19 March 2015

Savills plc
('Savills' or 'the Group')

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2014

Savills plc, the international real estate advisor, today announces record results as the Group benefits from its broad spread of services across the globe.

Key financial highlights

- Group revenue up 19% to £1,078.2m, £1,113.9m in constant currency, (2013: £904.8m).
- Underlying Group profit before tax* up 34% to £100.5m, £104.3m in constant currency, (2013: £75.2m).
- Group profit before tax up 21% to £84.7m (2013: £70.1m).
- Underlying profit margin increased to 9.3% (2013: 8.3%).
- Underlying basic EPS grew 28% to 55.2p (2013: 43.1p).
- Final ordinary and supplementary interim dividends up 24% to 19.25p per share (2013: 15.5p) taking the total dividend for the year up 21% to 23.0p per share (2013: 19.0p).

* Underlying profit before tax ('underlying profit') is calculated on a consistent basis in accordance with Note 3 to the preliminary statement.

Key operating highlights

- Acquisition of Studley, Inc. in May 2014 transformed Savills US capability and the business has traded strongly since acquisition under the "Savills Studley" brand
- Transaction Advisory revenues up 38% driven by the contribution from Savills Studley in the US, the recovery in certain Continental European markets, a record constant currency performance in Asia and a strong performance in the UK
- Record revenue in the UK on the back of a strong London performance and recovery in the regions
- Return to profitability in Continental Europe following improved market conditions and the benefit from the management actions taken in recent years
- Further growth from non-transactional services with Consultancy revenue up 13% and Property Management revenue up 3% with improved margins
- Cordea Savills investment management business grew revenue 8% and profits by 52%. Assets under Management ('AUM') rose by 41% to €7.2bn
- Acquisition of SEB Asset Management AG, announced separately today, will create a substantial European investment management business with an initial combined AUM of approximately €15bn and an Asia Pacific platform with approximately €2bn under management

Commenting on the results, Jeremy Helsby, Group Chief Executive, said:

"This was a strong year for Savills with revenues surpassing £1bn, a record for our Group, as we benefited from the diversity of revenue streams we have across the globe.

Our acquisition of Studley has performed strongly and has transformed our US capability, providing a significant platform to grow our operations under the new 'Savills Studley' brand. In Asia, the expected lower transaction volumes in Hong Kong, mainland China and Singapore were more than offset by strong performances across other regions. We achieved record revenues in the UK and our European operations also returned to profitability.

We have made a solid start to 2015 with performance in line with management expectations. We retain a cautious view on the timing of the recovery in the Hong Kong commercial market and expect the UK residential market to remain subdued as a result of uncertainty around the General Election. We expect that these factors will lead to a greater than usual weighting of our performance towards the second half of the year. However, the strength of our enhanced US operation, the scope of our UK business and the breadth of our Asia Pacific coverage together with further improvement in Continental Europe, all position Savills well for the future."

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There will be an analyst presentation today at 9.30am at Savills, 33 Margaret Street, London, W1G 0JD.

A short video interview explaining our results, together with the results presentation is available on www.savills.com from 9.00am GMT.

Chairman's statement

Successful implementation of our US growth strategy and improved business activity in many of our key markets resulted in record revenue and profits in 2014.

Results

The Group's underlying profit for the year increased by 34% to £100.5m (2013: £75.2m), on revenue which improved by 19% to £1,078.2m (2013: £904.8m). The Group's statutory profit before tax increased by 21% to £84.7m (2013: £70.1m).

Overview

With investors globally seeking secure income in a historically low interest rate environment, the proportion of investment portfolios allocated to real estate investment has continued to grow. 2014 demonstrated the importance of Savills strengths in the prime markets of many of the world's key cities. Furthermore, the development of our US growth strategy, through the acquisition of Studley in May 2014, enhanced our position in that market and specifically in transaction advice to occupiers.

Our Transaction Advisory revenue grew by 38%, our Consultancy business revenue by 13% and our Property Management revenue by 3%. Many of the principal commercial markets in which we operate experienced an exceptionally strong finish to the year, including record performances in the UK and Asia and a return to profit in Continental Europe. Our Residential business benefited from a resilient market in Prime Central London and improved market conditions in the UK regions. In Asia, the size and stability of our Property Management business, a record performance in Japan and strong growth in Taiwan and Australia collectively helped to mitigate the effect of subdued investment markets in Hong Kong, Singapore and mainland China.

In Continental Europe, improved market conditions benefited our predominantly transaction-orientated businesses with revenue increasing by 19% and a return to profit for the first time since before the financial crisis. Cordea Savills, the Group's investment management business, delivered an improved performance across its European platform increasing AUM by 41% and attracting some high quality fund inflows, which drove an increase in revenue and profits.

The Board's ongoing focus on improving margin continued to drive an increase in profitability, with the Group's underlying profit margin advancing to 9.3% from 8.3% in 2013. Considerable performance improvement in the broader UK market, together with elimination of losses in Continental Europe and the contribution of Savills Studley in the US, represented the principal contributors to that increase.

Business development

Savills strategy is to be a leading adviser in the key markets in which we operate. Our global strategy is delivered locally by our experts on the ground with flexibility to adapt quickly to changes in circumstances and opportunities. They are supported by our regional and cross-border investment and occupier service specialists. Over the last few years we have acquired a number of small businesses and added teams and individual hires to our strong core business.

In light of the increasing internationalisation of both occupier and investment markets, during the past few years, the Board has devoted considerable time to appraising the most appropriate route to build Savills position in the strategically important US market. Having concluded that the acquisition of an appropriately positioned business was the ideal route, we entered discussions with Studley in early 2013 and were delighted to announce the completion of the acquisition on 30 May 2014. In the first seven months under Savills ownership, Studley has performed exceptionally well in some of the most globally important cities in the US and the way in which our people around the world have come together has exceeded our expectations.

In addition, we have looked at expanding the geographical coverage of the Cordea Savills investment management platform. During the year Cordea Savills took its first step outside Europe with the acquisition of Merchant Capital KK, a small investment management firm in Tokyo with approximately £250m AUM. We continue to evaluate opportunities to grow this important business line.

Board

Due to other commitments, Clare Hollingsworth retired from the Board on 12 May 2014. On behalf of the Board I would like to thank her for her considerable contribution during her time at Savills both as a Director and as Chairman of the Remuneration Committee.

On 24 June 2014 Liz Hewitt joined the Board as an independent non executive director.

Dividends
An initial interim dividend of 3.75p per share (2013: 3.5p) amounting to £4.9m was paid on 13 October 2014, and a final ordinary dividend of 7.25p (2013: 7.0p) is recommended, making the ordinary dividend 11.0p for the year (2013: 10.5p). In addition, a supplemental interim dividend of 12.0p (2013: 8.5p) is declared, based upon the underlying performance of our Transaction Advisory business. Taken together, the ordinary and supplemental dividends comprise an aggregate distribution for the year of 23.0p per share, representing an increase of 21% on the 2013 aggregate dividend of 19.0p. The final ordinary dividend of 7.25p per ordinary share will, subject to shareholders' approval at the Annual General Meeting on 13 May 2015, be paid alongside the supplemental interim dividend of 12.0p per share on 18 May 2015 to shareholders on the register at 17 April 2015.

