

A low-angle, upward-looking photograph of several modern skyscrapers. The buildings feature glass facades that reflect the sky and other structures. The perspective creates a sense of height and scale. The sky is a clear, light blue with some faint clouds. The text "2017 Report and Accounts" is centered in the middle of the image.

2017 Report  
and Accounts

The Savills logo consists of a solid yellow square positioned above the word "savills" in a lowercase, red, sans-serif font.

savills

## Our vision

To advise private, institutional and corporate clients seeking to acquire, manage, lease, develop or realise the value of prime residential and commercial property in the world's key locations.

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## Group highlights

### Revenue

**£1,600.0m**

(2016: £1,445.9m)

### Breadth of service (non-transactional)

**53%**

(2016: 54%)

### Underlying profit\*

**£140.5m**

(2016: £135.8m)

### Underlying profit margin\*

**8.8%**

(2016: 9.4%)

### Underlying earnings per share\*

**75.8p**

(2016: 72.5p)

### Statutory pre-tax profit margin

**7.0%**

(2016: 6.9%)

### Statutory profit after tax

**£81.1m**

(2016: £67.7m)

### Statutory earnings per share

**58.8p**

(2016: 48.8p)

### Operating cash generation

**£111.7m**

(2016: £93.3m)

### Property under management (sq ft)

**1.9bn**

(2016: 1.8bn)

### Assets under management

**€16.5bn**

(2016: €16.2bn)

### Geographical spread (% non-UK)

**61%**

(2016: 60%)

\* Underlying profit is calculated by adjusting reported pre-tax profit for profit/loss on disposals, share-based payment adjustment, impairments, amortisation of acquired intangible assets (excluding software), restructuring costs and acquisition-related costs refer to Note 2.2 to the financial statements for further explanation of underlying profit measures).

# Savills at a glance

Savills is a global real estate services provider listed on the London Stock Exchange. We have an international network of over 600 offices and associates and over 34,000 staff throughout the Americas, the UK, Continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

## North America

Revenue  
**£224.8m**  
(2016: £211.1m)

Offices  
**30**  
(2016: 30)

Employees  
**775**  
(2016: 676)



See page 12

## UK

Revenue  
**£627.1m**  
(2016: £578.3m)

Offices  
**124**  
(2016: 130)

Employees  
**5,554**  
(2016: 5,136)



See page 11

## Continental Europe

Revenue  
**£182.4m**  
(2016: £170.6m)

Offices  
**45**  
(2016: 35)

Employees  
**1,206**  
(2016: 1,103)



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## Our services



### Transaction Advisory

The Transaction Advisory business stream comprises commercial, residential, leisure and agricultural leasing, tenant representation and investment advice on purchases and sales.

See page

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### Consultancy

Provision of a wide range of professional property services including valuation, building and housing consultancy, environmental consultancy, landlord and tenant, rating, development, planning, strategic projects, corporate services and research.

See page

**20**



### Property and Facilities Management

Management of commercial, residential, leisure and agricultural property for owners. Provision of a comprehensive range of services to occupiers of property, ranging from strategic advice through project management to all services relating to a property.

See page

**20**



### Investment Management

Investment management of commercial and residential property portfolios for institutional, corporate or private investors, on a pooled or segregated account basis.

See page

**21**



### Asia Pacific

Revenue

**£565.7m**

(2016: £485.9m)

Offices

**67**

(2016: 60)

Employees

**26,894**

(2016: 25,446)



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# 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.”**

Nicholas Ferguson CBE, Chairman

1866  
Panic of 1866  
(Europe)



1929  
Wall Street Crash



1973  
The OPEC Oil  
Price Shock

1855  
Savill & Son is  
founded by Alfred  
Savill

1875

1900

1925

1950

1975

1929–1939  
The Great Depression



**1855 – Savills first trades as a business**  
**Over 150 years of resilience...**

**Total dividend**

**30.2p**

(2016: 29.0p)

**Underlying profit**

**£140.5m**

(2016: £135.8m)

**Statutory profit before tax**

**£112.4m**

(2016: £99.8m)

**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.



...during a history of financial crisis

## Chairman's statement continued

### 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 Propportunity, 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.

2005  
Savills 150th  
Anniversary & Rebrand

2009  
Eurozone crisis

2015  
Savills acquired  
Smiths Gore and SEB



2005

2010

2015

2007–2008  
The Financial Crisis



2013  
New Global HQ

2014  
Studley rebrands  
as Savills Studley





**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 currently remain unchanged.

**Nicholas Ferguson CBE**

Chairman

**Case Study**

**Stratford, London**

Savills acted on behalf of Blackstone and Catalyst Capital on the disposal of The Stratford Centre in London. Prior to sale, the investment team provided long-term, strategic advice to the vendor. At the point of the sale the 206,000 sq ft (28,428 sq m) asset was fully let to retailers including Sainsbury's, Lidl, New Look and Boots and benefitted from planning consent for 587 residential units. Savills was able to seamlessly combine residential and retail market capabilities to fully promote the asset management and development potential of the scheme. The highly targeted marketing campaign resulted in a sale for £141.5m, a significant premium to the asking terms and reflecting a sub 5% NIY.



**2017**

Listed on the London Stock Exchange

International network of 600+ offices and associates

34,000+ employees worldwide

The UK's leading agency group

Group revenue of £1.6bn



2017 Acquired Aguirre Newman

# Our business explained

**Our business model illustrates in simple terms how we create shareholder value through improving the strength of our premium brand, and through the delivery of profits and dividends to shareholders. We treat every client as an individual and take time to understand what they need and how we can best service them.**

We have built our brand and reputation on the quality of our people, relationships, resources and processes. Savills has a strong and well embedded culture, founded on an entrepreneurial approach and underpinned by our values and operational standards. All that we do is underpinned by strong governance, a disciplined approach to risk management and high standards of responsibility, which supports the sustainable development of our business. More detail of our governance structure, policies and practices can be found later in this Annual Report on pages 38 to 59.

We are committed to delivering a high quality service and creating long-term relationships with our clients. Because of our personal approach to business, our people are fundamental to our business and we encourage an open and supportive culture in which every individual is respected. We strive to provide an environment in which our people can flourish and succeed. This allows us to recruit, motivate and retain talented people and build on our status as an employer of choice.

We work hard to ensure that our people enjoy working at Savills' promoting their personal and professional development. We encourage them to develop their careers within the Group, nurturing the entrepreneurs and leaders of the future to share in the success of the business.

We firmly believe that our people are key to delivering excellent service to our clients and achieving our objectives; they give us a unique perspective of the markets in which we operate and connect our clients with real estate opportunities and market intelligence. To be the real estate adviser of choice in our markets, and deliver superior financial performance, we aim to employ people of the highest quality supporting the delivery of the highest standards of client service. By choosing Savills, our clients have access to over 34,000 staff with a broad range of experience, skills and local knowledge, based in offices in key real estate locations across the globe and benefit from our extensive market research material.

## Our resources and relationships

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## Our business model

## Our value creation

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<b>Outstanding people</b> <ul style="list-style-type: none"> <li>▶ Local knowledge</li> <li>▶ Entrepreneurial approach</li> </ul>	<b>Long-term client relationships</b> <ul style="list-style-type: none"> <li>▶ Client care programmes</li> <li>▶ High quality servicer</li> </ul>	<b>Intellectual property</b> <ul style="list-style-type: none"> <li>▶ Market intelligence</li> <li>▶ Brand and reputation</li> </ul>	<b>Financial</b> <ul style="list-style-type: none"> <li>▶ Prudent capital structure</li> <li>▶ Strong cash generation</li> </ul>
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**Defensive, scale business**

**Cyclical high-margin businesses**



**Underpinned by**

**Our values**

- ▶ Pride in everything we do
- ▶ Take an entrepreneurial approach to business
- ▶ Help our people fulfil their true potential
- ▶ Always act with integrity

**Governance**

- ▶ Board oversight
- ▶ High standards of governance

**Disciplined approach to risk**

- ▶ Risk mitigation to limit exposure to any one market or economy
- ▶ Business and geography diversification

<b>Shareholders</b> <p>Dividends <b>30.2p</b></p> <p>Underlying earnings per share <b>75.8p</b></p> <p>Underlying profit <b>£140.5m</b></p>	<b>Clients</b> <ul style="list-style-type: none"> <li>▶ High quality service</li> <li>▶ Client care</li> <li>▶ Client relationship management team</li> </ul>	<b>People</b> <ul style="list-style-type: none"> <li>▶ Training and development</li> <li>▶ Restructured training programme</li> <li>▶ Employee engagement</li> <li>▶ Achieved One Star status</li> <li>▶ Diversity</li> <li>▶ UK Diversity Group</li> </ul>	<b>Community</b> <ul style="list-style-type: none"> <li>▶ Reducing environmental impact</li> <li>▶ Carbon emission reduction</li> <li>▶ Community investment</li> <li>▶ Community engagement programmes</li> </ul>
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# Market insights

## Spotlight on Europe

The European economy enjoyed the strongest period of economic growth in more than a decade, despite lingering political uncertainty. Business expansion continued to drive office demand, often driven by the tech sector and by M&A activity.

Consumer confidence was improving with demand for prime high streets driven by Fashion, Sports, Beauty and Technology brands, opening large inspirational flagship/lifestyle stores, as well as by the expanding presence of F&B. Additionally big box retailers were experimenting with smaller stores in tight, fast growing urban locations, with the additional benefit of easier pick-up and delivery services for online orders.

Demand for logistics space has been rising across Europe, driven by improved economic conditions, rising trade volumes, and expanding e-commerce. Last mile logistics strengthened demand for mid-sized distribution centres, while the need for large-scale distribution centres in traditional logistics hubs continued to grow.

In 2017 the total investment volume across our markets totalled €234bn, a 7% increase year on year thanks to strong investment growth in the second half of the year. Cross border investment accounted for over 50% of the total (compared to 44% the previous year), with Asian investors overtaking the US to become the largest overseas investors in Europe. Offices continue to be the asset class of choice accounting for 46% of the total investment volume. However, lack of stock and competitive pricing was driving investors to other asset classes. Of particular note, the industrial sector saw the biggest increase in investor demand accounting for 15% of the total investment volume, up from 11% in 2016 and 9% in 2015.

## Case Study

### Gibson Hotel, Ireland

Savills completed the sale of The Gibson Hotel, Dublin for approximately €87m to Deka Immobilien



## UK Case Study – Property Management

### Royal Exchange, Internal Courtyard

We act on behalf of the Landlord in managing The Royal Exchange located adjacent to Bank Station in the heart of the City of London. Opened in 1844 by Queen Victoria, this iconic and historic Grade I listed mixed-use scheme comprises over 30 contemporary retailers as well as four restaurants and cafés at ground and mezzanine levels comprising approximately 40,000 sq ft.

