15 March 2018

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

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2017

Savills plc, the international real estate advisor, today announces strong results from continued growth across its global network.

Key financial highlights

– Group revenue up 11% to £1.6bn (£1.55bn in constant currency*, 2016: £1.45bn)
– Underlying profit** up 3.5% to £140.5m (£136.6m in constant currency, 2016: £135.8m)
– Statutory profit before tax up 13% to £112.4m (£109.6m in constant currency, 2016: £99.8m)
– Underlying basic earnings per share ('EPS') grew 5% to 75.8p (2016: 72.5p)
– Statutory basic EPS grew 20% to 58.8p (2016: 48.8p)
– Final ordinary and supplementary dividends total 25.55p per share (2016: 24.6p) taking the total dividend for the year up 4% to 30.2p per share (2016: 29.0p)

* Revenue, underlying profit and statutory profit before tax for the year are translated at the prior year exchange rates to provide a constant currency comparative.
** Underlying profit before tax ('underlying profit') is calculated on a consistently reported basis in accordance with Note 3 to this Preliminary Statement.

Key operating highlights

Strength in key commercial markets, geographical diversity and the resilience of our residential businesses drove an improved performance for Savills in 2017.

– Transaction Advisory revenues up 13%. Strong performances in the UK and Asia Pacific including Hong Kong, China, Australia and Japan.
– Growth in revenues in Continental Europe, with profits impacted by start-up costs in the Czech Republic and recruitment there and in the Netherlands.
– Savills Studley revenue up 6% but profitability impacted by investment in a new capital markets team in New York.
– Further growth from our less-transactional services with Consultancy revenue up 14% and Property Management revenue up 9%.
– Savills Investment Management performed ahead of our expectations. Assets under Management ('AUM') up 5% to £14.6bn.

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

"Savills has delivered another strong performance in 2017. Revenue and profits grew in each of our global Transaction Advisory, Consultancy and Property Management businesses despite challenging conditions in a number of markets. The strength of our business in key transactional markets across the globe, including a highly resilient performance in our UK residential business, were key to this result.

Throughout the year we maintained our focus on delivering exceptional service to our clients and continued to build on our global network through complementary acquisitions and new team hires

We have made a solid start to 2018 with a pipeline of business carried over from last year in many markets, although this is against the backdrop of heightened market uncertainty, geopolitical risks and rising interest rates. We anticipate a tempering of the strong transaction volumes of recent times in some markets; however, at this early stage in the year our expectations for 2018 remain unchanged."

For further information, contact:

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There will be an analyst presentation today at 9.30am at Savills, 15 Finsbury Circus, London, EC2M 7EB. A recording of the presentation will be available from noon at www.ir.savills.com.

Chairman's statement

The resilience and breadth of our operations across the globe, with continuing growth in key market shares, delivered a further strong performance in 2017.

Results
The Group's underlying profit for the year increased by 3.5% to £140.5m (2016: £135.8m), on revenue which improved by 11% to £1.6bn (2016: £1.45bn). The Group's statutory profit before tax increased by 13% to £112.4m (2016: £99.8m).

Overview
Savills delivered a further strong performance in 2017. In addition to substantial commercial transaction volumes in both the UK and a number of Asian and European markets, the relative resilience of Savills UK Residential transaction business, which achieved year-on-year revenue growth in challenging markets, was of particular note. This again demonstrated the importance of Savills strengths in prime markets of many of the world's key cities where we increased market share. Currency movements also had a positive effect on the Group contributing approximately £3.9m in underlying profit and £2.8m in statutory profit before tax on translation.

Our Transaction Advisory revenue grew by 13%, our Consultancy business revenue by 14% and our Property Management revenue by 9%, including the full year effect of the 2016 UK acquisition of GBR Phoenix Beard. Against the uncertain backdrop of world markets Savills Commercial Transaction business grew revenue by 15% with strong performances in many markets including the UK and significant growth in the Asia Pacific region, in particular, Hong Kong, China, Japan and Australia. Our Residential businesses withstood challenging conditions achieving revenue growth of over 6%. Finally, Savills Investment Management Assets under Management ('AUM') increased to £14.6bn (2016: £13.9bn). Investment Management revenue declined as anticipated, reflecting the reduced level of disposal transactions from the liquidating SEB German Open Ended Funds we inherited as part of the acquisition of SEB Asset Management in 2015.

The reduction in transaction fees in the Investment Management business, together with a decline in the volume of larger complex transactions in the US and the costs of expansion in a number of markets restricted the underlying profit margin to 8.8% (2016: 9.4%). The statutory pre-tax profit margin remained stable at 7.0% (2016: 6.9%), with lower acquisition-related costs and profits on disposal of investments offsetting the aforementioned expansion costs and decline in the US business.

Business development
Savills strategy is to be a leading advisor 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 services specialists. Over the last few years we have acquired a number of complementary businesses and added teams and individual hires to our strong core business.

During 2017, we continued to build our US presence with the acquisition of Cresa Orange County, a tenant representation business in California and the hire of a significant new capital markets team in New York. In Asia Pacific, we made some significant hires in investment sales teams in Beijing and Shanghai. In Continental Europe, the acquisitions of Aguirre Newman in Spain, Larry Smith in Italy and SB management in the Czech Republic and the recruitment of Industrial teams in Amsterdam and Warsaw further strengthened our presence across the continent. In the UK, we completed a number of team hires across our business lines together with the acquisitions of a residential lettings business (Granville Residential Ltd – Marlow) and a commercially focused business in Guernsey (Montagu Evans Channel Islands Ltd).

Emerging technology continues to be a focal area in the real estate industry and also for our business. We have continued to invest in our own technology platform in order both to deliver innovative solutions to our clients through data analysis and insight and to drive internal efficiencies. One example is the formation of Workthere.com, Savills innovative response to the changing requirements of occupiers seeking serviced office/co-working space in global cities.

In addition, we have reviewed a significant number of investment opportunities in the field of emerging technology and our proprietary investment arm, Grosvenor Hill Ventures ('GHV'), has made a number of investments in promising technology opportunities. GHV comprises a small technology team led by the Group CFO with a remit to support external technology based businesses with the capability of significantly enhancing or disrupting traditional business models in real estate services. Our largest investment to date is in YOPA, the digital hybrid residential UK estate agent. During the last 12 months it has grown to become the 10th largest agent in the UK. We have also invested in Proportunity, an Artificial Intelligence ('AI') based start-up focused on real estate valuation. Finally, in December we invested in VuCity, the first digital 'smart Cities' platform which is focused on making planning applications faster and easier for sponsors and Local Authorities to progress.

Board
The Board of Savills announced in January that Jeremy Helsby will retire as Group Chief Executive at the end of 2018 after a 39 year career at Savills, 11 of them as Group Chief Executive. Jeremy will be succeeded by Mark Ridley, currently CEO of Savills UK and Europe, with effect from 1 January 2019. Mark will join the Board of Savills plc as Deputy Group Chief Executive on 1 May 2018.

