwill and intangible assets continued

Sensitivity to changes in assumptions

The level of impairment is a reflection of best estimates in arriving at value in use, future growth rates and the discount rate applied to cash flow projections. Nonetheless, there are no CGUs which management consider a reasonable possible change in a key assumption would give rise to an impairment.

Future impairments may be impacted by the following factors:

Market conditions – the timing and growth expectations for further recovery are key assumptions in the determination of the cash flow projections. For the purposes of the impairment tests, management expect the market to improve slightly over 2010 for the next year, but anticipate a bigger improvement from 2012 onward.

Cost base – the cost base assumptions reflects 2010's costs with limited growth in the fixed cost base going forward. Commissions and bonuses are correlated to the Group's revenue and profits and the percentage payout. These are assumed to be consistent with existing rates.

15. Property, plant and equipment

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
Cost					
At 1 January 2010	0.4	19.7	47.4	–	67.5
Acquisitions (Note 16(e))	–	–	0.1	0.3	0.4
Additions	–	0.6	4.9	–	5.5
Transfers	(0.3)	0.3	–	–	–
Disposals	–	(0.1)	(2.3)	–	(2.4)
Exchange movement	–	0.1	1.0	–	1.1
At 31 December 2010	0.1	20.6	51.1	0.3	72.1
Accumulated depreciation and impairment					
At 1 January 2010	–	11.7	37.5	–	49.2
Charge for the year	–	2.0	4.5	0.1	6.6
Disposals	–	–	(2.1)	–	(2.1)
Exchange movement	–	–	0.7	–	0.7
At 31 December 2010	–	13.7	40.6	0.1	54.4
Net book value					
At 31 December 2010	0.1	6.9	10.5	0.2	17.7

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

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles Owned £m	Equipment and motor vehicles Leased £m	Total £m
Cost					
At 1 January 2009	0.4	20.7	48.2	–	69.3
Additions	–	0.8	2.4	–	3.2
Disposals	–	(1.6)	(1.0)	–	(2.6)
Exchange movement	–	(0.2)	(2.2)	–	(2.4)
At 31 December 2009	0.4	19.7	47.4	–	67.5
Accumulated depreciation and impairment					
At 1 January 2009	–	10.9	34.7	–	45.6
Charge for the year	–	1.9	5.1	–	7.0
Disposals	–	(1.2)	(0.7)	–	(1.9)
Exchange movement	–	0.1	(1.6)	–	(1.5)
At 31 December 2009	–	11.7	37.5	–	49.2
Net book value					
At 31 December 2009	0.4	8.0	9.9	–	18.3
At 1 January 2009	0.4	9.8	13.5	–	23.7

15. Property, plant and equipment continued

Company	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
Cost				
At 1 January 2010	0.1	0.8	7.9	8.8
Additions	–	–	0.9	0.9
At 31 December 2010	0.1	0.8	8.8	9.7
Accumulated depreciation and impairment				
At 1 January 2010	–	0.8	7.1	7.9
Charge for the year	–	–	0.5	0.5
At 31 December 2010	–	0.8	7.6	8.4
Net book value				
At 31 December 2010	0.1	–	1.2	1.3

Company	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
Cost				
At 1 January 2009	0.1	1.1	7.6	8.8
Additions	–	–	0.3	0.3
Disposals	–	(0.3)	–	(0.3)
At 31 December 2009	0.1	0.8	7.9	8.8
Accumulated depreciation and impairment				
At 1 January 2009	–	1.0	6.9	7.9
Charge for the year	–	0.1	0.3	0.4
Disposals	–	(0.3)	(0.1)	(0.4)
At 31 December 2009	–	0.8	7.1	7.9
Net book value				
At 31 December 2009	0.1	–	0.8	0.9
At 1 January 2009	0.1	0.1	0.7	0.9

Notes to the financial statements continued

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

	Joint ventures			Associated undertakings		
	Investment £m	Loans £m	Total £m	Investment £m	Goodwill £m	Total £m
Cost or valuation						
At 1 January 2010	1.1	2.2	3.3	3.4	0.2	3.6
Additions	0.3	–	0.3	–	–	–
Loans advanced	–	0.1	0.1	0.2	–	0.2
Loans repaid	–	(0.5)	(0.5)	–	–	–
Exchange movement	–	0.1	0.1	0.2	–	0.2
At 31 December 2010	1.4	1.9	3.3	3.8	0.2	4.0
Share of profit						
At 1 January 2010	1.7	–	1.7	4.0	–	4.0
Group's share of retained profit	1.0	–	1.0	0.2	–	0.2
Dividends received	(0.3)	–	(0.3)	(2.7)	–	(2.7)
Exchange movement	0.1	–	0.1	0.3	–	0.3
At 31 December 2010	2.5	–	2.5	1.8	–	1.8
Total						
At 31 December 2010	3.9	1.9	5.8	5.6	0.2	5.8

	Joint ventures			Associated undertakings		
	Investment £m	Loans £m	Total £m	Investment £m	Goodwill £m	Total £m
Cost or valuation						
At 1 January 2009	1.1	2.5	3.6	2.3	0.2	2.5
Additions	0.1	–	0.1	0.6	–	0.6
Transfer from available-for-sale investments (Note 16(b))	–	–	–	0.6	–	0.6
Loans advanced	–	0.6	0.6	–	–	–
Loans repaid	–	(0.7)	(0.7)	–	–	–
Exchange movement	(0.1)	(0.2)	(0.3)	(0.1)	–	(0.1)
At 31 December 2009	1.1	2.2	3.3	3.4	0.2	3.6
Share of profit						
At 1 January 2009	1.4	–	1.4	3.4	–	3.4
Group's share of retained profit	1.0	–	1.0	1.6	–	1.6
Disposal	–	–	–	(0.2)	–	(0.2)
Dividends received	(0.5)	–	(0.5)	(0.7)	–	(0.7)
Exchange movement	(0.2)	–	(0.2)	(0.1)	–	(0.1)
At 31 December 2009	1.7	–	1.7	4.0	–	4.0
Total						
At 31 December 2009	2.8	2.2	5.0	7.4	0.2	7.6