People
On behalf of the Board, I wish to express my thanks to all our staff worldwide for their hard work, commitment and continued focus on client service, enabling the Group to deliver a very strong performance in 2014.

Outlook
We have made a solid start to 2015 with performance in line with management expectations. We retain a cautious view on the timing of the recovery in the Hong Kong commercial market and expect the UK residential market to remain subdued as a result of uncertainty around the General Election. We expect that these factors will lead to a greater than usual weighting of our performance towards the second half of the year. However, the strength of our enhanced US operation, the scope of our UK business and the breadth of our Asia Pacific coverage together with further improvement in Continental Europe, all position Savills well for the future.

Peter Smith
Chairman

Review of operations

The strength of our key commercial market positions and the resilience of our residential businesses drove an improved performance for Savills in 2014.

As anticipated, we experienced a quieter market in mainland China, Hong Kong and Singapore but improved trading conditions elsewhere in Asia, particularly Japan, counter-balanced the shortfall.

Our business in Asia Pacific and UK regions achieved record years. The US business enhanced by the Studley acquisition saw a significant improvement and it has a strong pipeline going into 2015. Cordea Savills continued to grow and this was reflected in underlying profit growth of over 50%. Continued recovery in Continental Europe saw the business return to profit. Overall the Group increased underlying profit by 34% to £100.5m (2013: £75.2m).

On a statutory basis, profit before tax increased 21% to £84.7m (2013: £70.1m).

Savills geographic and business diversity were key to achieving the year's result. Our performance analysed by region was as follows:

	Revenue £m			**Underlying Profit/(Loss) £m**		
	2014	2013	% growth	**2014**	2013	% growth
UK	**514.4**	462.3	11	**67.0**	55.3	21
Asia Pacific	**355.0**	354.4	0	**34.7**	35.5	(2)
Continental Europe	**96.5**	81.3	19	**0.1**	(3.9)	n/a
United States	**112.3**	6.8	n/a	**12.4**	(1.6)	n/a
Unallocated Cost	**n/a**	n/a	n/a	**(13.7)**	(10.1)	(36)
Total	**1,078.2**	904.8	19	**100.5**	75.2	34

Our Asia Pacific business represented 33% of Group revenue (2013: 39%) and our overseas businesses as a whole represented 52% of Group revenue (2013: 49%), reflecting the contribution from Savills Studley in the US. Our performance by service line is set out below:

	Revenue £m			**Underlying Profit/(Loss) £m**		
	2014	2013	% growth	**2014**	2013	% growth
Transaction Advisory	**494.6**	358.2	38	**67.8**	47.2	44
Property Management	**338.6**	329.0	3	**18.6**	17.6	6
Consultancy	**217.0**	191.6	13	**23.4**	17.6	33
Investment Management	**28.0**	26.0	8	**4.4**	2.9	52
Unallocated Cost	**n/a**	n/a	n/a	**(13.7)**	(10.1)	(36)
Total	**1,078.2**	904.8	19	**100.5**	75.2	34

Overall our Prime Commercial and Residential Transaction business revenues together represented 46% of Group revenue (2013: 40%). Of this, the Residential Transaction Advisory business represented 14% of Group revenue for the year (2013: 16%). Our Property and Facilities Management businesses continued to perform well, growing overall revenue by 3% despite the adverse impact of currency translation on our substantial business in Asia Pacific. The business represented 31% of revenue (2013: 36%). Consultancy remained proportionately constant at 20% of revenue but substantially increased profits by 33%. The Investment Management business showed 52% growth in profit and substantial AUM growth of 41%.

Transaction Advisory

2014 clearly demonstrated the strength of our geographic spread of businesses as improved performances in a number of countries outweighed the anticipated reduction in activity in mainland China, Hong Kong and Singapore. This, in conjunction with the acquisition of Studley in the US, recovery in certain Continental European markets and a strong performance in the UK regions resulted in the substantial increase in revenue, profit and margin delivered by our Transactional Advisory business as a whole. Revenue grew by 38% to £494.6m (2013: £358.2m) and underlying profit increased by 44% to £67.8m (2013: £47.2m). The underlying profit margin of the Transaction Advisory business increased to 13.7% (2013: 13.2%).

UK Residential
The prime residential market, where Savills is a market leader, continued to perform well with Savills trading volumes increasing by 6% year on year. The value of UK residential property (excluding new developments) sold by Savills during the year rose 8% to £6.6bn. In the London market the volume of property transactions increased by approximately 1% year on year with a 3% increase in Savills average sales value to £3.3m. In the Country market the volume of exchanges increased by approximately 9%, with the Savills average value increasing 4% to £1.1m. In the new development market we saw a significant increase in transactions with the volume exchanged increasing by 46% to £2.8bn, buoyed by continued strong interest in high quality developments in London from both domestic and overseas buyers and good levels of stock availability. The Residential Transaction Advisory business overall increased revenue by 9% to £129.2m (2013: £118.0m).

Despite Central London's relative strength as a market, Savills sales volumes in this market still remain 13% below the 2007 peak. Equity-rich full time London residents represent the principal buyers in this market. Outside Central London, improved availability of mortgage finance and generally improved economic conditions helped to grow transaction volumes but they still remain 19% below the 2007 peak. During the year we opened new residential offices in Westminster, East Sheen and Battersea Bridge and a full service office in Aberdeen. The London offices comprised openings in both the high value prime market and the continued development of our strategy to expand in markets with core values in the range £0.8m-£1.5m.

The last quarter of 2014 saw the start of the anticipated slow down in UK prime residential market activity in advance of the UK General Election in May 2015. Against this backdrop the UK Residential Transaction Advisory business recorded a 4% increase in underlying profits to £19.7m (2013: £19.0m).

Asia Pacific Residential
The Residential Transaction Advisory business in Asia is focused primarily on new developments and secondary sales and leasing of prime properties in selected markets. It excludes mixed use developments, which represent a significant proportion of the region's activity and are accounted for within the Commercial Transaction Advisory business. Overall, the Asia Pacific Residential business recorded a 5% decrease in revenue to £21.6m (2013: £22.7m). However, in constant currency, the business recorded a 1% increase in revenue to £23.0m. The primary contributors to this increase were Australia and Taiwan, with significant intra-regional cross-border activity in the prime markets. Due to its focus on the high end market only, and thanks to some ultra prime transactions, our Hong Kong residential agency saw revenue increase by 6%. During the year the mainland Chinese and Singapore markets experienced a continuing decline in market volumes, which had started in the fourth quarter of 2013. These factors resulted in the region reporting a 37% decrease (34% in constant currency) in underlying profit to £3.7m (2013: £5.9m).

