

Notes to the financial statements

Year ended 31 December 2009

1. General information

Savills plc (the 'Company') and its subsidiaries (together the 'Group') is a leading international property advisory group. The Group operates through a network of offices in the UK, Europe, Asia Pacific and the US. Savills is listed on the London Stock Exchange and employs 19,948 staff worldwide.

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

These consolidated financial statements were approved for issue by the Board of Directors on 17 March 2010.

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 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of available-for-sale financial assets 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.

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. For the purpose of consolidation, the purchase consideration is allocated between the underlying net assets acquired, including contingent liabilities and intangible assets other than goodwill, on the basis of their fair value. Excess costs of acquisition over fair value of the Group's share of identifiable net assets acquired are recorded as goodwill.

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

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

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 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 17(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

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

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

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

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

2. Accounting policies continued

Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately in the notes to the accounts due to the significance of their nature or amount.

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

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

Property, plant and equipment

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

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

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

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

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

Goodwill

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

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

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

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

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

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	2 – 10 years
Incremental contract costs	10 years
Business and customer relationships	6 – 10 years
Brands	5 years

Notes to the financial statements continued

2. Accounting policies continued

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.

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.

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

Trade receivables

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

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

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.

Gains and losses relating to the effective portion of hedges of net investments in foreign operations are recognised in equity. Gains or losses relating to the ineffective portion are recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed or sold.

Share capital

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

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation. The current income tax charge is calculated on the basis of the tax laws enacted 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.

2. Accounting policies continued

Pension obligations

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

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

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

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

Share-based payments

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

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

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

Employee Benefit Trust

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event 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 amounts due to third parties and after elimination of revenue within the Group.

– Residential transactional fees

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

– Commercial transactional fees

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

– Property consultancy

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

– Property and facilities management

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

– Fund management

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

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

– Financial services

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

Notes to the financial statements continued

2. Accounting policies continued

Revenue continued

- 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.

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

Dividends

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.

Standards and amendments effective in 2009

The Group adopted the following new and amended standards as of 1 January 2009:

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in using the profit measure of underlying profit before tax instead of reported profit before tax as presented in management reporting.
- IFRS 7 'Financial instruments – Disclosures' (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.
- IAS 1 (revised). 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.
- IFRS 2 (amendment), 'Share-based payment' clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has changed the accounting for Sharesave Schemes with regards to cancellations and withdrawals. The amendment does not have a material impact on the Group's financial statements.

New amended standards not relevant to the Group

IAS 23 (Amendment), 'Borrowing costs' – this amendment is not relevant to the Group as it has no qualifying assets and does not capitalise any borrowing costs.

Other standards, amendments and interpretations effective in 2009 and not discussed above are not relevant to the Group.

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 2010, and have not been early adopted:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at acquisition date, with contingent payments classified as debt and subsequently re-measured through the income statement.

2. Accounting policies continued

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

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets'. The Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

– IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

Other standards, amendments and interpretations not yet effective and not discussed above are not relevant to the Group.

3. Financial risk management

Financial risk factors

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

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

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks primarily with respect to the Euro, 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 translations due to their non-cash nature and the high costs associated with such hedging; however when there is a material committed foreign currency exposure the foreign exchange risk will be hedged.

For the year ended 31 December 2009, 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				
£m	-20%	-10%	+10%	+20%
For the year ended 31 December 2009				
Estimated impact on post tax profit				
Euro	1.2	0.5	(0.4)	(0.8)
Hong Kong dollar	(3.7)	(1.6)	1.3	2.5
US dollar	2.5	1.1	(0.9)	(1.7)
Estimated impact on components of equity				
Euro	5.9	2.6	(2.2)	(3.9)
Hong Kong dollar	(19.6)	(8.7)	7.1	13.1
US dollar	5.6	2.5	(2.0)	(3.7)
For the year ended 31 December 2008				
Estimated impact on post tax loss				
Euro	0.6	0.3	(0.2)	(0.4)
Hong Kong dollar	(2.1)	(0.9)	0.8	1.4
US dollar	1.7	0.7	(0.6)	(1.1)
Estimated impact on components of equity				
Euro	(0.1)	(0.1)	0.1	0.1
Hong Kong dollar	(23.3)	(10.4)	8.5	15.6
US dollar	1.7	0.7	(0.6)	(1.1)

Price risk

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

Interest rate risk

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

Notes to the financial statements continued

3. Financial risk management continued

Interest rate risk continued

For the year ended 31 December 2009, 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:

£m	Movement of interest rates			
	+/- 0.50%	+/- 1.00%	+/- 1.50%	+/- 2.00%
For the year ended 31 December 2009				
Estimated impact on post tax profit	0.0	0.0	0.0	0.1
For the year ended 31 December 2008				
Estimated impact on post tax loss	0.1	0.3	0.4	0.6

Credit risk

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

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

As at the balance sheet date, no significant credit risk existed in relation to banking counterparties. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. There were no other significant receivables or individual trade receivable balances as at 31 December 2009.

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

Counterparty rating (provided by S&P)	2009 Balance £m	2008 Balance £m
AAA	5.1	5.8
AA	11.8	1.5
AA-	23.1	19.4
A+	23.5	10.8
A	5.4	27.6
A-	5.6	6.4
BBB+ or below	7.1	3.8
Total	81.6	75.3

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 23) and cash and cash equivalents (Note 20)) on the basis of expected cash flow. This is carried out at local level in the operating companies of the Group in accordance with Group practice as well as on a Group consolidated basis.

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

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As at 31 December 2009			
Borrowings	5.6	4.9	3.8
Loan notes	0.7	0.3	-
Derivative financial instruments	-	-	0.7
Trade and other payables	141.6	10.8	1.1
	147.9	16.0	5.6

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As at 31 December 2008			
Borrowings	5.6	5.7	9.7
Loan notes	7.6	1.1	-
Derivative financial instruments	-	-	1.2
Trade and other payables	145.2	7.4	9.4
	158.4	14.2	20.3

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 2009.

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

The 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.

3. Financial risk management continued

Fair value estimation

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

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

The fair value of listed available-for-sale investments is based on quoted market prices at the balance sheet date.

The quoted market price is the current bid price. These instruments are included in level 1.

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

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

4. Critical accounting estimates and management judgements

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience, current market conditions and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these

estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions including 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.

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

Estimated impairment of assets

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

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

Valuation of intangible assets and useful life

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

Provisions

The Group and its subsidiaries are party to various legal claims. Provisions made within these financial statements are contained in Note 25(a). Additional claims could be made which might not be covered by existing provisions or by insurance as detailed in Note 30.

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.

Notes to the financial statements continued

5. Segment analysis

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board (GEB). The operating segments are determined based on differences in the nature of their services and geographical location as the Group is strongly affected by both factors. The reportable operating segments derive their revenue primarily from property related services. Refer to the Group overview on pages 02 and 03 and the Segmental reviews on pages 10 to 15 for further information on revenue sources.

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

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

All operations are continuing. The unallocated segment includes holding company costs and other expenses not directly attributable to the operating activities of the Group's business segments.

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

The segment information provided to the GEB for revenue and profits for the year ended 31 December 2009 is as follows:

Year ended 31 December 2009	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Revenue							
United Kingdom – commercial	35.7	65.3	50.1	17.4	1.7	–	170.2
– residential	71.3	22.8	14.5	–	9.5	–	118.1
	107.0	88.1	64.6	17.4	11.2	–	288.3
Rest of Europe	28.3	8.8	23.0	–	–	–	60.1
Asia Pacific	59.9	22.5	127.6	–	–	–	210.0
America	2.3	–	–	–	–	–	2.3
Total revenue	197.5	119.4	215.2	17.4	11.2	–	560.7
Underlying profit/(loss) before tax							
United Kingdom – commercial	1.2	6.9	5.1	2.9	(0.9)	(4.6)	10.6
– residential	11.8	2.3	2.0	–	(2.0)	–	14.1
	13.0	9.2	7.1	2.9	(2.9)	(4.6)	24.7
Rest of Europe	(9.6)	(0.3)	(2.7)	–	–	–	(12.6)
Asia Pacific	6.8	2.0	8.2	–	–	–	17.0
America	(3.9)	–	–	–	–	–	(3.9)
Underlying profit/(loss) before tax	6.3	10.9	12.6	2.9	(2.9)	(4.6)	25.2

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

Inter segmental revenue is not material.