Dividends
An initial interim dividend of 4.65p per share (2016: 4.4p) amounting to £6.3m was paid on 4 October 2017, and a final ordinary dividend of 10.45p (2016: 10.1p) is recommended, making the ordinary dividend 15.1p for the year (2016: 14.5p). In addition, a supplemental interim dividend of 15.1p (2016: 14.5p) was 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 30.2p per share, representing an increase of 4% on the 2016 aggregate dividend of 29.0p. The final ordinary dividend of 10.45p per ordinary share will, subject to shareholders' approval at the Annual General Meeting on 8 May 2018, be paid alongside the supplemental interim dividend of 15.1p per share on 14 May 2018 to shareholders on the register at 13 April 2018.

People
I would like 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 this record performance in 2017.

Outlook
We have made a solid start to 2018 with a pipeline of business carried over from last year in many markets, although this is against the backdrop of heightened market uncertainty, geopolitical risks and rising interest rates. We anticipate some tempering of the strong transaction volumes of recent times in some markets; however, at this early stage in the year our expectations for 2018 remain unchanged.

Nicholas Ferguson CBE
Chairman

Review of operations

Profit growth in Asia Pacific and the UK, alongside the continued development of our operations in Continental Europe, enabled Savills to deliver record results in 2017.

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		
	2017	2016	% growth	**2017**	2016	% growth
UK	**626.0**	578.3	8	**76.5**	72.1	6
Asia Pacific	**565.7**	485.9	16	**55.6**	42.6	31
Continental Europe	**182.4**	170.6	7	**11.2**	13.5	(17)
North America	**224.8**	211.1	6	**7.8**	18.9	(59)
Unallocated	**1.1**	-	n/a	**(10.6)**	(11.3)	6
Total	**1,600.0**	1,445.9	11	**140.5**	135.8	3

On a constant currency basis Group revenue grew by 7% to £1,551.6m, underlying profit grew by 1% to £136.6m and statutory profit before tax grew by 10% to £109.6m. Our Asia Pacific business represented 35% of Group revenue (2016: 34%) and our overseas businesses as a whole represented 61% of Group revenue (2016: 60%). Our performance by service line is set out below:

	Revenue £m			Underlying profit/(loss) £m		
	2017	2016	% growth	**2017**	2016	% growth
Transaction Advisory	**746.2**	660.8	13	**81.5**	80.0	2
Property and Facilities Management	**513.1**	472.8	9	**25.3**	23.6	7
Consultancy	**273.1**	240.3	14	**31.0**	25.9	20
Investment Management	**66.5**	72.0	(8)	**13.3**	17.6	(24)
Unallocated	**1.1**	-	n/a	**(10.6)**	(11.3)	6
Total	**1,600.0**	1,445.9	11	**140.5**	135.8	3

Overall, our Commercial and Residential Transaction Advisory business revenues together represented 47% of Group revenue (2016: 46%). Of this, the Residential Transaction Advisory business represented 11% of Group revenue (2016: 11%). Our Property and Facilities Management businesses continued to perform well, growing overall revenue by 9% and represented 32% of Group revenue (2016: 33%). Our Consultancy businesses represented 17% of revenue (2016: 17%) where improved performances within the UK were supported by an increase in valuation work in our international operations. There was a reduction of revenues in the Investment Management business of 8%, which had been anticipated due to the exceptionally high level of disposals in 2016 from the SEB German Open Ended funds, which are in liquidation. Investment Management revenue represented 4.2% of Group revenue in the year (2016: 5.0%).

Transaction Advisory

2017 clearly demonstrated both the importance of having a breadth of transactional business around the world, and our strong market position in the main real estate transactional markets/sectors. In the UK the commercial leasing and investment markets performed better than expected in 2017, as both occupiers and investors adopted a more realistic view of how and where Brexit-related risks might fall. Of particular note was the very strong performance of our commercial teams in Asia Pacific, in particular in Hong Kong, China, Australia and Japan. The Savills Global Residential business also proved highly resilient in challenging markets, contributing to the increase in revenue and profit delivered by our Transaction Advisory business as a whole. Revenue grew by 13% to £746.2m (2016: £660.8m) and underlying profit increased by 2% to £81.5m (2016: £80.0m).

The effect of significant business development costs in the US, including the recruitment of a New York capital markets team, reduced the underlying profit margin of the Transaction Advisory business as a whole to 10.9% (2016: 12.1%).

UK Residential
Our UK Residential business revenue grew by 4% to £128.9m (2016: £124.4m). In the second hand estate agency business, revenues benefited from a growth in the average sales value, which was 6.9% higher than in 2016, along with a slightly higher average fee charged, offsetting a fall in the number of exchanges, (down 3% on 2016). In the 'Core' London market, the number of exchanges grew by 4%, helped by a fall in average values, whereas outside the capital, which represents 55% of second hand agency residential revenue, the opposite trend occurred with the number of exchanges down 5%, as a result of higher property prices. In both regions revenues increased approximately 4% on 2016.

In the new homes business, revenue grew by 2%, reflecting a growth in average transaction value of 3%, despite a 7% reduction in the number of exchanges.

Whilst there was muted activity in the UK farmland market, pending clarification on trade and subsidies post-Brexit, there was continued demand for amenity estates, especially across the South and South West of England.

Our Residential Capital Markets team saw significant institutional investor appetite in student housing and private rented sector markets. This resulted in revenue growth of almost 25%, although planning delays and construction market challenges represent significant supply side constraints in these markets.

As a result of the above factors, the UK Residential Transaction Advisory business recorded a 7% increase in underlying profits to £18.7m (2016: £17.5m).

Asia Pacific Residential
The Residential Transaction Advisory business in Asia is focused primarily on new development, secondary sales and leasing of prime properties in selected markets. It excludes mixed use developments, which are accounted for within the Commercial Transaction Advisory business. Overall, the Asia Pacific Residential business increased revenues by 16% to £44.3m (2016: £38.1m) which represented an 11% increase in constant currency. This was principally driven by a number of high end residential sales in Hong Kong and an increase in project sales in Singapore where the residential market began to show signs of recovery following government relaxation of certain cooling measures. Our residential business in Australia was restructured during the year resulting in reduced revenues but improved profitability. In China, the Government continues to impose restrictions on second home ownership, impacting negatively both sales and profitability. The net effect of all these factors resulted in a 94% increase in underlying profit to £6.4m (2016: £3.3m), 88% in constant currency.

