

Notes to the Financial Statements

Year ended 31 December 2007

1. General information

Savills plc ('the Company') and its subsidiaries (together 'the Group') is a leading international property advisory group. It has an extensive network of offices and associates throughout the UK, continental Europe, the Americas, Asia Pacific and Africa. Savills is listed on the London Stock Exchange and employs 18,029 staff worldwide in 185 offices.

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

These consolidated financial statements were approved for issue by the Board of Directors on 11 March 2008.

2. Accounting policies

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

Basis of preparation

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

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

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

Standards, amendment and interpretations effective in 2007

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2007:

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Interpretation early adopted by the Group

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group or Company's financial statements as all share-based transactions are equity-settled.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007, but are not relevant to the Group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

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 2008, but have not been early adopted:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the impact will be minimal with some minor reclassifications.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

Interpretations to existing standards that are not yet effective but are not relevant

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

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. IAS 23 is not relevant to the Group's operations because there are currently no qualifying assets.

2. Accounting policies continued

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

Consolidation

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

Subsidiaries

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

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

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

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

Transactions with minority interests

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting 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 18(a)).

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

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

Joint ventures

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

Segment reporting

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

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.

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

The differences between retained profits of overseas subsidiaries and associated undertakings translated at average and closing rates of exchange are taken to reserves, as are differences arising on the retranslation of overseas net assets to Sterling at the end of the year (using closing rates of exchange). Any differences that have arisen since 1 January 2004 are presented as a separate component of equity. As permitted under IFRS1, any differences prior to that date are not included in this separate component of equity.

2. Accounting policies continued

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. 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 in the associated company. Goodwill arising on acquisition is capitalised and subject to annual impairment reviews. Goodwill is stated at cost less accumulated impairment losses.

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. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in the geographical region in which it operates (Note 15).

Intangible assets other than goodwill

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

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. Measurement subsequent to initial recognition is at fair value less accumulated amortisation. Fair value is determined by impairment testing where 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 years
Property management contracts	typically 2–10 years
Incremental contract costs	10 years
Business and customer relationships	6–10 years
Brands	5 years

Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever an indicator of impairment exists. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Financial instruments

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

Investments

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

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

2. Accounting policies continued

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 (more than 90 days' overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash and cash equivalents

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

Bank borrowings

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

Trade payables

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

Derivative financial instruments and hedging

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

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

Share capital

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

Taxation

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

Deferred income tax is provided in full using the liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for the tax base. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that it will not reverse in the foreseeable future. A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets and liabilities are not discounted. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Income tax and deferred tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Pension obligations

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

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

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

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

Share-based payments

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

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

2. Accounting policies continued

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 plc 1992 Executive Share Option Scheme, 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 exercise or vesting of the options/awards granted under the schemes. The assets and liabilities of the EBT are included in the balance sheet of the Group. Investments in the Group's own shares are shown as a deduction from shareholders' funds.

Provisions

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

Revenue

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

– Residential transactional fees

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

– Commercial transactional fees

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

– Property consultancy

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

– Property and facilities management

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

– Fund management

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

– Financial services

Insurance commission revenue is recognised when the insurance policy sold is in effect and the amount of commission earned is determinable. Indemnity commission is recognised when the policy sold is in effect. Mortgage commission is recognised on completion with the exception of residential properties where 50% is recognised at exchange and the remaining 50% at completion.

– Work in progress

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

– Interest income

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

– Dividend income

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

– Other income

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

Accounting for leases

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

Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Discontinued operations is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Dividends

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

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 fix foreign currency and interest rate risk.

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

Foreign exchange risk

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

For the year ended 31 December 2007, if the average currency conversion rates 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			
	-10%	-5%	+5%	+10%
For the year ended 31 December 2007				
Estimated impact on post tax profit				
Euro	(0.7)	(0.3)	0.3	0.6
Hong Kong dollar	(1.4)	(0.7)	0.6	1.2
US dollar	0.7	0.3	(0.3)	(0.6)
Estimated impact on components of equity				
Euro	(1.9)	(0.9)	0.8	1.5
Hong Kong dollar	(6.2)	(2.9)	2.7	5.1
US dollar	2.1	1.0	(0.9)	(1.8)
For the year ended 31 December 2006				
Estimated impact on post tax profit				
Euro	(0.6)	(0.3)	0.3	0.5
Hong Kong dollar	(0.9)	(0.4)	0.4	0.7
Estimated impact on components of equity				
Euro	(2.0)	(0.9)	0.8	1.6
Hong Kong dollar	(4.2)	(2.0)	1.8	3.4

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 to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Occasionally, the Group enters into floating-to-fixed interest rate swaps to hedge the cash flow interest rate risk on borrowings.

For the year ended 31 December 2007, 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:

	Movement of interest rates			
	+/-0.25%	+/-0.50%	+/-0.75%	+/-1.00%
For the year ended 31 December 2007				
Estimated impact on post tax profit	0.1	0.1	0.2	0.3
For the year ended 31 December 2006				
Estimated impact on post tax profit	0.1	0.3	0.4	0.5

Credit risk

The Group has no significant concentrations of 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. There were no significant individual trade receivable or other counterparty balances at 31 December 2007 and 31 December 2006.

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. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The table below shows bank counterparties at balance sheet date:

Counterparty rating (provided by S&P)	2007 Balance £m	2006 Balance £m
AA	60.4	84.1
AA-	3.8	2.9
A+	31.7	21.0
A	8.1	12.4
A-	3.8	2.4
BBB-	2.9	1.3
Total	110.7	124.1

3. Financial risk management continued

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 24) and cash and cash equivalents (Note 21)) 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 at the balance sheet 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As at 31 December 2007			
Borrowings	4.6	4.0	11.1
Loan notes	6.1	7.0	0.6
Derivative financial instruments	–	–	0.2
Trade and other payables	234.3	7.1	6.8
	245.0	18.1	18.7
As at 31 December 2006			
Borrowings	1.4	–	–
Loan notes	5.9	10.8	1.2
Derivative financial instruments	0.2	0.2	0.1
Trade and other payables	191.8	0.3	1.7
	199.3	11.3	3.0

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 2007.

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

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

4. Critical accounting estimates and management judgements

Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience 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 pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions including discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 10.

Income taxes

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

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 28. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash-generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. The estimates used in these financial statements are contained in Note 15.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Provisions

The Group and its subsidiaries are party to various legal claims. Provisions made within these financial statements are contained in Note 26(a). Additional claims could be made which might not be covered by existing provisions or by insurance.

Critical judgements in applying the entity's accounting policies

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

Award of options and deferred shares to employees

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

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.

5. Segment analysis

Year ended 31 December 2007	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated* £m	Total £m
Revenue							
United Kingdom – commercial	79.4	84.0	38.9	15.4	3.5	–	221.2
– residential	115.0	30.4	12.7	–	26.3	–	184.4
	194.4	114.4	51.6	15.4	29.8	–	405.6
Rest of Europe	45.4	10.7	18.1	–	–	–	74.2
Asia Pacific	60.6	16.4	90.0	–	–	–	167.0
America	3.7	–	–	–	–	–	3.7
Total revenue	304.1	141.5	159.7	15.4	29.8	–	650.5
Operating profit							
United Kingdom – commercial	15.9	14.2	3.0	4.1	1.0	(3.0)	35.2
– residential	17.8	5.7	0.7	–	3.5	–	27.7
	33.7	19.9	3.7	4.1	4.5	(3.0)	62.9
Rest of Europe	3.9	2.1	(0.3)	–	–	–	5.7
Asia Pacific	8.9	1.6	4.1	–	–	–	14.6
America	0.2	–	–	–	–	–	0.2
Operating profit/(loss)	46.7	23.6	7.5	4.1	4.5	(3.0)	83.4
Finance income (Note 11)							2.1
Share of post tax profit/(loss) from associates and joint ventures	1.1	(1.4)	0.7	–	–	–	0.4
Profit before income tax							85.9
Income tax expense							(28.0)
Profit for the year from continuing operations							57.9
Year ended 31 December 2006							
Revenue							
United Kingdom – commercial	83.5	59.6	34.8	7.2	3.7	0.3	189.1
– residential	91.5	22.4	8.8	–	23.2	–	145.9
	175.0	82.0	43.6	7.2	26.9	0.3	335.0
Rest of Europe	32.6	5.3	10.2	–	–	–	48.1
Asia Pacific	39.6	11.5	83.4	–	–	–	134.5
Total revenue	247.2	98.8	137.2	7.2	26.9	0.3	517.6
Operating profit							
United Kingdom – commercial	19.7	11.0	3.1	0.8	1.0	0.5	36.1
– residential	20.4	4.0	1.0	–	3.0	–	28.4
	40.1	15.0	4.1	0.8	4.0	0.5	64.5
Rest of Europe	4.3	0.7	(0.1)	–	–	–	4.9
Asia Pacific	4.2	0.7	5.9	–	–	–	10.8
Operating profit	48.6	16.4	9.9	0.8	4.0	0.5	80.2
Finance income (Note 11)							3.7
Share of post tax profit/(loss) from associates and joint ventures	0.6	(0.7)	0.6	–	–	–	0.5
Profit before income tax							84.4
Income tax expense							(25.6)
Profit for the year from continuing operations							58.8