5. Segment analysis continued

Year ended 31 December 2008	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Revenue							
United Kingdom – commercial	51.9	76.9	45.5	19.5	1.6	–	195.4
– residential	64.2	24.0	14.7	–	15.8	–	118.7
	116.1	100.9	60.2	19.5	17.4	–	314.1
Rest of Europe	34.2	11.5	21.9	–	–	–	67.6
Asia Pacific	56.2	19.4	109.3	–	–	–	184.9
America	1.9	–	–	–	–	–	1.9
Total revenue	208.4	131.8	191.4	19.5	17.4	–	568.5
Underlying profit/(loss) before tax							
United Kingdom – commercial	7.8	10.3	4.6	3.6	(0.1)	(3.1)	23.1
– residential	2.8	3.2	2.4	–	(0.9)	–	7.5
	10.6	13.5	7.0	3.6	(1.0)	(3.1)	30.6
Rest of Europe	(7.8)	0.8	(1.2)	–	–	–	(8.2)
Asia Pacific	4.3	2.0	8.4	–	–	–	14.7
America	(3.9)	–	–	–	–	–	(3.9)
Underlying profit/(loss) before tax	3.2	16.3	14.2	3.6	(1.0)	(3.1)	33.2

Segmental assets comprise the following:

Year ended 31 December 2009	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Segmental assets							
United Kingdom – commercial	31.5	30.5	14.0	12.1	2.2	4.0	94.3
– residential	51.3	28.4	18.9	–	4.5	9.0	112.1
	82.8	58.9	32.9	12.1	6.7	13.0	206.4
Rest of Europe	41.2	3.2	12.8	–	–	2.2	59.4
Asia Pacific	46.2	14.8	80.2	–	–	11.3	152.5
America	18.7	–	–	–	–	1.6	20.3
	188.9	76.9	125.9	12.1	6.7	28.1	438.6
Investment in associates and joint ventures	6.3	–	6.3	–	–	–	12.6
Total assets	195.2	76.9	132.2	12.1	6.7	28.1	451.2

Segmental assets include goodwill and intangible assets, plant, property and equipment, investments in joint ventures and associates and available-for-sale investments. Derivative financial instruments and deferred tax assets are included in unallocated assets. Goodwill and intangible assets are itemised by segment in Note 15. Total non current assets located in the United Kingdom is £73.6m (2008 – £76.5m), and the total of non-current assets located in other geographical areas is £120.2m (2008 – £129.5m).

Notes to the financial statements
continued

5. Segment analysis continued

Year ended 31 December 2008	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Financial Services £m	Unallocated £m	Total £m
Segmental assets							
United Kingdom – commercial	34.6	27.9	9.0	16.5	2.8	5.5	96.3
– residential	41.8	24.7	15.1	–	7.4	8.9	97.9
	76.4	52.6	24.1	16.5	10.2	14.4	194.2
Rest of Europe	34.4	10.1	14.3	–	–	12.1	70.9
Asia Pacific	54.5	15.1	85.3	–	–	12.8	167.7
America	27.0	–	–	–	–	2.9	29.9
	192.3	77.8	123.7	16.5	10.2	42.2	462.7
Investment in associates and joint ventures	5.4	0.2	5.4	(0.1)	–	–	10.9
Total assets	197.7	78.0	129.1	16.4	10.2	42.2	473.6

6(a). Operating profit

Operating profit, including exceptional items, is stated after charging/(crediting):

	Group	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Other operating expenses include:		
– Impairment of available-for-sale investments and financial assets at fair value through profit or loss	–	8.4
– Net foreign exchange gains	(1.0)	(0.6)
– Loss on sale of property, plant and equipment	0.2	0.3
– Operating lease rentals – Hire of plant and machinery	1.5	2.2
– Property	21.0	20.5
Other income – dividend and investment income	(0.2)	(0.2)
Profit/(loss) on disposals is made up as follows:		
Profit/(loss) on disposals – Available-for-sale investments	0.2	0.5
– Joint ventures	–	16.9
– Associates	(0.2)	–
	–	17.4

Exceptional items are shown in Note 8.

6(b). Income Statement of the Company

As permitted by Section 408 of the Companies Act 2006, 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 £3.1m (2008 – £61.0m).

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

	Group	
	Year to 31 December 2009 £m	Year to 31 December 2008 £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 auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	0.8	0.8
Tax services	0.6	0.4
Services relating to corporate finance transactions proposed to be entered into by the Company	–	0.1
	1.6	1.5

Notes to the financial statements
continued

7. Underlying profit before tax

	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Reported profit/(loss) before tax	13.5	(7.7)
Adjustments:		
Exceptional items (Note 8)	–	33.9
Amortisation of intangibles (excluding software) (Note 15)	2.7	4.2
Impairment of goodwill* (Note 15)	4.3	–
Share-based payment adjustment	4.7	3.3
Profit on disposal of associate, joint ventures and available-for-sale investments	–	(0.5)
Underlying profit before tax	25.2	33.2

* Impairment of goodwill and intangible assets in 2008 of £37.0m is included in Exceptional items in Note 8.

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

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

8. Exceptional items

Exceptional items comprise the following:

	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Redundancy costs	–	0.6
Impairment of goodwill and intangible assets (Note 15)	–	37.0
Available-for-sale investment impairment (Note 17(b))*	–	6.9
Diminution in value of financial asset at fair value through profit and loss*	–	1.5
Plant, property and equipment impairment (Note 16)*	–	1.0
Onerous leases (Note 25(a))*	–	3.3
Other*	–	0.5
Profit on disposal of joint venture	–	(16.9)
Total exceptional items	–	33.9

* Recognised in other operating expenses on the face of the income statement.

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

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Basic salaries and wages	227.2	231.7	5.1	5.8
Incentive bonuses and commissions	81.1	79.9	1.7	2.4
	308.3	311.6	6.8	8.2
Social security costs	26.5	25.7	0.9	0.9
Other pension costs	12.6	10.7	0.3	0.3
Share-based payments	9.8	10.0	0.3	0.4
	357.2	358.0	8.3	9.8

9(b). Staff numbers

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

	Group	
	Year to 31 December 2009	Year to 31 December 2008
UK	3,079	3,374
America	34	33
Rest of Europe	731	837
Asia Pacific	16,104	15,590
	19,948	19,834

The average number of UK employees (including directors) during the year included 60 employed under fixed term and temporary contracts (2008 – 35). The average number of employees of the Company was 102 (2008 – 122) who are all located in the UK.

9(c). Key management compensation

	Group	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Key management		
– Remuneration excluding bonuses	1.1	1.1
– Bonuses	2.1	1.5
– National Insurance	0.5	0.3
Fees to Non-Executive Directors	0.3	0.3
Total short-term employee benefits	4.0	3.2
Share-based payments	0.4	0.8
	4.4	4.0

The key management of the Group for the year ended 31 December 2009 comprised Savills plc Board Directors during the year and the Chairman and Chief Executive of Savills Commercial Limited. The key management of the Group for the year ended 31 December 2008 comprised only Savills plc Board Directors during the year. Details of Directors' remuneration is contained in the Remuneration report on pages 36 to 45.

During the year five Executive Directors made gains totalling £0.5m on the exercise of options under the DSBP, ESOP, Sharesave and 2001 Option Schemes (2008 – £0.9m).

The pension annuity for the highest paid Director was £49,504 with no lump sum accrued (2008 – £46,813 with no lump sum accrued). Retirement benefits under the defined benefit scheme are accruing for three Directors and benefits are accruing under a defined contribution scheme in Hong Kong for one Executive Director.

Notes to the financial statements continued

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 £8.5m (2008 – £8.4m).

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, and 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	
	2009	2008
Expected return on plan assets		
– Equities	8.30%	7.65%
– Bonds	5.30%	5.35%
– Property	7.30%	6.65%
– Diversified growth funds	8.00%	n/a
– Other	0.30%	1.85%
Expected rate of salary increases	5.00%	4.80%
Rate of increase to pensions in payment		
– accrued before 6 April 1997	3.00%	3.00%
– accrued after 5 April 1997	3.60%	3.30%
– 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	3.70%	3.30%
Discount rate	5.60%	6.30%
Inflation assumption	3.70%	3.30%

10. Pension scheme continued

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

		Group	
		2009	2008
Retiring today	– Male	87.1	87.1
	– Female	89.7	89.7
Retiring in 20 years	– Male	89.3	89.2
	– Female	91.7	91.7

Sensitivity analysis of the discount rate:

Change in assumption	Decrease by 0.5% p.a. (2008 – decrease by 0.5% p.a.)
Impact on liabilities	Increase by 12% (2008 – increase by 12%)

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Fair value of plan assets	103.5	85.9	5.7	4.9
Present value of funded obligations	(141.2)	(110.5)	(7.8)	(6.3)
Deficit	(37.7)	(24.6)	(2.1)	(1.4)
Related deferred tax asset	10.7	7.0	0.6	0.4
Net liability	(27.0)	(17.6)	(1.5)	(1.0)

The amounts recognised in the income statement:

	Group	
	2009 £m	2008 £m
Current service cost	3.2	3.6
Interest cost	7.0	6.7
Expected return on plan assets	(6.1)	(8.0)
Total included in staff costs	4.1	2.3

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

Change in defined benefit obligation:

	Group	
	2009 £m	2008 £m
Present value of defined benefit obligation at start of year	110.5	113.4
Current service cost	3.2	3.6
Interest cost	7.0	6.7
Plan participants contributions	1.1	1.2
Actuarial loss/(gain)	20.7	(13.6)
Benefits paid	(1.3)	(0.8)
Present value of defined benefit obligation at end of year	141.2	110.5

Notes to the financial statements
continued

10. Pension scheme continued

Change in plan assets:

	2009 £m	Group 2008 £m
Fair value of plan assets at start of year	85.9	103.4
Expected return on plan assets	6.1	8.0
Actuarial gain/(loss)	7.9	(29.9)
Employer contributions	3.8	4.0
Plan participants contributions	1.1	1.2
Benefits paid	(1.3)	(0.8)
Fair value of plan assets at end of year	103.5	85.9

The actual return on plan assets was £14.0m (2008 – (£21.9m)). The overall expected return on assets is determined as the weighted average of the expected returns on each separate asset class shown below. The expected return on plan assets is determined by the expected rate of return over the remaining life of the related liabilities held by the scheme. The expected rate of return on equities is based on market expectations of dividend yields and price earnings ratios. Expected returns on bonds are based on gross redemption yields as at the balance sheet date.