Asia Pacific Commercial
The Asia Pacific Commercial business performed strongly in 2017, driven by improved revenue and profitability in Hong Kong, Japan, Australia and Mainland China. The Hong Kong market continued to be attractive to Mainland Chinese investors and our market share remained strong at approximately 40%. In Japan, transactional revenue increased by 75% following the completion of several significant transactions. In Australia the impact of previous investment in new talent coupled with the restructuring

under the new leadership team resulted in an increase in market share, improving both revenue and profitability. Over the past 18 months, we have invested significantly into our investment sales team in Mainland China, particularly in Shanghai and Beijing, the benefit of which came through in 2017 as both transaction volumes and market share increased. The Singapore performance was negatively impacted by a reduction in investment volumes and commercial leasing fees.

Reported revenue rose by 30% to £168.4m (2016: £129.7m) which represented a 24% increase in constant currency.

The positive effect of higher volumes offset business development and service expansion costs in the region, leading the Asia Pacific Commercial Transaction Advisory business to record a 31% increase in underlying profit to £26.9m (2016: £20.6m). This represented a 25% increase in constant currency.

UK Commercial

Revenue from UK commercial transactions increased 18% to £101.6m (2016: £86.0m). Most commercial leasing and investment markets performed better than anticipated in 2017, as both occupiers and investors adopted a more realistic view of how and where Brexit-related risks might fall. The overall investment volume into UK commercial property in 2017 was just under £66bn, a 27% increase on the year before. The importance of non-domestic investors was significant, with £31bn invested in the UK last year by non-domestic investors (the second highest volume historically). In the London office market the proportion was even higher, with 80% of investment coming from non-domestic investors and £8.4bn from Asia Pacific alone. Savills was the leading adviser in London for the second year in succession, with a market share of 30%.

Generally, investors remained heavily biased towards asset classes that offer comparative income security, and this meant that logistics and alternative asset classes rose in popularity offsetting decline in activity in retail, particularly shopping centres.

The occupational markets also performed well, with office leasing activity in central London 24% up year-on-year. Furthermore, the total office take-up in the top six regional cities in the UK reached its highest ever level in 2017, due to a combination of a natural ripple effect outwards from London and the South East, and a degree of insulation against the potential Brexit risk.

The logistics sector was many investors' sector of choice in 2017, although occupational take-up was at its long-term average level. Availability of prime logistics space remains tight across the UK, and this will support both rents and land prices in the coming period.

The strength of our national Commercial transaction business, supported by our strong international network, led to a 17% increase in underlying profit to £17.2m (2016: £14.7m).

North America

During the year, we continued to build on our North American tenant representation platform, Savills Studley, through both recruitment and bolt-on acquisitions. Our North American revenue grew by 6% to £224.8m (2016: £211.1m). In constant currency this equated to a year-on-year increase of 2%. Savills Studley executed transaction volumes 24% higher than the previous year, which largely offset a significant reduction in the large complex transactions for which this business is noted. Much of this is deferral through uncertainty rather than cancellation and the pipeline of activity for 2018 is robust..

A number of cities and regions such as Southern California, San Francisco, and Philadelphia enjoyed strong performances during the year. The performance of these offices helped offset the effect of deferrals which particularly affected the Washington DC region in respect of Government-related transactions.

These factors, together with the significant investment made in assembling and supporting our new New York Capital markets team and the lag effect of team lifts in California and Denver, led to a decrease in North American underlying profit of 59% to £7.8m (2016: £18.9m), a 60% decline in constant currency.

Continental Europe
The Continental European Commercial Transaction Advisory business grew revenue by 9% to £78.2m (2016: £71.5m). This was driven by the continued strength of our Irish business across both Investment and Leasing/Tenant Rep and strong performances from Germany, the Netherlands, Spain and Italy. The performance was also set against developing Logistics expertise in the Netherlands and Poland as well as significant investment in opening an office in Czech Republic, building Investment and Leasing capabilities through team lifts there.

During the year we continued to build on our Continental European platform with the acquisitions of Larry Smith in Italy and on the 29 December 2017, the acquisition of Aguirre Newman in Spain.

As a result of these additional costs, the Continental European Transaction Advisory business recorded an underlying profit of £4.5m (2016: £5.0m), 10% lower than in 2016, 22% on a constant currency basis.

Property and Facilities Management

Our Property and Facilities Management businesses continued to perform well, growing revenue by 9% (5% in constant currency) to £513.1m (2016: £472.8m). Underlying profit increased by 7% to £25.3m (2016: £23.6m), 5% in constant currency.

Asia Pacific
The Asia Pacific region grew revenue by 10% (5% in constant currency) to £300.9m (2016: £273.8m). The Property and Facilities Management business is a significant strength in the region, representing 53% of Savills Asia Pacific revenue and complementing our Transaction Advisory businesses. The total square footage under management in the region was up 5% to approximately 1.49bn sq ft (2016: approximately 1.41bn sq ft), primarily due to new contracts in Mainland China and Hong Kong. In Hong Kong, which represented approximately 55% of Asia Pacific Property and Facilities Management revenue, the business grew revenue by 7% in local currency. Overall the underlying profit of the Asia Pacific Property Management business grew 6% (2% in constant currency) to £15.4m (2016: £14.5m).

UK
Overall, our UK Property Management teams, comprising Commercial, Residential and Rural, grew reported revenue by 4% to £165.8m (2016: £158.9m). Following completion of the integration of the business of Smiths Gore, approximately £20.0m of revenue and £1.6m of underlying profit, which had hitherto been recognised in the rural property management business, was reallocated to the other business segments; adjusting for this, like-for-like revenue growth was approximately 17%. The Residential management business and the UK Commercial business together grew area under management by 22% to approximately 353m sq ft (2016: 289m sq ft). Our Residential Property Management businesses, including Lettings, increased revenue by 8%. Underlying profit for the UK Property Management business grew 4% to £11.7m (2016: £11.3m).

Continental Europe
In Continental Europe revenue grew by 16% (8% in constant currency) to £46.4m (2016: £40.1m) with growth particularly in Ireland, France, the Netherlands and Poland offsetting lower revenues in Sweden. In addition, the Larry Smith acquisition in Italy contributed revenues of £1.9m. By the year end the total area under management had increased by 94% to 106.9m sq ft, with Larry Smith contributing 5m sq ft and Aguirre Newman, in Spain, which completed on 29 December 2017, adding a further 38m sq ft. The net effect of these factors was an improvement in the underlying loss for the year to £1.8m (2016: loss £2.2m).

Consultancy

Global Consultancy revenue increased by 14% to £273.1m (2016: £240.3m), 12% in constant currency, and underlying profit grew by 20% to £31.0m (2016: £25.9m), 12% in constant currency.

UK

Consultancy service revenue in the UK was up 12% at £204.9m (2016: £183.1m). There were strong performances in the planning and development teams, along with revenue growth in building and project consultancy, hotels and leisure and lease consultancy. Following completion of the integration of the business of Smiths Gore, approximately £14.0m of revenue and £1.2m of underlying profit, which had hitherto been recognised in the rural property management business, was reallocated to the Consultancy business segments. Overall underlying profit from the UK Consultancy business increased by 8% to £23.9m (2016: £22.2m).