Asia Pacific Commercial
The Asia Pacific Commercial business enjoyed a somewhat stronger year than we originally expected, driven by substantially improved earnings in Australia, Korea and Japan. Indeed our market share in Japan grew significantly and resulted in a substantial rise in revenue and profit. This helped to offset the effect of the anticipated reduction in transaction volumes in Hong Kong mainland China and Singapore where market volumes reduced by approximately between 24% and 40% year on year. Reported revenue declined by 3% to £96.3m (2013: £99.3m). However, on a constant currency basis, this represented an increase of 5% year on year.

In mainland China, where we have 13 offices, the market remained weak with Transaction Advisory revenues decreasing by 28% year on year due to a significant reduction in investment sales. In contrast our office and retail leasing and tenant representation business remained relatively resilient in the region. Our Hong Kong Commercial transaction revenue declined by 23% as market volumes reduced significantly during the year. Our Japanese investment business grew transaction revenue by over 70% on further strengthening of activity levels in the region. Overall, the Asia Pacific Commercial Transaction Advisory business recorded a 1% increase in underlying profit to £16.7m (2013: £16.6m). The increase in underlying profit in constant currency was 11%.

UK Commercial

Revenue from UK commercial transactions increased 15% to £84.1m (2013: £73.4m). This performance reflected gains of 15% in total UK commercial investment market volumes from £54.4bn in 2013 to £63bn in 2014. This was driven by the strong recovery in many regional cities. In addition, London continued to be the principal focal point for overseas investment interest which enabled the overall market value of transactions marginally to exceed the record levels of the previous year at £21.9bn.

The Central London occupier market saw a strong recovery in tenant demand in 2014, with the overall take-up for the City growing 16% year on year to reach a record 8.2m sq ft. All sectors, including banking, contributed to this rise in activity. The vacancy rate in the City continued to fall to 6.7% which contributed to a 3% rise in rents. Take-up in the West End of London was marginally up on the total for 2013 at 4.2m sq ft, and the vacancy rate dropped to 3.4% driving a 5% increase in average prime rents.

Our regional business benefited from the recovery in tenant demand for office space with take-up inside the M25 and top seven regional city office markets rising by 10% to reach 9.9m sq ft.

As economic conditions improved in regional markets, we saw a significant recovery in investment volumes as investors sought improved returns outside London. All asset classes benefited, with hotels, logistics and retail particularly strong. Overall the regional Commercial business reported a 36% rise in revenue and an increase in profits of approximately 75%.

The continuation of a robust market in London and strong recovery in the regions resulted in the UK Commercial Transaction Advisory business increasing underlying profit by 36% to £14.0m (2013: £10.3m) with margin improvement to 16.6% (2013: 14.0%).

Continental Europe

The Continental European Commercial Transaction Advisory business saw revenue increase by 34% to £51.1m (2013: £38.0m). In constant currency the underlying increase was 42%. There was a substantial improvement in Ireland, where Savills had a leading share of the transactional market, which was characterised by demand from international private equity funds for distressed assets and portfolio sales. Transactional Advisory revenues also improved significantly in Germany where International investors sought core assets, and in Spain, Poland and the Netherlands where opportunistic investors, particularly international private equity funds, started to make significant investments. By comparison, leasing markets particularly in France remained relatively subdued.

Overall in 2014, the Continental European Transaction Advisory business returned to an underlying profit of £1.3m, £1.4m in constant currency, (2013: £3.0m loss).

US

2014 was a transformational year for our US business. We completed the $260m acquisition of Studley on 30 May 2014, which substantially fulfilled our strategic requirement to have a strong services platform in the key cities of the US. The integration of our existing three locations into their Studley counterpart offices proceeded well. Branded “Savills Studley”, our US business now comprises a platform of 26 offices across the key markets of the US, with leading market positions in occupier advisory services (tenant representation) in New York, Washington, Los Angeles, Chicago and Houston and in investment services in New York.

The other element of integration was to link the Savills Studley tenant representation teams into the existing Savills networks in Europe and Asia Pacific. This has been successfully achieved with high levels of cross border referrals to deliver clients’ requirements across the globe. Some significant assignments have been completed, or are in progress, in locations as diverse as Aberdeen, London, the Philippines, Hong Kong, Paris, Shanghai and the Middle East. We will continue to enhance our US platform through recruitment and bolt-on acquisitions in the coming periods.

The results of our US business reflected the first seven months of Studley post-acquisition. Operationally a number of key markets such as New York, Chicago, Los Angeles and Southern California enjoyed a very strong performance during the year, while the oil price fall in the last part of the period had an adverse impact on our market leading Houston practice. In the investment markets we concluded substantial transactions on both seaboards. Overall our US revenue increased substantially to £112.3m (2013: £6.8m), of which Savills Studley contributed £104.6m. Our US business posted an underlying profit for the year of £12.4m (2013: £1.6m loss).

Consultancy

Our Consultancy business substantially improved both revenue and profits, demonstrating the strength of its diversified spread of services. Global Consultancy revenue increased by 13% to £217.0m (2013: £191.6m) and underlying pre-tax profit grew by 33% to £23.4m (2013: £17.6m).

UK
Consultancy service revenue in the UK increased by 13% to £168.2m (2013: £148.7m). The recovery of regional UK markets contributed to performances across all sectors, most notably in the Development, Planning and Valuation businesses and Housing and Building consultancy. Overall underlying profit from the UK Consultancy business increased by 36% to £19.4m (2013: £14.3m).

Asia Pacific
Revenue in the Asia Pacific Consultancy business increased by 10% to £30.0m (2013: £27.3m) with increased valuation and feasibility study assignments in mainland China, Hong Kong and Japan. Underlying profit increased by 37% to £2.6m (2013: £1.9m) predominantly reflecting improved performance in mainland China.

Continental Europe
Our Continental European Consultancy business, which principally comprises valuation and corporate finance advisory services, increased revenue by 21% to £18.8m (2013: £15.6m). There were stronger performances in Germany, Ireland, the Netherlands and Spain. Profitability was adversely impacted by recruitment costs in a number of markets. Underlying profit for the year was unchanged at £1.4m (2013: £1.4m).

Property Management

Our Property and Facilities Management businesses continued to perform well, growing revenue by 3% overall (7% in constant currency). Underlying profit increased by 6% to £18.6m, £19.3m in constant currency, (2013: £17.6m) primarily reflecting improved margins in the UK and Asia commercial businesses.

Asia Pacific
Overall the business grew revenue by 1% to £207.1m (7% in constant currency) (2013: £205.1m). The Property and Facilities Management business is a significant strength for Savills in Asia, complementing our Transaction Advisory businesses in the region. The total square footage under management in the region was up 5% to approximately 1.9bn sq ft (2013: 1.8bn sq ft). In mainland China, revenue increased by 21% and profits grew by 28%. In Hong Kong, Property and Facilities Management revenue grew by just over 5% and profits remained flat reflecting higher staff costs in the business. Australia reported a drop in both revenue and profit due to the loss of a number of contracts on sale of the properties during the year. Overall the underlying profit of the Asia Pacific Property Management business grew 5% (12% in constant currency) to £11.7m (2013: £11.1m).