The amounts recognised in the consolidated statement of comprehensive income:

	2009 £m	Group 2008 £m
Actuarial losses brought forward	(24.8)	(8.5)
Net actuarial loss for the year	(12.8)	(16.3)
Accumulated net actuarial losses	(37.6)	(24.8)

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

	2009	2008
Equities	53%	73%
Bonds	23%	18%
Property	3%	4%
Diversified Growth Funds	20%	–
Cash	1%	5%
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:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Plan assets	103.5	85.9	103.4	96.6	85.4
Defined benefit obligation	(141.2)	(110.5)	(113.4)	(112.1)	(102.8)
Deficit	(37.7)	(24.6)	(10.0)	(15.5)	(17.4)
Experience gain/(loss) on plan liabilities	2%	1%	(5%)	(3%)	(14%)
Experience gain/(loss) on plan assets	8%	(35%)	(4%)	3%	8%

Following the year end it was agreed that the Pension Plan of Savills (the Plan), which provided final salary pension benefits to some employees, would close with regard to future benefit accrual with effect from 31 March 2010. From 1 April 2010, pension benefits for former members of the Plan will instead be provided through the Group's defined contribution Personal Pension Plan.

The Group expects to contribute £0.7m to its pension plan in the period to 31 March 2010 (2008 full year – £3.9m) (£0.1m – Company, 2008 full year – £0.2m).

11. Finance income and costs

	Group	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Bank interest receivable	1.9	5.2
Fair value gain – forward foreign currency contracts and interest rate swaps	0.4	1.8
Finance income	2.3	7.0
Bank interest payable	(2.3)	(3.9)
Fair value loss – forward foreign currency contracts and interest rate swaps	–	(0.6)
Finance costs	(2.3)	(4.5)
Net finance income	–	2.5

12. Income tax expense

	Group	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Analysis of tax expense for the year		
Current tax		
United Kingdom:		
Corporation tax at 28.0% (2008 – 28.5%)	7.6	9.6
Adjustment in respect of previous years	(2.9)	(0.9)
	4.7	8.7
Foreign tax	3.5	3.3
Adjustment in respect of previous years	–	(0.6)
Total current tax	8.2	11.4
Deferred tax		
Representing:		
United Kingdom	(4.4)	(3.6)
Foreign tax	(0.8)	(3.6)
Adjustment in respect of previous years	1.3	0.4
Total deferred tax (Note 18)	(3.9)	(6.8)
Income tax expense	4.3	4.6

The tax charged to equity is as follows:

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Current tax credit on employee benefits	1.4	1.2	–	0.1
Current tax credit on foreign exchange reserves	0.8	–	–	–
Deferred tax on pension actuarial losses	3.6	4.6	0.2	0.3
Deferred tax charge on employee benefits	(1.1)	(1.1)	–	(0.1)
Deferred tax on revaluations of available-for-sale investments	0.2	0.2	–	–
Deferred tax on foreign exchange reserves	0.3	(0.6)	–	–
Tax on items taken directly to reserves	5.2	4.3	0.2	0.3

Notes to the financial statements
continued

12. Income tax expense continued

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to Group profits. The tax for the year is higher (2008 – higher) than the standard rate of corporation tax in the UK (28.0%). The total tax charge on profit/(loss) can be reconciled to the accounting profit/(loss) as follows:

	Year to 31 December 2009 £m	Group Year to 31 December 2008 £m
Profit/(loss) before tax	13.5	(7.7)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2008 – 28.5%)	3.8	(2.2)
Effects of:		
Adjustments to tax in respect of previous years	(1.6)	(1.1)
Adjustments in respect of foreign tax rates	(1.1)	(2.7)
Impact of (rising)/falling share price compared to the fair value of share awards/options at date of grant	(0.7)	1.8
Income not subject to tax	(0.2)	(4.0)
Non-deductible tax losses	2.3	(0.4)
Expenses and other charges not deductible for tax purposes	1.8	13.2
Income tax expense on profit/(loss)	4.3	4.6

The effective tax rate of the Group for the year ended 31 December 2009 is 31.9% (2008 – (59.7%)).

13. Dividends – Group and Company

	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend for 2008 of 3.0p per share (2007 – 12.0p)	3.7	14.7
Interim dividend of 3.0p per share (2008 – 6.0p)	3.7	7.3
	7.4	22.0

A second interim dividend in respect of the year ended 31 December 2009 of 6.0p per share is to be paid on 1 April 2010 to shareholders on the record at the close of business of 12 March 2010. These financial statements do not reflect this dividend payable. No final dividend has been proposed for the year ended 31 December 2009 (2008 – 3.0p).

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

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, 9,314,386 shares (2008 – 9,742,738 shares).

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

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

	Year to 31 December 2009 Earnings £m	Year to 31 December 2009 Shares million	Year to 31 December 2009 EPS pence	Year to 31 December 2008 Earnings £m	Year to 31 December 2008 Shares million	Year to 31 December 2008 EPS pence
Basic earnings per share	8.9	122.7	7.3	(11.3)	121.7	(9.3)
Effect of additional shares issuable under option	–	5.8	(0.4)	–	3.7	–
Diluted earnings per share	8.9	128.5	6.9	(11.3)	125.4	(9.3)

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

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

	Year to 31 December 2009 Earnings £m	Year to 31 December 2009 Shares million	Year to 31 December 2009 EPS pence	Year to 31 December 2008 Earnings £m	Year to 31 December 2008 Shares million	Year to 31 December 2008 EPS pence
Basic earnings per share	8.9	122.7	7.3	(11.3)	121.7	(9.3)
Exceptional items after tax				29.5	–	24.3
Amortisation of intangibles (excluding software) after tax	2.2	–	1.8	3.0	–	2.5
Impairment of goodwill after tax	4.3	–	3.5	–	–	–
Share-based payment adjustment after tax	3.4	–	2.8	2.4	–	2.0
Profit on disposal of associate, joint venture and available-for-sale investments after tax	(1.1)	–	(0.9)	(1.6)	–	(1.4)
Underlying basic earnings per share	17.7	122.7	14.5	22.0	121.7	18.1
Effect of additional shares issuable under option	–	5.8	(0.7)	–	3.7	(0.6)
Underlying diluted earnings per share	17.7	128.5	13.8	22.0	125.4	17.5

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

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

The gross amounts of the above adjustments are profits on disposals £nil (2008 – £0.5m), share-based payment adjustment £4.7m (2008 – £3.3m) and add back of amortisation of intangibles (excluding software) and impairment of goodwill and available-for-sale investments of £7.0m (2008 – £4.2m).