Asia Pacific

Revenue in the Asia Pacific Consultancy business increased by 21% to £45.7m (2016: £37.9m), 14% in constant currency. There was significant growth in Hong Kong and also in China, where revenues were well ahead of 2016 in both the valuation and research consultancy teams. There were also improving trends in Australia, South Korea, Singapore and Vietnam. Consequently, underlying profit increased by 113% to £5.1m (2016: £2.4m), 104% up on a constant currency basis.

Continental Europe

Our Continental European Consultancy business, which principally comprises valuation and underwriting advisory services, increased revenue by 17% (9% in constant currency) to £22.5m (2016: £19.3m). In particular, there were stronger performances in Germany, France, the Netherlands and Spain. Underlying profit increased by 54% (38% in constant currency) to £2.0m (2016: £1.3m).

Investment Management

Following Savills Investment Management's record result in 2016, the expected decrease in disposal activity from the liquidating SEB German Open Ended Funds caused revenue to decrease by 8% (11% in constant currency) to £66.5m (2016: £72.0m). This generated an underlying profit of £13.3m (2016: £17.6m). Assets under management ('AUM') increased to £14.6bn (2016: £13.9bn), as the £1.9bn of new capital raised in the year outweighed the effect of liquidation distributions to unit holders of the former SEB German Open Ended Funds. Transactions of approximately £4.8bn (2016: £4.4bn) were executed on behalf of fund investors, a record annual volume. This included £2.58bn of disposals and £2.23bn of acquisitions.

Investment performance continued strongly with the majority of our Fund products continuing to exceed their benchmarks over a five-year term. Indeed this performance was recognised publicly when three funds won significant awards during the year: The Charities Property Fund was named Core Fund of the year by Property Investor Europe; The Diageo Core Fund was the best performing segregated Pension Fund (above £350m) at the MSCI/IPF Awards; and The Boccaccio Fund was the best performing Italian Specialist Fund at the MSCI European Property Investment Awards.

Financial review

Underlying profit margin
Underlying profit margin decreased to 8.8% (2016: 9.4%), reflecting a decline in substantial transaction activity in the US, the anticipated reduction in Investment Management profits following the reduced level of disposal transactions from the SEB German Open Ended Funds and the costs of expansion in a number of regions.

Taxation
The tax charge for the year reduced to £31.3m (2016: £32.1m), reflecting an effective tax rate on statutory profit before tax of 27.8% (2016: 32.1%). The improvement in the 2017 effective tax rate is primarily due to the reduction in non-deductible acquisition costs, with the final consideration for the Studley acquisition paid in May 2017. In both years, the Group's effective reported tax rate is higher than the UK effective rate of tax of 19.25% (2016: 20.0%), reflecting the effect of these non-deductible acquisition costs and the geographic diversity of the Group's profits.

The underlying effective tax rate at 25.8% (2016: 26.1%) was lower primarily because of the reduction in the rate of UK tax.

Restructuring, acquisition-related costs and goodwill
During the year the Group recognised a total of £29.0m in restructuring and acquisition-related costs (2016: £34.5m). These comprised an aggregate restructuring charge of £7.7m primarily in relation to the integration of the GBR Phoenix Beard, Smiths Gore and SEB acquisitions (2016: £5.8m) and acquisition-related costs of £21.3m (2016: £28.7m). These costs consist of £2.1m (2016: £1.5m) of transaction related costs and £1.4m in respect of Savills Investment Management's 2014 acquisition of Merchant Capital (2016: £3.9m). In addition, there was a £17.8m (2016: £23.3m) charge for future consideration payments which are contingent on the continuity of recipients' employment in the future. The majority of this charge relates to the 2014 acquisition of Studley.

At the year end, an impairment review resulted in a charge of £2.3m (2016: nil) relating to the goodwill on the Group's Swedish property management business. The residual value of goodwill relating to the Swedish business is not considered material.

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

Earnings per share
Basic earnings per share increased 20% to 58.8p (2016: 48.8p), reflecting a 20% increase in statutory profit after tax. Adjusted on a consistent basis for exceptional restructuring, acquisition-related costs, impairment charges, profits and losses on disposals, certain share-based payment adjustments and amortisation of acquired intangible assets (excluding software), underlying basic earnings per share increased by 5% to 75.8p (2016: 72.5p).

Fully diluted earnings per share increased by 21% to 57.5p (2016: 47.7p). The underlying fully diluted earnings per share increased by 4% to 74.1p (2016: 71.0p).

Cash resources, borrowings and liquidity
Gross cash and cash equivalents decreased 7% to £208.8m (2016: £223.6m). This principally reflected higher acquisition activity in the year, in particular the final payment of $67.4m to former partners of Studley and the initial payment of €54.3m for the acquisition of Aguirre Newman on 29 December 2017 (consisting of €42.0m of the initial purchase price, with the excess being working capital adjustments).

Gross borrowings at year end increased to £110.2m (2016: £35.8m). These principally comprise £106.0m drawn under the Group's multi-currency revolving credit facility ('RCF').

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 net inflow of cash is typically greater in 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 £111.7m (2016: £93.3m) reflecting the Group's increased operating profits. 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. The Group has a RCF of £300.0m, with an accordion facility of a further £60.0m, which expires on 15 December 2020.

Capital and shareholders' interests

During the year 0.2m shares (2016: nil) were issued to participants under the Performance Share Plan. 1.9m (2016: 1.9m) new shares were issued in the final instalment of deferred consideration for the acquisition of Studley. The total number of ordinary shares in issue at 31 December 2017 was 141.9m (2016: 139.8m).

Savills Pension Scheme

The funding level of the Savills Pension Scheme in the UK, which is closed to future service-based accrual, improved during the year as a result of an increase in the value of the plan assets and contributions made during the year. The plan deficit at the year-end amounted to £19.5m (2016: £40.8m).

Net assets

Net assets as at 31 December 2017 were £441.7m (2016: £407.0m). This movement reflected increased tangible assets and receivables derived from the Group's trading performance and the effect of acquisitions, primarily Aguirre Newman.

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. In a period when sterling weakened against all major currencies, the net impact of foreign exchange rate movements represented a £48.4m increase in revenue (2016: £90.6m increase) and an increase of £3.9m in underlying profit (2016: £9.0m increase). Refer to Note 3.2 to the financial statements for further information on foreign exchange risk.