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

5. Segment analysis continued

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

	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated* £m	Total £m
Year ended 31 December 2007							
Depreciation (Note 17)							
United Kingdom – commercial	0.5	0.8	0.4	0.1	0.1	0.6	2.5
– residential	1.1	0.2	0.2	–	–	–	1.5
Rest of Europe	0.3	0.1	0.2	–	–	–	0.6
Asia Pacific	0.6	0.1	0.9	–	–	–	1.6
	2.5	1.2	1.7	0.1	0.1	0.6	6.2
Amortisation of intangibles (Note 16)							
United Kingdom – commercial	0.6	–	0.1	0.1	–	0.2	1.0
– residential	–	–	0.1	–	–	–	0.1
Rest of Europe	1.0	0.1	0.4	–	–	–	1.5
Asia Pacific	0.1	0.1	0.8	–	–	–	1.0
America	0.5	–	–	–	–	–	0.5
	2.2	0.2	1.4	0.1	–	0.2	4.1
Impairment of goodwill and available-for-sale investments (Notes 15 and 18(b))							
United Kingdom – commercial	0.3	–	–	–	–	1.0	1.3
Rest of Europe	–	–	0.3	–	–	–	0.3
	0.3	–	0.3	–	–	1.0	1.6
Other non-cash expenses							
United Kingdom – commercial	1.9	1.8	0.3	0.3	0.4	0.3	5.0
– residential	2.6	0.9	0.2	–	–	–	3.7
	4.5	2.7	0.5	0.3	0.4	0.3	8.7
Year ended 31 December 2006							
Depreciation (Note 17)							
United Kingdom – commercial	0.7	0.5	0.2	0.1	0.2	0.9	2.6
– residential	0.7	0.2	0.1	–	–	–	1.0
Rest of Europe	0.3	–	0.1	–	–	–	0.4
Asia Pacific	0.6	0.1	0.8	–	–	0.1	1.6
	2.3	0.8	1.2	0.1	0.2	1.0	5.6
Amortisation of intangibles (Note 16)							
United Kingdom – commercial	0.4	0.1	–	0.1	–	0.2	0.8
– residential	–	–	0.2	–	–	–	0.2
Rest of Europe	0.6	0.1	0.2	–	–	–	0.9
Asia Pacific	–	–	0.4	–	–	0.1	0.5
	1.0	0.2	0.8	0.1	–	0.3	2.4
Other non-cash expenses							
United Kingdom – commercial	1.7	0.7	0.1	–	–	0.4	2.9
– residential	1.8	0.4	0.2	–	–	–	2.4
	3.5	1.1	0.3	–	–	0.4	5.3

5. Segment analysis continued

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

5. Segment analysis continued

Year ended 31 December 2006 (restated)	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Segment assets							
United Kingdom – commercial	53.0	39.0	9.4	8.7	18.1	41.1	169.3
– residential	68.5	24.1	10.2	–	–	–	102.8
Rest of Europe	64.6	13.2	6.4	–	–	–	84.2
Asia Pacific	29.4	6.8	59.3	–	–	5.8	101.3
	215.5	83.1	85.3	8.7	18.1	46.9	457.6
Investment in associates and joint ventures	3.1	0.1	2.4	–	–	–	5.6
Total assets	218.6	83.2	87.7	8.7	18.1	46.9	463.2
Segment liabilities							
United Kingdom – commercial	27.0	18.3	2.8	6.0	9.7	16.7	80.5
– residential	52.0	22.9	6.1	–	–	–	81.0
Rest of Europe	16.4	2.7	0.8	–	–	–	19.9
Asia Pacific	12.1	1.9	22.1	–	–	2.5	38.6
	107.5	45.8	31.8	6.0	9.7	19.2	220.0
Unallocated liabilities							
– tax	–	–	–	–	–	11.0	11.0
– borrowings	–	–	–	–	–	19.4	19.4
Total liabilities	107.5	45.8	31.8	6.0	9.7	49.6	250.4
Segment net assets	111.1	37.4	55.9	2.7	8.4	(2.7)	212.8
Capital expenditure							
United Kingdom – commercial	4.4	0.4	0.1	0.2	0.3	1.4	6.8
– residential	2.1	0.5	0.3	–	–	–	2.9
Rest of Europe	8.5	0.8	0.9	–	–	–	10.2
Asia Pacific	1.2	0.2	1.9	–	–	3.3	6.6
	16.2	1.9	3.2	0.2	0.3	4.7	26.5

The matrix approach of disclosing both the business and geographical segments as primary reporting formats provides the most useful information, as the Group is strongly affected by both differences in the types of services it provides and the geographical areas in which it operates. All operations are continuing. The unallocated segment includes holding company costs, group bonuses and other expenses not directly attributable to the operating activities of the Group's business segments. Segment assets include property, plant and equipment, goodwill, receivables and operating cash and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including intangible additions resulting from acquisitions through business combinations and separately acquired.

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

6(a). Operating profit

Operating profit is stated after charging/(crediting):

	Group	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Depreciation	6.2	5.6
Amortisation of intangibles and impairment of goodwill and available-for-sale investments	5.7	2.4
Loss on sale of property, plant and equipment	0.7	0.4
Operating lease rentals – Hire of plant and machinery	1.4	0.2
– Property	16.5	11.3
Rental income	(0.8)	(1.0)
Other income – dividend and investment income	(0.7)	(0.8)
<hr/>		
Profit on disposals is made up as follows:		
Profit on disposals – Available-for-sale investments*	0.4	4.5
– Associates	0.3	0.4
– Joint ventures	–	0.5
– Subsidiary	–	(0.3)
	0.7	5.1

*The Group disposed of its 13.72% interest in Fastcrop plc in January 2006, at a profit after costs of £4.5m.

6(b). Income Statement of the Company

As permitted by Section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these accounts. The Company receives dividends from subsidiaries and charges subsidiaries for the provision of Group related services. The profit after income tax of the Company for the year was £37.4m (2006 – £43.3m).

6(c). Fees payable to Group auditors, PricewaterhouseCoopers LLP and its associates:

	Group	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Audit services		
Fees payable to Company auditor for the audit of parent Company and consolidated accounts	0.2	0.2
Other services		
Fees payable to the Company's auditors and its associates for other services:		
The audit of Company subsidiaries pursuant to legislation	0.6	0.4
Other services pursuant to legislation	0.3	0.1
Tax services	0.2	0.2
Services relating to corporate finance transactions proposed to be entered into by the Company	0.3	0.1
	1.6	1.0

7. Underlying profit before tax
7(a). From continuing operations

	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Reported profit before income tax	85.9	84.4
Adjustments:		
Amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments	5.1	1.8
Share-based payment adjustment	(4.8)	(6.1)
Profit on disposal of subsidiary, associate, joint ventures and available-for-sale investments	(0.7)	(5.1)
Underlying profit before tax	85.5	75.0

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

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

7(b). Underlying segmental analysis

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

Year ended 31 December 2006	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
United Kingdom – commercial	20.5	10.6	2.8	0.7	1.0	(3.9)	31.7
– residential	16.6	4.0	1.4	–	3.4	–	25.4
	37.1	14.6	4.2	0.7	4.4	(3.9)	57.1
Rest of Europe	4.7	0.8	–	–	–	–	5.5
Asia Pacific	4.4	0.7	7.3	–	–	–	12.4
Total underlying profit/(loss)	46.2	16.1	11.5	0.7	4.4	(3.9)	75.0

8. Non-current assets held for sale and discontinued operations

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

The analysis of the result of discontinued operations is as follows:

	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Revenue	–	1.1
Expenses	–	(0.4)
Profit before income tax	–	0.7
Income tax expense	–	(0.4)
Profit after income tax	–	0.3

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

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Basic salaries and wages	184.5	147.2	4.8	3.3
Incentive bonuses and commissions	152.0	125.2	3.2	3.8
	336.5	272.4	8.0	7.1
Social security costs	28.6	21.3	0.8	0.6
Other pension costs	9.1	7.1	0.2	0.3
Share-based payments	8.1	5.3	0.2	0.4
	382.3	306.1	9.2	8.4

9(b). Staff numbers

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

	Group	
	Year to 31 December 2007 Number	Year to 31 December 2006 Number
UK	3,192	2,637
America	23	–
Rest of Europe	729	449
Asia Pacific	14,085	12,758
	18,029	15,844

The average number of UK employees (including directors) during the year included 74 employed under fixed term and temporary contracts (2006 – 109). The average number of employees of the Company was 127 (2006 – 94) which are all located in the UK.

9(c). Key management compensation

	Group	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Key management		
– Remuneration excluding bonuses	0.8	0.8
– Bonuses	4.8	4.5
– National Insurance	0.4	1.1
Fees to Non-Executive Directors	0.3	0.3
Total short-term employee benefits	6.3	6.7
Share-based payments	0.7	0.6
	7.0	7.3

Key management are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity and include Executive and Non-Executive Directors.

During the year five Executive Directors made gains totalling £2.9m on the exercise of options under the DSBP, ESOP, Sharesave and 2001 Option Schemes (2006 – £4.4m).