Notes to the financial statements
continued

15. Goodwill and intangible assets

						Group	Company
Acquired goodwill and intangible assets	Goodwill £m	Customer/ business relationships £m	Brands £m	Investment and Property Management contracts £m	Computer software £m	Total £m	Total £m
Cost							
At 1 January 2009	173.4	22.6	6.8	8.7	9.4	220.9	2.0
Acquisitions (Note 17(e))	4.4	–	–	1.9	–	6.3	–
Other additions	–	0.2	–	–	1.2	1.4	0.7
Disposals	–	–	–	–	(0.2)	(0.2)	–
Exchange movement	(8.4)	(1.8)	(0.6)	(0.1)	(0.3)	(11.2)	–
At 31 December 2009	169.4	21.0	6.2	10.5	10.1	217.2	2.7
Accumulated amortisation and impairment							
At 1 January 2009	39.9	7.0	6.8	4.5	7.5	65.7	1.3
Amortisation charge for the year	–	2.2	–	0.5	0.9	3.6	0.3
Impairment	4.3	–	–	–	–	4.3	–
Disposals	–	–	–	–	(0.1)	(0.1)	–
Exchange movement	(3.1)	(1.2)	(0.6)	–	(0.3)	(5.2)	–
At 31 December 2009	41.1	8.0	6.2	5.0	8.0	68.3	1.6
Net book value							
At 31 December 2009	128.3	13.0	–	5.5	2.1	148.9	1.1

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

						Group	Company
Acquired goodwill and intangible assets	Goodwill £m	Customer/ business relationships £m	Brands £m	Investment and Property Management contracts £m	Computer software £m	Total £m	Total £m
Cost							
At 1 January 2008	139.6	15.5	5.1	6.5	7.1	173.8	1.5
Acquisitions	11.6	2.4	–	–	–	14.0	–
Other additions	–	–	–	–	1.3	1.3	0.5
Initial recognition of deferred tax on intangibles (Note 18)	1.3	1.8	–	1.5	–	4.6	–
Exchange movement	20.9	2.9	1.7	0.7	1.0	27.2	–
At 31 December 2008	173.4	22.6	6.8	8.7	9.4	220.9	2.0
Accumulated amortisation and impairment							
At 1 January 2008	0.9	3.6	1.3	2.0	5.5	13.3	1.1
Amortisation charge for the year	–	2.2	1.3	0.7	0.8	5.0	0.2
Impairment	32.5	0.5	2.8	1.2	–	37.0	–
Exchange movement	6.5	0.7	1.4	0.6	1.2	10.4	–
At 31 December 2008	39.9	7.0	6.8	4.5	7.5	65.7	1.3
Net book value							
At 31 December 2008	133.5	15.6	–	4.2	1.9	155.2	0.7

15. Goodwill and intangible assets continued

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

	Transactional Advice £m	Consultancy £m	Property & Facilities Management £m	Fund Management £m	Total £m
United Kingdom	25.1	9.2	5.4	2.3	42.0
Rest of Europe	34.7	1.5	13.2	–	49.4
Asia Pacific	10.6	3.3	24.3	–	38.2
America	17.2	–	–	–	17.2
Total goodwill and intangibles (excluding software)	87.6	14.0	42.9	2.3	146.8

Method of impairment testing

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

Key assumptions

Market recovery

The models used assume that the property markets in which the Group operates begin to recover during 2011.

Discount rate

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

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

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

	2009 Pre-tax discount rate range	2008 Pre-tax discount rate range
United Kingdom	11.6%	11.6%
Rest of Europe	11.6 – 12.1%	11.6% – 12.5%
Asia Pacific	12.0 – 19.0%	11.6% – 13.4%
America	12.5%	12.5%

Long-term growth rate

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

Impairment charge

Following impairment testing, a £4.3m charge has been recognised through the income statement (2008 – £37.0m) relating to goodwill and intangibles on historical acquisitions where carrying values are no longer supported by the discounted cash flow analysis.

Due to the continued poor US market conditions, an impairment has been recognised of £4.3m in Savills America (2008 £7.7m). While it is assumed that the US market will slowly begin to recover, transaction activity may not pick up as soon as anticipated; therefore a more cautious approach to revenue and profit margins has been taken. Key assumptions include a pre-tax discount rate of 12.5%.

Sensitivity to changes in assumptions

There are no CGU's where management believe a reasonable possible change in assumptions may give rise to an impairment charge with the exception of Savills Ireland. Under the impairment testing model, the recoverable amount of Savills Ireland exceeded the carrying value by £0.2m. The key assumption in the model relates to revenue where management applied a conservative outlook forecasting a steady return to the revenues generated in 2008. Accordingly, a small reduction in the forecast revenues would result in the carrying value exceeding the recoverable amount and give rise to an impairment charge.

Notes to the financial statements continued

15. Goodwill and intangible assets continued

The level of impairment is a reflection of best estimates in arriving at value in use, future growth rates and the discount rate applied to cash flow projections. Future impairments may be impacted by the following factors:

Market conditions – the timing and growth expectations for market recovery are key assumptions in the determination of the cash flow projections. Management expect the market to begin to recover during 2011. If a marked downturn continues beyond this period, further impairments may occur.

Cost base – the cost base assumptions reflects management's cost savings measurements undertaken during 2008 and 2009 and assumes limited growth in the fixed cost base going forward. Commissions and bonuses are correlated to the Group's revenue and profits and the percentage payout. These are assumed to be consistent with existing rates.

16. 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 2009	0.4	20.7	48.2	–	69.3
Additions	–	0.8	2.4	–	3.2
Disposals	–	(1.6)	(1.0)	–	(2.6)
Exchange movement	–	(0.2)	(2.2)	–	(2.4)
At 31 December 2009	0.4	19.7	47.4	–	67.5
Accumulated depreciation and impairment					
At 1 January 2009	–	10.9	34.7	–	45.6
Charge for the year	–	1.9	5.1	–	7.0
Disposals	–	(1.2)	(0.7)	–	(1.9)
Exchange movement	–	0.1	(1.6)	–	(1.5)
At 31 December 2009	–	11.7	37.5	–	49.2
Net book value					
At 31 December 2009	0.4	8.0	9.9	–	18.3

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 2008	0.4	16.5	38.8	0.2	55.9
Additions	–	3.2	5.3	–	8.5
Acquisitions	–	1.0	0.1	–	1.1
Disposals	–	(0.2)	(1.8)	(0.1)	(2.1)
Exchange movement	–	0.2	5.8	(0.1)	5.9
At 31 December 2008	0.4	20.7	48.2	–	69.3
Accumulated depreciation and impairment					
At 1 January 2008	–	7.9	26.2	0.1	34.2
Charge for the year	–	2.0	5.2	–	7.2
Impairment	–	1.0	–	–	1.0
Disposals	–	(0.1)	(1.4)	(0.1)	(1.6)
Exchange movement	–	0.1	4.7	–	4.8
At 31 December 2008	–	10.9	34.7	–	45.6
Net book value					
At 31 December 2008	0.4	9.8	13.5	–	23.7

The impairment charge in 2008 of £1.0m arose on the write-off of office fit out costs where the properties were no longer in use and the leases were classed as onerous.

16. Property, plant and equipment continued

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

Company	Freehold property owned £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
Cost or valuation				
At 1 January 2008	0.1	1.1	7.1	8.3
Additions	–	–	0.5	0.5
At 31 December 2008	0.1	1.1	7.6	8.8
Accumulated depreciation and impairment				
At 1 January 2008	–	0.2	6.5	6.7
Charge for the year	–	0.2	0.4	0.6
Impairment	–	0.6	–	0.6
At 31 December 2008	–	1.0	6.9	7.9
Net book value				
At 31 December 2008	0.1	0.1	0.7	0.9

Impairment in 2008 relates to fit out of an office where the properties lease was been classed as onerous.

Notes to the financial statements
continued

17(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 2009	1.1	2.5	3.6	2.3	0.2	2.5
Additions	0.1	–	0.1	0.6	–	0.6
Transfer from available-for-sale investments (Note 17(b))	–	–	–	0.6	–	0.6
Movement on loans	–	(0.1)	(0.1)	–	–	–
Exchange movement	(0.1)	(0.2)	(0.3)	(0.1)	–	(0.1)
At 31 December 2009	1.1	2.2	3.3	3.4	0.2	3.6
Share of profit						
At 1 January 2009	1.4	–	1.4	3.4	–	3.4
Group's share of retained profit	1.0	–	1.0	1.6	–	1.6
Disposal	–	–	–	(0.2)	–	(0.2)
Dividends received	(0.5)	–	(0.5)	(0.7)	–	(0.7)
Exchange movement	(0.2)	–	(0.2)	(0.1)	–	(0.1)
At 31 December 2009	1.7	–	1.7	4.0	–	4.0
Total						
At 31 December 2009	2.8	2.2	5.0	7.4	0.2	7.6
Total						
At 31 December 2008	2.5	2.5	5.0	5.7	0.2	5.9

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

	2009 £m	2008 £m
Current assets	5.4	2.5
Non-current assets	3.9	2.3
Current liabilities	(5.9)	(2.3)
Non-current liabilities	(0.6)	–
Net assets	2.8	2.5
Revenue	10.3	6.4
Expenses	(8.8)	(6.8)
Share of income tax	(0.5)	(0.2)
Share of post-tax profit/(loss) from joint ventures	1.0	(0.6)

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

	2009 £m	2008 £m
Current assets	9.0	9.6
Non-current assets	5.9	4.5
Current liabilities	(6.7)	(7.1)
Non-current liabilities	(0.8)	(1.3)
Net assets	7.4	5.7
Revenue	14.3	22.0
Expenses	(12.0)	(20.5)
Share of income tax	(0.7)	(0.4)
Share of post-tax profit from associates	1.6	1.1

17(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 £2.8m at 31 December 2009 (2008 – £2.0m).