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

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

	2010 £m	2009 £m
Current assets	7.2	5.4
Non-current assets	3.8	3.9
Current liabilities	(6.5)	(5.9)
Non-current liabilities	(0.6)	(0.6)
Net assets	3.9	2.8
Revenue	12.3	10.3
Expenses	(11.0)	(8.8)
Share of income tax	(0.3)	(0.5)
Share of post-tax profit from joint ventures	1.0	1.0

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

	2010 £m	2009 £m
Current assets	9.5	9.0
Non-current assets	5.2	5.9
Current liabilities	(8.5)	(6.7)
Non-current liabilities	(0.6)	(0.8)
Net assets	5.6	7.4
Revenue	31.9	22.4
Expenses	(31.2)	(20.1)
Share of income tax	(0.5)	(0.7)
Share of post-tax profit from associates	0.2	1.6

The joint ventures and associates have no significant liabilities to which the Group is exposed to, nor has the Group any significant contingent liabilities or capital commitments in relation to its interests in the joint ventures and associates. The market value of the Group's holding in Adventis Group plc, an associate company, was £1.0m at 31 December 2010 (2009: £2.8m). The carrying value of this investment is £2.2m (2009: £4.3m).

16(b). Available-for-sale investments

	Group 2010 £m	Group 2009 £m
At 1 January	14.0	16.2
Additions	0.9	0.3
Transfer to investment in associate (Note 16(a))	–	(0.6)
Net fair value loss transferred to other comprehensive income	(0.3)	(0.8)
Disposals	–	(0.2)
Impairment	(0.3)	–
Exchange movement	(0.1)	(0.9)
At 31 December	14.2	14.0
Available-for-sale investments comprise the following:		
Unlisted securities		
UK – equity securities	–	1.5
UK – limited partnership	0.1	0.1
UK – investment funds	2.5	2.5
European – investment funds	11.2	9.7
Asia Pacific – equity securities	0.4	0.2
	14.2	14.0

Notes to the financial statements

continued

16(b). Available-for-sale investments continued

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

	Group 2010 £m	Group 2009 £m
Sterling	2.6	4.1
Euro	11.2	9.7
Other	0.4	0.2
	14.2	14.0

At 31 December 2010, the Group held the following principal available-for-sale investments:

Investment	Holding	Principal activity
Cordea Savills Dawn Syndication (entity registered in England and Wales)	3.5%	Investment property fund
Cordea Savills Student Hall Fund (entity registered in Jersey)	2.0%	Student accommodation property fund
Cordea Savills Italian Opportunities Fund 1 (entity registered in Luxembourg)*	2.8%	Investment property fund
Cordea Savills Italian Opportunities Fund 2 (entity registered in Luxembourg)	1.3%	Investment property fund
Serviced Land No. 2 (entity registered in England and Wales)	1.9%	UK land investment fund
Cordea Savills German Retail Fund (entity registered in Luxembourg)	1.9%	Retail investment property fund
Cordea Savills Nordic Retail Fund (entity registered in Luxembourg)	11.3%	Retail investment property fund
Cordea Savills UK Property Ventures No. 1 (registered in England and Wales)	4.1%	UK land investment fund

* This holding relates to Class C ordinary shares. The Group also holds 100% of Class A1 preference shares and 4.0% of Class B preference shares in this fund.

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

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

At 31 December 2010 the Group held a conditional commitment to co-invest £0.7m (2009: £0.8m) in the Cordea Savills UK Property Ventures Fund No. 1, £1.0m (2009: £1.3m) in the Cordea Savills Italian Opportunities Fund 2 and £0.4m (2009: £nil) in the Cordea Savills Italian Opportunities Fund 1.

The Company made no available-for-sale investments during the year (2009: £0.2m).

16(c). Company – Investments in subsidiaries

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
Cost			
At 1 January 2009	22.4	117.0	139.4
Additions	–	2.1	2.1
Repayments	–	(5.4)	(5.4)
Exchange movement	–	(2.2)	(2.2)
At 31 December 2009	22.4	111.5	133.9
Repayments	–	(8.2)	(8.2)
Exchange movement	–	0.9	0.9
At 31 December 2010	22.4	104.2	126.6

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

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

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

Subsidiary undertakings	Holding	Main activities
Cordea Savills LLP**	100%	Provision of fund management
Savills Commercial Limited*	100%	Commercial surveyors
Savills (L&P) Limited*	100%	General practice surveyors
Prime Purchase Limited*	100%	Property buying company
Cordea Savills Investment Management Limited*	100%	Asset manager
Savills Private Finance Limited*	100%	Provision of general insurance, mortgage broking and personal financial planning services (regulated by FSA)
Savills LLC**+(registered in the US)	75%	Property consultants
Savills Commercial (Ireland) Limited* (registered in Ireland)	100%	Property consultants
Savills Residential (Ireland) Limited* (registered in Ireland)	100%	Property consultants
Savills Consultores Inmobiliarios SA* (registered in Spain)	100%	Property consultants
Savills Immobilien Beratungs GmbH* (registered in Germany)	100%	Property consultants
Savills SA* (registered in France)	99.97%	Property consultants
Savills Italy SRL* (registered in Italy)	90.50%	Property consultants
Savills Nederland Holding BV* (registered in the Netherlands)	87%	Property consultants
Savills Sweden AB* (registered in Sweden)	98.40%	Property consultants
Savills Spolka z Organizacja* (registered in Poland)	100%	Property consultants
Savills (Hong Kong) Limited* (registered in Hong Kong)	100%	Mixed practice agency, valuation and research
Savills Valuation and Professional Services Limited* (registered in Hong Kong)	100%	Valuation and research
Savills Property Management Limited* (registered in Hong Kong)	100%	Property management
Guardian Property Management Limited* (registered in Hong Kong)	100%	Property management
Savills (Singapore) Pte Limited* (registered in Singapore)	100%	Property management and agency
Savills Japan KK* (registered in Japan)	100%	Property management and agency
Savills Property Services (Shanghai) Co Limited* (registered in China)	100%	Property management
Savills Property Services (Beijing) Co Limited* (registered in China)	100%	Property management
Savills Korea Asset Management Limited* (registered in Korea)	100%	Property management
Savills Korea Co. Limited* (registered in Korea)	100%	Property agency and consultants
Savills (Vietnam) Limited* (registered in BVI)	69.10%	Property management and agency
Savills (Thailand) Limited* (registered in Thailand)	100%	Property agency, consultants and management
Savills (Taiwan) Limited* (registered in Taiwan)	100%	Property agency and consultants
Savills (Aust) Pty Limited* (registered in Australia)	96.19%	Property agency, consultants and management
Joint ventures		
GES Holdings Limited* (Macau)	50%	Property management
Associated undertakings		
Hutton Asia Pte Ltd* (Singapore)	48%	Property agency
Adventis Group plc*	30.16%	Provision of marketing and media services

* Shares/interests held indirectly by the Company.