UK
Overall, our UK Property Management teams, comprising Commercial, Residential and Rural, grew revenue by 9% to £104.9m (2013: £96.2m) thanks to some significant contract wins in both London and the regions. The Residential management business and the UK Commercial business together

grew area under management by 2% to approximately 174m sq ft (2013: 170m sq ft). The core UK Commercial Property Management business performed well with revenue growth of 9% and a 12% improvement in underlying profit. Our Residential Property Management businesses, including lettings, increased revenue by 9%. Underlying profit growth was restricted due to the cost associated with new lettings offices and the creation of a centralised lettings administration and telephone support service in London to support future growth. Overall the net effect of revenue growth and investment in the UK business improved underlying profit by 8% to £9.5m (2013: £8.8m).

Continental Europe

In Continental Europe revenue declined by 4% (2% growth in constant currency) to £26.6m (2013: £27.7m). By the year end the total area under management had increased by 7% to 45.4m sq ft. Costs related to the establishment of a new team in Poland, one-off costs in Ireland to improve future operational performance and the loss of two contracts in the Netherlands temporarily masked the effect of improved performances and contract wins elsewhere in the region, most notably in Sweden. The net effect of revenue growth and these costs increased the underlying loss for the year to £2.6m (2013: loss £2.3m).

Investment Management

Cordea Savills revenue increased by 8% to £28.0m (2013: £26.0m). AUM increased by 41% to €7.2bn (2013: €5.1bn) through the launch of two new funds, new segregated mandates, valuation increases and inflows into existing open-ended funds net of the disposition of two historical funds (Italian Opportunities Fund 1 and the Student Hall Fund). During the year we successfully launched the Prime London Residential Development Fund II and the Nordic Logistics Fund, collectively representing €470m AUM. We also completed the purchase of Merchant Capital KK in Japan resulting in a further €505m AUM by year end. The enhanced revenue improved the underlying profit margin to 15.7% (2013: 11.2%) and increased underlying profits by 52% to £4.4m (2013: £2.9m).

Summary

Overall in 2014, Savills delivered a strong performance with each of our regions showing growth in revenue and profits on a like for like basis. The acquisition of Studley in the US brought a substantial, high quality and culturally compatible business into the Savills Group. In the UK we benefited from the strengthening of the regional economy and the continuation of Central London’s status as a primary destination for cross border real estate investors. In Asia the breadth of our business ensured that we successfully withstood the anticipated declines in transaction activity in Hong Kong, Singapore and mainland China. This was partly due to growth in our substantial Property Management business in the region and partly through strong trading in other transactional markets, the stand out performer being Japan.

Our Continental European business delivered its target of a return to profit and our Cordea Savills Investment Management business continued to grow its AUM, with further expansion in the pipeline for 2015. Whilst the Transactional Advisory business provided the majority of our profit improvement, our Property Management and Consultancy businesses continued to provide a solid foundation and support for this performance. We entered 2015 with confidence and a continued focus on improving the breadth and depth of our services across the globe to our increasingly multi-national client base.

Financial review

Underlying profit margin
Underlying profit margin increased to 9.3% (2013: 8.3%) reflecting the effect of improved margins across all operating segments, most notably in Transaction Advisory and the Consultancy businesses.

Net interest
Net finance cost in the year was £0.8m (2013: £0.6m). During a period of historically low interest rates and expanded credit spreads this primarily reflects the significant differential between interest received on surplus cash deposits and interest paid on borrowings.

Taxation
The tax charge for the year increased to £22.0m (2013: £18.7m). The effective tax rate on reported profits decreased to 26.0% (2013: 26.7%) reflecting the net effect in the year of recognising the one-off deferred tax credit on previously unrecognised losses in respect of the US, largely offset by non-deductible Studley acquisition costs. The underlying effective tax rate was 26.6% (2013: 25.9%). The acquisition of Studley will increase the Group's future effective tax rate as a higher proportion of Group profits will be subject to US taxation. As at 31 December 2014, the deferred tax assets arising from the Studley acquisition and the previous US business losses available for relief against future US Group profits, is $21.5m (at current US rates of taxation).

Restructuring and acquisition related costs
During the period the Group incurred an aggregate restructuring charge of £0.9m (2013: £5.2m) and acquisition related costs of £16.6m (2013: £nil). These costs included £6.7m of professional fees and a £9.9m charge for future payments which are contingent on the continuity of recipients' employment in the future. This charge related to the acquisition of Studley.

A £0.6m impairment charge was recognised during the year on the Group's interest in the Italian Opportunities Fund No.2 (2013: £nil).

These charges have been excluded from the calculation of underlying profit in line with Group policy.

Earnings per share
Basic earnings per share increased by 18% to 46.8p (2013: 39.8p). Adjusted on a consistent basis for restructuring, acquisition related costs and impairment charges, profits and losses on disposals, certain share-based payment charges and amortisation of intangible assets (excluding software), underlying basic earnings per share increased by 28% to 55.2p (2013: 43.1p).

Fully diluted earnings per share increased by 19% to 45.3p (2013: 38.1p). The underlying fully diluted earnings per share increased by 29% to 53.4p (2013: 41.4p).

Cash resources, borrowings and liquidity
Year end gross cash and cash equivalents increased 29% to £158.1m (2013: £122.2m). This principally reflected improved profits and the realisation of $14m cash on the sale of a minority stake in AOS Studley (Studley's European joint venture) during the post-acquisition period.

Gross borrowings at year end decreased to £3.9m (2013: £9.8m). These included £0.9m in respect of a working capital loan in Australia and a £3.0m term loan to finance the fit out of the Group's UK Headquarters in London. The original amount of the loan was £12.0m. This will be amortised over the residual rent free period (to May 2015), which was granted on the inception of the lease in December 2012.

Cash is typically retained in a number of subsidiaries in order to meet the requirements of commercial contracts or capital adequacy. In addition, cash in certain territories is retained to meet future growth requirements where to remit it would result in the Group suffering withholding taxes.

The Group's cash flow profile is biased towards the second half of the year. This is as a result of seasonality in trading and the major cash outflows associated with dividends, profit related remuneration payments and related payroll taxes in the first half. The Group cash inflow for the year from operating activities was £96.1m (2013: £70.8m), primarily as a result of improved trading in the Transaction Advisory business. As much of the Group's revenue is transactional in nature, the Board's strategy is to maintain low levels of gearing, but retain sufficient credit facilities to enable it to meet cash requirements during the year and finance the majority of business development opportunities as they arise. During 2014 the Group's revolving credit facility ('RCF') was increased to £150.0m from £90.0m through the exercise of £60.0m of our £90.0m Accordion facility with effect from 30 April 2014. The RCF expires on 19 June 2017.

Capital and shareholders' interests

During the year, 0.6m new shares were allotted to participants under the Performance Share Plan. No shares were repurchased for cancellation (2013: nil). The total number of ordinary shares in issue at 31 December 2014 was 134.9m (2013: 134.3m). As part of the consideration for the acquisition of Studley, Savills will issue 5.8 million new ordinary shares in three equal annual instalments commencing on the first anniversary of the acquisition (30 May 2015). In accordance with IFRS, all EPS measures for the year include the dilutive effect of this future obligation.