The Royal Exchange is a luxury destination where the City converges to meet, eat and shop. It offers an unrivalled collection of boutique shopping and dining, specially curated for the Square Mile. Occupiers include Hermès, Smythson, Watches of Switzerland, Boodles and Tiffany & Co. amongst others.

The impressive central courtyard is used for numerous large scale events including weddings and also serves as backdrop for television filming.

Savills have been involved with The Royal Exchange since 2014 providing management and building consultancy services.



## Spotlight on UK

The commercial property investment market in the UK surprised on the upside in 2017, with turnover for the full year of just under £66bn against our forecast at the start of 2017 of £55bn. This meant that 2017 was the second best year on record, a surprising result given the negativity around Brexit that was rife at the start of last year.

Just under half of last year's acquisitions were by non-domestic investors, with this proportion rising to 80% in the Greater London market. The single most active source of capital was Asia Pacific, whose investors put over £13bn into the UK market, much of which went to London. However, both European and American investors also invested more in the UK in 2017 than they had in 2016.

While the office market remained the most active of the three main sectors last year, the biggest growth in activity was in the industrial sector where the global appetite for income security combined with an enthusiasm for the growth prospects for distribution property. Other income-producing asset classes also saw a sharp increase in investor demand last year.

Occupational demand improved year on year in the office markets both inside and outside London, with steady take-up and low supply remaining the theme in the industrial sector. Retail markets remained challenged by cautious tenant demand.

Price growth across the UK's residential markets slowed in 2017. Buyer sentiment was affected by underlying political and economic uncertainty and the prospect of gradual increases to the cost of debt over the medium term. The focus of residential investment continued to shift away from private individuals toward institutions as the build to rent sector continued to gather momentum, while the fiscal and regulatory environment for buy to let investors became less hospitable.

On the flip side, the residential development sector benefitted from continued Government support and a strong political focus on increasing housing delivery.

The prime housing markets continued to remain price sensitive, not least because of greater exposure to transactional and other capital taxes, particularly for overseas buyers. Values in the prime central London market fell by a further 4.0% over the course of the year, meaning that they sat 15.9% below their 2014 peak at the end of 2017. Elsewhere price adjustments have been much less significant, though prices for high value homes fell marginally across the commuter zone. However, transaction levels over £1m remained relatively robust, particularly in the markets outside of London.

## Case Study

### Kensington House, Phillimore Gardens

Beautifully presented freehold detached house on Phillimore Gardens backing onto Holland Park was sold by Savills Kensington in January 2017. The house featured an incredible indoor swimming pool and wonderful garden.



# Market insights continued

## Spotlight on Asia

Across both developed and emerging Asia a broadly positive economic environment alongside a stable political landscape saw markets continue to perform well during 2017 as low interest rates and ample liquidity proved to be broadly supportive of both transactions volumes and asset prices. Despite concerns over debt levels in China and slowing growth, as well as a greater propensity for protectionism in some regional markets, no single risk factor succeeded in undermining investor confidence in local real estate. The appetite for land in Asia's rapidly changing cities remained undimmed and sales of development sites hit record levels in 2017 led by China. Hong Kong also saw a notable growth in land sales (+78% YoY) supported by buyers from the mainland.

Sales of income producing assets surged during the year despite exceptionally low yields and a scarcity of good quality stock. We note that investors are also beginning to explore a broader realm of asset classes beyond simply office and retail. In Japan, Asia's second largest market, investors took a greater interest in second tier cities such as Osaka and Yokohama, driven partly by heavily compressed yields in Tokyo. The appeal of Australia endured for the security of its more mature commercial markets but scarcity and historically low yields had a negative impact on volumes. Cross border activity remained a feature of the Asia-Pacific markets in 2017 and while activity from European and North American investors slowed, Asian investors took up the slack. Both Hong Kong and Singapore have remained important financial intermediaries for global real estate capital flowing into and out of the region.

## Case Study

### Signature Tower, Seoul Transaction Advisory

Savills represented one of South Korea's largest single office property deals in the last decade, which was also the biggest amongst the transactions Savills Asia Pacific advised on in 2017. Shinhan BNP Paribas, has successfully sold Signature Towers Seoul, a 17-storey premium class office asset which extends to 99,991 sq m, located in Seoul's CBD for approximately USD640 million (KRW726 billion).



## Spotlight on North America

A strengthening US economy, particularly in tech and industrial sectors, compensated for slowing international investment. US economic growth in 2017 outpaced the previous year significantly, with real GDP rising by 2.3%, versus 1.5% in 2016.

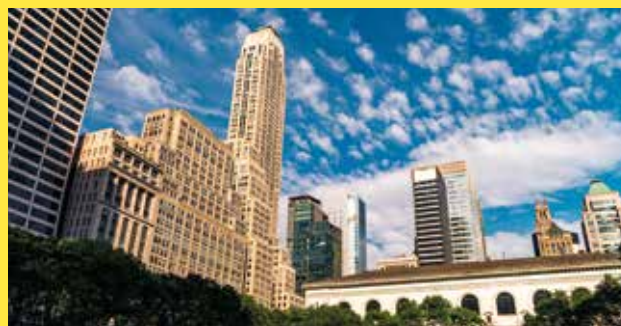
Overall commercial leasing activity slowed slightly in 2017 in major US markets such as Chicago, Los Angeles, New York, San Francisco/Silicon Valley and Washington, DC. Demand for office space, however, increased in the energy-dependent markets of Houston and Denver, as well as in the Sunbelt markets of Atlanta, Austin and Dallas. Asking rent remained relatively stable in most major markets in 2017. The exception to this was in several significant tech markets (Austin, Boston, San Francisco/Silicon Valley) which all experienced 5% or higher growth in asking rent.

Investment sales activity declined for the second straight year. However the tech markets (Boston, San Francisco/Silicon Valley and Seattle) continued to be strong and there was increased investment activity in secondary markets (Charlotte, Raleigh/Durham, Nashville, Pittsburgh and Portland). Investor interest in the industrial sector remained high — it was the only asset class to see sales volumes increase in 2017.

## Case Study

### W.W. Norton

Savills Studley advised publisher W.W. Norton on a short-term lease extension and expansion while conducting a thorough search for alternative locations. With viable options in hand, the team then helped W.W. Norton secure a long-term lease renewal for 95,000 sq ft in its prime Midtown Manhattan location at an aggressive rent, including a substantial work allowance to cover a staged renovation.



**Case Study**

**IKEA, Sweden  
Investment Management**

2017 saw the launch of Nordic Fund III – Retail, a closed ended fund targeting Core+ retail in capital and regional cities across Sweden, Finland, Denmark and Norway. It targets dominant/under-managed assets including retail warehouse parks, local food anchored shopping centres and high street stores. It is a follow on fund to Nordic Fund I – Retail, which outperformed its benchmark by 2.6% over 5 years, and is led by a local team of 15 investment professionals. The Fund has thus far raised £129m and has made its first acquisitions, purchasing retail parks from IKEA in Sweden.



**Spotlight on Investment Management**

168 private equity real estate funds raised total capital of \$93bn in 2017, a drop from the \$117bn raised in 2016. However, the average amount raised in final closings by private closed ended funds rose from \$496m in 2016 to \$533m. The fall in number of closed ended private funds was the fifth straight year of declines, from a high of 339 funds closing in 2013. However, this fall in number of closed funds is not matched by a fall in private equity dry powder, with Preqin reporting that there was \$249bn dry powder available versus \$238bn 12 months prior. However, 47% of funds closed in 2017 did not meet their fund raising targets – a five year high.

The weight of money and continued improvement of occupier market fundamentals continued to see capital values increase while yields decrease. PERE noted that the trend for more opportunistic and value added funds fell in 2017, from 63% to 60% of investors strategies. Increase in debt funds grew substantially, from 18% in 2016 to 29% in 2017.

Investors continued to look to North America for investments, with 41% of funds for the continent. Europe was the second biggest focus, with 24% of all funds European focused, continuing an increase in interest in the continent. From 2011–13, Europe accounted for 19% of capital. From 2014–17, this has risen to 27%. The largest funds continued to gain in market share, with the six largest funds in the market accounting for nearly half of capital sought by the top 20.

**Number of closed-ended real estate funds closed in 2016:**

**168**

(down from 183 in 2016)

**Average amount of capital raised by private equity real estate funds in 2016:**

**\$533m**

(up from \$496m in 2016)

**Total capital raised in 2016:**

**\$93bn**

(down from \$117bn in 2016)

**Total capital available to fund managers:**

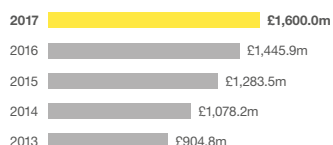
**\$249bn**

(up from \$238bn in 2016)

# Key Performance Indicators

## Financial KPIs

### Revenue £1,600.0m



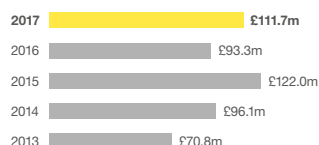
#### The measure

Revenue growth is the increase/decrease in revenue year-on-year.

#### The target

To deliver growth in revenue from expansion both geographically and by business segment.

### Cash generation £111.7m



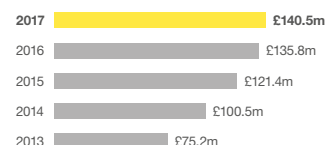
#### The measure

The amount of cash the business has generated from operating activities.

#### The target

To maintain strong cash generation to fund working capital requirements, shareholder dividends and strategic initiatives of the Group.

### Underlying profit £140.5m



#### The measure

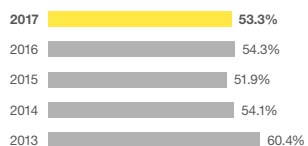
Underlying profit growth is the increase/decrease in underlying profit year-on-year.

#### The target

To deliver sustainable growth in underlying profit.

## Non-Financial KPIs

### Breadth of service offering 53.3% non-transactional income



#### The measure

Revenue by type of business.

#### The target

To maintain a healthy balance of transactional and less or non-transactional business revenues.

### Geographical spread 61.0% non-UK



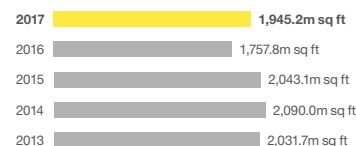
#### The measure

Geographical diversity is measured by the spread of revenues by region.