+ Limited Liability Partnership.

++ Limited Liability Company.

Notes to the financial statements

continued

16(e). Acquisitions of subsidiaries

On 29 March 2010, the Group acquired 100% of the voting share capital in Incoll Group Pty Limited, an Australian Project Management business. Cash consideration of £9.0m was paid. Goodwill on acquisition of £7.6m has been determined, and is attributable to Incoll's strong position in the market. None of the goodwill is expected to be deductible for tax purposes. Other intangible assets of £1.3m have been identified and relate to project management contracts. Incoll has been merged with Savills Australia's established specialist project management business to create a stronger business, with the aim of expanding it further across the Savills Asia Pacific network.

	Provisional fair value to Group
	Total £m
Subsidiaries acquired	
Property, plant and equipment (Note 15)	0.4
Deferred tax asset	0.2
Current assets:	
Trade and other receivables	3.4
Cash and cash equivalents	0.7
Current liabilities:	
Trade and other payables	(3.6)
Current tax liabilities	(0.2)
Borrowings (Note 31)	(0.4)
Employee and retirement benefit obligations (Note 24(b))	(0.2)
Non-current borrowings (Note 31)	(0.1)
Non-current employee and retirement obligations (Note 24(b))	(0.1)
Net assets	0.1
Non-controlling share of net assets	–
Other intangibles (Note 14)	1.3
Fair value of net assets acquired	1.4
Goodwill (Note 14)	7.6
Purchase consideration	9.0
Consideration satisfied by:	
Cash paid	9.0
Cash acquired	(0.7)
	8.3

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

IFRS 3 (revised) has been applied to this acquisition which was accounted for using the acquisition method. Acquisition related costs of £0.2m are included in the income statement. These would have previously been included in the consideration for the acquisition.

Included in Group operating profit relating to acquisitions is revenue of £12.2m (2009: £0.6m), staff costs of £8.0m (2009: £0.6m), depreciation of £0.2m (2009: £nil), amortisation of £nil (2009: £nil) and other operating charges of £3.0m (2009: £0.3m). If the date for all acquisitions made during the year had been at the beginning of the year, amounts relating to these acquisitions would have been revenue of £17.7m (2009: £1.0m), staff costs of £10.3m (2009: £0.9m), depreciation of £0.4m (2009: £nil), amortisation of £nil (2009: £nil) and other operating charges of £5.9m (2009: £0.5m).

16(f). Transactions with non-controlling interests

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

Name	Date	Holding acquired	Total holding at 31 December 2010
Savills Sweden AB	January 2010	47.4%	98.4%
Cordea Savills LLP	March 2010	40.0%	100.0%

Under IAS 27 (revised), transactions with non-controlling interests must be accounted for as equity transactions, therefore no goodwill has been recognised. Acquisition costs of £0.7m have also been recognised in equity.

In January 2010, the Group acquired 47.4% of shares in Savills Sweden AB for cash consideration of £0.9m. This takes the Group's shareholding to 98.4%. The carrying amount of Savills Sweden AB's net assets on the date of acquisition was £0.3m. The Group recognised a decrease in non-controlling interests of £0.1m. The amount charged to equity in respect of this transaction was £0.8m.

In March 2010, the Group acquired 40% of the voting rights in Cordea Savills LLP that it did not already own. Total consideration is up to £16.1m of which £5.3m cash consideration was paid with another £4.5m payable in equal instalments on the first and second anniversaries, and up to a further £6.3m on the second anniversary subject to earnings performance. The carrying amount of Cordea Savills LLP's net assets on the date of acquisition was £1.7m. The Group recognised a decrease in non-controlling interests of £0.7m. The total amount charged to equity in respect of this transaction was £12.0m.

In August 2010, the Group disposed of 10% of Savills (Singapore) PTE following the exercise of an option granted to a former executive in 2004. In December 2010 this stake was re-acquired by the Group. The purchase consideration was £0.1m and £2.1m respectively. Any excess of purchase consideration over the net assets acquired has been charged to equity. The Group recognised a net decrease in non-controlling interests of £0.2m. The total amount charged to equity in respect of these transactions was £1.8m.

17. Deferred income tax

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	18.4	25.0	1.1	1.2
– Deferred tax asset to be recovered within 12 months	7.1	2.4	0.5	0.5
	25.5	27.4	1.6	1.7
Deferred tax liabilities				
– Deferred tax liability to be recovered after more than 12 months	(2.4)	(3.0)	–	–
– Deferred tax liability to be recovered within 12 months	(0.4)	(0.6)	–	–
	(2.8)	(3.6)	–	–
Deferred tax asset – net	22.7	23.8	1.6	1.7

Notes to the financial statements continued

17. Deferred income tax continued

The movement on the deferred tax account is shown below:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 January – asset	23.8	16.9	1.7	1.6
Amount credited to income statement (Note 11)	4.6	3.9	0.2	(0.1)
Tax charged to other comprehensive income				
– Pension asset on actuarial (gain)/loss	(3.2)	3.6	(0.2)	0.2
– Pension asset on additional contributions	(1.4)	–	(0.1)	–
– Employee benefits	(1.7)	(1.1)	–	–
– Revaluations of available-for-sale investments	0.1	0.2	–	–
– Movement on foreign exchange reserves	0.1	0.3	–	–
Exchange movement	0.2	–	–	–
Acquisitions (Note 16(e))	0.2	–	–	–
At 31 December – asset	22.7	23.8	1.6	1.7

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

As at the balance sheet date, the Group has unused tax losses of £18.6m (2009: £14.8m) available for offset against future profits. Deferred tax of £5.7m (2009: £4.1m) has not been recognised on such losses due to the unpredictability of future income streams. Included within unrecognised losses are losses of £0.7m that expire within three years, £1.2m that expire within three to five years and the remaining £16.7m being available for offset indefinitely.