On 12 June 2008, the Group disposed of its 50% stake in Infinergy Limited to its joint venture partner. £10.0m was due and received in December 2009 for the last deferred payment in relation to this disposal.

17(b). Available-for-sale investments

	Group 2009 £m	Group 2008 £m
At 1 January	16.2	21.6
Additions	0.3	3.1
Transfer to investment in associate (Note 17(a))	(0.6)	–
Revaluation deficit transferred to equity	(0.8)	(0.5)
Disposals	(0.2)	(3.6)
Impairment	–	(6.9)
Exchange movement	(0.9)	2.5
At 31 December	14.0	16.2
Available-for-sale investments comprise the following:		
Listed securities	0.2	0.9
Unlisted securities	1.5	1.4
Asia Pacific – equity securities	0.1	–
UK – equity securities	2.5	3.2
UK – limited partnership	9.7	10.7
UK – investment funds	14.0	16.2
European – investment funds	14.0	16.2

In 2008, an impairment charge of £6.9m was recognised in relation to Cordea Savills investment funds, due to the deterioration of underlying property asset values. The most significant impairments related to the Cordea Savills Italian Opportunities Fund 1 (£2.0m) and Cordea Savills Italian Opportunities Fund 2 (£1.6m).

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

	Group 2009 £m	Group 2008 £m
Sterling	4.1	4.7
Euro	9.7	10.5
Other	0.2	1.0
	14.0	16.2

Notes to the financial statements continued

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

At 31 December 2009, the Group held the following available-for-sale investments:

Investment	Holding	Principal activity
Pinnacle Regeneration Group plc (registered in England and Wales)	12.1%	Social housing
Cordea Savills Dawn Syndication (entity registered in England and Wales)	3.5%	Investment property fund
Cordea Savills Student Hall Fund (entity registered in Jersey)	2.0%	Student accommodation property fund
Cordea Savills Italian Opportunities Fund 1 (entity registered in Luxembourg)	8.0%	Investment property fund
Cordea Savills Italian Opportunities Fund 2 (entity registered in Luxembourg)	1.3%	Investment property fund
Serviced Land No. 2 (entity registered in England and Wales)	1.9%	UK land investment fund
Cordea Savills German Retail Fund (entity registered in Luxembourg)	1.9%	Retail investment property fund
Cordea Savills Nordic Retail Fund (entity registered in Luxembourg)	11.3%	Retail investment property fund
Cordea Savills UK Property Ventures No. 1 (registered in England and Wales)	4.1%	UK land investment fund

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

The fair value of unlisted securities is based on underlying asset values and price earnings models. The fair value of investment funds is determined by the Fund Managers annual audited financial statements. As at 31 December 2009 the Group held conditional commitments for investment funds as detailed in Note 29.

The Company made an available-for-sale investment during the year of £0.2m in unlisted UK equity securities.

17(c). Company – Investments in subsidiaries

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
Cost			
At 1 January 2008	17.4	112.0	129.4
Additions	5.0	7.6	12.6
Repayments	–	(8.7)	(8.7)
Exchange movement	–	6.1	6.1
At 31 December 2008	22.4	117.0	139.4
Additions	–	2.1	2.1
Repayments	–	(5.4)	(5.4)
Exchange movement	–	(2.2)	(2.2)
At 31 December 2009	22.4	111.5	133.9

17(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%	Provision of fund management
Savills Commercial Limited*	100%	Commercial surveyors
Savills (L&P) Limited*	100%	General practice surveyors
Prime Purchase Limited*	100%	Property buying company
Cordea Savills Investment Management Limited*	60%	Asset manager (regulated by FSA)
Savills Private Finance Limited*	100%	Provision of general insurance, mortgage broking and personal financial planning services (regulated by FSA)
Savills LLC ⁺⁺⁺ (registered in the US)	75%	Property consultants
Savills Commercial (Ireland) Limited* (registered in Ireland)	100%	Property consultants
Savills Residential (Ireland) Limited* (registered in Ireland)	100%	Property consultants
Savills Consultores Inmobiliarios SA* (registered in Spain)	100%	Property consultants
Savills Immobilien Beratungs GmbH* (registered in Germany)	100%	Property consultants
Savills SA* (registered in France)	99.97%	Property consultants
Savills Italy SRL* (registered in Italy)	90.45%	Property consultants
Savills Nederland Holding BV* (registered in the Netherlands)	87%	Property consultants
Savills Sweden AB* (registered in Sweden)	51%	Property consultants
Savills Spolka z Organizacja* (registered in Poland)	100%	Property consultants
Savills (Hong Kong) Limited* (registered in Hong Kong)	100%	Mixed practice agency, valuation and research
Savills Valuation and Professional Services Limited* (registered in Hong Kong)	100%	Valuation and research
Savills Property Management Limited* (registered in Hong Kong)	100%	Property management
Guardian Property Management Limited* (registered in Hong Kong)	100%	Property management
Savills (Singapore) Pte Limited* (registered in Singapore)	100%	Property management and agency
Savills Japan KK* (registered in Japan)	100%	Property management and agency
Savills Property Services (Shanghai) Co Limited* (registered in China)	100%	Property management
Savills Property Services (Beijing) Co Limited* (registered in China)	100%	Property management
Savills Korea Asset Management Limited* (registered in Korea)	100%	Property management
Savills Korea Co. Limited* (registered in Korea)	100%	Property agency and consultants
Savills (Vietnam) Limited* (registered in BVI)	69.10%	Property management and agency
Savills (Thailand) Limited* (registered in Thailand)	100%	Property agency, consultants and management
Savills (Taiwan) Limited* (registered in Taiwan)	100%	Property agency and consultants
Savills (Aust) Pty Limited* (registered in Australia)	100%	Property agency, consultants and management
Joint ventures		
GES Holdings Limited* (Macau)	50%	Property management
Associated undertakings		
Hutton Asia Pte Ltd* (Singapore)	48%	Property agency
Adventis Group plc*	30.04%	Provision of marketing and media services

* Shares/interests held indirectly by the Company.

+ Limited Liability Partnership.

++ Limited Liability Company.

Notes to the financial statements continued

17(e). Acquisitions of subsidiaries

During the year, the Group made a number of small acquisitions:

	Provisional fair value to Group
	Total £m
Subsidiaries acquired	
Current assets: Trade and other receivables	0.3
Current liabilities: Trade and other payables	(0.1)
Net assets	0.2
Minority share of net assets	0.8
Other intangibles (Note 15)	1.9
Fair value of net assets acquired	2.9
Goodwill (Note 15)	4.4
Purchase consideration and costs	7.3
Analysis of purchase consideration and costs:	
Purchase consideration	7.3
Acquisition costs	–
	7.3
Consideration and costs satisfied by:	
Cash	7.2
Deferred consideration owing at balance sheet date	0.1
	7.3

For all acquisitions, there was no difference between the fair value and carrying value of net assets acquired, except for intangible assets. 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.

During the year, the Group exercised the call option agreed on acquisition of Savills Korea Asset Management and acquired the remaining 45% shareholding in this company. Cash consideration of £3.9m was paid and goodwill on acquisition of £2.6m has been provisionally determined.

During the year, the Group increased its shareholding in a number of existing subsidiaries and also acquired Mayflower Management Company Limited, a charities property fund manager. Cash consideration for these transactions amounted to £3.3m with deferred consideration of £0.1m. Goodwill on acquisition of £1.8m has been provisionally determined, and is attributable to key staff and their industry reputation. Other intangible assets of £1.9m have been identified and relate to a fund management contract.

Included in Group operating profit relating to acquisitions is revenue of £0.6m (2008 – £3.9m), staff costs of £0.6m (2008 – £2.8m), depreciation of £nil (2008 – £nil), amortisation of £nil (2008 – £0.2m) and other operating charges of £0.3m (2008 – £1.5m). 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 £1.0m (2008 – £6.0m), staff costs of £0.9m (2008 – £4.0m), depreciation of £nil (2008 – £0.1m), amortisation of £nil (2008 – £0.2m) and other operating charges of £0.5m (2008 – £2.2m).