Savills plc
Consolidated income statement
for the year ended 31 December 2017

	Note	**2017 £m**	2016 £m
Revenue	2	**1,600.0**	1,445.9
Less:			
Employee benefits expense		**(1,061.7)**	(953.5)
Depreciation		**(13.5)**	(12.7)
Amortisation of intangible assets and impairment of goodwill		**(9.3)**	(6.9)
Other operating expenses		**(418.5)**	(382.7)
Other operating income		**0.9**	2.5
Profit on disposal of available-for-sale investments and joint ventures		**5.9**	0.5
Loss on disposal of available-for sale investments		**-**	(0.4)
Operating profit		**103.8**	92.7
Finance income		**2.8**	1.6
Finance costs		**(4.1)**	(2.4)
		(1.3)	(0.8)
Share of post-tax profit from joint ventures and associates		**9.9**	7.9
Profit before income tax		**112.4**	99.8
Comprising:			
- underlying profit before tax	2, 3	**140.5**	135.8
- restructuring and acquisition-related costs	3	**(29.0)**	(34.5)
- other underlying adjustments	3	**0.9**	(1.5)
		112.4	99.8
Income tax expense	4	**(31.3)**	(32.1)
Profit for the year		**81.1**	67.7
Attributable to:			
Owners of the parent		**80.1**	66.9
Non-controlling interests		**1.0**	0.8
		81.1	67.7
Earnings per share			
Basic earnings per share	6(a)	**58.8p**	48.8p
Diluted earnings per share	6(a)	**57.5p**	47.7p
Underlying earnings per share			
Basic earnings per share	6(b)	**75.8p**	72.5p
Diluted earnings per share	6(b)	**74.1p**	71.0p

Savills plc
Consolidated statement of comprehensive income
for the year ended 31 December 2017

	2017 £m	2016 £m
Profit for the year	**81.1**	67.7
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension scheme obligation	**14.1**	(35.2)
Tax on items that will not be reclassified	**(2.8)**	7.2
Total items that will not be reclassified to profit or loss	**11.3**	(28.0)
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on available-for-sale investments	**0.3**	(0.6)
Currency translation differences	**(16.2)**	52.6
Tax on items that may be reclassified	**2.3**	(0.7)
Total items that may be reclassified subsequently to profit or loss	**(13.6)**	51.3
Other comprehensive (loss)/income for the year, net of tax	**(2.3)**	23.3
Total comprehensive income for the year	**78.8**	91.0
Total comprehensive income attributable to:		
Owners of the parent	**77.8**	90.0
Non-controlling interests	**1.0**	1.0
	78.8	91.0

Savills plc
Consolidated statement of financial position
at 31 December 2017

	Note	**2017 £m**	2016 £m
Assets: Non-current assets			
Property, plant and equipment		**68.2**	59.7
Goodwill		**351.3**	309.8
Intangible assets		**34.4**	29.2
Investments in joint ventures and associates		**30.0**	28.9
Deferred income tax assets		**36.9**	36.5
Available-for-sale investments		**24.6**	20.8
Retirement benefit surplus		**1.3**	-
Derivative financial instruments		**-**	0.1
Non-current receivables		**15.7**	9.6
		562.4	494.6
Assets: Current assets			
Work in progress		**6.0**	5.3
Trade and other receivables		**490.6**	419.4
Current income tax receivable		**2.3**	4.3
Derivative financial instruments		**0.5**	0.2
Cash and cash equivalents		**208.8**	223.6
		708.2	652.8
Liabilities: Current liabilities			
Borrowings	9	**110.1**	35.8
Derivative financial instruments		**0.1**	0.3
Trade and other payables		**592.7**	550.2
Current income tax liabilities		**16.4**	17.5
Employee benefit obligations		**11.2**	9.2
Provisions for other liabilities and charges		**11.4**	10.2
		741.9	623.2
Net current (liabilities)/assets		**(33.7)**	29.6
Total assets less current liabilities		**528.7**	524.2
Liabilities: Non-current liabilities			
Borrowings		**0.1**	-
Trade and other payables		**35.6**	44.9
Retirement and employee benefit obligations		**35.5**	57.0
Provisions for other liabilities and charges		**12.9**	11.7
Deferred income tax liabilities		**2.9**	3.6
		87.0	117.2
Net assets		**441.7**	407.0
Equity			
Share capital		**3.5**	3.5
Share premium		**91.1**	91.1
Shares to be issued		**-**	11.3
Other reserves		**98.4**	103.9
Retained earnings		**247.2**	195.8
Equity attributable to owners of the parent		**440.2**	405.6
Non-controlling interests		**1.5**	1.4
Total equity		**441.7**	407.0

Savills plc
Consolidated statement of changes in equity
for the year ended 31 December 2017

	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 2017	3.5	91.1	11.3	103.9	195.8	405.6	1.4	407.0
Profit for the year	-	-	-	-	80.1	80.1	1.0	81.1
Other comprehensive income/(loss):								
Remeasurement of defined benefit pension scheme obligation	-	-	-	-	14.1	14.1	-	14.1
Fair value gain on available-for-sale investments	-	-	-	0.3	-	0.3	-	0.3
Tax on items directly taken to reserves	-	-	-	0.3	(0.8)	(0.5)	-	(0.5)
Currency translation differences	-	-	-	(16.2)	-	(16.2)	-	(16.2)
Total comprehensive income for the year	-	-	-	(15.6)	93.4	77.8	1.0	78.8
Transactions with owners:								
Employee share option scheme:								
- Value of services provided	-	-	-	-	14.5	14.5	-	14.5
Purchase of treasury shares	-	-	-	-	(17.2)	(17.2)	-	(17.2)
Shares issued	-	-	(11.3)	11.3	-	-	-	-
Disposal of available-for-sale investments	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Dividends	-	-	-	-	(39.3)	(39.3)	(0.9)	(40.2)
Balance at 31 December 2017	3.5	91.1	-	98.4	247.2	440.2	1.5	441.7

	Attributable to owners of the parent							
	Share capital	**Share premium**	**Shares to be issued**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 January 2016	3.4	91.1	22.9	39.1	207.8	364.3	0.7	365.0
Profit for the year	-	-	-	-	66.9	66.9	0.8	67.7
Other comprehensive income/(loss):								
Remeasurement of defined benefit pension scheme obligation	-	-	-	-	(35.2)	(35.2)	-	(35.2)
Fair value gain on available-for-sale investments	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Tax on items directly taken to reserves	-	-	-	-	6.5	6.5	-	6.5
Currency translation differences	-	-	-	52.4	-	52.4	0.2	52.6
Total comprehensive income for the year	-	-	-	51.8	38.2	90.0	1.0	91.0
Transactions with owners:								
Employee share option scheme:								
- Value of services provided	-	-	-	-	13.4	13.4	-	13.4
Purchase of treasury shares	-	-	-	-	(23.2)	(23.2)	-	(23.2)
Shares issued	0.1	-	(11.6)	11.6	-	0.1	-	0.1
Dividends	-	-	-	-	(35.4)	(35.4)	(0.9)	(36.3)
Transfers between reserves	-	-	-	1.4	(1.4)	-	-	-
Transactions with non-controlling interests	-	-	-	-	(3.6)	(3.6)	0.6	(3.0)
Balance at 31 December 2016	3.5	91.1	11.3	103.9	195.8	405.6	1.4	407.0