#### The target

To progressively balance the Group's geographical exposure through expansion in our chosen geographic markets.

### Property under management 1,945.2 million sq ft



#### The measure

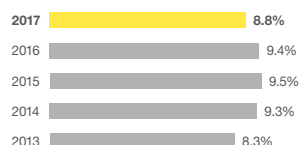
Total square footage property under management.

#### The target

To progressively increase the global square footage under management.



**Underlying profit margin**  
8.8%



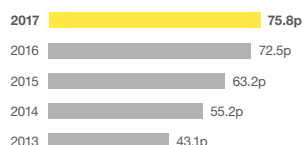
**The measure**

Profitability after all operating costs but before the impact of exceptional costs and taxation.

**The target**

To deliver growth in operating margin by improving the efficiency with which services are offered.

**Underlying earnings per share**  
75.8p



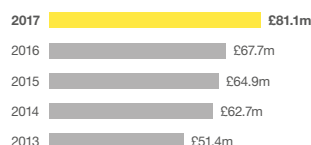
**The measure**

Earnings per share ('EPS') is the measure of profit generation. Underlying EPS is calculated by dividing underlying profit by the weighted average number of shares in issue.

**The target**

To deliver growth in underlying EPS to enhance shareholder value.

**Statutory profit after tax**  
£81.1m



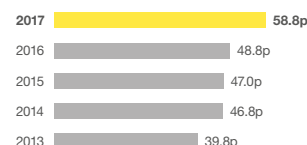
**The measure**

Statutory profit after tax growth is the increase/decrease in statutory profit after tax year-on-year and over a longer term.

**The target**

To deliver sustainable long-term growth in statutory profit after tax.

**Statutory earnings per share**  
58.8p



**The measure**

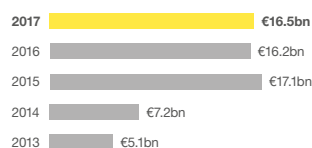
Statutory EPS is the measure of statutory profit generation and is calculated by dividing statutory profit after tax by the weighted average number of shares in issue.

**The target**

To deliver growth long-term growth in statutory EPS to enhance shareholder value.

**Assets under management**

€16.5bn



**The measure**

Growth in assets under management of our investment management business, Savills Investment Management.

**The target**

To increase the value of investment portfolios through portfolio management, new mandates and the launch of new funds.

## Chief Executive's review



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

Jeremy Helsby, Group Chief Executive

## Our strategy

**Our strategy is to deliver value as a leading real estate advisor to private, institutional and corporate clients seeking to occupy, acquire, manage, lease, develop or realise the value of prime residential and commercial property in the world's key locations. The key components of our business strategy are as follows:**

### #1

**Commitment to clients – we aim to deliver the highest standards of client service through professional, motivated and high calibre people**

## 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's 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, with AUM up 5% to £14.6bn.

Overall the Group increased underlying profit by 3.5% to £140.5m (2016: £135.8m).

On a statutory basis, profit before tax increased 13% to £112.4m (2016: £99.8m).

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
<b>Total</b>	<b>1,600.0</b>	<b>1,445.9</b>	<b>11</b>	<b>140.5</b>	<b>135.8</b>	<b>3</b>

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
<b>Total</b>	<b>1,600.0</b>	<b>1,445.9</b>	<b>11</b>	<b>140.5</b>	<b>135.8</b>	<b>3</b>

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% of Group revenue in the year (2016: 5%).

## People

The UK business won a number of national awards including Residential Advisor of the Year at the 2017 Estates Gazette Awards, Commercial Agent of the Year at the 2017 Props Award, Industrial Agency Team of the Year at the Property Week Awards 2017, Times Graduate Employer of Choice in property for the eleventh year and No.1 Real Estate Super brand for the ninth consecutive year. Savills were also awarded European Broker of the Year at the Property Investor Europe (PIE) awards, and in Hong Kong won Best Deal of the Year for the sale of the West and East Towers of One Harbour Gate at the RICS Hong Kong Awards, an international award honouring outstanding achievement for the real estate industry in Hong Kong. Savills Investment Management was also recognised with three funds winning best performer awards from MSCI/IPF and Property Investor Europe during the year. These awards are a testament to the strength of our people and I thank them all for their continued commitment, loyalty and hard work.

\* Revenue and underlying profit for the year are translated at the prior year exchange rates to provide a constant currency comparison.

#2

Business diversification

#3

Geographical diversification

#4

Maintenance of our financial strength

#5

Strength in both residential and commercial property

## The Savills Group advises on commercial, rural, residential and leisure property. We also provide corporate finance advice, investment management and a range of property-related financial services. Operations are conducted internationally through four business streams:

### 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.

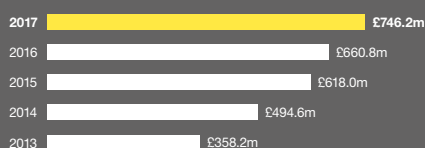
As a result of the above factors, the UK Residential Transaction Advisory business recorded a 7% increase in underlying profits to £18.7m (2016: £17.5m).

### 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

### Revenue

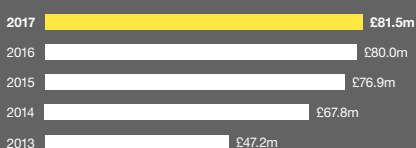
**£746.2m**



**+13%**  
YOY change

### Underlying profit

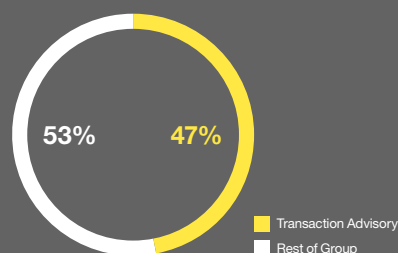
**£81.5m**



**+2%**  
YOY change

### Contribution to Group revenue

(%)



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 a 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 going forward. Retail remained a fairly binary sector in 2017, with tourist-focused markets like London and Edinburgh performing well due to the effects of the weak pound, while the rest of the UK remained flat in the face of falling real earnings growth for UK consumers.

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.

# Chief Executive's review continued

## 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).

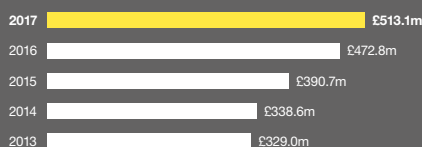
### Continental Europe

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).

### Revenue

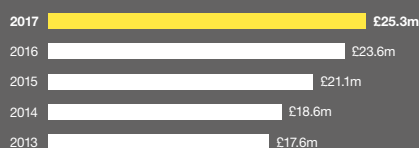
**£513.1m**



**+9%**  
YOY change

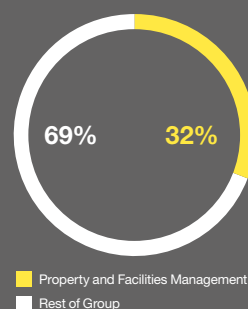
### Underlying profit

**£25.3m**



**+7%**  
YOY change

### Contribution to Group revenue (%)



## 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.

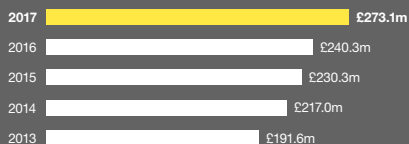
### Continental Europe

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

#### Revenue

£273.1m



**+14%**  
YOY change

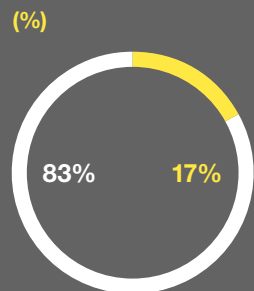
#### Underlying profit

£31.0m



**+20%**  
YOY change

#### Contribution to Group revenue (%)



■ Consultancy  
■ Rest of Group

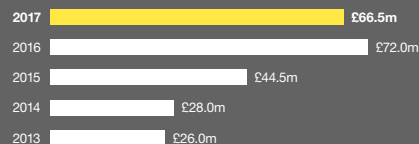
Following Savills Investment Management's record result in 2016, the expected decrease in disposal activity from the liquidating SEB German Open Ended Funds caused revenue to decrease by 8% (11% in constant currency) to £66.5m (2016: £72.0m). This generated an underlying profit of £13.3m (2016: £17.6m). 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.

**Jeremy Helsby**  
Group Chief Executive

#### Revenue

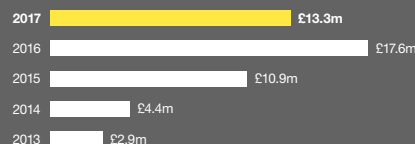
£66.5m



**-8%**  
YOY change

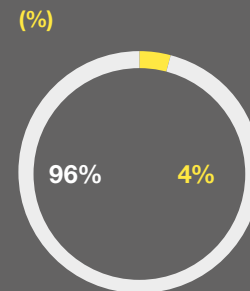
#### Underlying profit

£13.3m



**-24%**  
YOY change

#### Contribution to Group revenue (%)



■ Investment Management  
■ Rest of Group

## Chief Financial Officer's review



“A combination of resilience and growth across our businesses contributed to a strong performance which supports an improved distribution to shareholders for 2017”

Simon Shaw, Group Chief Financial Officer

## 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)



### 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 established that a charge of £2.3m (2016: nil) was recognised 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

Year end 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.

Statutory profit before tax up 13% to £112.4m (£109.6m in constant currency, 2016: £99.8m)

Underlying basic 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)

## Chief Financial Officer's Review continued

### 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.

### Key performance indicators ('KPIs')

The Group uses a number of KPIs to measure its performance and review the impact of management strategies. These KPIs are detailed under the Key Performance Indicators section on pages 14 and 15. The Group continues to review the mix of KPIs to ensure that these best measure its performance against its strategic objectives, in both financial and non-financial areas.

### Financial policies and risk management

The Group has financial risk management policies which cover financial risks considered material to the Group's operations and results. These policies are subject to continuous review in light of developing regulation, accounting standards and practice. Compliance with these policies is mandatory for all Group companies and is reviewed regularly by the Board. Refer to Note 3 to the financial statements for further information on financial risk management.

### Treasury policies and objectives

The Group Treasury policy is designed to reduce the financial risks faced by the Group, which primarily relate to funding and liquidity, interest rate exposure and currency rate exposures. The Group does not engage in trades of a speculative nature and only uses derivative financial instruments to hedge certain risk exposures. The Group's financial instruments comprise borrowings, cash and liquid resources and various other items such as trade receivables and trade payables that arise directly from its operations. Surplus cash balances are generally held with A rated banks or better.