	Accelerated capital allowances £m	Other including provisions £m	Tax losses £m	Retirement benefits £m	Employee benefits £m	Total £m
Deferred tax assets – Group						
At 1 January 2009	0.9	5.7	4.7	7.0	4.1	22.4
Amount (charged)/credited to income statement (Note 11)	–	(0.7)	(0.2)	0.1	3.4	2.6
Tax credited/(charged) to other comprehensive income (Note 11)	–	–	–	3.6	(1.1)	2.5
Exchange movement	–	0.1	(0.2)	–	–	(0.1)
At 31 December 2009	0.9	5.1	4.3	10.7	6.4	27.4
Amount credited/(charged) to income statement (Note 11)	0.1	0.8	(0.2)	–	3.3	4.0
Tax (charged)/credited to other comprehensive income (Note 11)	–	–	–	(4.6)	(1.7)	(6.3)
Acquisitions (Note 16(e))	–	0.2	–	–	–	0.2
Exchange movement	–	0.3	(0.1)	–	–	0.2
At 31 December 2010	1.0	6.4	4.0	6.1	8.0	25.5

17. Deferred income tax continued

	Accelerated capital allowances £m	Other including provisions and foreign exchange reserves £m	Unremitted profits £m	Revaluations £m	Intangible assets £m	Total £m
Deferred tax liabilities – Group						
At 1 January 2009	(0.3)	(1.1)	(0.4)	(0.4)	(3.3)	(5.5)
Amount credited to income statement (Note 11)	0.3	0.1	0.4	–	0.5	1.3
Tax credited to other comprehensive income (Note 11)	–	0.3	–	0.2	–	0.5
Exchange movement	–	–	–	–	0.1	0.1
At 31 December 2009	–	(0.7)	–	(0.2)	(2.7)	(3.6)
Amount credited to income statement (Note 11)	–	–	–	–	0.6	0.6
Tax credited to other comprehensive income (Note 11)	–	0.1	–	0.1	–	0.2
At 31 December 2010	–	(0.6)	–	(0.1)	(2.1)	(2.8)
Net deferred tax asset						
At 31 December 2010						22.7
At 31 December 2009						23.8

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 but these later reductions had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 December 2010, would be to reduce the net deferred tax asset by approximately £0.8m (being £0.3m recognised in 2011, £0.3m recognised in 2012 and £0.2m recognised in 2013).

	Accelerated capital allowances £m	Other including provisions £m	Retirement benefits £m	Employee benefits £m	Total £m
Deferred tax assets – Company					
At 1 January 2009	0.5	0.6	0.4	0.1	1.6
Amount (charged)/credited to income statement	(0.1)	(0.1)	–	0.1	(0.1)
Tax charged to other comprehensive income (Note 11)	–	–	0.2	–	0.2
As at 31 December 2009	0.4	0.5	0.6	0.2	1.7
Amount (charged)/credited to income statement	(0.1)	0.1	–	0.2	0.2
Tax credited to other comprehensive income (Note 11)	–	–	(0.3)	–	(0.3)
At 31 December 2010	0.3	0.6	0.3	0.4	1.6
Net deferred tax asset					
At 31 December 2010					1.6
At 31 December 2009					1.7

Notes to the financial statements

continued

18. Trade and other receivables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade receivables	147.0	116.5	–	–
Less: provision for impairment of receivables	(9.1)	(9.4)	–	–
Trade receivables – net	137.9	107.1	–	–
Amounts owed by subsidiary undertakings	–	–	12.4	10.5
Other receivables	15.1	11.7	1.4	–
Prepayments and accrued income	26.2	24.7	0.7	0.8
	179.2	143.5	14.5	11.3

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

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

Amounts owed by subsidiary undertakings to the Company are generally charged interest at 1.5% (2009: 1.5%) above the base rate. Inter-company trade receivables are generally cleared within the month.

As at 31 December 2010, trade receivables of £9.1m (2009: £9.4m) were impaired and provided for. The individually impaired receivables mainly relate to receivables from clients that have been affected by the uncertain economic conditions where funding and completion have been delayed and cash flow has become uncertain.

The ageing of these receivables is as follows:

	Group	
	2010 £m	2009 £m
Up to 3 months	0.9	1.1
3 to 6 months	1.6	1.6
Over 6 months	6.6	6.7
	9.1	9.4

As at 31 December 2010, trade receivables of £40.6m (2009: £38.6m) were past due but not impaired. These relate to trade receivables which are past due at the reporting date but are not considered impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing of these receivables is as follows:

	Group	
	2010 £m	2009 £m
Up to 3 months	31.0	35.1
3 to 6 months	5.8	1.3
Over 6 months	3.8	2.2
	40.6	38.6

18. Trade and other receivables continued

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

	2010 £m	Group 2009 £m
Sterling	89.1	65.6
Euro	21.3	22.9
Hong Kong dollar	27.5	21.1
Australian dollar	16.7	11.4
Other*	24.6	22.5
	179.2	143.5

* Other currencies include Chinese renminbi, Singapore dollar, Polish zloty and Swedish krona.

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

	2010 £m	Group 2009 £m
At 1 January	(9.4)	(10.0)
Provisions for receivables impairment	(2.4)	(2.8)
Receivables written off during the year as uncollectible	2.4	2.9
Unused provisions released	0.5	–
Exchange movements	(0.2)	0.5
At 31 December	(9.1)	(9.4)

The creation and release of the provision for impaired receivables have been included in other operating expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The Group does not hold any collateral as security.

19. Cash and cash equivalents

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash at bank and in hand	91.7	50.8	–	19.2
Short-term bank deposits	5.5	30.8	–	–
	97.2	81.6	–	19.2

The effective interest rate on short-term bank deposits as at 31 December 2010 was 0.87% (2009: 0.62%); these deposits have an average maturity of 25 days (2009: 5 days).

Cash subject to restrictions in Asia Pacific amounts to £17.4m (2009: £16.7m) which is cash pledged to banks in relation to property management contracts and cash remittance restrictions in certain countries. These amounts are consolidated.

