

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