The pension annuity for the highest paid Director was £44,188 with no lump sum accrued (2006 – £40,417 with no lump sum accrued). Retirement benefits under the defined benefit scheme are accruing for three Directors and benefits are accruing under the defined contribution scheme for one Executive Director.

10. Pension scheme

Defined contribution plans

The Group operates the Savills UK Group Personal Pension Plan, a defined contribution scheme, a number of defined contribution individual pension plans and a Mandatory Provident Fund Scheme in Hong Kong, to which it contributes.

The total pension charges in respect of these plans were £6.6m (2006 – £4.4m).

Defined benefit plan

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

The most recent actuarial valuation completed, using the projected unit method, was as at 5 April 2007. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments pre retirement, the rates of increase in salaries and the post retirement investment return. The valuation showed that the market value of the scheme's assets was £100.7m and that the actuarial value of those assets represented 98% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The scheme has been closed to new joiners for pension benefits since 1 April 2000.

Principal assumptions at 31 December	Group	
	2007	2006
Expected return on plan assets		
– Equities	8.10%	7.85%
– Bonds	5.00%	4.65%
– Property	7.10%	6.85%
– Other	5.35%	4.85%
Expected rate of salary increases	5.00%	4.60%
Rate of increase to pensions in payment		
– accrued before 6 April 1997	3.00%	3.00%
– accrued after 5 April 1997	3.40%	3.10%
– 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	3.40%	3.10%
Average life expectancy in years – male pensioner retiring at age 60	26.3	26.3
Average life expectancy in years – female pensioner retiring at age 60	28.8	28.8
Discount rate	5.80%	5.10%
Inflation assumption	3.40%	3.10%

10. Pension scheme continued

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

	Group	
	2007	2006
Retiring today – Male	86.3	86.3
– Female	88.8	88.7
Retiring in 20 years – Male	87.6	87.6
– Female	89.9	89.8

Sensitivity analysis of the discount rate:

Change in assumption	Reduce by 0.1% p.a.
Impact on liabilities	Increase by 2.5%

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Fair value of plan assets	103.4	96.6	5.7	4.6
Present value of funded obligations	(113.4)	(112.1)	(6.2)	(5.4)
Deficit	(10.0)	(15.5)	(0.5)	(0.8)
Related deferred tax asset	3.5	4.7	0.2	0.2
Net liability	(6.5)	(10.8)	(0.3)	(0.6)

The amounts recognised in the income statement:

	Group	
	2007 £m	2006 £m
Current service cost	3.8	3.9
Interest cost	5.8	4.9
Expected return on plan assets	(7.1)	(6.1)
Total included in staff costs (Note 9)	2.5	2.7

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

Change in defined benefit obligation:

	Group	
	2007 £m	2006 £m
Present value of defined benefit obligation at start of year	112.1	102.8
Current service cost	3.8	3.9
Interest cost	5.8	4.9
Plan participants contributions	1.2	1.1
Actuarial gain	(8.5)	–
Benefits paid	(1.0)	(0.6)
Present value of defined benefit obligation at end of year	113.4	112.1

10. Pension scheme continued

Change in plan assets:

	Group	
	2007 £m	2006 £m
Fair value of plan assets at start of year	96.6	85.4
Expected return on plan assets	7.1	6.1
Actuarial (loss)/gain	(2.7)	2.5
Employer contributions	2.2	2.1
Plan participants contributions	1.2	1.1
Benefits paid	(1.0)	(0.6)
Fair value of plan assets at end of year	103.4	96.6

The actual return on plan assets was £4.4m (2006 – £8.7m). The overall expected return on assets is determined as the weighted average of the expected returns on each separate asset class shown below. The expected return on plan assets is determined by the expected rate of return over the remaining life of the related liabilities held by the scheme. The expected rate of return on equities is based on market expectations of dividend yields and price earnings ratios. Expected returns on bonds are based on gross redemption yields as at the balance sheet date.

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

	Group	
	2007 £m	2006 £m
Actuarial losses brought forward	(14.3)	(16.8)
Net actuarial gains for the year	5.8	2.5
Accumulated net actuarial losses	(8.5)	(14.3)

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

	2007	2006
Equities	79%	79%
Bonds	15%	14%
Property	5%	6%
Cash	1%	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:

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Plan assets	103.4	96.6	85.4	60.8	37.8
Defined benefit obligation	(113.4)	(112.1)	(102.8)	(81.1)	(63.3)
Deficit	(10.0)	(15.5)	(17.4)	(20.3)	(25.5)
Experience losses on plan liabilities	(5%)	(3%)	(14%)	(14%)	(6%)
Experience (losses)/gains on plan assets	(4%)	3%	8%	3%	9%

The Group expects to contribute £4.2m (2007 – £2.2m) (£0.1m – Company, 2007 – £0.1m) to its pension plan in 2008, being 23.8% of pensionable salaries (2007 – 12.5%). The increase reflects the recent triennial valuation and accelerating the reduction of the pension deficit.

11. Finance income and costs

	Group	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Finance income – bank interest receivable	4.5	4.8
Bank interest payable	(2.3)	(0.9)
Fair value loss – forward foreign currency contracts and interest rate swaps	(0.1)	(0.2)
Finance costs	(2.4)	(1.1)
Net finance income	2.1	3.7

12. Income tax on profit from continuing operations

	Group	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Analysis of tax expense for the year		
Current tax		
United Kingdom:		
Corporation tax at 30% (2006 – 30%)	21.3	18.9
Adjustment in respect of previous years	0.1	(0.2)
	21.4	18.7
Foreign tax:		
Adjustment in respect of previous years	7.2	4.9
	(0.2)	(0.2)
Total current tax	28.4	23.4
Deferred tax		
Representing:		
United Kingdom	1.0	2.0
Foreign tax	(0.9)	(0.3)
Adjustment in respect of previous years	(0.5)	0.5
Total deferred tax (Note 19)	(0.4)	2.2
Income tax expense on profit from continuing operations	28.0	25.6

Income tax expense on discontinued operations is included in Note 8.

The tax charged to equity is as follows:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Current tax credit on employee benefits	3.8	5.4	0.3	0.5
Current tax charge on revaluations of available-for-sale investments	–	(1.4)	–	–
Deferred tax on pension asset	(2.0)	(0.8)	(0.1)	–
Deferred tax charge on employee benefits	(6.5)	(0.9)	(0.4)	(0.9)
Deferred tax on revaluations of available-for-sale investments	(0.1)	1.3	–	–
Deferred tax on exchange movements and exchange reserves	(0.2)	(0.1)	–	–
Tax on items taken directly to reserves	(5.0)	3.5	(0.2)	(0.4)

12. Income tax on profit from continuing operations 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 profits of the consolidated companies. The tax for the year is higher (2006 – higher) than the standard rate of corporation tax in the UK (30%). The total tax charge on profit from continuing operations can be reconciled to accounting profit as follows:

	Group	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Profit on continuing operations before tax	85.9	84.4
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	25.8	25.3
Effects of:		
Adjustments to tax in respect of previous years	(0.6)	0.1
Adjustments in respect of foreign tax rates	(2.1)	(1.2)
Impact of falling share price below fair value of share awards/options at date of grant	2.1	–
Income not subject to tax	(0.5)	–
Expenses and other charges not deductible for tax purposes	3.3	1.4
Income tax expense on profit from continuing operations	28.0	25.6

The effective tax rate on the continuing operations of the Group for the year ended 31 December 2007 is 32.6% (2006 – 30.3%).

13. Dividends

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

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

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

14(a). Basic and diluted earnings per share

Basic earnings per share are based on the profit for the year and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 11,164,834 shares (2006 – 9,361,954 shares) and QUEST, 2,154 shares (2006 – 2,154 shares).

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

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

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

14(b). Underlying basic earnings per share

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

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

14(b). Underlying basic earnings per share continued

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

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

The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment above addresses this by deducting from profit the difference between the IFRS 2 charge and the value of the annual share award.

The gross amounts of the above adjustments are profits on disposals £0.7m (2006 – £5.1m), share-based payment adjustment £4.8m (2006 – £6.1m) and add back of amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments of £5.1m (2006 – £1.8m).

15. Goodwill

	Group £m	Company £m
Cost		
At 1 January 2007	100.2	–
Additions (Note 18(e))	36.6	–
Exchange movement	2.8	–
At 31 December 2007	139.6	–
Aggregate impairment		
At 1 January 2007	0.3	–
Impairment for the year	0.6	–
At 31 December 2007	0.9	–
Net book value		
At 31 December 2007	138.7	–
Net book value		
At 31 December 2006	99.9	–

During the year, goodwill was tested for impairment in accordance with IAS 36. Following the impairment testing, a £0.6m charge has been recognised through the income statement (2006 – nil) in relation to a UK business which has ceased trading and goodwill capitalised on a European acquisition which no longer employs any of the original staff.