Savills plc
Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	**2017** **£m**	2016 £m
Cash flows from operating activities			
Cash generated from operations	7	**145.1**	117.8
Interest received		**2.7**	1.6
Interest paid		**(2.1)**	(1.3)
Income tax paid		**(34.0)**	(24.8)
Net cash generated from operating activities		**111.7**	93.3
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.1**	0.2
Proceeds from sale of available-for-sale investments		**4.6**	5.1
Proceeds from sale of interests in joint ventures and associates		**0.4**	2.0
Dividends received from joint ventures and associates		**8.3**	7.5
Repayment of loans by joint ventures		**-**	1.2
Loans to joint ventures		**(0.6)**	-
Acquisition of subsidiaries, net of net cash acquired	8	**(39.8)**	(4.4)
Deferred consideration paid in relation to current and prior year acquisitions		**(67.9)**	(6.8)
Purchase of property, plant and equipment		**(23.1)**	(12.8)
Purchase of intangible assets		**(8.8)**	(4.7)
Purchase of investment in joint ventures, associates and available-for-sale investments		**(9.4)**	(12.6)
Net cash used in investing activities		**(136.2)**	(25.3)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	0.1
Proceeds from borrowings		**181.5**	144.6
Repayments of borrowings		**(110.6)**	(141.2)
Purchase of treasury shares		**(17.2)**	(23.2)
Purchase of non-controlling interests		**-**	(3.3)
Proceeds from disposal of non-controlling interests		**-**	0.3
Dividends paid	5	**(40.2)**	(36.3)
Net cash received from/(used) in financing activities		**13.5**	(59.0)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(11.0)**	9.0
Cash, cash equivalents and bank overdrafts at beginning of year		**223.4**	182.2
Effect of exchange rate fluctuations on cash held		**(7.2)**	32.2
Cash, cash equivalents and bank overdrafts at end of year		**205.2**	223.4

NOTES

1. Basis of preparation

The results for the year ended 31 December 2017 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 statements have been prepared on a going concern basis.

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 2017, 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 2017	**Transaction Advisory £m**	**Consultancy £m**	**Property and Facilities Management £m**	**Investment Management £m**	**Other £m**	**Total £m**
Revenue						
United Kingdom						
- commercial	**101.6**	**160.2**	**135.1**	**24.8**	**1.1**	**422.8**
- residential	**128.9**	**44.7**	**30.7**	**-**	**-**	**204.3**
Total United Kingdom	**230.5**	**204.9**	**165.8**	**24.8**	**1.1**	**627.1**
Continental Europe	**78.2**	**22.5**	**46.4**	**35.3**	**-**	**182.4**
Asia Pacific						
- commercial	**168.4**	**45.7**	**300.9**	**6.4**	**-**	**521.4**
- residential	**44.3**	**-**	**-**	**-**	**-**	**44.3**
Total Asia Pacific	**212.7**	**45.7**	**300.9**	**6.4**	**-**	**565.7**
North America	**224.8**	**-**	**-**	**-**	**-**	**224.8**
Revenue	**746.2**	**273.1**	**513.1**	**66.5**	**1.1**	**1,600.0**
Underlying profit/(loss) before tax						
United Kingdom						
- commercial	**17.2**	**17.1**	**9.0**	**5.0**	**(10.6)**	**37.7**
- residential	**18.7**	**6.8**	**2.7**	**-**	**-**	**28.2**
Total United Kingdom	**35.9**	**23.9**	**11.7**	**5.0**	**(10.6)**	**65.9**
Continental Europe	**4.5**	**2.0**	**(1.8)**	**6.5**	**-**	**11.2**
Asia Pacific						
- commercial	**26.9**	**5.1**	**15.4**	**1.8**	**-**	**49.2**
- residential	**6.4**	**-**	**-**	**-**	**-**	**6.4**
Total Asia Pacific	**33.3**	**5.1**	**15.4**	**1.8**	**-**	**55.6**
North America	**7.8**	**-**	**-**	**-**	**-**	**7.8**
Underlying profit/(loss) before tax	**81.5**	**31.0**	**25.3**	**13.3**	**(10.6)**	**140.5**

Year ended to 31 December 2016	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
Revenue						
United Kingdom						
- commercial	86.0	145.3	130.4	25.9	-	387.6
- residential	124.4	37.8	28.5	-	-	190.7
Total United Kingdom	210.4	183.1	158.9	25.9	-	578.3
Continental Europe	71.5	19.3	40.1	39.7	-	170.6
Asia Pacific						
- commercial	129.7	37.9	273.8	6.4	-	447.8
- residential	38.1	-	-	-	-	38.1
Total Asia Pacific	167.8	37.9	273.8	6.4	-	485.9
North America	211.1	-	-	-	-	211.1
Revenue	660.8	240.3	472.8	72.0	-	1,445.9
Underlying profit/(loss) before tax						
United Kingdom						
- commercial	14.7	16.3	8.7	6.4	(11.3)	34.8
- residential	17.5	5.9	2.6	-	-	26.0
Total United Kingdom	32.2	22.2	11.3	6.4	(11.3)	60.8
Continental Europe	5.0	1.3	(2.2)	9.4	-	13.5
Asia Pacific						
- commercial	20.6	2.4	14.5	1.8	-	39.3
- residential	3.3	-	-	-	-	3.3
Total Asia Pacific	23.9	2.4	14.5	1.8	-	42.6
North America	18.9	-	-	-	-	18.9
Underlying profit/(loss) before tax	80.0	25.9	23.6	17.6	(11.3)	135.8

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 statutory profit before tax by profit/(loss) on disposals, share-based payment adjustment, significant restructuring costs, acquisition-related costs, amortisation of acquired intangible assets (excluding software) and impairments.

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 statutory 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 is described as 'underlying' and is used by management to assess and monitor performance.

	2017 £m	2016 £m
Statutory profit before tax	**112.4**	99.8
Adjustments:		
Amortisation of acquired intangible assets (excluding software)	**3.9**	4.0
Impairment of goodwill	**2.3**	-
Share-based payment adjustment	**(1.2)**	(2.4)
Net profit on disposal of available-for-sale investments and joint ventures	**(5.9)**	(0.1)
Restructuring costs	**7.7**	5.8
Acquisition-related costs	**21.3**	28.7
Underlying profit before tax	**140.5**	135.8

The adjustment for share-based payments 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 in relation to outstanding bonus-related share awards and the estimated value of the current year bonus pool to be awarded in deferred shares. This adjustment is made to align the underlying staff cost in the year with the revenue recognised in the same period.

An impairment charge of £2.3m was recognised in the year relating to the goodwill of the Group's Swedish property management business.

Profit on disposal includes profits recognised in relation to the disposals of the Group's available-for-sale investments, SPF Private Clients Limited (£5.3m) and Cordea Savills German Retail Fund (£0.6m).