### Interest rate risk

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

### Liquidity risk

The Group prepares an annual funding plan which is approved by the Board and sets out the Group's expected financing requirements for the next 12 months. These requirements are ordinarily expected to be met through existing cash balances, loan facilities and expected cash flows for the year.

### 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.

### Simon Shaw

Group Chief Financial Officer

# Risks and uncertainties facing the business

**The Board is responsible for the Group’s system of risk management and internal control. Risk management is recognised as an integral part of the Group’s activities.**

**Identifying and managing our risks**

The Board determines the Group’s appetite for risk in pursuit of strategic objectives, and the level of risk that can be taken by the Group and its operating companies. Savills businesses worldwide are responsible for executing their activities in accordance with the risk appetite set by the Board, complemented by the Code of Conduct, Group policies and delegated authority limits.

Risk is assessed across the Group using a systematic risk management model covering both external and internal factors and the potential impact and likelihood of those risks

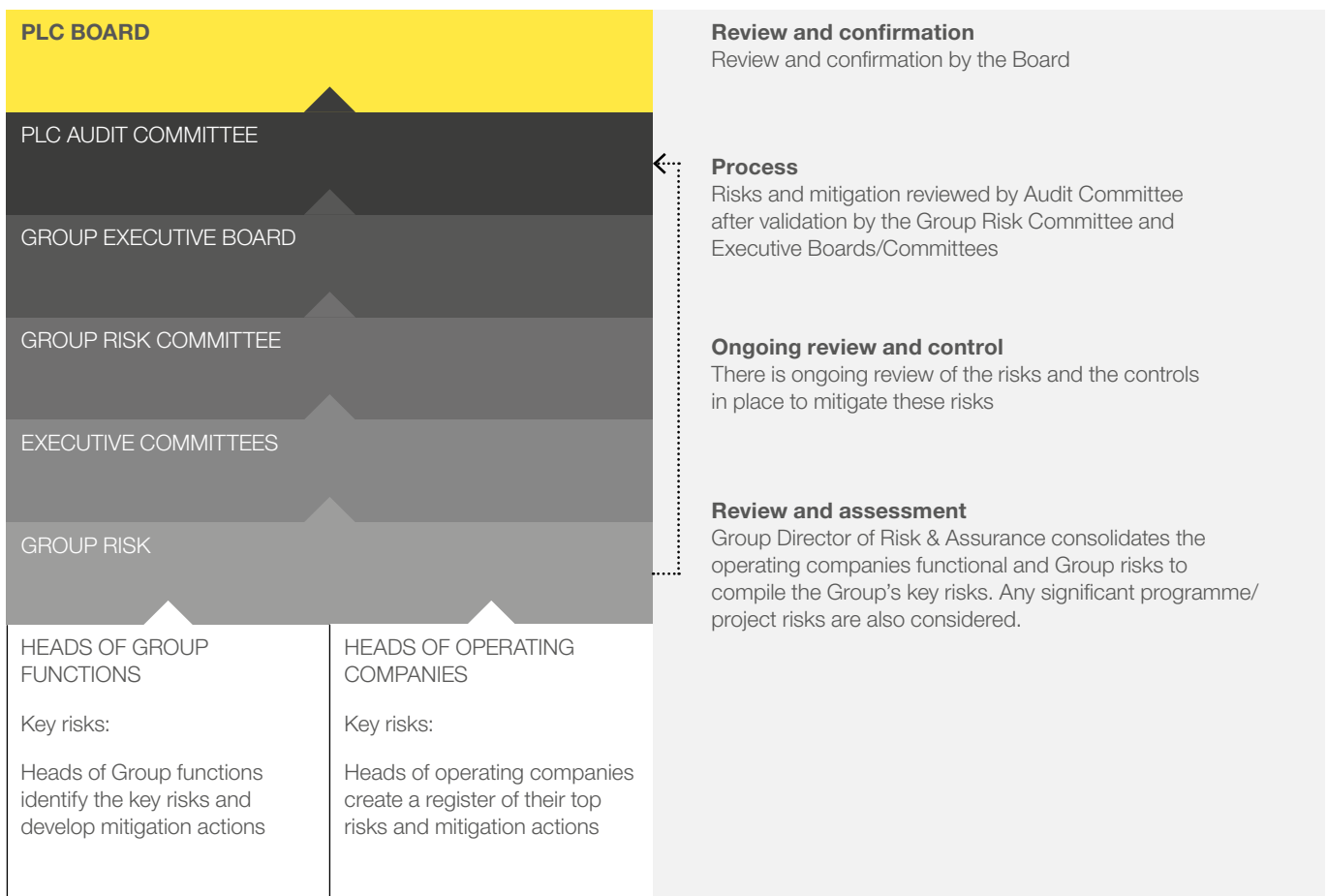
occurring. Risk assessments are incorporated into risk registers at Group and business level, which evolve to reflect the reduction/increase in identified risks and the emergence of new risks. Where it is considered that a risk can be mitigated further to the benefit of the business, responsibilities are assigned and action plans are agreed.

The Group Director of Risk & Assurance facilitates the risk assessment and evaluation process with Group and regional /business unit management on behalf of the Board and challenges risk findings and the internal

control framework to ensure that these are effective. Group policies and delegated authority levels set by the Board provide the basis against which risks are reviewed and escalated to the appropriate level within the Group, up to and including the Board, for review and confirmation.

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be appropriate to the ever-changing environments in which we operate.

The following chart summarises our business risk management structure.



## Risks and uncertainties facing the business continued

### Roles and responsibilities

The Board continuously reviews the Group's key risks and is supported in the discharge of this responsibility by various committees, specifically the Audit Committee and the Group Risk Committee.

The risk management roles and responsibilities of the Board, its Committees, and business management are set out below, and all of these responsibilities have been met during the year.

#### 1. Board

##### Responsibilities

- Approve the Group's strategy
- Determine Group appetite for risk in achieving its strategic objectives
- Establish the Group's systems of risk management and internal control

The Audit Committee supports the Board by monitoring risk and reviewing the effectiveness of internal controls, including systems to identify, assess, manage and monitor risks.

##### Actions

- Receive regular reports on Internal and External Audit and other assurance activities
- Receive regular risk updates from the businesses
- Determine the nature and extent of the principal Group risks and assess the effectiveness of mitigating actions
- Annually review the effectiveness of risk management and internal control systems
- Approve the Group risk management policy

#### 2. Group Executive Board

##### Responsibilities

- Strategic leadership of the Group's operations
- Ensure that the Group's risk management and other policies are implemented and embedded

- Monitor that appropriate actions are taken to manage strategic risks and key risks arising within the risk appetite of the Board
- Consider emerging risks in the context of the Group's strategic objectives
- Approve Group Policies
- Monthly/quarterly finance and performance reviews

##### Group Risk Committee

- Monitor the application of risk appetite and the effectiveness of risk management processes. The Group Risk Committee and Board also consider the Group's overall risk appetite in the context of the negative impact that the Group can sustain before it risks the Group's continued ability to trade

##### Actions

- Review of risk management and assurance activities and processes

### 3. Subsidiary Executive Committees' Responsibilities

##### Responsibilities

- Responsible for risk management and internal control systems within their regions/businesses

Monitoring the discharge of their responsibilities by operating companies.

##### Actions

- Review key risks and mitigation plans
- Review results of assurance activities
- Escalate key risks to Group management and Group Executive or plc Boards

### 4. Heads of the Group functions and operating companies

##### Responsibilities

- Maintain an effective system of risk management and internal control within their function/operating company

##### Actions

- Regularly review operational, project, functional and strategic risks
- Review mitigation plans
- Plan, execute and report on assurance activities as required by region or Group

The Group's overall risk management framework is further enhanced by the contributions of specialist committees, for example, I.T. Security.

Savills regularly reviews and enhances its risk management process and seeks advice from independent advisers where applicable.

### Principal risks

The Directors have carried out a robust assessment of the principal risks facing the Company – including those that would threaten its business model, future performance, solvency or liquidity. Our consideration of the key risks and uncertainties relating to the Group's operations, along with their potential impact and the mitigations in place, is set out below. There may be other risks and uncertainties besides those listed below which may also adversely affect the Group and its performance. More detail can be found in the Audit Committee Report on pages 51 to 55.

#### In summary, our principal risks are:

1. Economic/country risks, particularly the impact of a global economic downturn
2. Achieving the right market positioning in response to the needs of our clients
3. Recruitment and retention of high-calibre staff
4. Reputational and brand risk
5. Legal risk
6. Failure or significant interruption to IT systems causing disruption to client service
7. Business conduct
8. Changes in the regulatory environment
9. Acquisition/integration risk

Risk	Description	Mitigation
<p><b>1</b> <b>Economic/country risks, particularly the impact of a global economic downturn</b></p> <p><b>Change from 2016</b> Increase</p> <p><b>Strategic objective:</b> Geographic diversification/ Financial strength</p>	<p>Global market conditions are currently volatile, with economic uncertainty in some sectors and markets, particularly the UK after the Brexit vote, the threat by the US to impose tariffs and the perceived increased risk of the US/North Korea tensions escalating with consequential economic impact. Group earnings and/or our financial condition could be adversely affected by these and other macro-economic uncertainties. Savills operates in a number of countries where the transactional business is the largest component and thereby increases the level of economic risk.</p> <p>There is a currency risk from operating in a large number of countries.</p>	<p>The strength of Savills business and brand and the focus on client service.</p> <p>Our strategy of diversifying our service offering and geographic spread mitigates the impact on the business of economic downturns and weak market conditions in specific geographies, but these factors cannot entirely mitigate the overall risk to earnings. To manage these risks, we continually focus on our cost base and seek to improve operational efficiencies.</p> <p>Contingency plans are in place to enable us to respond quickly to market information and economic trends. Continual monitoring of market conditions and market changes against our Group strategy, supported by the reforecasting and reporting in all of our businesses, are key to our ability to respond rapidly to changes in our operating environment. The actual impacts of Brexit are still unclear, but we are monitoring developments closely.</p> <p>Our exposure to countries with economies which are currently weak is balanced by our business in more stable markets. When considering new market entry we undertake due diligence including the impact assessment of political and economic issues in that particular country.</p> <p>We manage currency risk in local operations through natural hedging and matching revenue and costs in the same currency.</p>
<p><b>2</b> <b>Achieving the right market positioning in response to the needs of our clients</b></p> <p><b>Change from 2016</b> No change</p> <p><b>Strategic objective:</b> Business diversification/Strength in Residential and Commercial markets/Geographical diversification/ Commitment to clients</p>	<p>The markets in which we operate are highly competitive. Competition could lead to a reduction in market share and/or a decline in revenue. Our focus is on retaining existing clients as well as engaging with new clients. Our service offering continuously evolves and improves to meet the changing needs of our clients.</p>	<p>To remain competitive in all markets, we continue to promote and differentiate our strengths whilst focusing on providing the quality of service that our clients require.</p> <p>We continue to invest in the development of client relationships globally and associated systems/digital technology to support our client service offering.</p>
<p><b>3</b> <b>Recruitment and retention of high-calibre staff</b></p> <p><b>Change from 2016</b> No change</p> <p><b>Strategic objective:</b> Financial strength/Commitment to clients</p>	<p>We recognise that the future success of our business is dependent on attracting, developing, motivating and retaining people of the highest quality.</p>	<p>We continue to invest in the development of our people and our training and development programmes across the businesses.</p> <p>Our partnership style culture and profit-sharing approach to remuneration is combined with selective use of share-based and other rewards to incentivise and retain our best people for the long-term benefit of the Group.</p>
<p><b>4</b> <b>Reputational and brand risk</b></p> <p><b>Change from 2016</b> No change</p> <p><b>Strategic objective:</b> Strength in Residential and Commercial markets/Commitment to clients</p>	<p>Savills is a strong brand with an excellent reputation in the markets in which we operate. The Group's reputation could be damaged as a result of negative media coverage. We recognise the need to maintain this reputation by ensuring the quality of the service we provide.</p>	<p>We recognise that our brand strength is vital to maintaining market share in established and new markets. A brand management programme is in place to ensure the brand's positioning and identity is clearly and consistently promoted. Our social media policy is supported by guidance and training as well as ongoing monitoring. All external statements have to be appropriately approved.</p> <p>We recognise that the quality of the service we offer is vital to maintaining the brand. We have in place policies, controls and processes to monitor the quality of our client service to support our programme of continuous improvement.</p> <p>The Group has well established corporate social responsibility programmes.</p>