15. Goodwill continued

	Group £m	Company £m
Cost		
At 1 January 2006	54.6	–
Additions	46.0	–
Exchange movement	(0.4)	–
At 31 December 2006	100.2	–
Aggregate impairment		
At 1 January 2006	0.3	–
Impairment for the year	–	–
At 31 December 2006	0.3	–
Net book value		
At 31 December 2006	99.9	–

Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to country of operation and business segment. A segment-level summary of the allocation is presented below:

	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Financial Services £m	Total £m
United Kingdom	25.1	10.7	4.7	0.4	40.9
Rest of Europe	32.0	1.9	9.8	–	43.7
Asia Pacific	7.6	1.2	23.3	–	32.1
America	22.0	–	–	–	22.0
	86.7	13.8	37.8	0.4	138.7

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use 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 the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

Growth rate	0% – 15%
Pre-tax discount rate	5% – 12%

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with the Directors' expectations. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

16. Intangible assets

						Group	Company
	Customer/ business relationships £m	Brands £m	Investment contracts £m	Property Management contracts £m	Computer software £m	Total £m	Total £m
Acquired intangible assets							
Cost							
At 1 January 2007	11.0	3.8	0.8	5.5	5.9	27.0	1.1
Acquisitions (Note 18(e))	4.0	1.0	–	0.2	0.1	5.3	–
Other additions	–	–	–	–	1.0	1.0	0.4
Disposals	(0.1)	–	–	–	–	(0.1)	–
Exchange movement	0.6	0.3	–	–	0.1	1.0	–
At 31 December 2007	15.5	5.1	0.8	5.7	7.1	34.2	1.5
Aggregate amortisation and impairment							
At 1 January 2007	1.8	0.4	0.2	0.7	4.8	7.9	0.9
Amortisation charge for the year	1.7	0.9	0.1	0.8	0.6	4.1	0.2
Exchange movement	0.1	–	–	0.2	0.1	0.4	–
At 31 December 2007	3.6	1.3	0.3	1.7	5.5	12.4	1.1
Net book value							
At 31 December 2007	11.9	3.8	0.5	4.0	1.6	21.8	0.4

All intangible amortisation charges in the year are disclosed on the face of the income statement.

						Group	Company
	Customer/ business relationships £m	Brands £m	Investment contracts £m	Property Management Contracts £m	Computer Software £m	Total £m	Total £m
Acquired intangible assets							
Cost							
At 1 January 2006	3.0	–	0.8	1.6	5.1	10.5	0.9
Acquisitions (Note 18(e))	8.0	3.8	–	4.2	0.1	16.1	–
Other additions	0.1	–	–	–	1.0	1.1	0.2
Disposals	(0.1)	–	–	–	–	(0.1)	–
Exchange movement	–	–	–	(0.3)	(0.3)	(0.6)	–
At 31 December 2006	11.0	3.8	0.8	5.5	5.9	27.0	1.1
Aggregate amortisation and impairment							
At 1 January 2006	1.0	–	0.1	0.2	4.5	5.8	0.8
Amortisation charge for the year	0.8	0.4	0.1	0.5	0.6	2.4	0.1
Exchange movement	–	–	–	–	(0.3)	(0.3)	–
At 31 December 2006	1.8	0.4	0.2	0.7	4.8	7.9	0.9
Net book value							
At 31 December 2006	9.2	3.4	0.6	4.8	1.1	19.1	0.2

17. 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 or valuation					
At 1 January 2007	0.4	13.1	31.9	0.2	45.6
Additions	–	4.0	7.5	0.1	11.6
Subsidiaries acquired (Note 18(e))	–	0.2	0.5	–	0.7
Disposals	–	(0.8)	(1.5)	(0.1)	(2.4)
Exchange movement	–	–	0.4	–	0.4
At 31 December 2007	0.4	16.5	38.8	0.2	55.9
Accumulated depreciation					
At 1 January 2007	–	6.6	22.4	0.1	29.1
Charge for the year	–	1.5	4.7	–	6.2
Disposals	–	(0.2)	(1.4)	–	(1.6)
Exchange movement	–	–	0.5	–	0.5
At 31 December 2007	–	7.9	26.2	0.1	34.2
Net book value					
At 31 December 2007	0.4	8.6	12.6	0.1	21.7

The Directors consider that the fair value of plant, property and equipment approximates to 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 or valuation					
At 1 January 2006	0.4	10.5	31.6	0.2	42.7
Additions	–	2.6	4.7	–	7.3
Subsidiaries acquired (Note 18(e))	–	0.2	0.8	–	1.0
Disposals	–	(0.2)	(3.8)	–	(4.0)
Exchange movement	–	–	(1.4)	–	(1.4)
At 31 December 2006	0.4	13.1	31.9	0.2	45.6
Accumulated depreciation					
At 1 January 2006	–	5.6	22.3	0.1	28.0
Charge for the year	–	1.1	4.5	–	5.6
Disposals	–	(0.1)	(3.3)	–	(3.4)
Exchange movement	–	–	(1.1)	–	(1.1)
At 31 December 2006	–	6.6	22.4	0.1	29.1
Net book value					
At 31 December 2006	0.4	6.5	9.5	0.1	16.5

17. Property, plant and equipment continued

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

Company	Freehold property owned £m	Short leasehold property £m	Equipment & motor vehicles £m	Total £m
Cost or valuation				
At 1 January 2006	0.1	0.6	7.1	7.8
Additions	–	1.0	0.4	1.4
Disposals	–	–	(0.7)	(0.7)
At 31 December 2006	0.1	1.6	6.8	8.5
Accumulated depreciation				
At 1 January 2006	–	0.1	5.5	5.6
Charge for the year	–	0.1	0.7	0.8
Disposals	–	–	(0.2)	(0.2)
At 31 December 2006	–	0.2	6.0	6.2
Net book value				
At 31 December 2006	0.1	1.4	0.8	2.3

18(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 2007	0.7	2.7	3.4	1.6	0.2	1.8
Additions	1.3	–	1.3	0.3	–	0.3
Movement on loans	–	1.4	1.4	–	–	–
Exchange movement	–	0.1	0.1	–	–	–
Gain on dilution of shareholding	–	–	–	0.3	–	0.3
At 31 December 2007	2.0	4.2	6.2	2.2	0.2	2.4
Share of profit/(loss)						
At 1 January 2007	(1.0)	–	(1.0)	1.4	–	1.4
Group's share of retained (loss)/profit	(0.8)	–	(0.8)	1.2	–	1.2
Dividends received	(0.2)	–	(0.2)	(0.3)	–	(0.3)
At 31 December 2007	(2.0)	–	(2.0)	2.3	–	2.3
Net book value						
At 31 December 2007	–	4.2	4.2	4.5	0.2	4.7
Net book value						
At 31 December 2006	(0.3)	2.7	2.4	3.0	0.2	3.2

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

	2007 £m	2006 £m
Current assets	3.4	2.2
Non-current assets	1.6	1.5
Current liabilities	(5.2)	(4.1)
Minority interests' share	0.2	0.1
Net assets/(liabilities)	–	(0.3)
Revenue	4.3	2.7
Expenses	(4.9)	(2.8)
Share of income tax	(0.2)	(0.1)
Share of post tax loss from joint ventures	(0.8)	(0.2)

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

	2007 £m	2006 £m
Current assets	6.8	4.8
Non-current assets	4.1	4.5
Current liabilities	(5.2)	(4.3)
Non-current liabilities	(1.2)	(2.0)
Net assets	4.5	3.0
Revenue	17.4	14.1
Expenses	(15.7)	(13.2)
Share of income tax	(0.5)	(0.2)
Share of post tax profit from associates	1.2	0.7

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

The joint ventures and associates have no significant liabilities to which the Group is exposed to nor has the Group any significant contingent liabilities or capital commitments in relation to its interests in the joint ventures and associates. The market value of the Group's holding in Adventis plc, an associate company, was £5.5m at 31 December 2007 (2006 – £5.2m).

18(b). Available-for-sale investments

	Group 2007 £m	Group 2006 £m
At 1 January	8.8	10.5
Additions	21.8	5.5
Subsidiaries acquired (Note 18(e))	0.1	–
Revaluation surplus transferred to equity (Note 29)	0.6	0.4
Disposals	(9.6)	(7.6)
Impairment	(1.0)	–
Exchange movement	0.9	–
At 31 December 2007	21.6	8.8
Available-for-sale investments comprise the following:		
Listed securities Asia Pacific – equity securities	1.3	0.2
Unlisted securities UK – equity securities	1.4	1.4
UK – limited partnership	0.7	1.8
UK – investment funds	2.6	1.0
European – investment funds	15.6	4.4
	21.6	8.8

An impairment provision was made during the year for £1.0m in relation to an investment in VoxVue Corporation. The investment was made in February 2007 but subsequently impaired due to poor operating performance. £5.2m was outstanding at 31 December 2007 in relation to the disposal of available-for-sale investments.

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

	Group 2007 £m	Group 2006 £m
Sterling	4.7	4.2
Euro	15.6	4.4
Other	1.3	0.2
	21.6	8.8

At 31 December 2007, the Group held the following available-for-sale investments:

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

The Group does not exert a significant influence over these businesses, and therefore does not equity account for these investments. These shareholdings are treated as trade investments and accounted for at fair value through equity. There is no significant market risk for investment funds as they are dispersed across the UK and Europe.