Notes to the financial statements

continued

19. Cash and cash equivalents continued

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash and cash equivalents	97.2	81.6	–	19.2
Bank overdrafts (Note 22)	(0.7)	(0.7)	(6.3)*	–
	96.5	80.9	(6.3)	19.2
Cash and cash equivalents are denominated in the following currencies:				
Sterling	36.9	29.8	–	21.0
Euro	4.1	6.4	–	(1.8)*
Hong Kong dollar	27.3	22.9	–	–
Singapore dollar	2.3	4.8	–	–
Australian dollar	6.1	3.6	–	–
Chinese renminbi	11.1	9.1	–	–
South Korean wan	1.3	1.9	–	–
US dollar	3.5	0.5	–	–
Other currencies**	4.6	2.6	–	–
	97.2	81.6	–	19.2

* The Company's Sterling and Euro accounts are managed within a Group pooling banking arrangement. As at 31 December 2010, no net overdrafts existed within either pool (2009 - £nil).

** Other currencies include Taiwan dollar, Macau pataca, Thai baht, Japanese yen, Polish zloty and Swedish krona.

20. Trade and other payables – current

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred consideration	3.2	4.2	–	–
Trade payables	35.6	32.4	4.8	3.2
Amounts owed to subsidiary undertakings	–	–	1.5	3.4
Other taxation and social security	24.3	22.6	–	4.3
Other payables	7.9	3.0	0.4	–
Accruals and deferred income	138.9	102.8	5.7	3.8
	209.9	165.0	12.4	14.7

21. Trade and other payables – non-current

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred consideration	16.6	11.0	–	–
Other payables	0.2	0.1	–	–
Amounts owed to subsidiary undertakings	–	–	5.3	13.7
	16.8	11.1	5.3	13.7

22. Borrowings

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current				
Bank overdrafts	0.7	0.7	6.3*	–
Unsecured bank loans due within one year or on demand	5.1	4.9	–	–
Loan notes	0.4	0.7	–	–
Finance leases	0.1	–	–	–
	6.3	6.3	6.3	–
Non-current				
Unsecured bank loans	3.9	8.7	–	–
Loan notes	–	0.3	–	–
Finance leases	0.1	–	–	–
	4.0	9.0	–	–

* The Company's Sterling and Euro accounts are managed within a Group pooling banking arrangement. As at 31 December 2010, no net overdrafts existed within either pool (2009: £nil).

In 2007, the Group borrowed £19.8m for the acquisition of Granite Partners LLC in the US (now Savills LLC). The borrowings are denominated in US dollars. Interest is fixed at 5.315% via an interest rate swap until maturity date. At 31 December 2010, at the year end exchange rate, £9.0m was outstanding (2009: £13.6m). USD8m is due within one year.

In 2006, £0.6m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued as part consideration for the acquisition of the business and assets of PCA Management Consultants Limited. As at 31 December 2010, £0.4m (2009: £0.5m) were still in issue and due within one year. Interest is payable half yearly.

Bank loans are denominated in a number of currencies and bear interest at LIBOR or foreign equivalents as appropriate to the country in which the borrowing is incurred.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Less than 1 year	1.2	1.4	6.3	–
Between 1 and 2 years	9.0	0.3	–	–
Between 2 and 5 years	0.1	13.6	–	–
	10.3	15.3	6.3	–

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
The maturity of non-current borrowings is as follows:				
Between 1 and 2 years	4.0	5.3	–	–
Between 2 and 5 years	–	3.7	–	–
	4.0	9.0	–	–

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

	Group	
	2010 £m	2009 £m
Bank overdraft	2.82%	3.96%
Bank loans	5.32%	5.32%
Loan notes	5.00%	3.51%
Finance leases	10.26%	–

The carrying amounts of borrowings approximate to fair value.

Notes to the financial statements continued

22. Borrowings continued

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	0.4	1.0	6.3	–
US dollar	9.0	13.6	–	–
Euro	0.6	0.6	–	–
Australian dollar	0.2	–	–	–
Hong Kong dollar	0.1	–	–	–
Thai baht	–	0.1	–	–
	10.3	15.3	6.3	–
The Group has the following undrawn borrowing facilities:				
Floating rate – expiring within 1 year or on demand	15.6	20.2	6.3	–
Floating rate – expiring between 1 and 5 years	50.0	60.0	–	–

In September 2010 the £60m multi-currency revolving credit facility was reduced to £50m, by means of a voluntary partial cancellation by Savills as it was surplus to forecast requirements. As at 31 December 2010 this facility was undrawn. This facility was cancelled on 10 March 2011 and replaced with a new £50m multi-currency revolving credit facility, which expires on 31 March 2014.

23. Derivative financial instruments

	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
2010				
Interest rate swaps – at fair value	–	0.4	–	–
Forward foreign exchange contracts – at fair value	–	0.1	–	–
Total	–	0.5	–	–
Less non-current portion	–	(0.4)	–	–
Current portion	–	0.1	–	–

	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
2009				
Interest rate swaps – at fair value	–	0.7	–	–
Forward foreign exchange contracts – at fair value	0.1	–	–	–
Total	0.1	0.7	–	–
Less non-current portion	–	(0.7)	–	–
Current portion	0.1	–	–	–

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts in relation to the US borrowing at 31 December 2010 were £9.0m (2009: £13.6m). At 31 December 2010, the fixed interest rate was 5.315%. The floating rate is USD LIBOR.

Gains and losses on interest rate swaps are recognised in the income statement.

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were £14.9m (2009: £14.2m). The non-current portion represents contracts that mature in over one year.

Gains and losses on forward foreign exchange contracts are recognised in the income statement.

Hedge of net investments in foreign operations

The Group's USD borrowing amounting to USD14m (2009: USD22.0m) is designated as a hedge on the net investment in the Group's US subsidiary. The fair value of the USD borrowing at 31 December 2010 was £9.0m (2009: £13.6m). The foreign exchange loss of £0.5m (2009: gain of £2.1m) on translation of the borrowing to currency at the balance sheet date is recognised in foreign exchange reserves in other comprehensive income. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the balance sheet.