Restructuring costs includes costs of integration activities in relation to recent significant business acquisitions (primarily GBR Phoenix Beard and Smiths Gore in the UK and Savills Investment Management's acquisition of SEB).

Acquisition-related costs include £10.2m of provisions for the future payments in relation to the acquisition of Studley, Inc. 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. Acquisition-related costs also include £1.4m for payments in relation to Savills Investment Management's acquisition of Merchant Capital (Japan) in May 2014, £2.1m of transaction related costs (primarily Aguirre Newman and Larry Smith) and £7.6m of provisions for future payments relating to acquisitions in the UK (primarily GBR Phoenix Beard and Smiths Gore) and North America.

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.

	2017 £m	2016 £m
United Kingdom		
- Current tax	**15.4**	14.1
- Deferred tax	**(3.8)**	(3.3)
Foreign tax		
- Current tax	**23.2**	16.1
- Deferred tax	**(3.5)**	5.2
Income tax expense	**31.3**	32.1

5. Dividends

	2017 £m	2016 £m
Amounts recognised as distribution to equity holders in the year:		
Ordinary final dividend of 10.1p per share (2015: 8.0p)	**13.5**	10.7
Supplemental interim dividend of 14.5p per share (2015: 14.0p)	**19.5**	18.8
Interim dividend of 4.65p per share (2016: 4.4p)	**6.3**	5.9
	39.3	35.4

In addition, the Group paid £0.9m (2016: £0.9m) of dividends to non-controlling interests.

The Board recommends a final dividend of 10.45p (net) per ordinary share (amounting to £14.3m) is paid, alongside the supplemental interim dividend of 15.1p per ordinary share (amounting to £20.6m), to be paid on 14 May 2018 to shareholders on the register at 13 April 2018. These financial statements do not reflect this dividend payable.

The total paid and recommended ordinary and supplemental dividends for the 2017 financial year comprises an aggregate distribution of 30.2p per ordinary share (2016: 29.0p per ordinary share).

6(a). Basic and diluted earnings per share

Year to 31 December	2017 Earnings £m	2017 Shares million	2017 EPS pence	2016 Earnings £m	2016 Shares million	2016 EPS pence
Basic earnings per share	**80.1**	**136.2**	**58.8**	66.9	137.2	48.8
Effect of additional shares issuable under option	**-**	**3.0**	**(1.3)**	-	3.0	(1.1)
Diluted earnings per share	**80.1**	**139.2**	**57.5**	66.9	140.2	47.7

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

Year to 31 December	**2017 Earnings £m**	**2017 Shares million**	**2017 EPS pence**	2016 Earnings £m	2016 Shares million	2016 EPS pence
Basic earnings per share	**80.1**	**136.2**	**58.8**	66.9	137.2	48.8
- Amortisation of acquired intangible assets (excluding software) after tax	**2.1**	**-**	**1.5**	2.2	-	1.6
- Impairment of goodwill after tax	**2.3**	**-**	**1.7**			
- Share-based payment adjustment after tax	**(1.0)**	**-**	**(0.7)**	(1.8)	-	(1.3)
- Net profit on disposal of available-for-sale investments and joint ventures after tax	**(5.9)**	**-**	**(4.3)**	-	-	-
- Restructuring costs after tax	**6.0**	**-**	**4.4**	4.7	-	3.4
- Acquisition related costs after tax	**19.6**	**-**	**14.4**	27.5	-	20.0
Underlying basic earnings per share	**103.2**	**136.2**	**75.8**	99.5	137.2	72.5
Effect of additional shares issuable under option	**-**	**3.0**	**(1.7)**	-	3.0	(1.5)
Underlying diluted earnings per share	**103.2**	**139.2**	**74.1**	99.5	140.2	71.0

7. Cash generated from operations

	2017 £m	2016 £m
Profit for the year	**81.1**	67.7
Adjustments for:		
Income tax (Note 4)	**31.3**	32.1
Depreciation	**13.5**	12.7
Amortisation of intangible assets	**7.0**	6.9
Impairment of goodwill	**2.3**	-
Net profit on disposal of available-for-sale investments and joint ventures	**(5.9)**	(0.1)
Net finance cost	**1.3**	0.8
Share of post-tax profit from joint ventures and associates	**(9.9)**	(7.9)
Decrease in employee and retirement obligations	**(7.9)**	(6.3)
Exchange movements on operating activities	**(0.2)**	2.4
Increase/(decrease) in provisions	**2.3**	(3.0)
Charge for share-based compensation	**14.5**	13.4
Operating cash flows before movements in working capital	**129.4**	118.7
(Increase)/decrease in work in progress	**(0.7)**	0.3
Increase in trade and other receivables	**(44.1)**	(17.1)
Increase in trade and other payables	**60.5**	15.9
Cash generated from operations	**145.1**	117.8

Foreign exchange movements resulted in a £8.9m decrease in current and non-current trade and other receivables (2016: £31.9m increase) and a £16.4m decrease in current and non-current trade and other payables (2016: £56.6m increase).

8. Acquisition of subsidiaries

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				
	Aguirre Newman £m	Cresa Partners Orange County £m	Larry Smith £m	Other £m	Total £m
Property, plant and equipment	0.3	0.1	-	-	0.4
Intangible assets	3.4	-	0.2	0.4	4.0
Deferred tax assets	0.1	-	-	-	0.1
Available-for-sale investments	0.1	-	-	-	0.1
Current assets: Trade and other receivables	25.1	1.1	1.6	0.6	28.4
Current income tax receivable	0.1	-	-	-	0.1
Cash and cash equivalents	19.8	-	1.1	0.6	21.5
Total assets	48.9	1.2	2.9	1.6	54.6
Current liabilities: Borrowings	0.1	-	-	-	0.1
Trade and other payables	31.9	0.8	0.6	0.4	33.7
Current income tax liability	0.6	-	-	0.2	0.8
Employment benefit provision	-	-	0.7	-	0.7
Provisions	-	-	-	0.1	0.1
Non current trade and other payables	0.9	-	-	-	0.9
Non current employment benefit provision	-	-	0.5	-	0.5
Deferred income tax liabilities	0.8	-	-	0.1	0.9
Net assets acquired	**14.6**	**0.4**	**1.1**	**0.8**	**16.9**
Goodwill	40.5	9.2	6.0	2.1	57.8
Purchase consideration	**55.1**	**9.6**	**7.1**	**2.9**	**74.7**
Consideration satisfied by:					
Net cash paid	48.2	4.7	6.0	2.3	61.2
Deferred consideration owing at reporting date	6.9	4.9	1.1	0.6	13.5
	55.1	9.6	7.1	2.9	74.7

(a) Aguirre Newman SA (‘Aguirre Newman’)

On 29 December 2017 the Group acquired 100% of the equity of Aguirre Newman SA, the leading Spanish independent real estate advisory business. The business provides agency, investment, management, architectural, consultancy, valuation, planning, corporate finance and asset management services. Combined with the Group’s existing Spanish business, the Group will benefit from a leading market position across all sectors in Spain and Portugal.