The fair value of unlisted securities is based on underlying asset values and price earnings models. The fair value of investment funds is determined by the Fund Managers annual audited financial statements. As at 31 December 2007 the Group held conditional commitments for investment funds as detailed in Note 30.

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

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
Cost			
At 1 January 2007	17.4	77.6	95.0
Additions	–	56.0	56.0
Repayments	–	(21.6)	(21.6)
At 31 December 2007	17.4	112.0	129.4

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

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

Subsidiary undertakings	Holding	Main activities
Cordea Savills LLP*+^	60.0%	Provision of fund management
Savills (Australia) Holdings Pty Limited* (registered in Australia)	94.3%	Holding company for the Australian agency, property and facility management businesses
Savills Commercial Limited	100.0%	Commercial surveyors
Savills (China) Limited* (registered in Hong Kong)	100.0%	Holding company for the agency and property management businesses in China
Savills Granite LLC* (registered in the US)	75.0%	Property consultants
Savills Guardian (Holdings) Limited* (registered in Hong Kong)	100.0%	Holding company for the Asian property and facilities management group
Savills Consultores Inmobiliarios SA* (registered in Spain)	100.0%	Property consultants
Savills Immobilien Beratungs GmbH* (registered in Germany)	100.0%	Property consultants
Savills (Hong Kong) Limited* (registered in Hong Kong)	100.0%	Mixed practice agency, valuation and research
Savills (L&P) Limited	100.0%	General practice surveyors
Savills Property Management Holdings Limited* (registered in Hong Kong)	100.0%	Holding company for the Asian property and facilities management group
Savills SA* (registered in France)	99.97%	Property consultants
Savills Italy SRL* (registered in Italy)	64.5%	Property consultants
Savills Spolka z Organicznoscia* (registered in Poland)	83.6%	Property consultants
Prime Purchase Limited*	100.0%	Property buying company
Savills (Singapore) Pte Limited* (registered in Singapore)	100.0%	Property management and agency
Cordea Savills Investment Management Limited*	60.0%	Asset manager (regulated by FSA)
Savills Private Finance Limited*	100.0%	Provision of general insurance, mortgage broking and personal financial planning services (regulated by FSA)
Savills Nederland BV* (registered in the Netherlands)	61.0%	Property consultants
Savills Sweden AB* (registered in Sweden)	51.0%	Property consultants
Savills Japan KK* (registered in Japan)	100.0%	Property management and agency
Savills Valuation and Professional Services Limited* (registered in Hong Kong)	100.0%	Valuation and research

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

Subsidiary undertakings	Holding	Main activities
Korea Asset Advisors Co Limited* (registered in Korea)	55.0%	Property management
BHP Korea Limited* (registered in Korea)	55.0%	Property consultants
Savills Hamilton Osborne King Group* (the trading style of Hamilton Osborne King Limited, registered in Ireland)	100.0%	Property consultants
Joint ventures		
Savills Vietnam Limited* (registered in Vietnam)	32.2%	Property management and agency
Infinergy Limited*	50.0%	Provision of renewable energy
Associated undertakings		
Adventis Group plc*	34.0%	Provision of marketing and media services

*Shares/interests held indirectly by the Company

+Limited Liability Partnership

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

18(e). Acquisitions of subsidiaries

	Provisional fair value to Group				Total £m
	Savills Granite LLC £m	Hepher Dixon Limited £m	Christopher Rowland Limited £m	Other £m	
Subsidiaries acquired					
Property, plant and equipment	–	0.5	0.1	0.1	0.7
Available-for-sale investments	–	0.1	–	–	0.1
Current assets: Trade and other receivables	0.3	2.2	–	1.3	3.8
Work in progress	–	0.3	–	–	0.3
Cash and cash equivalents	–	–	–	0.8	0.8
Total assets	0.3	3.1	0.1	2.2	5.7
Current liabilities: Trade and other payables	–	(1.1)	–	(1.1)	(2.2)
Bank overdraft	(0.3)	(0.5)	–	–	(0.8)
Deferred tax liabilities	–	(0.1)	–	–	(0.1)
Current income tax liabilities	–	(0.6)	–	–	(0.6)
Net assets	–	0.8	0.1	1.1	2.0
Minority share of net assets	–	–	–	(0.4)	(0.4)
Fair value of net assets acquired	–	0.8	0.1	0.7	1.6
Goodwill (Note 15)	22.0	4.3	3.9	6.4	36.6
Other intangibles (Note 16)	5.0	–	–	0.3	5.3
Purchase consideration and costs	27.0	5.1	4.0	7.4	43.5
Analysis of purchase consideration and costs:					
Purchase consideration	26.0	5.1	4.0	7.2	42.3
Acquisition costs	1.0	–	–	0.2	1.2
	27.0	5.1	4.0	7.4	43.5
Consideration and costs satisfied by:					
Cash	21.2	2.8	2.1	6.2	32.3
Deferred consideration owing at balance sheet date	5.8	2.3	1.9	0.6	10.6
Issue of loan notes	–	–	–	0.6	0.6
	27.0	5.1	4.0	7.4	43.5

18(e). Acquisitions of subsidiaries continued

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

On 7 January 2007, the Group acquired the share capital of Hephher Dixon Limited for consideration of £5.1m. Goodwill on acquisition of £4.3m has been capitalised. Cash consideration of £2.8m was paid on 7 January 2007 with £2.3m deferred cash consideration due over the next five years.

On 3 May 2007, the Group acquired the share capital of Christopher Rowland Limited for consideration of £4.0m. Goodwill on acquisition of £3.9m has been capitalised. Cash consideration of £2.1m was paid on 3 May 2007 with £1.9m deferred cash consideration due over the next five years.

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

During the year, a number of other small businesses were acquired for a cash consideration of £6.2m and deferred consideration of £0.6m payable over three years. Loan notes of £0.6m were also issued.

Included in Group operating profit relating to acquisitions is revenue of £18.3m (2006 – £42.0m), staff costs of £9.3m (2006 – £18.0m), depreciation of £0.2m (2006 – £0.2m), amortisation of £0.5m (2006 – £nil) and other operating charges of £6.1m (2006 – £18.0m). 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 £21.9m (2006 – £68.2m), staff costs of £11.6m (2006 – £32.0m), depreciation of £0.2m (2006 – £0.5m), amortisation of £1.2m (2006 – £nil) and other operating charges of £7.5m (2006 – £26.3m).

19. Deferred income tax

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

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	9.4	11.9	0.8	0.7
– Deferred tax asset to be recovered within 12 months	3.5	8.7	0.6	0.5
	12.9	20.6	1.4	1.2
Deferred tax liabilities				
– Deferred tax liability to be recovered after more than 12 months	(1.6)	(1.0)	–	–
– Deferred tax liability to be recovered within 12 months	(0.6)	(0.4)	–	–
	(2.2)	(1.4)	–	–
Deferred tax asset – net	10.7	19.2	1.4	1.2

19. Deferred income tax continued

The movement on the deferred tax account is shown below:

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
At 1 January – asset	19.2	21.6	1.2	2.8
Amount credited to income statement (Note 12)	0.4	(2.2)	0.7	(0.7)
Tax charged to equity (Note 29)				
– Pension asset	(1.7)	(0.8)	(0.1)	–
– Employee benefits	(6.4)	(0.9)	(0.3)	(0.9)
– Revaluations of available-for-sale investments	(0.1)	1.3	–	–
– Exchange rate movements and foreign exchange reserves	(0.2)	(0.1)	–	–
– Impact of change in UK tax rate on deferred tax	(0.4)	–	(0.1)	–
Acquired with subsidiaries (Note 18(e))	(0.1)	0.3	–	–
As at 31 December – asset	10.7	19.2	1.4	1.2

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 £8.6m (2006 – £9.9m) available for offset against future profits. Deferred tax of £1.8m (2006 – £2.1m) has not been recognised on such losses due to the unpredictability of future income streams. Included within unrecognised losses are losses of £0.2m that expire within three years and the remaining £8.4m being available for offset indefinitely.