24(a). Provisions for other liabilities and charges

	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Group Total £m	Company £m
At 1 January 2010	7.2	1.2	1.2	9.6	1.5
Released during the year	(1.4)	–	–	(1.4)	–
Provided during the year	6.9	0.8	1.1	8.8	–
Utilised during the year	(0.8)	(0.1)	(0.7)	(1.6)	(0.1)
Exchange movements	0.2	–	–	0.2	–
Total	12.1	1.9	1.6	15.6	1.4
Less non-current portion	5.6	1.4	0.8	7.8	1.2
Current portion	6.5	0.5	0.8	7.8	0.2

	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Group Total £m	Company £m
2009					
Current	4.2	0.3	0.7	5.2	0.3
Non-current	3.0	0.9	0.5	4.4	1.2
Total	7.2	1.2	1.2	9.6	1.5

24(b). Employee benefit obligations

In addition to the defined benefit obligation pension scheme disclosed in Note 9, the following are included in employee benefit obligations:

Group	Total £m
At 1 January 2010	8.0
Acquisitions (Note 16(e))	0.3
Provided during the year	5.0
Utilised during the year	(2.8)
Exchange movements	0.9
At 31 December 2010	11.4

The above provisions relate to holiday pay and long service leave in Asia Pacific and Europe and are expected to crystallise within five to seven years of the balance sheet date. Bonuses are included within accruals (Note 20).

The Company had no employee benefit obligations at 31 December 2010 or 31 December 2009.

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

	Group	
	2010 £m	2009 £m
Current	4.7	3.1
Non-current	6.7	4.9
	11.4	8.0

Notes to the financial statements continued

25. Share capital – Group and Company

	2010 Number of shares	2009 Number of shares	2010 £m	2009 £m
Authorised and allotted				
Ordinary shares of 2.5p each:				
Authorised	202,000,000	202,000,000	5.1	5.1
Allotted, called up and fully paid	132,152,375	131,841,846	3.3	3.3

Movement in allotted, called up and fully paid share capital

	2010		2009	
	Number of shares	£m	Number of shares	£m
At 1 January	131,841,846	3.3	131,840,933	3.3
Allotted to direct participants on exercise of options under the Savills Sharesave Scheme	310,529	–	913	–
At 31 December	132,152,375	3.3	131,841,846	3.3

At the Annual General Meeting held on 5 May 2010, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 13,184,184 of its own ordinary shares (AGM held on 6 May 2009: 13,184,093). Such authority remains valid until the conclusion of the next Annual General Meeting or 1 July 2011 whichever is the earlier.

26. Share-based payment

Details of the terms of the following schemes are contained in the Remuneration report on pages 35 to 36.

26(a). Savills Executive Share Option Scheme (2001)

The following share options have been granted under the Savills Executive Share Option Scheme (2001) and were outstanding at 31 December 2010:

Date of grant	Exercise period		Exercise price	2010 Number of shares '000	2009 Number of shares '000
30 March 2004	7 years from 30 March 2007	Unapproved	217.8p	46	46
14 March 2005	7 years from 14 March 2008	Approved	321.3p	37	37
14 March 2005	7 years from 14 March 2008	Unapproved	321.3p	91	91
16 April 2008	7 years from 16 April 2011	Unapproved	300.1p	160	160
17 April 2009	7 years from 17 April 2012	Approved	288.8p	21	21
17 April 2009	7 years from 17 April 2012	Unapproved	288.8p	530	530
19 April 2010	7 years from 19 April 2013	Unapproved	341.0p	422	–
				1,307	885

A reconciliation of option movements over the year to 31 December 2010 is shown below:

	2010		2009	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	885	291.8p	471	360.7p
Granted	422	341.0p	551	288.8p
Forfeited	–	–	(137)	516.6p
Outstanding at 31 December	1,307	307.7p	885	291.8p
Exercisable at 31 December	174	293.9p	174	293.9p

The weighted average share price on the date of exercise during the year was £nil (2009: £nil) and total consideration of £nil (2009: £nil) was received.

26(b). Savills Sharesave Scheme

During the year 310,529 shares (2009: 913 shares) were allotted direct to participants on the exercise of options under the Savills Sharesave Scheme, for consideration of £986,853. The following table shows the options remaining outstanding as at 31 December 2010:

Date of grant	Exercise price	Exercise period	2010 Number of shares '000	2009 Number of shares '000
5 May 2006	510.5p	01.07.09 – 01.01.10	–	194
31 October 2007	318.0p	01.12.10 – 01.06.11	467	814
29 October 2009	267.0p	01.12.12 – 01.06.13	1,096	1,210
			1,563	2,218

A reconciliation of option movements over the year to 31 December 2010 is shown below:

	2010		2009	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	2,218	307.0p	1,253	352.9p
Granted	–	–	1,210	267.0p
Forfeited/expired	(344)	409.8p	(244)	343.8p
Exercised	(311)	317.8p	(1)	318.0p
Outstanding at 31 December	1,563	282.2p	2,218	307.0p
Exercisable at 31 December	467	318.0p	194	510.5p

The weighted average share price on the date of exercise during the year was 363.8p (2009: 334.8p).

26(c). Savills Deferred Share Bonus Plan

The following awards of deferred shares, without exercise price, have been granted under the Savills Deferred Share Bonus Plan (the DSBP) and were outstanding at 31 December 2010:

Date of award	Deferred period	Vesting date	2010 Number of shares '000	2009 Number of shares '000
14 March 2005	5 years	14 March 2010	–	1,028
13 March 2006	5 years	13 March 2011	34	34
19 March 2007	3 years	19 March 2010	–	775
19 March 2007	5 years	19 March 2012	560	592
17 March 2008	3 years	17 March 2011	2,112	2,289
17 March 2008	5 years	17 March 2013	1,245	1,305
17 April 2009	3 years	17 April 2012	833	886
17 April 2009	5 years	17 April 2014	535	563
13 April 2010	3 years	13 April 2013	497	–
13 April 2010	5 years	13 April 2015	57	–
			5,873	7,472

As at 31 December 2010, 423 (2009: 439) individuals held outstanding awards under the DSBP. Awards made under the DSBP from 2006 onwards are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders throughout the deferred period.