18. Deferred income tax

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

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	25.0	19.4	1.2	1.1
– Deferred tax asset to be recovered within 12 months	2.4	3.0	0.5	0.5
	27.4	22.4	1.7	1.6
Deferred tax liabilities				
– Deferred tax liability to be recovered after more than 12 months	(3.0)	(4.7)	–	–
– Deferred tax liability to be recovered within 12 months	(0.6)	(0.8)	–	–
	(3.6)	(5.5)	–	–
Deferred tax asset – net	23.8	16.9	1.7	1.6

The movement on the deferred tax account is shown below:

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
At 1 January – asset	16.9	10.7	1.6	1.4
Amount credited/(charged) to income statement (Note 12)	3.9	6.8	(0.1)	–
Tax charged to equity				
– Pension asset	3.6	4.6	0.2	0.3
– Employee benefits	(1.1)	(1.1)	–	(0.1)
– Revaluations of available-for-sale investments	0.2	0.2	–	–
– Movement on foreign exchange reserves	0.3	(0.6)	–	–
Exchange movement	–	0.9	–	–
Initial recognition of deferred tax on previously acquired intangible assets (Note 15)	–	(4.6)	–	–
As at 31 December – asset	23.8	16.9	1.7	1.6

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 £14.8m (2008 – £10.0m) available for offset against future profits. Deferred tax of £4.1m (2008 – £2.2m) 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, £1.0m that expire within three to five years, £0.6m that expire in within six to seven years and the remaining £13.0m being available for offset indefinitely.

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18. Deferred income tax continued

	Accelerated capital allowances £m	Other including provisions £m	Tax losses £m	Retirement benefits £m	Employee benefits £m	Total £m
Deferred tax assets – Group						
At 1 January 2008	0.7	3.3	1.0	3.6	4.3	12.9
Amount credited/(charged) to income statement (Note 12)	0.2	2.1	2.8	(1.2)	0.9	4.8
Tax credited/(charged) to equity (Note 12)	–	–	–	4.6	(1.1)	3.5
Exchange movement	–	0.3	0.8	–	–	1.1
Acquired with subsidiaries	–	–	0.1	–	–	0.1
As at 31 December 2008	0.9	5.7	4.7	7.0	4.1	22.4
Amount (charged)/credited to income statement (Note 12)	–	(0.7)	(0.2)	0.1	3.4	2.6
Tax credited/(charged) to equity (Note 12)	–	–	–	3.6	(1.1)	2.5
Exchange movement	–	0.1	(0.2)	–	–	(0.1)
As at 31 December 2009	0.9	5.1	4.3	10.7	6.4	27.4

	Accelerated capital allowances £m	Other including provisions and foreign exchange reserves £m	Unremitted profits £m	Revaluations £m	Intangible assets £m	Total £m
Deferred tax liabilities – Group						
At 1 January 2008	(0.4)	(1.1)	(0.1)	(0.6)	–	(2.2)
Amount credited/(charged) to income statement (Note 12)	0.1	0.6	(0.3)	–	1.6	2.0
Tax (charged)/credited to equity (Note 12)	–	(0.6)	–	0.2	–	(0.4)
Exchange movement	–	–	–	–	(0.3)	(0.3)
Initial recognition of intangible assets (Note 15)	–	–	–	–	(4.6)	(4.6)
As at 31 December 2008	(0.3)	(1.1)	(0.4)	(0.4)	(3.3)	(5.5)
Amount credited to income statement (Note 12)	0.3	0.1	0.4	–	0.5	1.3
Tax credited to equity (Note 12)	–	0.3	–	0.2	–	0.5
Exchange movement	–	–	–	–	0.1	0.1
As at 31 December 2009	–	(0.7)	–	(0.2)	(2.7)	(3.6)
Net deferred tax asset						
At 31 December 2009						23.8
At 31 December 2008						16.9

	Accelerated capital allowances £m	Other including provisions £m	Retirement benefits £m	Employee benefits £m	Total £m
Deferred tax assets – Company					
At 1 January 2008		0.4	0.6	0.2	1.4
Amount credited/(charged) to income statement (Note 12)		0.1	–	(0.1)	–
Tax charged to equity (Note 12)		–	–	0.3	0.2
As at 31 December 2008		0.5	0.6	0.4	1.6
Amount (charged)/credited to income statement (Note 12)		(0.1)	(0.1)	–	(0.1)
Tax credited to equity (Note 12)		–	–	0.2	0.2
As at 31 December 2009		0.4	0.5	0.6	1.7
Net deferred tax asset					
At 31 December 2009					1.7
At 31 December 2008					1.6

19. Trade and other receivables

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Trade receivables	116.5	122.7	–	–
Less: provision for impairment of receivables	(9.4)	(10.0)	–	–
Trade receivables – net	107.1	112.7	–	–
Amounts owed by subsidiary undertakings	–	–	10.5	7.8
Other receivables	11.7	26.5	–	0.4
Income tax	1.9	–	1.8	3.5
Prepayments and accrued income	24.7	25.3	0.8	0.9
	145.4	164.5	13.1	12.6

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

Included in other receivables for the year ended 31 December 2008 was £10.0m due and received in December 2009 for the last deferred payment in relation to the disposal of Infinergy Limited.

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

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

As at 31 December 2009, trade receivables of £9.4m (2008 – £10.0m) were impaired and provided for. The individually impaired receivables mainly relate to receivables from clients that have been affected by the uncertain economic conditions where funding and completion have been delayed and cash flow has become uncertain.

The ageing of these receivables is as follows:

	Group	
	2009 £m	2008 £m
Up to 3 months	1.1	1.6
3 to 6 months	1.6	2.3
Over 6 months	6.7	6.1
	9.4	10.0

As at 31 December 2009, trade receivables of £38.6m (2008 – £35.1m) were past due but not impaired. These relate to trade receivables which are past due at the reporting date but are not considered impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing of these receivables is as follows:

	Group	
	2009 £m	2008 £m
Up to 3 months	35.1	24.4
3 to 6 months	1.3	5.5
Over 6 months	2.2	5.2
	38.6	35.1

Notes to the financial statements continued

19. Trade and other receivables continued

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

	Group	
	2009 £m	2008 £m
Sterling	67.5	95.1
Euro	22.9	22.4
Hong Kong dollar	21.1	21.4
Australian dollar	11.4	10.8
Other	22.5	14.8
	145.4	164.5

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

	Group	
	2009 £m	2008 £m
At 1 January	(10.0)	(8.1)
Provisions for receivables impairment	(2.8)	(3.1)
Receivables written off during the year as uncollectible	2.9	3.0
Exchange movements	0.5	(1.8)
At 31 December	(9.4)	(10.0)

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

20. Cash and cash equivalents

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Cash at bank and in hand	50.8	36.2	19.2	17.1
Short-term bank deposits	30.8	39.1	–	–
	81.6	75.3	19.2	17.1

The effective interest rate on short-term bank deposits as at 31 December 2009 was 0.62% (2008 – 1.6%); these deposits have an average maturity of 5 days (2008 – 13 days).

Cash subject to restrictions in Asia Pacific amounts to £16.7m (2008 – £11.3m) which is cash pledged to banks in relation to property management contracts and cash remittance restrictions in certain countries. These amounts are consolidated.

20. 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 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Cash and cash equivalents	81.6	75.3	19.2	17.1
Bank overdrafts (Note 23)	(0.7)	–	–	–
	80.9	75.3	19.2	17.1
Cash and cash equivalents are denominated in the following currencies:				
Sterling	29.8	24.8	21.0	17.1
Euro	6.4	6.3	(1.8)*	–
Hong Kong dollar	22.9	26.8	–	–
Singapore dollar	4.8	4.6	–	–
Thailand baht	0.2	0.2	–	–
Australian dollar	3.6	1.5	–	–
Chinese renminbi	9.1	7.4	–	–
Japanese yen	0.7	0.2	–	–
South Korean wan	1.9	2.1	–	–
Polish zloty	–	0.1	–	–
Swedish krona	0.4	0.3	–	–
US dollar	0.5	0.4	–	–
Vietnam dong	1.3	0.6	–	–
	81.6	75.3	19.2	17.1

* The Company Euro account is managed within a Group pooling banking arrangement. As at 31 December 2009, no net overdraft existed within the Euro pool.

21(a). Trade and other payables – current

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Deferred consideration	4.2	1.4	–	–
Trade payables	32.4	30.1	3.2	2.4
Amounts owed to subsidiary undertakings	–	–	3.4	0.7
Other taxation and social security	22.6	22.0	4.3	0.5
Other payables	3.0	3.6	–	–
Accruals and deferred income	102.8	110.1	3.8	3.1
	165.0	167.2	14.7	6.7

21(b). Tax liabilities – current

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Current income tax liabilities	2.5	2.4	–	–

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22. Trade and other payables – non-current

	Group		Company	
	Year to 31 December 2009 £m	Year to 31 December 2008 £m	Year to 31 December 2009 £m	Year to 31 December 2008 £m
Deferred consideration	11.0	14.6	–	–
Other payables	0.1	0.3	–	–
Amounts owed to subsidiary undertakings	–	–	13.7	15.0
	11.1	14.9	13.7	15.0

23. Borrowings

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Current				
Unsecured bank loans and overdrafts due within one year or on demand	5.6	5.6	–	–
Loan notes	0.7	7.6	–	–
	6.3	13.2	–	–
Non-current				
Unsecured bank loans	8.7	15.3	–	–
Loan notes	0.3	1.1	–	–
	9.0	16.4	–	–

In 2007, the Group borrowed £19.8m for the acquisition of Granite Partners LLC in the US (now Savills LLC). The borrowings are denominated in US dollars. Interest is fixed at 5.315% via an interest rate swap until maturity date. At 31 December 2009, at the year end exchange rate, £13.6m was outstanding (2008 – £20.9m). USD8m is due within one year.