## Risks and uncertainties facing the business continued

Risk	Description	Mitigation
<p><b>5</b> <b>Legal risk</b></p> <p><b>Change from 2016</b> No change</p> <p><b>Strategic objective:</b> Financial strength/Commitment to clients</p>	<p>Failure to fulfil our legal or contractual obligations to clients could subject the Group to action and/or claims from clients. The adverse outcome of such actions/claims could negatively impact our reputation, financial condition and/or the results of our businesses. For example:</p> <ul style="list-style-type: none"> <li>• in accepting client engagements, Group companies may be subject to duty of care obligations. Failure to satisfy these obligations could result in claims being made against the relevant operating Company;</li> <li>• in our Property Management business, we may be responsible for appointing third party contractors that provide construction and engineering services. Failure to discharge these responsibilities in accordance with our obligations could result in claims being made against the operating companies;</li> <li>• in our valuation consultancy businesses, we can be subject to claims alleging the over-valuation of properties.</li> </ul>	<p>The Group has a range of policies in place including client acceptance, legal and regulatory compliance, procurement, contractor management and valuation.</p> <p>We have Best Practice groups, policies, procedures and training which are designed to deliver the relevant contractual obligations and thereby mitigate against the risk of such actions/claims being made and where such claims occur, to limit liability, particularly in relation to consultancy services such as valuations. Such policies are regularly reviewed.</p> <p>The Group maintains professional indemnity insurance to respond to and mitigate the Group's financial exposure to such claims.</p> <p>As described below, our strong emphasis on appropriate business conduct by all our employees, contractors and associates further mitigates this risk.</p>
<p><b>6</b> <b>Failure or significant interruption to our IT systems causing disruption to client service</b></p> <p><b>Change from 2016</b> Increase</p> <p><b>Strategic objective:</b> Financial strength/Commitment to clients</p>	<p>Major failures in our IT systems may result in client service being interrupted or data being lost/corrupted causing damage to our reputation and consequential client and/or revenue loss.</p> <p>There is a risk that an attack on our infrastructure by a malicious individual or group could be successful and impact the availability of critical systems.</p>	<p>Specific back-up and resilience requirements are built into our systems. Our critical infrastructure is set up so far as is reasonably practical to prevent unauthorised access and reduce the likelihood and impact of a successful attack.</p> <p>Our data centres are accredited to international information security standards.</p> <p>Business continuity and disaster recovery plans are in place to cover the residual risks that cannot be mitigated.</p> <p>We are continuously reviewing our resilience to cyber security attacks due to the constant threat.</p>
<p><b>7</b> <b>Business conduct</b></p> <p><b>Change from 2016</b> No change</p> <p><b>Strategic objective:</b> Business diversification/Geographical diversification/Commitment to clients</p>	<p>We operate in international markets that may present business conduct-related risks involving, for example, fraud, bribery or corruption.</p> <p>Failure by the Group and its employees to observe the highest standards of integrity and conduct in dealing with clients, suppliers and other stakeholders could result in civil and/or criminal penalties, regulatory sanction, debarring and/or reputational damage.</p>	<p>We have programmes to promote compliance with our Code of Conduct, particularly in areas of higher risk such as procurement.</p> <p>We have a zero tolerance approach to breaches of our Code of Conduct.</p>

Risk	Description	Mitigation
<p><b>8</b> <b>Changes in the regulatory environment</b></p> <p><b>Change from 2016</b> Increase</p> <p><b>Strategic objective:</b> Commitment to clients</p>	<p>We are required to meet a broad range of regulatory compliance requirements in each of the markets in which we operate. For example:</p> <ul style="list-style-type: none"> <li>• some of our operations have regulatory licences;</li> <li>• in the UK, the Financial Conduct Authority ('FCA') regulates the conduct of Savills Capital Advisors and, both generally and in relation to the Alternative Investment Fund Managers Directive, Savills Investment Management, and the insurance intermediary services provided to clients by Savills UK; our businesses are regulated by The Royal Institution of Chartered Surveyors ('RICS');</li> <li>• Savills Investment Management entities are variously regulated by the Bank of Italy, FCA in Japan, BaFin in Germany and CSSF in Luxembourg;</li> <li>• various countries, corporate entities and individuals are subject to financial sanctions, which require continuous monitoring in response to global events.</li> </ul> <p>Failure to satisfy regulatory compliance requirements may result in fines being imposed, adverse publicity, brand/reputation damage and ultimately the withdrawal of regulatory approvals.</p> <p>We also have a number of key statutory obligations including the protection of the health, safety and welfare of our staff and others affected by our activities. Environmental reporting requirements place data-gathering responsibilities on our business in common with other listed companies. Our current priorities are on achieving readiness for the General Data Protection Regulation.</p>	<p>Our Group Policy Framework, which sets out our standards for professional, regulatory, statutory compliance and business conduct, is reviewed regularly.</p> <p>To support this Framework each business has its own regulatory and statutory compliance resources who monitor regulatory developments and maintain the internal processes and controls required to fulfil our compliance obligations.</p> <p>Our compliance environment, at all levels, is subject to regular review by internal audit and external assurance providers.</p>
<p><b>9</b> <b>Acquisition/integration risk</b></p> <p><b>Change from 2016</b> No change</p> <p><b>Strategic objective:</b> Business diversification/Geographical diversification/Strength in Residential and Commercial markets/Financial strength</p>	<p>The structuring and integration of acquisitions is critical to realising the benefits sought. People, systems and processes are key components</p>	<p>We apply the Group acquisitions policy and procedures and use professional advisers in the due diligence process, and allocate responsibility and accountability to individuals for integration. Post-acquisition reporting keeps the Board aware of progress against plan.</p>

### Viability Statement

The UK Corporate Governance Code (the 'Code') requires the Company to issue a viability statement stating whether the Board believes that the Group is able to continue to operate and meet its liabilities, taking into account its current position and principal risks. In accordance with the Code, the Directors have assessed the viability of the Group over a three-year period to 31 December 2020, taking account of the Group's current position and the potential impact of the principal risks documented in the Strategic Report on pages 2 to 35. This longer-term assessment supports the Board's statements on both viability, as set out below, and going concern as set out on page 50.

The Directors have concluded that the three-year period is appropriate for this assessment being consistent with the period covered by the Group's strategic plan and the cyclical nature of property markets.

In assessing viability the Directors considered a number of factors including the resilience of the Group, taking account of its current position and prospects, the Group's strategic plan, the principal risks and uncertainties facing the business and the Board's risk appetite as detailed in the Strategic Report on pages 2 to 35. The strategy and associated principal risks which underpin the Group's three-year plan, are reviewed by the Directors at least annually. The Directors also satisfied themselves that they have the evidence necessary to support the statement in terms of the effectiveness of the internal control environment in place to mitigate risk.

Sensitivity analysis was undertaken on the three year plan, including financing projections, to flex the financial forecasts under a variety of scenarios, which involve applying different assumptions to the underlying forecast both individually and in aggregate, including assessing the potential impact of a severe economic downturn analogous to that experienced during the Global Financial Crisis in 2008/09. The results of this sensitivity analysis showed that the Group would be able to withstand the impact of such scenarios over the period of the financial forecast.

Performance against the three year plan is monitored on an ongoing basis, including regular Board briefings provided by the Heads of the Principal Businesses on the progress made by those businesses. These reviews consider both the market opportunity and the associated risks. These risks are considered within the Board's risk appetite framework.

Based on the results of this review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2020.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis as explained in Note 2.1 to the accounts.

# Corporate Responsibility

**Savills is committed to being a good corporate citizen in all aspects of its operations and activities. The Company, therefore, holds itself accountable for its social, environmental and economic impacts on the people and places where it does business.**

All of our businesses are required to comply with local legal standards as an absolute minimum.

We endeavour to manage our impact in a responsible and sustainable manner. To fulfil this aim the Group actively embraces a range of policies and practices that aim to foster a positive approach towards corporate responsibility as an integral part of our day-to-day activities.

We focus on those key areas where we believe we can make a difference and our localised approach provides the flexibility required to have meaning and impact at a local level. At Savills, we learn through experience and we actively encourage our businesses to share their experiences and develop best practice to ensure that we continue to improve as an organisation.

Responsibility for our CR programme sits with the Group Chief Executive and the Board. CR strategy is co-ordinated by our CR Steering Group, comprising senior representatives from a range of businesses and central teams. The strategy is implemented and delivered at country level focusing on four aspects of CR which we believe are key to the success of our business and where we believe we can make

the most difference: People, Clients, Environment and Community. Through a localised approach and by focusing on these key areas we give our businesses the freedom to adapt quickly and to respond at a local level to new opportunities in the markets in which they operate. The Board receives annual and ad hoc updates on CR activities and progress. To ensure that we can readily identify emerging issues and respond to them on a timely basis, we continue to include the consideration of CR-related issues in our Key Risk Registers.