Notes to the financial statements continued

26(c). Savills Deferred Share Bonus Plan continued

A reconciliation of award movements over the year to 31 December 2010 is shown below:

	2010		2009	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	7,472	–	7,893	–
Granted	574	–	1,498	–
Forfeited/expired	(201)	–	(303)	–
Exercised	(1,972)	353.3p	(1,616)	288.6p
Outstanding at 31 December	5,873	–	7,472	–
Exercisable at 31 December	10	–	8	–

The weighted average exercise price for awards granted under this scheme is £nil (2009: £nil). Awards over 9,998 shares were exercisable under this scheme as at 31 December 2010 (31 December 2009: 8,465).

26(d). Savills Deferred Share Plan

The following awards of deferred shares, without exercise price, have been granted under the Savills Deferred Share Plan (the DSP) and remained outstanding at 31 December 2010:

Date of grant	Deferred period	Vesting date	2010 Number of shares '000	2009 Number of shares '000
10 October 2006	5 years	10 October 2011	9	366
19 March 2007	3 years	19 March 2010	–	383
19 March 2007	5 years	19 March 2012	37	37
17 September 2007	3 years	17 September 2010	–	170
17 September 2007	5 years	17 September 2012	12	12
17 March 2008	3 years	17 March 2011	664	693
17 March 2008	5 years	17 March 2013	30	37
23 September 2008	3 years	23 September 2011	124	138
7 October 2008	3 years	7 October 2011	–	42
17 April 2009	3 years	10 April 2012	615	615
10 September 2009	3 years	10 September 2012	14	17
10 September 2009	5 years	10 September 2014	23	23
13 April 2010	3 years	13 April 2013	1,337	–
13 April 2010	4 years	13 April 2014	348	–
13 April 2010	5 years	13 April 2015	1,557	–
8 September 2010	3 years	08 September 2013	394	–
			5,164	2,533

As at 31 December 2010, 236 individuals (2009: 102) held outstanding awards under the DSP. Awards made under the DSP are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders during the deferred period.

A reconciliation of award movements over the year to 31 December 2010 is shown below:

	2010		2009	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	2,533	–	2,099	–
Granted	3,674	–	655	–
Forfeited/expired	(71)	–	(2)	–
Exercised	(972)	358.0p	(219)	351.7p
Outstanding at 31 December	5,164	–	2,533	–
Exercisable at 31 December	5	–	–	–

The weighted average exercise price for awards granted under this scheme is £nil (2009: £nil). Awards over 5,340 shares were exercisable under this scheme as at 31 December 2010 (31 December 2009: nil).

26(d). Savills Deferred Share Plan continued

Fair value of options

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

The key assumptions used in the calculation are as follows:

Risk free rate	2.1% p.a. – 5.0% p.a. depending on grant date and expected life
Volatility	28% p.a. – 51% p.a. depending on grant date
Employee turnover	zero for ESOS
Early exercise	50% of employees exercise early when options and awards are 20% in the money
Performance criteria	All vest after three years (only relevant for ESOS)

The expected volatility is measured over the three or five years prior to the date of grant to match the vesting period of the award. The risk free rate is the yield on a zero coupon UK Government bonds at each grant date, with term based on the expected life of the option or award.

Fair value of options and awards at grant dates are:

Grant	Grant date	Fair value pence
DSBP 2005	15 March 2005	278.2
DSBP 2006	13 March 2006	596.0
DSBP 2007	19 March 2007	656.0
DSBP 2008	17 March 2008	328.3
DSBP 2009	17 April 2009	288.9
DSBP 2010	17 April 2010	340.2
Sharesave 2006	5 May 2006	232.0
Sharesave 2007	31 October 2007	96.0
Sharesave 2009	29 October 2009	129.9
DSP 2006	10 October 2006	560.5
DSP 2007	19 March 2007	656.0
DSP 2007	17 September 2007	408.8
DSP 2008	17 March 2008	328.3
DSP 2008	23 September 2008	282.8
DSP 2008	7 October 2008	239.0
DSP 2009	17 April 2009	288.9
DSP 2009	10 September 2009	351.9
DSP 2010	17 April 2010	340.2
DSP 2010	8 September 2010	317.0
ESOS 2004	30 March 2004	73.5
ESOS 2005	30 March 2005	102.8
ESOS 2008	16 April 2008	78.7
ESOS 2009	17 April 2009	136.8
ESOS 2010	17 April 2010	150.3

The total charge for the year relating to employee share-based payments plans was £11.3m (2009: £9.8m), all of which related to equity-settled share-based payment transactions. After deferred tax, the charge was £8.6m (2009: £7.0m).

Notes to the financial statements continued

27. Retained earnings and other reserves

Group	Share-based payments reserve £m	Treasury shares £m	Profit and loss account* £m	Total retained earnings* £m	Capital redemption reserve £m	Foreign exchange reserves £m	Revaluation reserves £m	Total other reserves £m
Balance at 1 January 2010	26.4	(29.2)	94.0	91.2	0.3	18.9	0.4	19.6
Profit attributable to owners of the Company	–	–	25.0	25.0	–	–	–	–
Other comprehensive income	–	–	8.2	8.2	–	4.8	(0.2)	4.6
Employee share option scheme:								
– Value of services provided	11.3	–	–	11.3	–	–	–	–
– Exercise of options	(14.1)	10.1	4.0	–	–	–	–	–
– Lapse of options	(0.2)	–	0.2	–	–	–	–	–
Purchase of treasury shares	–	(11.2)	–	(11.2)	–	–	–	–
Dividends	–	–	(11.0)	(11.0)	–	–	–	–
Transactions with non-controlling interests	–	–	(14.6)	(14.6)	–	–	–	–
Balance at 31 December 2010	23.4	(30.3)	105.8	98.9	0.3	23.7	0.2	24.2
Balance at 1 January 2009	24.3	(30.8)	99.3	92.8	0.3	28.3	0.9	29.5
Profit attributable to owners of the Company	–	–	8.9	8.9	–	–	–	–
Other comprehensive income	–	–	(8.1)	(8.1)	–	(9.4)	(0.5)	(9.9)
Employee share option scheme:								
– Value of services provided	9.8	–	–	9.8	–	–	–	–
– Exercise of options	(7.7)	6.3	1.4	–	–	–	–	–
Purchase of treasury shares	–	(4.7)	–	(4.7)	–	–	–	–
Disposals (net of tax)	–	–	(0.1)	(0.1)	–	–	–	–
Dividends	–	–	(7.4)	(7.4)	–	–	–	–
Balance at 31 December 2009	26.4	(29.2)	94.0	91.2	0.3	18.9	0.4	19.6

* Included within Profit and loss account is tax on items taken directly to equity (Note 11) as disclosed above.