	Accelerated capital allowances £m	Other incl. provisions £m	Tax losses £m	Retirement benefits £m	Employee benefits £m	Total £m
Deferred tax assets – Group						
At 1 January 2006	0.6	3.6	0.2	9.7	9.8	23.9
Amount (charged)/credited to income statement (Note 12)	(0.1)	(1.9)	–	(1.7)	1.9	(1.8)
Tax charged to equity (Note 29)	–	–	–	(0.8)	(0.9)	(1.7)
Exchange rate fluctuations	–	(0.1)	–	–	–	(0.1)
Acquired with subsidiaries (Note 18(e))	–	0.1	0.1	0.1	–	0.3
At 1 January 2007	0.5	1.7	0.3	7.3	10.8	20.6
Amount credited/(charged) to income statement (Note 12)	0.2	1.6	0.7	(1.7)	–	0.8
Tax charged to equity (Note 29)	–	–	–	(2.0)	(6.5)	(8.5)
As at 31 December 2007	0.7	3.3	1.0	3.6	4.3	12.9

19. Deferred income tax continued

	Accelerated capital allowances £m	Other incl. provisions £m	Tax losses £m	Revaluations £m	Foreign exchange reserves £m	Total £m
Deferred tax liabilities – Group						
At 1 January 2006	(0.3)	(0.3)	–	(1.7)	–	(2.3)
Amount credited/(charged) to income statement (Note 12)	0.1	(0.2)	(0.2)	(0.1)	–	(0.4)
Tax charged to equity (Note 29)	–	–	–	1.3	–	1.3
At 1 January 2007	(0.2)	(0.5)	(0.2)	(0.5)	–	(1.4)
Amount (charged)/credited to income statement (Note 12)	(0.1)	(0.4)	0.1	–	–	(0.4)
Tax charged to equity (Note 29)	–	–	–	(0.1)	(0.2)	(0.3)
Acquired with subsidiaries (Note 18(e))	(0.1)	–	–	–	–	(0.1)
As at 31 December 2007	(0.4)	(0.9)	(0.1)	(0.6)	(0.2)	(2.2)
Net deferred tax asset						
At 31 December 2007						10.7
At 31 December 2006						19.2
Deferred tax assets – Company						
	Accelerated capital allowances £m	Other incl. provisions £m	Retirement benefits £m	Employee benefits £m		Total £m
At 1 January 2006	0.3	0.5	0.5	1.5		2.8
Amount charged to income statement	–	(0.5)	(0.2)	–		(0.7)
Tax charged to equity (Note 29)	–	–	–	(0.9)		(0.9)
At 1 January 2007	0.3	–	0.3	0.6		1.2
Amount credited to income statement	0.1	0.6	–	–		0.7
Tax charged to equity (Note 29)	–	–	(0.1)	(0.4)		(0.5)
As at 31 December 2007	0.4	0.6	0.2	0.2		1.4
Net deferred tax asset						
At 31 December 2007						1.4
At 31 December 2006						1.2

20. Trade and other receivables

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Trade receivables	146.5	129.4	–	–
Less: provision for impairment of receivables	(8.1)	(4.7)	–	–
Trade receivables – net	138.4	124.7	–	–
Amounts owed by subsidiary undertakings	–	–	8.3	14.0
Other receivables	19.4	13.2	0.2	0.1
Income tax	–	–	1.7	2.5
Prepayments and accrued income	37.3	26.0	0.9	1.3
	196.1	163.9	11.1	17.9

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

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of clients internationally dispersed with no individual client having a significant amount owing. Other receivables include £5.2m sale proceeds outstanding at 31 December 2007 on disposal of available-for-sale investments.

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

As at 31 December 2007, trade receivables of £8.1m (2006 – £4.7m) were impaired. The amount of the provision was £8.1m as at 31 December 2007 (2006 – £4.7m). 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 cashflow has become uncertain.

The aging of these receivables is as follows:

	Group	
	2007 £m	2006 £m
Up to 3 months	1.2	0.3
3 to 6 months	2.6	2.3
Over 6 months	4.3	2.1
	8.1	4.7

As at 31 December 2007, trade receivables of £31.9m (2006 – £25.7m) 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 aging of these receivables is as follows:

	Group	
	2007 £m	2006 £m
Up to 3 months	23.2	20.1
3 to 6 months	5.7	3.7
Over 6 months	3.0	1.9
	31.9	25.7

20. Trade and other receivables continued

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

	Group	
	2007 £m	2006 £m
Sterling	113.2	106.8
Euro	30.7	18.6
Hong Kong dollar	25.5	17.3
Australian dollar	11.8	8.3
Other	14.9	12.9
	196.1	163.9

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

	Group	
	2007 £m	2006 £m
At 1 January	(4.7)	(3.6)
Provisions for receivables impairment	(4.2)	(1.7)
Receivables written off during the year as uncollectible	0.8	0.6
At 31 December	(8.1)	(4.7)

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

21. Cash and cash equivalents

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Cash at bank and in hand	63.6	101.9	6.6	48.9
Short-term bank deposits	47.1	22.2	20.2	10.0
	110.7	124.1	26.8	58.9

The effective interest rate on short-term bank deposits was 4.7% (2006 – 4.5%); these deposits have an average maturity of 14 days (2006 – 18 days).

Cash subject to restrictions in Asia Pacific amounts to £13.1m (2006 – £9.8m) which is cash pledged to banks in relation to property management contracts and cash remittance restrictions in certain countries.

21. Cash and cash equivalents continued

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

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Cash and cash equivalents	110.7	124.1	26.8	58.9
Bank overdrafts (Note 24)	(0.3)	(0.4)	(12.3)	(4.1)
	110.4	123.7	14.5	54.8

Cash and cash equivalents are denominated in the following currencies:

Sterling	51.8	81.2	26.8	58.4
Euro	14.2	15.0	–	0.5
Hong Kong dollar	25.3	19.0	–	–
Singapore dollar	1.7	0.4	–	–
Thailand baht	0.1	0.1	–	–
Australian dollar	5.0	2.1	–	–
Chinese renminbi	5.6	3.2	–	–
Japanese yen	0.7	0.1	–	–
South Korean wan	2.9	2.7	–	–
Polish zloty	1.0	–	–	–
Swedish krona	0.3	0.3	–	–
US dollar	2.2	–	–	–
	110.7	124.1	26.8	58.9

22(a). Trade and other payables – current

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Deferred consideration	6.1	5.2	–	–
Trade payables	35.6	24.9	1.4	0.3
Amounts owed to subsidiary undertakings	–	–	13.5	37.6
Other taxation and social security	30.0	29.2	1.2	9.9
Other payables	1.7	3.5	–	0.4
Bonus accrual	122.9	105.1	2.9	3.1
Accruals and deferred income	38.0	23.9	1.8	1.2
	234.3	191.8	20.8	52.5

22(b). Tax liabilities – current

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Current income tax liabilities	11.6	10.3	–	–

23. Trade and other payables – non-current

	Group		Company	
	Year to 31 December 2007 £m	Year to 31 December 2006 £m	Year to 31 December 2007 £m	Year to 31 December 2006 £m
Deferred consideration	12.0	2.0	–	–
Amounts owed to subsidiary undertakings	–	–	4.5	–
	12.0	2.0	4.5	–

24. Borrowings

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Current				
Unsecured bank loans and overdrafts due within one year or on demand	4.6	1.4	16.3	4.1
Loan notes	6.1	5.9	–	–
	10.7	7.3	16.3	4.1
Non-current				
Unsecured bank loans	15.1	–	15.1	–
Loan notes	7.4	12.0	–	–
	22.5	12.0	15.1	–

In May 2005, £0.9m of the Variable Interest Rate Guaranteed Loan Notes 2005 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Mansfield Elstob Main Limited. As at 31 December 2007, £0.3m were still in issue. These are repayable over two years and interest is payable half yearly. £0.1m is due within one year.

In September 2005, £0.8m of the Variable Interest Rate Guaranteed Loan Notes 2005 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Brown Harknett International Limited. As at 31 December 2007, £0.4m were still in issue. These are repayable over two years and interest is payable half yearly. £0.2m is due within one year.

In October 2005, £0.3m of the Variable Interest Rate Guaranteed Loan Notes 2005 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of SY Moorhouse Wright Limited. As at 31 December 2007, £0.2m were still in issue. These are repayable over two years and interest is payable half yearly. £0.1m is due within one year.

In May 2006, £4.3m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Blair Kirkman LLP. As at 31 December 2007, £3.1m were still in issue. These are repayable over three years and interest is payable half yearly. £1.2m is due within one year.

In June 2006, £11.5m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Hamilton Osbourne King Limited. As at 31 December 2007, £8.5m were still in issue. These are repayable over two years and interest is payable half yearly. £4.2m is due within one year.

In September 2006, £0.4m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of PCA Management Consultants Limited. As at 31 December 2007, £0.4m were still in issue. These are repayable over four years and interest is payable half yearly. No amount is due within one year.

24. Borrowings continued

In July 2007, £0.6m of the Variable Rate Interest Guaranteed Loan Notes 2007 were issued by a subsidiary undertaking as part consideration for the acquisition of 65% of the business and assets of Theodor Schone Immobilien. As at 31 December 2007, £0.6m were still in issue. These are repayable over two years and interest is payable on redemption. £0.3m is due within one year.

Bank loans are denominated in a number of currencies and bear interest on 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	
	2007 £m	2006 £m	2007 £m	2006 £m
Less than 1 year	23.0	18.7	21.9	4.1
Between 1 and 2 years	0.1	0.1	–	–
Between 2 and 5 years	10.1	0.5	9.5	–
	33.2	19.3	31.4	4.1

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
The maturity of non-current borrowings is as follows:				
Between 1 and 2 years	10.4	11.5	4.0	–
Between 2 and 5 years	12.1	0.5	11.1	–
	22.5	12.0	15.1	–

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

	Group	
	2007 £m	2006 £m
Bank overdraft	4.14%	5.57%
Bank loans	5.72%	6.74%
Loan notes	6.25%	5.68%

The carrying amounts of borrowings approximate to fair value.