Savills Pension Scheme

The funding level of the Savills Pension Scheme, which is closed to future service-based accrual, deteriorated during the year as a result of the effect of a reduction in long term interest rates on the rate at which liabilities are discounted. The plan deficit at the year end amounted to £19.4m (2013: £12.7m).

Net assets

Net assets as at 31 December 2014 were £330.3m (2013: £270.8m). This movement reflected increased tangible assets, receivables and cash balances derived from the Group's trading performance and acquisitions together with increased deferred income tax assets.

Foreign currency

The Group operates internationally and is exposed to foreign exchange risks. As both revenue and costs in each location are generally denominated in the same currency, transaction related risks are relatively low and generally associated with intra group activities. Consequently, the overriding foreign currency risk relates to the translation of overseas profits and losses into sterling on consolidation. The Group does not actively seek to hedge risks arising from foreign currency translations due to their non-cash nature. The net impact of foreign exchange rate movements in 2014 was a £35.7m decrease in revenue (2013: £1.8m increase) and a decrease of £3.8m in underlying profit (2013: £0.4m decrease).

Savills plc
Consolidated income statement
for the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Revenue	2	**1,078.2**	904.8
Less:			
Employee benefits expense		**(699.3)**	(570.4)
Depreciation		**(8.4)**	(7.6)
Amortisation of intangible assets		**(4.6)**	(3.9)
Other operating expenses		**(290.1)**	(259.5)
Other operating income		**0.7**	0.4
Profit/(loss) on disposal of available-for-sale investments		**2.0**	(0.3)
Operating profit		**78.5**	63.5
Finance income		**1.5**	1.2
Finance costs		**(2.3)**	(1.8)
		(0.8)	(0.6)
Share of post-tax profit from joint ventures and associates		**7.0**	7.2
Profit before income tax		**84.7**	70.1
Comprising:			
- underlying profit before tax	2, 3	**100.5**	75.2
- restructuring and acquisition related costs	3	**(17.5)**	(5.2)
- other underlying adjustments	3	**1.7**	0.1
		84.7	70.1
Income tax expense	4	**(22.0)**	(18.7)
Profit for the year		**62.7**	51.4
Attributable to:			
Owners of the parent		**62.1**	50.8
Non-controlling interests		**0.6**	0.6
		62.7	51.4
Earnings per share			
Basic earnings per share	6(a)	**46.8p**	39.8p
Diluted earnings per share	6(a)	**45.3p**	38.1p
Underlying earnings per share			
Basic earnings per share	6(b)	**55.2p**	43.1p
Diluted earnings per share	6(b)	**53.4p**	41.4p

Savills plc
Consolidated statement of comprehensive income
for the year ended 31 December 2014

	2014	2013
	£m	£m
Profit for the period	**62.7**	51.4
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension scheme obligation	**(15.9)**	7.0
Tax on items that will not be reclassified	**3.3**	(1.7)
Total items that will not be reclassified to profit or loss	**(12.6)**	5.3
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	**0.3**	1.8
Fair value loss on available-for-sale investment released to income statement	**0.3**	-
Currency translation differences	**6.1**	(5.2)
Tax on items that may be reclassified	**1.4**	3.0
Total items that may be reclassified subsequently to profit or loss	**8.1**	(0.4)
Other comprehensive (loss)/income for the period, net of tax	**(4.5)**	4.9
Total comprehensive income for the period	**58.2**	56.3
Total comprehensive income attributable to:		
Owners of the parent	**57.6**	55.9
Non-controlling interests	**0.6**	0.4
	58.2	56.3

Savills plc
Consolidated statement of financial position
at 31 December 2014

	Notes	**2014 £m**	2013 £m
Assets: Non-current assets			
Property, plant and equipment		**43.2**	33.4
Goodwill	9	**228.0**	135.6
Other intangible assets		**17.5**	15.5
Investments in joint ventures and associates		**22.2**	16.7
Deferred income tax assets		**42.0**	26.8
Available-for-sale investments		**11.7**	14.8
Non-current receivables		**3.9**	1.4
		368.5	244.2
Assets: Current assets			
Work in progress		**3.2**	3.3
Trade and other receivables		**307.9**	240.5
Current income tax receivable		**4.3**	1.0
Derivative financial instruments		**-**	0.1
Cash and cash equivalents		**158.1**	122.2
		473.5	367.1
Liabilities: Current liabilities			
Borrowings	10	**3.9**	6.8
Trade and other payables		**406.0**	266.3
Current income tax liabilities		**14.7**	9.2
Employee benefit obligations		**6.6**	6.3
Provisions for other liabilities and charges		**9.3**	10.9
		440.5	299.5
Net current (liabilities)/assets		**33.0**	67.6
Total assets less current liabilities		**401.5**	311.8
Liabilities: Non-current liabilities			
Borrowings	10	**-**	3.0
Trade and other payables		**21.5**	0.2
Retirement and employee benefit obligations		**29.2**	20.6
Provisions for other liabilities and charges		**17.3**	15.7
Deferred income tax liabilities		**3.2**	1.5
		71.2	41.0
Net assets		**330.3**	270.8
Equity: Capital and reserves attributable to owners of the parent			
Share capital		**3.4**	3.4
Share premium		**90.1**	90.1
Shares to be issued	9	**34.9**	-
Other reserves		**22.5**	17.1
Retained earnings		**178.6**	159.4
		329.5	270.0
Non-controlling interests		**0.8**	0.8
Total equity		**330.3**	270.8

Savills plc
Consolidated statement of changes in equity
for the year ended 31 December 2014

	Attributable to owners of the parent							
	Share capital £m	Share premium £m	Shares to be issued £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2014	**3.4**	**90.1**	**-**	**17.1**	**159.4**	**270.0**	**0.8**	**270.8**
Profit for the year	-	-	-	-	62.1	62.1	0.6	62.7
Other comprehensive income/(loss):								
Fair value gain on available-for-sale investments	-	-	-	0.3	-	0.3	-	0.3
Fair value loss on available-for-sale investment released to income statement	-	-	-	0.3	-	0.3	-	0.3
Remeasurement of defined benefit pension scheme obligation	-	-	-	-	(15.9)	(15.9)	-	(15.9)
Tax on items directly taken to reserves	-	-	-	-	4.7	4.7	-	4.7
Currency translation differences	-	-	-	6.1	-	6.1	-	6.1
Total comprehensive income for the year	-	-	-	6.7	50.9	57.6	0.6	58.2
Transactions with owners:								
Employee share option scheme:								
- Value of services provided	-	-	-	-	10.5	10.5	-	10.5
Purchase of treasury shares	-	-	-	-	(12.1)	(12.1)	-	(12.1)
Share-based payment settlement	-	-	-	-	(3.6)	(3.6)	-	(3.6)
Shares to be issued	-	-	34.9	-	-	34.9	-	34.9
Disposal of available-for-sale investments (net of tax)	-	-	-	(1.3)	-	(1.3)	-	(1.3)
Dividends	-	-	-	-	(24.9)	(24.9)	(0.3)	(25.2)
Transactions with non-controlling interests	-	-	-	-	(1.6)	(1.6)	(0.3)	(1.9)
Balance at 31 December 2014	**3.4**	**90.1**	**34.9**	**22.5**	**178.6**	**329.5**	**0.8**	**330.3**