28. Contingent liabilities

In common with comparable professional services businesses, the Group is involved in a number of disputes in the ordinary course of business. Provision is made in the financial statements for all claims where costs are likely to be incurred and represents the cost of defending and concluding claims. The Group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the Group.

29. Operating lease commitments – minimum lease payments

Group	Property leases		Other leases		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Future aggregate minimum lease payments under non-cancellable operating leases are as follows:						
Within 1 year	21.5	18.4	2.3	2.0	23.8	20.4
Between 1 to 5 years	50.2	50.3	2.4	2.1	52.6	52.4
After 5 years	21.1	24.0	–	–	21.1	24.0
	92.8	92.7	4.7	4.1	97.5	96.8

There are no operating lease commitments payable by the Company at 31 December 2010 (2009: £nil).

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

30. Cash generated from operations

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit for the year	25.1	9.2	5.0	3.1
Adjustments for:				
Income tax (Note 11)	11.7	4.3	(1.6)	(2.0)
Depreciation (Note 15)	6.6	7.0	0.5	0.4
Amortisation of intangibles (Note 14)	3.7	3.6	0.3	0.3
Loss on sale of property, plant and equipment	–	0.2	–	–
Impairment of goodwill and intangible assets (Note 14)	4.4	4.3	–	–
Loss on disposal of subsidiary, associate and available-for-sale investments (Note 6(a))	0.1	–	–	–
Net finance expense/(income) (Note 10)	1.0	–	(1.0)	(2.0)
Share of post-tax profit from associates and joint ventures (Note 16(a))	(1.2)	(2.6)	–	–
Decrease in employee and retirement obligations	(3.6)	(4.6)	(0.3)	(0.2)
Exchange movement on operating activities	0.1	2.7	(0.9)	3.8
Increase/(decrease) in provisions	5.8	1.2	(0.1)	(0.3)
Charge for defined benefit pension scheme (Note 9)	0.9	4.1	0.1	0.2
Impairment of available-for-sale investments included within operating income	0.3	–	0.2	–
Charge for share-based compensation	11.3	9.8	0.6	0.3
Exercise of share options	–	–	(10.1)	(6.3)
Operating cash flows before movements in working capital	66.2	39.2	(7.3)	(2.7)
Increase in work in progress	(0.7)	(0.1)	–	–
(Increase)/decrease in trade and other receivables	(29.4)	1.0	(3.4)	(2.6)
Increase/(decrease) in trade and other payables	42.1	6.1	(2.3)	6.8
Cash generated from/(used in) operations	78.2	46.2	(13.0)	1.5

Notes to the financial statements continued

31. Analysis of cash net of debt

2010	At 1 January £m	Acquisitions £m	Non-cash flow movements £m	Cash flows £m	Exchange movement £m	At 31 December £m
Cash and cash equivalents	81.6	–	–	13.9	1.7	97.2
Bank overdrafts	(0.7)	–	–	–	–	(0.7)
	80.9	–	–	13.9	1.7	96.5
Bank loans	(13.6)	–	–	5.1	(0.5)	(9.0)
Loan notes	(1.0)	(0.2)	–	0.9	(0.1)	(0.4)
Finance Leases	–	(0.3)	–	0.1	–	(0.2)
Cash and cash equivalents net of debt	66.3	(0.5)	–	20.0	1.1	86.9

2009	At 1 January £m	Acquisitions £m	Non-cash flow movements £m	Cash flows £m	Exchange movement £m	At 31 December £m
Cash and cash equivalents	75.3	–	–	13.2	(6.9)	81.6
Bank overdrafts	–	–	–	(0.7)	–	(0.7)
	75.3	–	–	12.5	(6.9)	80.9
Bank loans	(20.9)	–	–	4.5	2.8	(13.6)
Loan notes	(8.7)	–	–	6.9	0.8	(1.0)
Cash and cash equivalents net of debt	45.7	–	–	23.9	(3.3)	66.3

32. Related party transactions

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

Marketing services were provided by Adventis Group plc, an associate company, to Savills (L&P) Limited on an arm's-length basis to the value of £2.7m (2009: £2.6m).

Loans to related parties

Loans to associates and joint ventures are disclosed in Note 16(a). All loans to associates and joint ventures are non-interest bearing.

Company transactions

The Company provided corporate function services to its subsidiaries at an arm's-length value of £10.1m (2009: £9.5m).

Dividends received from subsidiaries were £nil (2009: £nil). Amounts outstanding from subsidiaries as at 31 December 2010 are disclosed in Notes 18, 20 and 21.

33. Events after the balance sheet date

Thomas Davidson

On 31 January 2011 the Group acquired the business and undertaking of Thomas Davidson & Partners, a London based retail property consultancy business. The business brings with it specialist expertise and knowledge in the retail sector and the acquisition will strengthen the existing Central London retail business.

Consideration of £2.5m was paid on completion, with a further £2.5m payable in equal instalments on the first, second and third anniversaries subject to service conditions. Goodwill and other intangible assets of £1.7m and £0.8m respectively have been provisionally determined.

Sweden

On 25 February 2011 the Group entered into an agreement to acquire 100% of the shares of Stadsmuren AB, a Stockholm based property and project management firm and 70% of the shares of Loudden AB, a Stockholm based facilities management firm, a related company of Stadsmuren. The acquisition will provide a new service offering for the Group's Swedish clients and will add to its European property management network.

Total consideration of up to £5.5m (£3.7m for Stadsmuren and £1.8m for Loudden) will be paid of which £4.1m was paid on transaction close with a further £1.4m payable by February 2012 subject to earnings performance during 2011. All consideration payments will be settled in cash out of existing resources, including debt facilities. Goodwill and other intangible assets of £2.3m and £0.8m respectively have been provisionally determined with respect to Stadsmuren and £1.2m and £0.4m respectively with respect to Loudden.

Credit facility agreement

The £50m multi-currency revolving credit facility was cancelled on 10 March 2011 and replaced with a new £50m multi-currency revolving credit facility, which expires on 31 March 2014.