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

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Sterling	4.5	6.4	12.3	4.1
US dollar	19.1	–	19.1	–
Euro	9.0	11.5	–	–
Australian dollar	0.3	0.8	–	–
Hong Kong dollar	–	0.3	–	–
Thailand baht	0.1	0.1	–	–
Japanese yen	0.2	0.2	–	–
	33.2	19.3	31.4	4.1

The Group has the following undrawn borrowing facilities:

Floating rate – expiring within one year or on demand	16.8	8.9	10.0	5.0
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25. Derivative financial instruments

	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
At 31 December 2007				
Financial assets at fair value through profit or loss	1.5	–	–	–
Interest rate swaps – fair value hedges	–	0.2	–	0.2
Forward foreign exchange contracts – at fair value	0.5	–	0.5	–
Total	2.0	0.2	0.5	0.2
Less non-current portion	(1.7)	(0.2)	(0.2)	(0.2)
Current portion	0.3	–	0.3	–
At 31 December 2006	1.5	0.5	–	0.5

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2007 were £9.5m (2006 – £nil). At 31 December 2007, the fixed interest rate was 5.22%. The main floating rate is USD LIBOR.

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2007 were £17.3m (2006 – £11.5m). 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 in the period during which the transaction affects the income statement.

Financial assets at fair value through profit or loss

The Group owns a call option to acquire an initial shareholding of 25% in a Russian residential transaction business, Intermark. The option is carried at cost of £1.5m (2006 – £1.5m) as there is no active market from which to obtain a fair value.

Financial obligations

- Savills has granted the minority shareholders in the Netherlands subsidiary a put option over the outstanding shares not already owned by Savills. This option is exercisable after 12 September 2008 at a market related price. This option has no fair value, reflecting the low probability of the put being exercised.
- On the acquisition of Korean Asset Advisors and BHP Korean Limited, Savills agreed a put and call option with the vendor. The put and call option is exercisable between 19 December 2008 and 19 December 2010 at a market related price. This reflects a forward contract with the rights and obligations currently equal therefore no fair value has been recognised.

26(a). Provisions

	Group £m	Company £m
At 1 January 2007	3.1	1.2
Provided during the year	1.7	0.4
Utilised during the year	(0.8)	–
Exchange movements	–	–
31 December 2007	4.0	1.6

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

	Group £m	Company £m
Current	2.2	1.6
Non-current	1.8	–
	4.0	1.6

Provisions are held for property dilapidation provisions and for excess amounts on certain claims against the Group.

26(b). Employee benefit obligations

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

Group	Total £m
At 1 January 2007	6.5
Provided during the year	1.3
Utilised during the year	(1.7)
Acquisitions	0.1
Exchange movements	0.4
31 December 2007	6.6

The above provisions relate to holiday and long service leave in companies in Hong Kong, Australia, Korea and Thailand and are expected to crystallise within five to seven years of the balance sheet date.

The Company had no employee benefit obligations at 31 December 2007 and 31 December 2006.

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

	2007 £m	Group 2006 £m
Current	2.7	3.0
Non-current	3.9	3.5
	6.6	6.5

27. Share capital – Group and Company

	31 December 2007 Number of shares	31 December 2006 Number of shares	31 December 2007 £m	31 December 2006 £m
Authorised and allotted				
Ordinary shares of 2.5p each:				
Authorised	202,000,000	202,000,000	5.1	5.1
Allotted, called up and fully paid	131,840,933	135,085,892	3.3	3.4

Movement in allotted, called up and fully paid share capital

	2007		2006	
	Number of shares	£m	Number of shares	£m
At 1 January	135,085,892	3.4	132,999,104	3.3
Allotted to employees under The Savills Executive Share Option Scheme	189,000	–	570,000	–
Allotted direct participants on exercise of options under the Savills Sharesave Scheme	66,041	–	1,516,788	0.1
Repurchased for cancellation	(3,500,000)	(0.1)	–	–
At 31 December	131,840,933	3.3	135,085,892	3.4

At the Annual General Meeting held on 9 May 2007, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 13,162,999 of its own ordinary shares (AGM held on 10 May 2006 – 13,319,438). Such authority remains valid until the conclusion of the next Annual General Meeting or 9 August 2008 whichever is the earlier.

28. Share-based payment

Details of the terms of the following schemes are contained in the Remuneration Report on pages 78 to 79.

28(a).

The following share options, without exercise price, have been granted under the Savills plc 1992 Executive Share Option Scheme (the ESOP) and were outstanding at 31 December 2007:

Date of grant	Exercise period	31 December 2007 Number of shares '000	31 December 2006 Number of shares '000
20 July 2000	2 years from 20 July 2005	–	200
6 April 2001	2 years from 6 April 2006	210	650
		210	850

A reconciliation of option movements over the year to 31 December 2007 is shown below:

	2007		2006	
	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	850	–	2,106	–
Exercised	(640)	531.0p	(1,256)	598.5p
Outstanding at 31 December	210	–	850	–
Exercisable at 31 December	210	–	850	–

The weighted average exercise price for options granted under this scheme is £nil (2006 – £nil).

28(b).

The following share options have been granted under the Savills Executive Share Option Scheme (2001) and were outstanding at 31 December 2007:

Date of grant	Exercise period	Exercise price	31 December 2007 Number of shares '000	31 December 2006 Number of shares '000
30 March 2004	7 years from 30 March 2007	Unapproved	46	235
14 March 2005	7 years from 14 March 2008	Approved	47	47
14 March 2005	7 years from 14 March 2008	Unapproved	117	117
13 March 2006	7 years from 13 March 2009	Unapproved	100	100
			310	499

A reconciliation of option movements over the year to 31 December 2007 is shown below:

	2007		2006	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	499	327.8p	969	148.2p
Granted	–	–	100	596.0p
Exercised	(189)	217.8p	(570)	69.5p
Outstanding at 31 December	310	394.5p	499	327.8p
Exercisable at 31 December	46	217.8p	–	–

The weighted average share price on the date of exercise during the year was 599.3p (2006 – 626.0p) and total consideration of £0.4m (2006 – £0.4m) was received.

28. Share-based payment continued

28(c).

During the year 66,041 shares (2006 – 1,516,788 shares) were allotted direct to participants and nil shares (2006 – nil shares) were transferred from the Qualifying Employee Share Trust on the exercise of options under the Savills Sharesave Scheme. The following table shows the options remaining outstanding as at 31 December 2007, 564,648 shares (2006 – 107,816 shares) having lapsed and 66,041 (2006 – 1,516,788 shares) having been exercised in accordance with the rules of the scheme for consideration of £42,404 (2006 – £838,609).

Date of grant	Exercise price	Exercise period	31 December 2007 Number of shares '000	31 December 2006 Number of shares '000
11 August 2000	82.5p	01.10.03 – 01.04.08	–	13
20 May 2003	55.5p	01.07.06 – 01.01.07	–	64
5 May 2006	510.5p	01.07.09 – 01.01.10	353	897
31 October 2007	318.0p	01.12.10 – 01.06.11	1,650	–
			2,003	974

A reconciliation of option movements over the year to 31 December 2007 is shown below:

	2007		2006	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	974	475.2p	1,646	55.9p
Granted	1,660	318.0p	953	510.5p
Forfeited/expired	(565)	510.5p	(108)	293.9p
Exercised	(66)	64.2p	(1,517)	55.3p
Outstanding at 31 December	2,003	352.0p	974	475.2p
Exercisable at 31 December	–	–	64	55.5p

The weighted average share price on the date of exercise during the year was 589.6p (2006 – 568.6p).

28(d).

During the year no shares (2006 – nil) were either allotted to Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust, or transferred (2006 – nil) to participants on the exercise of options under the Savills Sharesave Scheme. At 31 December 2007 the Trust held 2,154 shares (2006 – 2,154 shares) of Savills plc.

28(e).

The following awards of deferred shares, without exercise price, have been granted under the Savills Deferred Share Bonus Plan (the DSBP) and were outstanding at 31 December 2007:

Date of award	Deferred period	Vesting date	31 December 2007 Number of shares '000	31 December 2006 Number of shares '000
22 March 2002	5 years	22 March 2007	–	1,393
14 March 2003	5 years	14 March 2008	1,094	1,112
15 March 2004	5 years	15 March 2009	955	971
14 March 2005	5 years	14 March 2010	1,103	1,139
13 March 2006	3 years	13 March 2009	688	708
13 March 2006	5 years	13 March 2011	34	34
19 March 2007	3 years	19 March 2010	847	–
19 March 2007	5 years	19 March 2012	671	–
			5,392	5,357

28. Share-based payment continued

As at 31 December 2007, 330 (2006 – 238) individuals held outstanding awards under the DSBP. Awards made under the DSBP from 2006 onwards are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders throughout the deferred period.

A reconciliation of award movements over the year to 31 December 2007 is shown below:

	2007		2006	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	5,357	–	4,704	–
Granted	1,565	–	764	–
Forfeited/expired	(137)	–	(92)	–
Exercised	(1,393)	669.8p	(19)	654.3p
Outstanding at 31 December	5,392	–	5,357	–

The weighted average exercise price for awards granted under this scheme is £nil (2006 – £nil). No awards were exercisable under this scheme as at 31 December 2007 and 31 December 2006.

28(f).