In 2006, £4.3m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued as part consideration for the acquisition of the business and assets of Blair Kirkman LLP. As at 31 December 2009, £0.5m were still in issue and due within one year. Interest is payable half-yearly.

Also in 2006, £0.6m of the Variable Interest Rate Guaranteed Loan Notes 2006 were issued as part consideration for the acquisition of the business and assets of PCA Management Consultants Limited. As at 31 December 2009, £0.5m were still in issue. These are repayable over two years and interest is payable half-yearly. £0.2m is due within one year.

23. Borrowings continued

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

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

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Less than 1 year	1.4	8.2	–	–
Between 1 and 2 years	0.3	0.5	–	–
Between 2 and 5 years	13.6	20.9	–	–
	15.3	29.6	–	–

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
The maturity of non-current borrowings is as follows:				
Between 1 and 2 years	5.3	6.7	–	–
Between 2 and 5 years	3.7	9.7	–	–
	9.0	16.4	–	–

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

	Group	
	2009 £m	2008 £m
Bank overdraft	3.96%	7.72%
Bank loans	5.32%	5.32%
Loan notes	3.51%	4.89%

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	
	2009 £m	2008 £m	2009 £m	2008 £m
Sterling	1.0	2.7	–	–
US dollar	13.6	20.9	–	–
Euro	0.6	6.0	–	–
Thailand baht	0.1	–	–	–
	15.3	29.6	–	–

The Group has the following undrawn borrowing facilities:

Floating rate – expiring within one year or on demand	20.2	22.2	–	–
Floating rate – expiring between 1 and 5 years	60.0	80.0	–	–

In November 2009 the £80m multi-currency revolving credit facility was reduced to £60m, by means of a voluntary partial cancellation by Savills as it was surplus to forecast requirements. As at 31 December 2009 this facility was undrawn.

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24. Derivative financial instruments

At 31 December 2009	Group		Company	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps – at fair value	–	0.7	–	–
Forward foreign exchange contracts – at fair value	0.1	–	–	–
Total	0.1	0.7	–	–
Less non-current portion	–	(0.7)	–	–
Current portion	0.1	–	–	–
At 31 December 2008	2.6	1.2	1.5	–

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts in relation to the US borrowing at 31 December 2009 were £13.6m (2008 – £20.9m). At 31 December 2009, the fixed interest rate was 5.315%. The floating rate is USD LIBOR.

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

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2009 were £14.2m (2008 – £10.3m). The non-current portion represents contracts that mature in over one year.

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

Hedge of net investments in foreign operations

A portion of the Group's US borrowing amounting to USD22.0m (2008 – USD30.0m) is designated as a hedge on the net investment in the Group's US subsidiary. The fair value of the total borrowing at 31 December 2009 was £13.6m (2008 – £20.9m). The foreign exchange gain of £2.1m (2008 - £5.7m) on translation of the borrowing to currency at the balance sheet date is recognised in foreign exchange reserves in equity. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the balance sheet.

25(a). Provisions

	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Group Total £m	Company £m
At 1 January 2009	4.2	1.0	3.3	8.5	1.8
Released during the year	(1.0)	–	–	(1.0)	–
Provided during the year	5.7	0.2	–	5.9	–
Utilised during the year	(1.7)	–	(2.1)	(3.8)	(0.3)
31 December 2009	7.2	1.2	1.2	9.6	1.5

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

	Group £m	Company £m
Current	5.2	0.3
Non-current	4.4	1.2
	9.6	1.5

£4.5m of professional indemnity claims and dilapidation provisions is expected to be paid within one year.

Onerous lease costs of £nil (2008 – £3.3m) have been provided for leases where the expected economic outflow exceeds the future benefits. £0.7m is expected to be paid within one year.

25(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 2009	8.7
Provided during the year	3.8
Utilised during the year	(4.6)
Exchange movements	0.1
31 December 2009	8.0

The above provisions relate to holiday pay and long service leave in Asia Pacific 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 2009 or 31 December 2008.

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

	Group	
	2009 £m	2008 £m
Current	3.1	3.5
Non-current	4.9	5.2
	8.0	8.7

27. Share-based payment**27(b).**

During the year 913 shares (2008 – nil shares) were allotted direct to participants on the exercise of options under the Savills Sharesave Scheme. The following table shows the options remaining outstanding as at 31 December 2009, 244,237 shares (2008 – 750,486 shares) having lapsed and 913 (2008 – nil) shares having been exercised in accordance with the rules of the scheme for consideration of £2,903.

Date of grant	Exercise price	Exercise period	31 December 2009 Number of shares '000	31 December 2008 Number of shares '000
5 May 2006	510.5p	01.07.09 – 01.01.10	194	227
31 October 2007	318.0p	01.12.10 – 01.06.11	814	1,026
29 October 2009	267.0p	01.12.12 – 01.06.13	1,210	–
			2,218	1,253

A reconciliation of option movements over the year to 31 December 2009 is shown below:

	2009		2008	
	Number of shares '000	Weighted average exercise price	Number of shares '000	Weighted average exercise price
Outstanding at 1 January	1,253	352.9p	2,003	352.0p
Granted	1,210	267.0p	–	–
Forfeited/expired	(244)	343.8p	–	–
Exercised	(1)	318.0p	–	–
Outstanding at 31 December	2,218	307.0p	1,253	352.9p
Exercisable at 31 December	194	510.5p	–	–

The weighted average share price on the date of exercise during the year was 334.8p (2008 – nil).

27(c).

During the year no shares (2008 – nil) were either allotted to Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust, or transferred (2008 – nil) to participants on the exercise of options under the Savills Sharesave Scheme. On 17 November 2009 2,154 shares held by the QUEST (the Trust) were sold at 326.92p per share further to Savills plc and the Trust agreeing to wind-up the Trust and distribute its remaining assets to charities nominated by Savills plc employees.

27(d).

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 2009:

Date of award	Deferred period	Vesting date	31 December 2009 Number of shares '000	31 December 2008 Number of shares '000
15 March 2004	5 years	15 March 2009	–	903
14 March 2005	5 years	14 March 2010	1,028	1,065
13 March 2006	3 years	13 March 2009	–	621
13 March 2006	5 years	13 March 2011	34	34
19 March 2007	3 years	19 March 2010	775	802
19 March 2007	5 years	19 March 2012	592	635
17 March 2008	3 years	17 March 2011	2,289	2,447
17 March 2008	5 years	17 March 2013	1,305	1,386
17 April 2009	3 years	17 April 2012	886	–
17 April 2009	5 years	17 April 2014	563	–
			7,472	7,893

As at 31 December 2009, 439 (2008 – 459) 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.

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27. Share-based payment continued

A reconciliation of award movements over the year to 31 December 2009 is shown below:

	2009		2008	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	7,893	–	5,392	–
Granted	1,498	–	3,976	–
Forfeited/expired	(303)	–	(321)	–
Exercised	(1,616)	288.6p	(1,154)	311.7p
Outstanding at 31 December	7,472	–	7,893	–
Exercisable at 31 December	8	–	5	–

The weighted average exercise price for awards granted under this scheme is £nil (2008 – £nil). Awards over 8,465 shares were exercisable under this scheme as at 31 December 2009 (31 December 2008 – 5,390).

27(e).

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 2009:

Date of grant	Deferred period	Vesting date	31 December 2009 Number of shares '000	31 December 2008 Number of shares '000
10 October 2006	3 years	10 October 2009	–	78
10 October 2006	5 years	10 October 2011	366	504
19 March 2007	3 years	19 March 2010	383	388
19 March 2007	5 years	19 March 2012	37	37
17 September 2007	3 years	17 September 2010	170	170
17 September 2007	5 years	17 September 2012	12	12
17 March 2008	3 years	17 March 2011	693	693
17 March 2008	5 years	17 March 2013	37	37
23 September 2008	3 years	23 September 2011	138	138
7 October 2008	3 years	7 October 2011	42	42
17 April 2009	3 years	10 April 2012	615	–
10 September 2009	3 years	10 September 2012	17	–
10 September 2009	5 years	10 September 2014	23	–
			2,533	2,099

As at 31 December 2009, 102 individuals (2008 – 109) held outstanding awards under the DSP. Awards made under the DSP are subject to rolled-up dividends whereby the number of shares awarded will be increased on the vesting date to reflect dividends paid to shareholders during the deferred period.