	Attributable to owners of the parent							
	Share capital £m	Share premium £m	Shares to be issued £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013	3.3	87.3	-	20.8	121.1	232.5	0.6	233.1
Profit for the year	-	-	-	-	50.8	50.8	0.6	51.4
Other comprehensive income/(loss):								
Fair value gain on available-for-sale investments	-	-	-	1.8	-	1.8	-	1.8
Remeasurement of defined benefit pension scheme obligation	-	-	-	-	7.0	7.0	-	7.0
Tax on items directly taken to reserves	-	-	-	(0.2)	1.5	1.3	-	1.3
Currency translation differences	-	-	-	(5.0)	-	(5.0)	(0.2)	(5.2)
Total comprehensive (loss)/income for the year	-	-	-	(3.4)	59.3	55.9	0.4	56.3
Transactions with owners:								
Employee share option scheme:								
- Value of services provided	-	-	-	-	10.4	10.4	-	10.4
Purchase of treasury shares	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Share-based payment settlement	-	-	-	-	(7.3)	(7.3)	-	(7.3)
Issue of share capital	0.1	2.8	-	-	-	2.9	-	2.9
Disposal of available-for-sale investments (net of tax)	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Dividends	-	-	-	-	(20.6)	(20.6)	(0.4)	(21.0)
Transactions with non-controlling interests	-	-	-	-	(1.3)	(1.3)	0.2	(1.1)
Balance at 31 December 2013	3.4	90.1	-	17.1	159.4	270.0	0.8	270.8

Savills plc
Consolidated statement of cash flows
for the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	7	**113.6**	86.0
Interest received		**1.6**	1.0
Interest paid		**(2.0)**	(0.6)
Income tax paid		**(17.1)**	(15.6)
Net cash generated from operating activities		**96.1**	70.8
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.1**	0.1
Proceeds from sale of available-for-sale investments		**4.0**	1.7
Proceeds from sale of assets held for sale		**8.5**	-
Deferred consideration received in relation to prior year disposals		**1.4**	0.4
Dividends received from joint ventures and associates		**5.4**	5.3
Repayment of loans by joint ventures and associates		**0.8**	0.3
Loans to joint ventures and associates		**-**	(0.4)
Acquisition of subsidiaries, net of cash acquired	9	**(18.1)**	1.0
Deferred consideration paid in relation to prior year acquisitions		**-**	(0.4)
Purchase of property, plant and equipment		**(12.7)**	(23.3)
Purchase of intangible assets		**(1.5)**	(2.5)
Purchase of investment in joint ventures, associates and available-for-sale investments		**(2.5)**	(0.7)
Net cash used in investing activities		**(14.6)**	(18.5)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	2.9
Proceeds from borrowings	10	**99.9**	63.5
Share-based payment settlement		**(3.6)**	(7.3)
Purchase of own shares for Employee Benefit Trust		**(12.1)**	(2.2)
Purchase of non-controlling interests	8	**(1.9)**	(1.1)
Repayments of borrowings	10	**(105.8)**	(54.8)
Dividends paid	5	**(25.2)**	(21.0)
Net cash used in financing activities		**(48.7)**	(20.0)
Net increase in cash, cash equivalents and bank overdrafts		**32.8**	32.3
Cash, cash equivalents and bank overdrafts at beginning of year		**122.2**	92.7
Effect of exchange rate fluctuations on cash held		**3.1**	(2.8)
Cash and cash equivalents at end of year		**158.1**	122.2

NOTES

1. Basis of preparation

The results for the year ended 31 December 2014 have been extracted from the audited financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information in this statement does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2014, on which the auditors have given an unqualified audit report, have not yet been filed with the Registrar of Companies.

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

2. Segment analysis

Year ended to 31 December 2014	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
Revenue						
United Kingdom						
- commercial	**84.1**	**126.9**	**79.8**	**28.0**	**-**	**318.8**
- residential	**129.2**	**41.3**	**25.1**	**-**	**-**	**195.6**
Total United Kingdom	**213.3**	**168.2**	**104.9**	**28.0**	**-**	**514.4**
Continental Europe	**51.1**	**18.8**	**26.6**	**-**	**-**	**96.5**
Asia Pacific						
- commercial	**96.3**	**30.0**	**207.1**	**-**	**-**	**333.4**
- residential	**21.6**	**-**	**-**	**-**	**-**	**21.6**
Total Asia Pacific	**117.9**	**30.0**	**207.1**	**-**	**-**	**355.0**
United States	**112.3**	**-**	**-**	**-**	**-**	**112.3**
Total revenue	**494.6**	**217.0**	**338.6**	**28.0**	**-**	**1,078.2**
Underlying profit/(loss) before tax						
United Kingdom						
- commercial	**14.0**	**13.1**	**7.3**	**4.4**	**(13.7)**	**25.1**
- residential	**19.7**	**6.3**	**2.2**	**-**	**-**	**28.2**
Total United Kingdom	**33.7**	**19.4**	**9.5**	**4.4**	**(13.7)**	**53.3**
Continental Europe	**1.3**	**1.4**	**(2.6)**	**-**	**-**	**0.1**
Asia Pacific						
- commercial	**16.7**	**2.6**	**11.7**	**-**	**-**	**31.0**
- residential	**3.7**	**-**	**-**	**-**	**-**	**3.7**
Total Asia Pacific	**20.4**	**2.6**	**11.7**	**-**	**-**	**34.7**
United States	**12.4**	**-**	**-**	**-**	**-**	**12.4**
Underlying profit/(loss) before tax	**67.8**	**23.4**	**18.6**	**4.4**	**(13.7)**	**100.5**

Year ended to 31 December 2013	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
Revenue						
United Kingdom						
- commercial	73.4	115.6	73.2	26.0	-	288.2
- residential	118.0	33.1	23.0	-	-	174.1
Total United Kingdom	191.4	148.7	96.2	26.0	-	462.3
Continental Europe	38.0	15.6	27.7	-	-	81.3
Asia Pacific						
- commercial	99.3	27.3	205.1	-	-	331.7
- residential	22.7	-	-	-	-	22.7
Total Asia Pacific	122.0	27.3	205.1	-	-	354.4
United States	6.8	-	-	-	-	6.8
Total revenue	358.2	191.6	329.0	26.0	-	904.8
Underlying profit/(loss) before tax						
United Kingdom						
- commercial	10.3	9.4	6.5	2.9	(10.1)	19.0
- residential	19.0	4.9	2.3	-	-	26.2
Total United Kingdom	29.3	14.3	8.8	2.9	(10.1)	45.2
Continental Europe	(3.0)	1.4	(2.3)	-	-	(3.9)
Asia Pacific						
- commercial	16.6	1.9	11.1	-	-	29.6
- residential	5.9	-	-	-	-	5.9
Total Asia Pacific	22.5	1.9	11.1	-	-	35.5
United States	(1.6)	-	-	-	-	(1.6)
Underlying profit/(loss) before tax	47.2	17.6	17.6	2.9	(10.1)	75.2

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board (GEB). The GEB assesses the performance of operating segments based on a measure of underlying profit before tax which adjusts reported pre-tax profit by profit/(loss) on disposals, share-based payment adjustment, restructuring costs, acquisition related costs, amortisation and impairment of goodwill and intangible assets (excluding software) and impairment of available-for-sale investments, joint ventures or associates.