The following awards of deferred shares, without exercise price, have been granted under the Savills Deferred Share Plan (the DSP) and remained outstanding at 31 December 2007:

Date of grant	Deferred period	Vesting date	31 December 2007 Number of shares '000	31 December 2006 Number of shares '000
10 October 2006	3 years	10 October 2009	84	84
10 October 2006	5 years	10 October 2011	554	581
19 March 2007	3 years	19 March 2010	406	–
19 March 2007	5 years	19 March 2012	37	–
17 September 2007	3 years	17 September 2010	189	–
17 September 2007	5 years	17 September 2012	12	–
			1,282	665

As at 31 December 2007, 102 individuals (2006 – 52) held outstanding awards under the DSP. Awards made under the DSP are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders through the deferred period.

A reconciliation of award movements over the year to 31 December 2007 is shown below:

	2007		2006	
	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	665	–	–	–
Granted	652	–	686	–
Forfeited/expired	(35)	–	(21)	–
Outstanding at 31 December	1,282	–	665	–

The weighted average exercise price for awards granted under this scheme is £nil (2006 – £nil). No awards were exercisable under this scheme as at 31 December 2007 and 31 December 2006.

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

Options and awards for the DSBP, Sharesave Scheme and ESOS were valued at fair value using the Actuarial Binominal model of Lane Clark & Peacock actuaries. The key assumptions used in the calculation are as follows:

Risk free rate	3.6% pa – 5.0% pa depending on grant date and expected life
Volatility	28% pa – 37% pa depending on grant date
Employee turnover	2.5% pa for DSBP and Sharesave and zero for ESOS
Early exercise	50% of employees exercise early when options and awards are 20% in the money
Performance criteria	All vest after three years (only relevant for ESOS)

The expected volatility is based on historical volatility over the last five years. The risk free rate is the yield on a zero coupon UK government bonds at each grant date, with term based on the expected life of the option or award.

Fair value of options and awards at grant dates are:

Grant	Grant date	Fair value pence
DSBP 2003	14 March 2003	46.0
DSBP 2004	15 March 2004	186.5
DSBP 2005	15 March 2005	278.2
DSBP 2006	13 March 2006	596.0
DSBP 2007	19 March 2007	656.0
Sharesave 2003	20 May 2003	24.0
Sharesave 2006	5 May 2006	232.0
Sharesave 2007	31 October 2007	96.0
DSP 2006	10 October 2006	560.5
DSP 2007	19 March 2007	656.0
DSP 2007	17 September 2007	408.8
ESOS 2004	30 March 2004	73.5
ESOS 2005	30 March 2005	102.8
ESOS 2006	13 March 2006	189.0

The total charge for the year relating to employee share based payments plans was £8.1m (2006 – £5.3m), all of which related to equity-settled share-based payment transactions. After deferred tax, the charge was £7.9m (2006 – £3.8m).

29. Statement of changes in equity

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

Included within retained earnings is tax on items taken directly to equity as shown in Note 12.

29. Statement of changes in equity continued

	Attributable to equity holders of the Group										
	Share capital £m	Share premium £m	Share-based payments reserve £m	Currency translation reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Treasury shares £m	Retained earnings £m	Total shareholders' equity £m	Minority interest £m	Total equity £m
Balance at 1 January 2006	3.3	80.9	3.7	1.4	4.9	0.2	(10.8)	84.1	167.7	0.6	168.3
Total recognised income and expense for the period	–	–	–	(4.5)	0.3	–	–	63.8	59.6	1.6	61.2
Employee share option scheme:											
– Value of services provided	–	–	5.3	–	–	–	–	–	5.3	–	5.3
– Exercise of options	–	0.4	(0.5)	–	–	–	0.1	–	–	–	–
Issue of share capital	0.1	1.1	–	–	–	–	–	–	1.2	–	1.2
Purchase of treasury shares	–	–	–	–	–	–	(5.0)	–	(5.0)	–	(5.0)
Dividends	–	–	–	–	–	–	–	(16.2)	(16.2)	(0.2)	(16.4)
Disposals (net of tax)	–	–	–	–	(4.1)	–	–	–	(4.1)	–	(4.1)
Acquisitions	–	–	–	–	–	–	–	–	–	2.3	2.3
Balance at 31 December 2006	3.4	82.4	8.5	(3.1)	1.1	0.2	(15.7)	131.7	208.5	4.3	212.8

	Attributable to equity holders of the Company						
	Share capital £m	Share premium £m	Share-based payments reserve £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Balance at 1 January 2007	3.4	82.4	0.6	0.2	3.0	26.8	116.4
Total recognised income and expense for the period	–	–	–	–	–	37.6	37.6
Employee share option scheme:							
– Value of services provided	–	–	0.2	–	–	–	0.2
– Exercise of options	–	0.2	–	–	–	(0.1)	0.1
Issue of share capital	–	0.4	–	–	–	–	0.4
Purchase of own shares	(0.1)	–	–	0.1	–	(21.8)	(21.8)
Dividends	–	–	–	–	–	(20.7)	(20.7)
Balance at 31 December 2007	3.3	83.0	0.8	0.3	3.0	21.8	112.2
Balance at 1 January 2006	3.3	80.9	0.4	0.2	3.0	0.4	88.2
Total recognised income and expense for the period	–	–	–	–	–	42.9	42.9
Employee share option scheme:							
– Value of services provided	–	–	0.3	–	–	–	0.3
– Exercise of options	–	0.4	(0.1)	–	–	(0.3)	–
Issue of share capital	0.1	1.1	–	–	–	–	1.2
Dividends	–	–	–	–	–	(16.2)	(16.2)
Balance at 31 December 2006	3.4	82.4	0.6	0.2	3.0	26.8	116.4

Included within retained earnings is tax on items taken directly to equity as shown in Note 12.

30. Capital commitments

	Group		Company	
	2007 £m	2006 m	2007 £m	2006 £m
Contracts placed for future capital expenditure not provided in the financial statements	6.2	4.7	–	–

At 31 December 2007 the Group held a conditional commitment to co-invest £4.0m in the Cordea Savills UK Ventures Fund in June 2008 and £2.2m in the Cordea Savills Italian Opportunities Fund No.2 during 2008.

31. Contingent liabilities

The Company guarantees certain financial obligations of its subsidiaries. It is not anticipated that any material liabilities will arise from these contingent liabilities.

32. Operating lease commitments – minimum lease payments

Group	Property leases		Other leases		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Commitments under non-cancellable operating leases expiring:						
Within one year	13.9	13.4	1.4	1.4	15.3	14.8
In one to five years	46.7	48.3	1.9	1.7	48.6	50.0
After five years	28.1	26.7	0.1	0.7	28.2	27.4
	88.7	88.4	3.4	3.8	92.1	92.2

Company	Property leases		Other leases		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Commitments under non-cancellable operating leases expiring:						
Within one year	0.5	1.0	–	–	0.5	1.0
In one to five years	2.0	3.7	–	–	2.0	3.7
After five years	0.2	0.9	–	–	0.2	0.9
	2.7	5.6	–	–	2.7	5.6

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

33. Cash generated from continuing operations

	Group		Company	
	Year ended 2007 £m	Year ended 2006 £m	Year ended 2007 £m	Year ended 2006 £m
Profit for the year from continuing operations	57.9	58.8	37.4	43.3
Adjustments for:				
Income tax (Note 12)	28.0	25.6	0.1	(0.1)
Depreciation (Note 17)	6.2	5.6	0.8	0.8
Amortisation of intangibles (Note 16)	4.1	2.4	0.2	0.1
Impairment of goodwill and available-for-sale investments (Note 15 and 18(b))	1.6	–	1.0	–
Net finance income (Note 11)	(2.1)	(3.7)	(1.2)	(0.6)
Share of post tax profit from associates and joint ventures (Note 18(a))	(0.4)	(0.5)	–	–
Profit on disposal of subsidiary associate, joint ventures and available-for-sale investments	(0.7)	(5.1)	–	–
Loss on sale of property, plant and equipment	0.7	0.4	0.4	–
Profit on disposal of available-for-sale investments included within other income	(0.7)	–	–	–
Increase in provisions	0.4	0.5	0.4	1.2
Increase/(decrease) in employee and retirement obligations	0.2	(2.2)	–	(1.2)
Charge for share based compensation	8.1	5.3	0.3	0.3
Operating cash flows before movements in working capital	103.3	87.1	39.4	43.8
Decrease in work in progress	0.4	0.4	–	–
(Increase)/decrease in debtors	(20.4)	(37.2)	4.7	(8.6)
Increase/(decrease) in creditors	41.0	37.1	(27.3)	12.2
Cash generated from operations	124.3	87.4	16.8	47.4

34. Related party transactions

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

Marketing services were provided by Adventis plc, an associate company, to Savills (L&P) Limited at an arm's length value of £8.9m (2006 – £8.0m).

The Company provided corporate function services to its subsidiaries at an arms length value of £13.3m (2006 – £10.3m).

Dividends received from subsidiaries were £44.5m (2006 – £48.2m). Amounts outstanding as at 31 December 2007 are disclosed in Notes 20 and 22.

Loans to related parties

Loans to associates and joint ventures are disclosed in Note 18(a). All loans to associates and joint ventures are interest free.

35. Major non-cash transactions

Loan notes to the value of £0.6m (2006 – £16.6m) were issued during the year for part consideration of acquisitions as disclosed in Note 18(e).