## Our Business Principles

### Pride in Everything We Do

#### We

- Take great pride in delivering the highest quality service.
- Go the extra mile.
- Seek to employ only the best people.
- Enjoy what we do.

### Take an Entrepreneurial Approach to Business

#### We

- Seek out new markets and opportunities for clients.
- Take a creative and entrepreneurial approach to delivering value.
- Are forward-thinking, and always aim to build long-term client relationships.
- Aim to be a leader in every market we enter.

### Help our People Fulfil Their True Potential

#### We

- Encourage an open and supportive culture in which every individual is respected.
- Help our people to excel through appropriate training and development.
- Share success and reward achievement.
- Recognise that our people's diverse strengths combined with good teamwork produce the best results.
- Believe that a rewarding workplace inspires and motivates.
- Strive to provide an environment in which our people can flourish and succeed – this allows us to recruit, motivate and retain talented people and build on our status as an employer of choice.
- Engage with our people to communicate our vision and strategy through well-established internal channels.

### Always Act With Integrity

#### We

- Behave responsibly.
- Act with honesty and respect for other people.
- Adhere to the highest standards of professional ethics.



## Our People

**It is our vision to be the real estate advisor of choice in our selected markets and deliver superior financial performance and this can only be achieved through the dedication, commitment and excellence of our people.**

Our people strategy remains focused on supporting delivery of the highest standards of client service through motivated and engaged people. We believe that a positive culture is essential to high quality client service. This positive culture is encapsulated in our business philosophy and our values. Our reputation has been built on our people and we believe that staff whose behaviours reflect in our business philosophy deliver the excellent client service that we strive to provide. Our business philosophy also captures our commitment to ethical, professional and responsible conduct and our entrepreneurial, value-enhancing approach.

Our people strategy highlights are set out below.

### Employee engagement

We continue to focus on employee engagement through a number of areas of focus. For example, in the UK we are improving the capability of our leaders and managers through our key programmes Empower, Engage and Inspire. We have improved the clarity of our reward and benefits through the use of a new Total Reward Statement, so that all our employees clearly see the full reward package. We take employee wellbeing seriously and have introduced a wellbeing programme, which includes Savills focused events and committing to the Time to Change pledge, for increased recognition of mental health in the workplace, on World Mental Health Day.

### Developing our people for the long term

We want people to grow their careers at Savills and develop the skills and talent needed to grow our business. We firmly believe in the value of developing future talent from within the Group and the wider business community and we are working hard to help nurture the entrepreneurs and leaders of the future.

We continue to invest significantly in the development of all our people, for whom we recognise that career development and progression is very important.

We deliver training and development in all areas including management and leadership, client and business skills and professional and technical skills. We recognise that personal development occurs in many ways and we encourage all our staff to attend conferences, internal events, and participate in projects to supplement their Continuous Professional Development ('CPD').

For example, in the UK, the format of our training varies from one-hour masterclasses, webinars, and video content, to two-day pitching courses and management and leadership workshops. We encourage and support all our staff to complete their CPD and all our internal courses/programmes have CPD points associated with them. All of this is supported by a dedicated training team, who offer individual career development advice and a dedicated page on the Company intranet which pulls together all the information our people need to plan their personal development. In order to manage individual development and ongoing learning, we have launched a Learning Management System (LMS) in the UK. The LMS is mobile compatible, allows individuals to track and manage their development, watch video podcasts and download course materials.

In Asia, we are progressively extending our CPD programme, tailoring it as appropriate to best meet local requirements.

We have also extended our CPD programme across the US.

Our graduates are our future leaders. They are given responsibility from the day they join the business, in teams which highly value their contribution, allowing them to be involved in some of the world's most high-profile transactions and developments. Graduates are surrounded by experienced professionals and team members from whom they can seek advice and learn. Individual achievement is rewarded and Savills looks for graduates with entrepreneurial flair and diverse skills. In the UK, Savills were proud to be named The Times Graduate Employer of choice for Property for the 11th year in a row and we continue to see a record number of applicants for this and our student summer scheme and work placement programmes. In 2017 Savills was also ranked 83 (up 11 places) in the Times Top 100 Graduate Employers and number 1 on "Rate my Placement" for our summer scheme programme. We continue to work with some of our UK industry peers, the Changing the Face of Property ('CTFOP' group), on initiatives such as an apprenticeship programme to offer jobs to school leavers.

In the US, Savills we implemented a Young Leaders Programme and our Savills Studley Academy, a multi-year business mentorship programme aimed at harnessing the talent of the rising stars, is now in its second year.

In 2017, in Asia Pacific, we ran four Inspire courses in Greater China, North Asia, South East Asia and Australia; a two-year course for emerging leaders of the business who will be assigned a lifetime mentor and schooled in the art of business leadership. In 2018 we are launching the Inspire Programme for the next generation of leaders in the business.

# Corporate Responsibility continued

## Our People continued

### A diverse and inclusive culture

We look to create an inclusive culture in which difference is accepted and valued. We believe that our inclusive approach gives us a competitive advantage and underpins the success of our business by giving us the ability to select our people from the highest quality individuals in the widest available pool of talent.

Our people come from a wide range of backgrounds and have a diverse range of skills and experience. We believe that we have created a culture in which those skills, experience and perspectives are nurtured and encouraged. As an example of our commitment to diversity, in the UK we are focused on increasing the diversity of our business in order to reflect the needs of our clients and have achieved the RICS Equality Mark. We are fully engaged in a diversity programme 'Changing the Face of Property' which focuses on improving diversity across social and economic background, disability, LGBT, age and gender. We have also improved our maternity policy, introduced mentoring and coaching for women and held a number of events with clients and keynote speakers. In addition, we proactively review our promotions to ensure that the numbers going forward for promotion, by gender, are in line with the make-up of the division. For the LGBT network, we have held a number of events, participated in the London Pride March and we are now listed on the Stonewall Diversity Index.

We believe that creating an inclusive and diverse culture supports the attraction and retention of talented people and supports effective performance. We respect our people for who they are, their knowledge, skills and experience as individuals and as valued members of the Savills team. We work together to bring out the best in each other and to sustain the strong working relationship ethic that has nurtured our 'can do' attitude. As at 31 December 2017 our total global workforce of 35,398 colleagues comprised 19,327 males and 16,071 females. Of these, 184 were senior executives (163 males, 21 females) comprising members of the Group Executive Board and Board members of the corporate entities whose financial information is incorporated in the Group's 2017 consolidated accounts in this Annual Report. The Company's Board of Directors comprised seven members – six males and one female.

The UK Government has introduced legislation that will require employers with 250 or more UK employees to disclose information on their gender pay gap. The gender pay picture for Savills UK, calculated in accordance with the published requirements has been published on the Savills UK's website.

As an organisation committed to diversity in its workforce, we will continue to strengthen our policies, processes and practices to develop our diversity and inclusion plans within the Group's markets and geographies, in alignment with our corporate goals. We will continue to endeavour to improve the representation of women at Board and senior levels within the organisation and to sustain an inclusive culture in which all talent can thrive.

### UK – Savills Diversity Group

One of our initiatives was to launch a Diversity Group in the UK which is now in its third year. The objective is to highlight the diversity of our business and ensure that we are communicating clearly and effectively about our people and our clients. This year has seen a number of significant activities for our Diversity group. We have launched "unconscious bias" training led by the UK Executive Committee, which is now part of all development programmes including Company induction. Wellbeing and mental health have also been key areas of focus. Other Initiatives which the Diversity Group continue to be involved in include:

#### 1. Savills with schools

Our current graduates attend a local state secondary school to deliver presentations about careers in property. This highlights the variety of roles in real estate as well as opportunities for students to engage on an individual basis.

#### 2. Careers in property

Savills Graduate team collate a guide to the real estate industry, looking at careers in the industry from governing bodies, educational institutions and employers to provide candidates with a comprehensive guide to joining the industry. This is currently shared with all UK university careers services in the UK. We also support the Property Needs You and Urban Plan campaigns in schools.

#### 3. Apprenticeships

Savills Surveying Apprentices join teams across the UK. After six years in the business they will gain their BSc in Real Estate and their full MRICS status.

#### 4. Changing the Face of Property (CTFOP)

We continue to be a member of the CTFOP group, a collaboration of employers, governing bodies and education providers who work together to raise awareness of the industry, and drive equality. We attend the Skills London as well as a number of career fairs, and supported the Trailblazer Apprenticeship scheme with RICS. We also ran a number of internal diversity events for our Gender and LGBT groups. We also participated in the London Pride March with the rest of the CTFOP companies.

## Our Clients

**Excellent client service is at the core of our business. We strive to develop strong, long-term partnerships with our clients and to deliver an exceptional and personal client experience which is tailored to our clients' requirements and needs. We do this by ensuring we have specialist teams who can deliver the best quality advice throughout the property life cycle. We work hard to ensure that in managing our client relationships we are solutions-oriented, pro-active and focused on excellent client communication.**

Gaining a deep understanding of our clients' businesses through an ongoing dialogue is fundamental to delivering a service which meets their needs. Client review meetings are a vital part of our approach to client care. We invest in an independent client review programme to understand how well we plan and execute the services we provide, how well

we communicate and what additional value we give our clients. This provides an important independent rating of the standard of our client service which is reviewed regularly and used to refine the Savills client experience.

In the UK, for example, Savills top clients have a dedicated client relationship lead (client advocate) whose core responsibility is to act as a focal point for client servicing enquiries, and, in particular, to allow any service issues on current instructions to be quickly identified and addressed. These client advocates also play a key role in reviewing our performance with our clients, in tandem with the client review programme, ensuring we understand where we have met or exceeded expectations and those areas in which we can do better. Ultimately this approach provides a complete insight into our clients' priorities so that we can make the appropriate skills, expertise and resources available.

We recognise that there are clients that benefit from a full Savills service offering. To deliver the best value to these clients we have a client management programme in place with a dedicated Client Relationship Management ("CRM") team. Each of these clients has a tailored client care plan which includes a review of the current year, key client priorities, client communications and interactions, financials and importantly, agreed actions and responsibilities. Our client teams are further supported by a central client management system which consolidates client data into readily accessible client intelligence reports, ensuring we are providing the joined up approach our clients expect.

We are progressively extending this approach globally, tailored to meet local requirements.