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

A reconciliation of underlying profit before tax to reported profit before tax is provided in Note 3.

3. Underlying profit before tax

The Directors seek to present a measure of underlying performance which is not impacted by exceptional items or items considered non-operational in nature. This measure of profit is described as 'underlying' and is used by management to measure and monitor performance.

	2014	2013
	£m	£m
Reported profit before tax	**84.7**	70.1
Adjustments:		
- Amortisation of intangible assets (excluding software)	**2.6**	2.1
- Impairment of available-for-sale investments	**0.6**	-
- Share-based payment adjustment	**(2.9)**	(2.5)
- (Profit)/loss on disposal of available-for-sale investments	**(2.0)**	0.3
- Restructuring costs	**0.9**	5.2
- Acquisition related costs	**16.6**	-
Underlying profit before tax	**100.5**	75.2

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

Profit on disposal of available-for-sale investments includes a £1.7m profit from the disposal of the Group's 3.03% holding in Pinnacle Regeneration Group Limited in January 2014, the final receipt in relation to the disposal of the Group's 4.3% shareholding in IPD Group Ltd in 2012 (£0.5m) and a £0.2m loss arising from the disposal of the Group's 2.03% shareholding in the Cordea Savills Student Hall Fund in July 2014.

Acquisition related costs include transaction costs of £6.7m and £9.9m of provisions for future payments in relation to the Studley Inc. acquisition, which are expensed through the income statement to reflect the requirement for the recipients to remain actively engaged in the business at the payment date. Refer to Note 9 for further details.

4. Income tax expense

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

	2014	2013
	£m	£m
United Kingdom		
- Current tax	**14.8**	12.7
- Deferred tax	**(1.9)**	(1.5)
Foreign tax		
- Current tax	**12.2**	8.0
- Deferred tax	**(3.1)**	(0.5)
Income tax expense	**22.0**	18.7

5. Dividends

	2014 £m	2013 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend for 2013 of 7.0p per share (2012: 6.7p)	**9.0**	8.5
Supplemental interim dividend for 2013 of 8.5p per share (2012: 6.0p)	**11.0**	7.6
Interim dividend of 3.75p per share (2013: 3.5p)	**4.9**	4.5
	24.9	20.6

The Board recommends a final dividend of 7.25p (net) per ordinary share (amounting to £9.4m) is paid, alongside the supplemental interim dividend of 12.0p per ordinary share (amounting to £15.5m), to be paid on 18 May 2015 to shareholders on the register at 17 April 2015. These financial statements do not reflect this dividend payable.

The total paid and recommended ordinary and supplemental dividends for the 2014 financial year comprises an aggregate distribution of 23.0p per ordinary share (2013: 19.0p per ordinary share).

6(a). Basic and diluted earnings per share

Year to 31 December	**2014 Earnings £m**	**2014 Shares million**	**2014 EPS pence**	2013 Earnings £m	2013 Shares million	2013 EPS pence
Basic earnings per share	**62.1**	**132.7**	**46.8**	50.8	127.7	39.8
Effect of additional shares issuable under option	**-**	**4.4**	**(1.5)**	-	5.6	(1.7)
Diluted earnings per share	**62.1**	**137.1**	**45.3**	50.8	133.3	38.1

Included in both the basic and diluted weighted average number of shares calculation in the year ended 31 December 2014 are the 5,843,360 ordinary shares to be issued as part of the acquisition of Studley, Inc. and related companies (refer to Note 9 for further details).

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

Year to 31 December	**2014 Earnings £m**	**2014 Shares million**	**2014 EPS pence**	2013 Earnings £m	2013 Shares million	2013 EPS pence
Basic earnings per share	**62.1**	**132.7**	**46.8**	50.8	127.7	39.8
- Amortisation of intangible assets (excluding software) after tax	**1.5**	**-**	**1.1**	1.7	-	1.3
- Impairment of investment in available-for-sale investment after tax	**0.6**	**-**	**0.5**	-	-	-
- Share-based payment adjustment after tax	**(2.2)**		**(1.7)**	(1.8)	-	(1.4)
- Restructuring costs after tax	**0.9**	**-**	**0.7**	4.1	-	3.2
- (Profit)/loss on disposal of available-for-sale investments after tax	**(2.0)**	**-**	**(1.5)**	0.3	-	0.2
- Acquisition related costs after tax	**16.7**	**-**	**12.6**	-	-	-
- Net tax effect following acquisition	**(4.4)**	**-**	**(3.3)**	-	-	-
Underlying basic earnings per share	**73.2**	**132.7**	**55.2**	55.1	127.7	43.1
Effect of additional shares issuable under option	**-**	**4.4**	**(1.8)**	-	5.6	(1.7)
Underlying diluted earnings per share	**73.2**	**137.1**	**53.4**	55.1	133.3	41.4

Included in both the basic and diluted weighted average number of shares calculation in year ended 31 December 2014 are the 5,843,360 ordinary shares to be issued as part of the acquisition of Studley, Inc. and related companies (refer to Note 9 for further details).

7. Cash generated from operations

	2014 £m	2013 £m
Profit for the period	**62.7**	51.4
Adjustments for:		
Income tax (Note 4)	**22.0**	18.7
Depreciation	**8.4**	7.6
Amortisation of intangible assets	**4.6**	3.9
Loss on sale of property, plant and equipment	**0.2**	0.4
(Profit)/loss on disposal of available-for-sale investments	**(2.0)**	0.3
Net finance cost	**0.8**	0.6
Share of post-tax profit from joint ventures and associates	**(7.0)**	(7.2)
Decrease in employee and retirement obligations	**(7.4)**	(7.4)
Exchange movements on operating activities	**0.5**	0.4
Increase in provisions	**-**	1.1
Impairment of available-for-sale investment included within other operating expenses	**0.6**	**-**
Charge for share-based compensation	**10.5**	10.4
Operating cash flows before movements in working capital	**93.9**	80.2
Decrease/(increase) in work in progress	**0.1**	(0.3)
Increase in trade and other receivables	**(44.1)**	(23.7)
Increase in trade and other payables	**63.7**	29.8
Cash generated from operations	**113.6**	86.0

8. Transactions with non-controlling interests

In June 2014, the Group acquired an additional 29.9% of the shares in Savills Belux Group SA for consideration of £1.3m. This takes the Group's shareholding to 99.9%. The carrying amount of Savills Belux Group SA's net liabilities on the date of acquisition was £0.3m. The Group recognised an increase in non-controlling interest of £0.1m. The amount charged to retained earnings in respect of this transaction was £1.4m.