Total acquisition consideration has provisionally been determined at £55.1m, with £48.2m settled in cash on completion and the remainder relating to the discounted value of deferred consideration of £6.9m payable in five equal annual instalments from December 2018.

A further £15.5m is payable in five equal annual instalments from December 2018, subject to the executive shareholders remaining actively engaged in the business over a period of up to 5 years. As required by IFRS 3 (revised) these payments will be expensed to the income statement over the relevant period of active engagement.

Transaction costs of £1.4m were also expensed as incurred to the income statement.

Goodwill of £40.5m and intangible assets of £3.4m relating to brand, customer relationships, customer contracts and order backlog have been provisionally determined. Goodwill is attributed to the experience, reputation and expertise of the fee-earners and is not expected to be deductible for tax purposes.

The business was acquired at the end of the financial year and did not contribute to the Group's revenues or underlying profits. Had the acquisition been made at the beginning of the financial year, the business would have contributed £68.4m of revenues.

The fair value of current trade and other receivables is £25.1m and includes trade receivables with a fair value of £23.6m. The gross contractual amount for trade receivables is £24.7m, of which £1.1m is expected to be uncollectible.

(b) Cresa Partners Orange County, LP ('Cresa Partners Orange County')

On 7 February 2017 the Group acquired 100% of the equity interest in Cresa Partners Orange County, LP, expanding the Group's commercial real estate presence in the region.

Total acquisition consideration has provisionally been determined at £9.6m, £4.7m of which was settled on completion and the remainder relating to the discounted value of deferred consideration of up to £4.9m (payable in February 2020 and 2021), subject to achievement of certain income targets.

A further £4.7m is payable to certain key staff and is subject to them remaining actively engaged in the business over a period of up to 6 years; £3.2m was paid during Q1 2017 and the remainder is payable in September 2018. As required by IFRS 3 (revised) these payments will be expensed to the income statement over the relevant period of active engagement.

Goodwill of £9.2m has been provisionally determined. Goodwill is attributable to the experience and expertise of key staff and strong industry reputation and is not expected to be deductible for tax purposes.

The acquired operations were immediately integrated within the existing business. Consequently, the revenues and profits contributed by the acquired business cannot be separately identified however are not considered to be material for the Group.

The fair value of current trade and other receivables is £1.1m and includes trade receivables with a fair value of £0.3m, of which £nil is expected to be uncollectible.

(c) Larry Smith srl ('Larry Smith')

On 1 July 2017 the Group acquired 100% of the equity interest in Larry Smith srl, a leading shopping centre and out of town management and leasing business based in Italy.

Total acquisition consideration is provisionally determined at £7.1m, £6.0m of which was settled on completion and the remainder relating to deferred consideration of up to £1.1m (payable in July 2019 and 2020), subject to achievement of certain income targets.

A further £1.2m is payable in July 2019 and 2020 upon achievement of certain income targets and is deemed to be linked to continued active engagement with the business. Therefore, as required by IFRS 3 (revised) these payments are expensed to the income statement over the relevant period of active engagement.

Transaction costs of £0.5m were also expensed as incurred to the income statement.

Goodwill of £6.0m and intangible assets of £0.2m relating to existing management contracts have been provisionally determined. Goodwill is attributable to the experience and expertise of key staff and is not expected to be deductible for tax purposes.

The acquired business contributed revenue of £2.7m and underlying operating losses of £0.1m to the Group for the period from acquisition. Had the acquisition been made at the beginning of the financial year, revenue would have been £5.8m and underlying operating profits would have been £0.2m.

The fair value of current trade and other receivables is £1.6m and includes trade receivables with a fair value of £1.4m. The gross contractual amount for trade receivables is £1.5m, of which £0.1m is expected to be uncollectible.

(d) Other acquisitions

During the first half of the year, the Group acquired 100% of the equity of Granville Residential Letting Ltd and Montagu Evans Channel Islands Ltd, the former a residential lettings business based in the South East of the UK and the latter a commercial real estate service provider in Guernsey, expanding the Savills brand across the Channel Islands. In the second half of the year, the Group also acquired 100% of the equity of SB Property Services AS, a property management business based in Prague, Czech Republic.

Cash consideration for these transactions amounted to £2.3m. The remainder of the provisionally determined acquisition consideration relates to deferred consideration of £0.6m.

A further £1.2m is payable to certain key staff and is subject to service conditions, £0.3m is payable in 2019, £0.7m in 2020 and £0.2m in 2021. As required by IFRS 3 (revised) these payments are expensed to the income statement over the relevant period of employment.

Transaction costs of £0.1m were also expensed as incurred to the income statement.

Goodwill of £2.1m and intangible assets of £0.4m relating to existing management contracts have been provisionally determined. Goodwill is attributable to the experience and expertise of key staff and is not expected to be deductible for tax purposes.

The acquired businesses contributed revenue of £1.5m and underlying operating profits of £0.1m to the Group for the period from acquisition. Had the acquisitions been made at the beginning of the financial year, revenue would have been £2.9m and underlying operating profits would have been £0.4m.

9. Borrowings

	2017 **£m**	2016 £m
Current		
Bank overdrafts	**3.6**	0.2
Unsecured bank loans due within one year or on demand	**106.5**	35.6
	110.1	35.8
Non-current		
Finance leases	**0.1**	-
	0.1	-
	110.2	35.8

In November 2017 the Group increased the multi-currency revolving credit facility (‘RCF’) by £50.0m to £300.0m. The RCF expires on 15 December 2020 and can be increased by an additional £60.0m Accordion facility. As at 31 December 2017 £106.0m (2016: £34.0m) of the £300.0m (2016: £250.0m) RCF was drawn.

The Group has the following undrawn borrowing facilities:

	2017 £m	2016 £m
Floating rate		
- expiring within one year or on demand	**33.5**	23.2
- expiring between 1 and 5 years	**194.2**	216.0
	227.7	239.2

10. 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 under the same terms as those available to other customers in the ordinary course of business.

As at 31 December 2017, loans outstanding to joint ventures amounted to £0.6m (2016: £nil).

11. 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 Report and Accounts for year end 31 December 2017 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 European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes 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 is faces.

In the case of each of the Directors in office as at the date of the approval of the Annual Report and Accounts:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board

Jeremy Helsby
Group Chief Executive

Chris Lee
Group Legal Director and Company Secretary

15 March 2018

Forward-looking statements

The financial information contained in this announcement has not been audited. 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 2017 will be circulated to shareholders on 9 April 2018 and will also be available from the investor relations section of the Company website at www.ir.savills.com or from:

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

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