A reconciliation of award movements over the year to 31 December 2009 is shown below:

	2009		2008	
	Number of shares '000	Weighted average share price at date of exercise	Number of shares '000	Weighted average share price at date of exercise
Outstanding at 1 January	2,099	–	1,282	–
Granted	655	–	967	–
Forfeited/expired	(2)	–	(96)	–
Exercised	(219)	351.7p	(54)	270p
Outstanding at 31 December	2,533	–	2,099	–
Exercisable at 31 December	–	–	17	–

The weighted average exercise price for awards granted under this scheme is £nil (2008 – £nil).

27. 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	2.1% p.a. – 5.0% p.a. depending on grant date and expected life
Volatility	28% p.a. – 51% p.a. depending on grant date
Employee turnover	2.5% p.a. 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 measured over the three or five years prior to the date of grant to match the vesting period of the award.

The risk free rate is the yield on a zero coupon UK Government bonds at each grant date, with term based on the expected life of the option or award.

Fair value of options and awards at grant dates are:

Grant	Grant date	Fair value pence
DSBP 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
DSBP 2008	17 March 2008	328.3
DSBP 2009	17 April 2009	288.9
Sharesave 2006	5 May 2006	232.0
Sharesave 2007	31 October 2007	96.0
Sharesave 2009	29 October 2009	129.9
DSP 2006	10 October 2006	560.5
DSP 2007	19 March 2007	656.0
DSP 2007	17 September 2007	408.8
DSP 2008	17 March 2008	328.3
DSP 2008	23 September 2008	282.8
DSP 2008	7 October 2008	239.0
DSP April 2009	17 April 2009	288.9
DSP September 2009	10 September 2009	351.9
ESOS 2004	30 March 2004	73.5
ESOS 2005	30 March 2005	102.8
ESOS 2006	13 March 2006	189.0
ESOS 2008	16 April 2008	78.7
ESOS 2009	17 April 2009	136.8

The total charge for the year relating to employee share-based payments plans was £9.8m (2008 – £10.0m), all of which related to equity-settled share-based payment transactions. After deferred tax, the charge was £7.0m (2008 – £9.2m).

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28. Retained earnings and other reserves

Group	Share-based payments reserve £m	Treasury shares £m	Profit and loss account* £m	Total retained earnings* £m	Capital redemption reserve £m	Foreign exchange reserves £m	Revaluation reserves £m	Total other reserves £m
Balance at 1 January 2009	24.3	(30.8)	99.3	92.8	0.3	28.3	0.9	29.5
Profit for the year	–	–	8.9	8.9	–	–	–	–
Other comprehensive income	–	–	(8.1)	(8.1)	–	(9.4)	(0.5)	(9.9)
Employee share option scheme:								
– Value of services provided	9.8	–	–	9.8	–	–	–	–
– Exercise of options	(7.7)	6.3	1.4	–	–	–	–	–
Purchase of treasury shares	–	(4.7)	–	(4.7)	–	–	–	–
Disposals (net of tax)	–	–	(0.1)	(0.1)	–	–	–	–
Dividends	–	–	(7.4)	(7.4)	–	–	–	–
Balance at 31 December 2009	26.4	(29.2)	94.0	91.2	0.3	18.9	0.4	19.6
Balance at 1 January 2008	15.8	(34.6)	146.3	127.5	0.3	2.2	1.4	3.9
Loss for the year	–	–	(11.3)	(11.3)	–	–	–	–
Other comprehensive income	–	–	(11.4)	(11.4)	–	25.9	(0.4)	25.5
Employee share option scheme:								
– Value of services provided	10.0	–	–	10.0	–	–	–	–
– Exercise/withdrawal of options	(1.5)	3.8	(2.3)	–	–	–	–	–
Disposals (net of tax)	–	–	–	–	–	0.2	(0.1)	0.1
Dividends	–	–	(22.0)	(22.0)	–	–	–	–
Balance at 31 December 2008	24.3	(30.8)	99.3	92.8	0.3	28.3	0.9	29.5

* Included within retained earnings on the face of the Statement of Financial Position is tax on items taken directly to equity (Note 12), share-based payments reserve and retained earnings as disclosed above.

29. Capital commitments

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Contracts placed for future capital expenditure not provided in the financial statements	2.1	1.8	–	–

At 31 December 2009 the Group held a conditional commitment to co-invest £0.8m in the Cordea Savills UK Ventures Fund and £1.3m in the Cordea Savills Italian Opportunities Fund 2.

30. Contingent liabilities

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

31. Operating lease commitments – minimum lease payments

Group	Property leases		Other leases		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Commitments under non-cancellable operating leases expiring:						
Within one year	18.4	17.3	2.0	2.2	20.4	19.5
In one to five years	50.3	55.2	2.1	2.9	52.4	58.1
After five years	24.0	36.3	–	0.6	24.0	36.9
	92.7	108.8	4.1	5.7	96.8	114.5

Company	Property leases		Other leases		Total	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Commitments under non-cancellable operating leases expiring:						
Within one year	–	0.7	–	–	–	0.7
In one to five years	–	2.4	–	–	–	2.4
	–	3.1	–	–	–	3.1

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

32. Cash generated from operations

	Group		Company	
	Year ended 2009 £m	Year ended 2008 £m	Year ended 2009 £m	Year ended 2008 £m
Profit/(loss) for the year	9.2	(12.3)	3.1	61.0
Adjustments for:				
Income tax (Note 12)	4.3	4.6	(2.0)	(0.9)
Depreciation (Note 16)	7.0	7.2	0.4	0.6
Amortisation of intangibles (Note 15)	3.6	5.0	0.3	0.2
Loss on sale of property, plant and equipment	0.2	0.3	–	–
Impairment of assets (Note 15, 17(b) and 24)	4.3	37.0	–	–
Profit on disposal of associate, joint ventures and available-for-sale investments	–	(17.4)	–	–
Other exceptional items	–	13.8	–	0.6
Net finance income (Note 11)	–	(2.5)	(2.0)	(3.6)
Share of post-tax profit from associates and joint ventures (Note 17(a))	(2.6)	(0.5)	–	–
Dividend in specie from subsidiary	–	–	–	(42.1)
Exchange movement on operating activities	2.7	0.6	3.8	–
Increase/(decrease) in provisions	1.2	0.9	(0.3)	0.2
Decrease in employee and retirement obligations	(0.5)	(1.5)	–	–
Charge for share-based compensation	9.8	10.0	0.3	0.3
Exercise of share options	–	–	(6.3)	(3.8)
Operating cash flows before movements in working capital	39.2	45.2	(2.7)	12.5
(Increase)/decrease in work in progress	(0.1)	0.3	–	–
Decrease/(increase) in current trade and other receivables	1.0	71.6	(2.6)	(1.6)
Increase/(decrease) in current trade and other payables	6.1	(103.0)	6.8	(8.2)
Cash generated from operations	46.2	14.1	1.5	2.7

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33. Reconciliation of opening to closing cash net of debt

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

For the year ended 31 December 2008	At 1 January £m	Non-cash flow movements £m	Cash flows £m	Exchange movement £m	At 31 December £m
Cash and cash equivalents	110.7	–	(50.9)	15.5	75.3
Bank overdrafts	(0.3)	–	0.3	–	–
	110.4	–	(50.6)	15.5	75.3
Bank loans	(19.4)	–	6.9	(8.4)	(20.9)
Loan notes	(13.5)	–	4.0	0.8	(8.7)
Cash and cash equivalents net of debt	77.5	–	(39.7)	7.9	45.7

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 £2.6m (2008 – £5.6m).

Loans to related parties

Loans to associates and joint ventures are disclosed in Note 17(a). All loans to associates and joint ventures are non-interest bearing.

Company transactions

The Company provided corporate function services to its subsidiaries at an arm's-length value of £9.5m (2008 – £11.2m).

Dividends received from subsidiaries were £nil (2008 – £37.5m). Amounts outstanding from subsidiaries as at 31 December 2009 are disclosed in Notes 19 and 21.

35. Events after the balance sheet date

Savills Sweden AB

On 11 January 2010, the Group acquired 47.4% shares in Savills Sweden AB. This takes the Group's shareholding to 98.4%. Cash consideration was paid of £0.9m and goodwill on acquisition of £1.0m has been provisionally determined.

Cordea Savills LLP

Savills Investments Limited, which holds 60% of the voting rights in Cordea Savills LLP, the Group's fund management business, has entered into a conditional agreement with the other members who hold voting rights in Cordea Savills to acquire their B Member Interests, which represent 40% of the voting rights in Cordea Savills.

Total consideration of up to £15.4m of which £4.6m will be paid on transaction close with another £4.5m payable in equal instalments on the first and second anniversaries, and up to a further £6.3m on the second anniversary subject to Cordea Savills earnings performance over the period. All consideration payments will be settled in cash out of existing resources, including debt facilities. The transaction is conditional on shareholder approval, which will be sought at the General Meeting to be held on 24 March 2010.