## Our Responsibility to the Environment

**Across our global business Savills is committed to reducing the impact that our operations have on the natural environment and to minimising the risk of injury and ill health staff and others who are affected by our businesses by providing safe and healthy working environments.**

Safe working practices form an integral part of our day-to-day business and we aim to find practical solutions to health and safety risks. To this end, our safety strategy is focused on priorities such as reducing occupational exposure to workplace hazards, maintaining regulatory compliance and seeking to continuously develop and strengthen our health and safety arrangements.

### Environmental impact

Across our global business, Savills is committed to reducing the impact that our operations have on the natural environment. By actively seeking to reduce our environmental impact, we are able to achieve increased operational efficiencies and savings, both internally and for our clients.

As one of the leading real estate advisors, Savills acknowledges the importance of demonstrating leadership in this area. This includes measuring, and being accountable for, our global environmental impact.

For example, in Australia, we engage proactively with several key industry and not-for-profit environmental groups, including Property Council Australia, The Green Building Council and Sydney's Better Building Partnership.

As part of this continuing drive to mitigate our impacts, and as a hallmark of quality, our offices continue to work to secure ISO14001 2004 status: the international standard for environmental management systems. 255 Savills teams in the UK have now achieved this accreditation. During 2018 the accreditations in place will transition to the revised 2015 edition of the 140001 international standard.

In Hong Kong, Savills continues to participate in various environmental protection activities, such as Chinese New Year Waste Electrical and Electronic Equipment Recycling Collection Services (awards were obtained by 25 our managed buildings), Wood Recycling and Tree Conservation Scheme and a scheme on Source Separation of Commercial and Industrial Waste.

In the UK, Savills has worked to improve the environmental performance of its own office estate through a series of waste and energy management initiatives. During 2017, Savills moved to a national contract for the disposal of non-hazardous waste streams, the new

contract currently covers 75% of some 127 offices. Moving to a national contract has enabled the introduction of enhanced recycling facilities at a local level, as well as additional control over the final destination of our waste, avoiding landfill disposal wherever possible.

### Greenhouse gas emissions

Our Greenhouse Gas Emissions Statement includes all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 for the financial year to 31 December 2017, compared against our baseline year to 31 December 2013. For comparative purposes, data is also shown for our previous reporting year, 2016.

### Scope

We continue to expand the scope of our data collection regularly. In consequence, we are now reporting on GHG emissions at a more granular level from our UK, Europe, US, Canada, Australia, New Zealand, Hong Kong, Japan, Singapore, and key Chinese operations. In subsequent years, we will continue to strive to add to this list where emission activities are found to be material and where reliable activity data is available.

# Corporate Responsibility continued

## Our Responsibility to the Environment continued

### Methodology

To coordinate the collection of GHG data worldwide, a network of Environmental Reporting Nominees (ERN) has been established, reporting to the Group Legal Director & Company Secretary. Specialist third party verified environmental reporting software has been adopted by this network to ease data collection, ensure data quality, disseminate results effectively, and complete emission calculations more efficiently.

The adopted reporting methodology is the GHG Protocol Corporate Accounting and Reporting Standard. Through the ERN network we have attempted to calculate greenhouse gas emissions using actual activity data for the reporting period, wherever possible. In the instances where

activity data was not found to be wholly reliable or readily available, we have determined the relevant emissions by using a range of standard carbon accounting measures, including extrapolating data and use of indicator based estimation (floor area and head count). To allow easier comparison between reporting locations and year on year results, a standardised per capita intensity ratio (based on the number of full-time equivalent employees) has been utilised. We consider that this is the most effective means of reflecting our wide range of activities in a quantifiable common factor.

As evident in the table below, our total emissions decreased by approximately 4.49% in 2017.

The corresponding figures for our per capita intensity ratio show a 7.7% reduction compared to the previous year, which is particularly pleasing given our global FTE numbers increased by more than 3% during the reporting period. When measured against our base year of 2013, this now represents an improvement of more than 20%.

This substantial reduction has been achieved through progressive initiatives to improve the environmental efficiency of our offices, including more energy efficient lighting, better climate control and IT upgrades. These measures are complemented by broader sustainability strategies at the corporate level and include the application of green building principles during the selection/refurbishment of our occupied spaces, space consolidation, and the continued focus on improving energy metering/monitoring.

Total Global GHG Emissions <sup>1</sup>	2017 tCO <sub>2</sub> e	2016 tCO <sub>2</sub> e	2013 base-line <sup>2</sup> tCO <sub>2</sub> e
GHG Emissions Scope 1 (Direct)	2,479	2,518	1,292
GHG Emissions Scope 2 (Indirect)	6,050	6,450	5,132
Total Gross Emissions (Scope 1 + 2)	8,530	8,968	6,424
Total Employees (FTE yr. av.)	8,243	7,998	4,508
GHG FTE Intensity Ratio <sup>3</sup>	1.03	1.12	1.42

#### Notes:

- 1 Emissions factors based on Defra/DECC Guidelines 2011 and other globally recognised methodologies.
- 2 Total global emissions for Carbon Reporting 2013: UK, Rest of Europe, Australia/New Zealand and Hong Kong only.
- 3 Total gross emissions, divide by total full-time equivalent employees (FTE) year average.

### Environmental Objective

#### Group Executive Board Commitment

Savills is confident in making continued steady reductions to our corporate environmental footprint in the coming years. To that end, the Group Executive Board, in October 2017, resolved to adopt a global objective of a 5% total global reduction target over a 3 year period, calculated against the 2016 reported GHG emissions figures, normalised by utilising the Full Time Equivalent (FTE) year average employee numbers.

## Our Responsibility to our Community

Our offices and our people are actively involved in their communities through our support of charitable causes and other social and business organisations, including making financial, in kind and time contributions.

We believe that the community engagement programmes that we have developed have a positive impact on the areas where our people live and ensure that Savills is firmly engaged with the communities we serve.

We are a membership of FTSE4Good\*, evidencing our commitment to meeting globally recognised corporate responsibility standards.

\* The FTSE Group confirms that Savills plc has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to remain a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice.

## Spotlight on Community

### Fundraising in the US

Savills Studley is dedicated to promoting leadership, volunteerism and support of charitable organisations. Our employee-led initiatives focus on children's health, wellness and education, cancer research and community-based projects that better the local environment.

One of our signature CR initiatives is the JDRF Real Estate Games which is a day-long Olympics-style event in which commercial real estate firms in the Washington, DC region compete to raise funds for T1D diabetes research. The event has grown to become our industry's premier fundraiser. It now includes more than 130 companies and 2,500 participants with plans to expand to New York, Chicago and Los Angeles.



### Caring Company 10 consecutive years

In recognition of Savills Guardian's efforts in support of charitable causes, Savills Guardian continues to hold the 'Caring Company 10 consecutive years' logo as acknowledgement of Savills Guardian's participation in the Caring Company Scheme.



### Project WeCan in Asia

It was Savills first year as part of the Project WeCan which aims to empower local secondary schools. This year, we sponsored Pui Ying Secondary School in Aberdeen. Savills has participated a number of events associated with this project, including inspiring talks by our management at the sponsored school hall, and attended the signature event, the Young Innovators Bazaar. We believe our support and advice for the students will enhance their skills including leadership, entrepreneurship, communication and project management.



### Supporting the charity YoungMinds

Savills Graduate Charity Committee have been supporting the charity YoungMinds which works to improve the wellbeing and mental health of children and young people. The charity helps young people, their parents, the professionals who work with them and the policy makers in the government to improve mental health for children and young people in the UK. As part of its commitment to the charity, Savills held fundraising events as part of YoungMinds #HelloYellow week, championing the wellbeing and mental health of young people.



# Governance

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# Chairman's introduction



**“On behalf of the Board, I am pleased to introduce our 2017 Corporate Governance Report. Governance best practice continues to evolve and in this year’s report we describe the Group’s compliance with the 2016 UK Corporate Governance Code (the ‘Code’) and explain how the Board and its Committees have operated in 2017.”**

The Main Principles of the Code provide the framework for the reporting model which we continue to use. Our approach to:

- Leadership is set out on pages 40 to 46
- Effectiveness is described on pages 47 to 49;
- Relations with Shareholders and Other Stakeholders is described on page 50; and
- Accountability is described on pages 50 to 55.

The Board is committed to maintaining the highest standards of corporate governance, which are fundamental to discharging our responsibilities. As Chairman, it is my role to ensure the highest standards of governance are promoted by the Board and to ensure that the Group is governed and managed in the best interests of shareholders and wider stakeholders. This includes encouraging open discussion and constructive challenge. In this report, we set out our governance framework and explain how robust and effective corporate governance practices

enable the Group to deliver its strategy and create long-term shareholder value. Further information on our strategy and business model can be found on pages 2 to 35.

To support the Board, in 2017 we extended the remit of the Nomination Governance Committee to include the monitoring of the Company’s compliance with applicable codes and other requirements of corporate governance and the Committee was renamed the Nomination & Governance Committee.

We continue to work hard to maintain a culture where ‘doing the right thing’ is at the core of how we do business. As custodian of Savills culture the Board demands openness and transparency to maintain an environment in which honesty, integrity and fairness are valued and practised by our people every day. The Board’s behaviour and the values it demonstrates set the tone to guide our people’s behaviour and ensure that we live by and demonstrate the right values which in turn enable entrepreneurial and prudent management to deliver long-term success for the Group and its stakeholders.

## Overview

### Leadership

- The Group’s current corporate governance structure
- The role of the Board and its Committees
- How the Board operates
- Board activities during the year

### Effectiveness

- The Board’s composition and independence
- Board induction and development
- Board and Committee performance evaluation
- Nomination & Governance Committee report

### Accountability

- Internal controls and risk management
- Going concern
- Dialogue with Shareholders
- Audit Committee report



It is important in my role as Chairman to ensure that the Board has the right blend of skills and experience. As an international business, we benefit from our Non-Executive Directors' knowledge of and involvement with other businesses in Hong Kong and China, Europe and the US. At least half of the Board members throughout the year were Independent Non-Executive Directors (excluding me, as Chairman). The details of their skills and experience are, along with those of the other Board members, set out on pages 44 and 45. In accordance with the Code, each Director will stand for re-election at the 2018 AGM on 8 May 2018. The Board also reviews Non-Executive Director independence on an annual basis and takes into account the individual's experience, their behaviour at Board meetings and their contribution to unbiased and independent debate. The Board considers that all of the Non-Executive Directors bring considerable management expertise and strong independent oversight. All of the Non-Executive Directors are considered by the Board to be independent, including Charles McVeigh, notwithstanding his long service.