In October 2014, the Group acquired an additional 3.25% of the shares in Savills Nederland Holding BV for consideration of £0.1m. This takes the Group's shareholding to 90.25%. The carrying amount of Savills Nederland Holding BV's net liabilities on the date of the acquisition was £1.9m. The Group recognised an increase in non-controlling interest of £0.1m. The amount charged to retained earnings in respect of this transaction was £0.2m.

In November 2014, the Group acquired an additional 3.28% of the shares in Savills (Aust) Holdings Pty Limited for consideration of £0.5m. This takes the Group's shareholding to 99.28%. The carrying amount of Savills (Aust) Holdings Pty Limited net assets on the date of acquisition was £17.9m. The Group recognised a decrease in non-controlling interest of £0.5m. The amount charged to retained earnings in respect of this transaction was £nil.

Under IAS 27 (revised), transactions with non-controlling interests must be accounted for as equity transactions, therefore no goodwill has been recognised. Acquisition costs related to these transactions were not significant.

9. Acquisition of subsidiaries

Studley, Inc.

On 30 May 2014 the Group acquired 100% of the share capital, by way of a Merger Agreement, of Studley, Inc. and related companies ('Studley'), a leading independent commercial real estate services firm specialising in tenant representation in the United States. The acquisition will provide the Group with a strong platform in the United States from which it can continue to grow its business in the region, as well as strengthening the Group's global platform.

Total acquisition consideration was £116.2m, of which £40.5m was settled in cash on completion. £34.9m relates to the fair value of 5,843,360 ordinary shares of Savills plc to be issued in three equal annual tranches commencing on the first anniversary of completion. The shares to be issued were valued using the Actuarial Binomial model of actuaries Lane Clark & Peacock LLP. The remainder of the acquisition consideration relates to the discounted value of unconditional promissory notes, £35.8m payable on the first anniversary of completion and £5.0m payable on the third anniversary of completion.

Certain selling stockholders will also receive payments of up to £36.6m in the form of promissory notes payable on the third anniversary of completion only if they remain actively engaged in the business at the payment date. Further to this, contingent bonus consideration of up to £14.9m is payable to Studley's staff in March 2018 subject to the achievement of certain earnings growth targets measured over the three financial years to 31 December 2017. As required by IFRS 3 (revised) these payments are expensed to the income statement over the relevant periods of active engagement (31 December 2014: £9.9m).

Acquisition transaction costs of £4.5m were also expensed as incurred to the income statement.

Goodwill of £85.6m and intangible assets of £4.1m relating to the order back-log have been provisionally determined. Goodwill is attributed to the experience, reputation and expertise of key brokers and is not expected to be deductible for tax purposes.

The acquired business contributed revenue of £104.6m and underlying profit of £12.7m to the Group for the period from 1 June 2014 to 31 December 2014. Had the acquisition been made at the beginning of the financial year, revenue would have been £164.3m and underlying profit would have been £16.6m.

The fair values of the assets acquired and liabilities assumed are provisional and will be finalised within 12 months of the acquisition date. These are summarised below:

	Provisional fair value to the Group £m
Property, plant and equipment	5.5
Intangible assets	4.2
Investment in associates	2.0
Deferred income tax assets	10.4
Non-current receivables	4.5
Current assets: Trade and other receivables	21.8
Current income tax receivables	1.6
Assets classified as held for sale	8.4
Cash and cash equivalents	23.4
Total assets	81.8
Current liabilities: Trade and other payables	(44.9)
Current income tax liabilities	(0.2)
Deferred income tax liabilities	(1.7)
Non-current trade and other payables	(4.4)
Net assets acquired	**30.6**
Goodwill	85.6
Purchase consideration	**116.2**

Consideration satisfied by:	
Net cash paid	40.5
Fair value of shares to be transferred	34.9
Discounted value of unconditional promissory notes owing at reporting date	40.8
	116.2

The fair value of trade and other receivables is £26.3m and includes commissions receivable with a fair value of £19.8m. The gross contractual amount for commissions receivable is £20.7m, of which £0.6m is expected to be uncollectible.

Other acquisitions
In May 2014, the Group completed on the acquisition of certain trade and assets of Merchant Capital KK, a Japanese asset management company focused on real estate and real estate related assets. Total acquisition consideration was £2.2m, of which £1.5m has been settled in cash as at the end of the financial year with a further £0.7m contingent consideration payable in 2017 based upon performance of the business. Goodwill of £1.4m and intangible assets of £0.8m relating to customer contracts have been provisionally determined. Goodwill is attributable to the experience and expertise of key staff and strong industry reputation.

10. Borrowings

Movements in borrowings are analysed as follows:

	£m
Opening amount as at 1 January 2014	9.8
Additional borrowings	99.9
Repayments of borrowings	(105.8)
Closing amount as at 31 December 2014	**3.9**

Current	**2014 £m**	2013 £m
Unsecured bank loans due within one year or on demand	**3.9**	6.8
	3.9	6.8
Non-current		
Unsecured bank loans	**-**	3.0
	-	3.0

The Group has the following undrawn borrowing facilities:

	2014 £m	2013 £m
Floating rate		
- expiring within one year or on demand	**19.8**	20.5
- expiring between 1 and 5 years	**150.0**	90.0
	169.8	110.5

On 30 April 2014 the Group exercised £60m of the £90m Accordion facility, increasing the multi-currency revolving credit facility ('RCF') to £150m from £90m. The RCF expires in June 2017 and the residual £30m Accordion facility remains available. As at 31 December 2014 the RCF was undrawn.

11. Related party transactions

There were no significant related party transactions during the year. All related party transactions take place on an arm's length basis.

As at 31 December 2014, loans outstanding to joint ventures amounted to £1.9m (2013: £2.5m).

12. 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.

Directors' responsibility statement

The Savills Annual Report and Accounts for year end 31 December 2014 contains a responsibility statement in the following form:

Each of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with s. 418 Companies Act 2006, Directors' Reports shall include a statement, in the case of each Director in office at the date the Directors' Report is approved, that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

On behalf of the Board

Jeremy Helsby
Group Chief Executive

Chris Lee
Group Legal Director and Company Secretary

18 March 2015

Forward-looking statements

Certain statements made in this announcement are forward-looking statements and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. These forward-looking statements include, but are not limited to, statements relating to the Company's expectations.

Copies of the Annual Report and Accounts for the year ended 31 December 2014 will be circulated to shareholders on 7 April 2015 and will also be available from the investor relations section of the Company website at www.savills.com or from:

Savills plc, 33 Margaret Street, London, W1G 0JD
Telephone: 020 7499 8644

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

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

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