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further enhance the success of the Group. The Board recognises the benefits of having diversity across all areas of the Group. We are committed to eliminating discrimination and encouraging diversity amongst our people. Our aims are that our business will be truly representative of all sections of society and that each employee feels respected and able to give their best. The Company's policy on diversity applies across all levels of the Group and further details of the policy can be found in the Corporate Responsibility ('CR') section on pages 30 to 35.

In line with the requirements of the Code we continue to test the Board's effectiveness and performance annually through a formal evaluation.

This is facilitated by an independent external consultant at least once every three years. JCA Consultants externally facilitated the review in 2016, so this year's evaluation was conducted in-house, led by the Chairman and facilitated by the Group legal director & Company Secretary. The process, key conclusions and areas of focus for 2018 are set out on page 49. Following this review, I am satisfied that the Board continues to perform effectively and in particular I am confident that the Board has the right balance of skills, experience and diversity of personality to continue to encourage open, transparent debate and challenge.

The Board recognises the recommended term for Non-Executive Directors within the UK Corporate Governance Code and it is mindful of the need for suitable succession. In 2018 we have started the process of recruiting a further Non-Executive Director.

On 16 January 2018 we announced that, after 11 years in the role, Jeremy Helsby intended to retire as Group Chief Executive Officer at the end of the 2018 financial year. During 2017 the Board, through the Nomination & Governance Committee, completed the process to recruit his successor. Following a comprehensive review, it was agreed that Mark Ridley, currently CEO of Savills UK and Europe, should be offered the role of Group Chief Executive Officer with effect from 1 January 2019, and to join the Board as an additional Executive Director and Deputy Group Chief Executive Officer effective from 1 May 2018.

During the year, the Audit Committee reviewed the FRC's Guidance on Audit Committees. The Audit Committee was satisfied that the Company complies with the 2016 Code, and has considered the Guidance on Audit Committees.

At our AGM in 2017, we received support for our Directors' Remuneration Report and Policy from 99% of Shareholders voting.

The 2017 Remuneration Report (pages 58 to 73) provides a summary of the Policy approved by shareholders at the 2017 AGM and a detailed review of the Remuneration Committee's activities, and bonus and share scheme performance, in 2017.

We believe that engaging with our Shareholders and encouraging an open, meaningful dialogue between Shareholders and the Company is vital to ensuring mutual understanding. We are in regular contact with our major Shareholders and potential Shareholders through a regular, scheduled programme of meetings as part of our continuing commitment to this open and transparent dialogue. You can read more about Shareholder engagement on page 50 and in the meantime, my fellow Directors and I look forward to continued dialogue and meeting with Shareholders at our AGM in May where I will be happy to answer any further questions.

Overall I remain happy with the Board's activity across our governance agenda. However, we will continue to challenge ourselves and the business and to consider and to learn from our decisions to ensure that we build upon the existing strength of our governance structure.

**Nicholas Ferguson CBE**

Chairman of Savills plc

14 March 2018

**Remuneration**

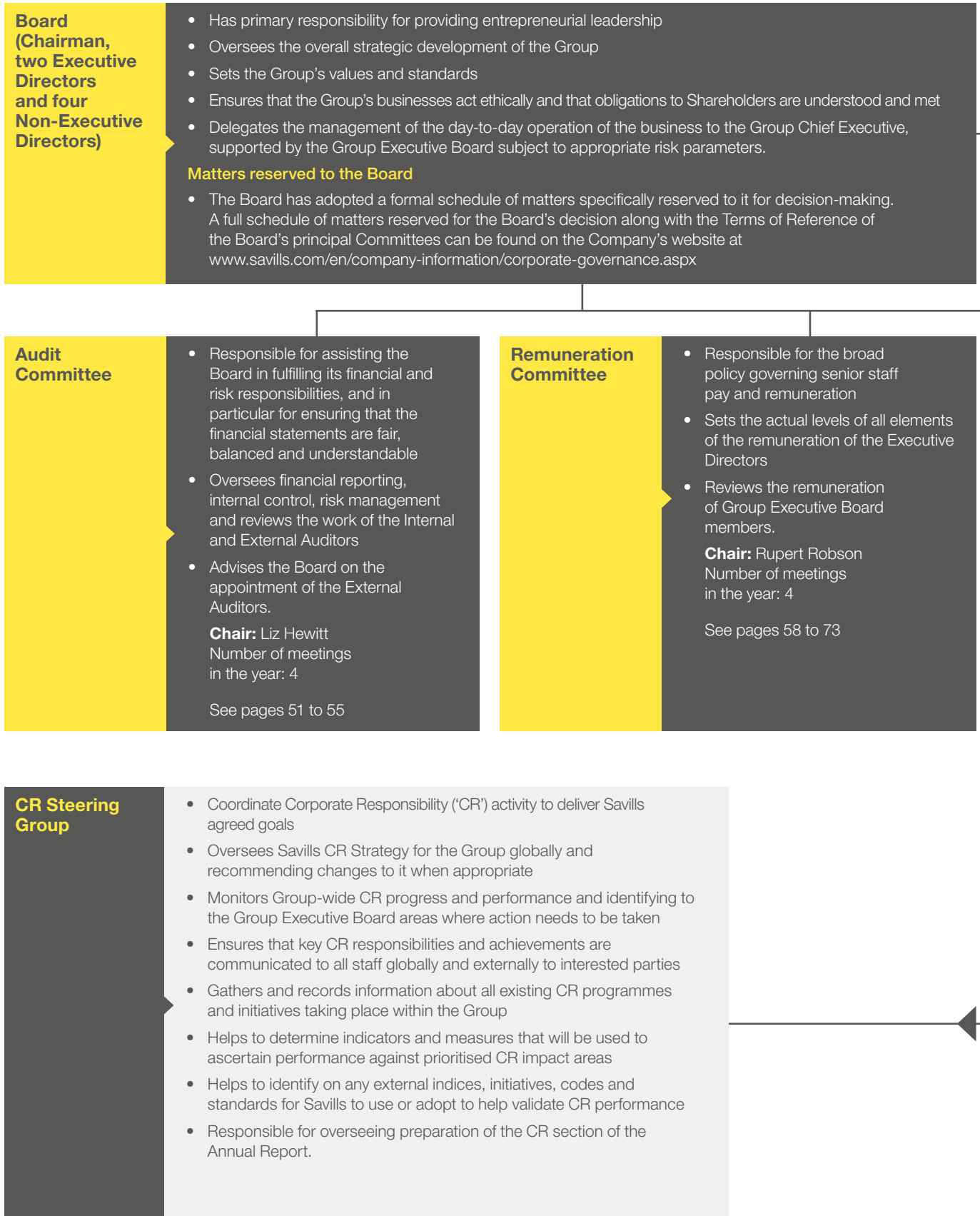
- Statement by Remuneration Committee Chair
- Remuneration Committee Report

**UK Corporate Governance Code (April 2016)**

The UK Corporate Governance Code 2016 (the "Code") is the standard against which we measured ourselves in 2017. A copy of the Code is available from the Financial Reporting Council's website at [www.frc.org.uk](http://www.frc.org.uk). We are pleased to confirm that we complied with all of the provisions set out in the Code for the period under review. Further information about how the Board complies with the Main Principles is set out on pages 56 to 57 of this Annual Report.

# Leadership

## Our governance framework





**Group Chief Executive**

- Responsible for the day-to-day management of the Group

**Nomination & Governance Committee**

- Responsible for size, structure and composition of the Board
  - Reviewing and progressing appointments to the Board
  - Responsible for succession planning to ensure that the Board is refreshed progressively such that the balance of skills and experience available to the Board remains appropriate to the needs of the business
  - Makes recommendations to the Board on the membership of the principal Committees of the Board.
  - Monitoring of the Company's compliance with applicable codes and other requirements of Corporate Governance.
- Chair:** Nicholas Ferguson  
**Number of meetings in the year:** 3  
 See pages 47 to 49

**Group Executive Board**

- Key executive management committee of the Group
  - Responsible for the day-to-day management of the Group
  - Oversees the development and implementation of strategy, capital expenditure, and investment budgets, for the ongoing review and control of Group risks, reporting on these areas to the Board for approval
  - Implements Group policy
  - Monitors financial and operational performance of the Group and other specific matters delegated to it by the Board.
- Chair:** Group Chief Executive  
**Composition:** Group Chief Financial Officer, the Heads of the Principal Businesses and the Group Legal Director & Company Secretary

**Executive Committees**

- Lead each Principal Business
- Responsible for the day-to-day management of the relevant Principal Business
  - Oversees the development and implementation of strategy, capital expenditure, and investment budgets for the ongoing review and control of Group risks, reporting on these areas to the Group Executive Board and, as necessary, the Board for approval
  - Implements Group policy
  - Monitors financial and operational performance of the relevant Principal Business and other specific matters delegated to it by the Group Executive Board.

**Group Risk Committee**

- Identifies and evaluates Group level risks
- Reviews and challenges risks reported by subsidiaries
- Champions the ongoing Group-wide development of risk management and the internal controls framework
- Monitors internal audit and other sources of assurance on the effectiveness of internal controls.

## Leadership continued

### Attendance at Board and Committee meetings

The Board met formally eight times during the year. Attendance at all Board and Committee meetings by Directors is as shown in the table below.

	Board meetings attended	Meetings eligible to attend	Audit Committee meetings attended	Meetings eligible to attend	Nomination & Governance Committee meetings attended	Meetings eligible to attend	Remuneration Committee meetings attended	Meetings eligible to attend
Non-Executive Directors								
Nicholas Ferguson <sup>1</sup>	8	8	– <sup>1</sup>	– <sup>1</sup>	3	3	– <sup>2</sup>	– <sup>2</sup>
Tim Freshwater	8	8	4	4	3	3	4	4
Liz Hewitt	8	8	4	4	3	3	4	4
Rupert Robson	8	8	4	4	3	3	4	4
Charles McVeigh	8	8	–	–	–	–	–	–
Executive Directors								
Jeremy Helsby <sup>3</sup>	8	8	– <sup>4</sup>	– <sup>4</sup>	3	3		
Simon Shaw <sup>3</sup>	8	8	– <sup>5</sup>	– <sup>5</sup>				

1 The Chairman attended two Audit Committee meetings by invitation

2 The Chairman attended four Remuneration Committee meetings by invitation

3 Members of the Group Executive Board

4 The Group Chief Executive attended four Audit Committee meetings by invitation

5 The Group Chief Financial Officer attended four Audit Committee meetings by invitation

### How the Board Operates

The Board has formally adopted a schedule of matters reserved to it for decision. A full schedule of matters reserved for the Board's decision along with the Terms of Reference of the Board's principal Committees can be found on the Company's website at [www.savills.com/en/company-information/corporate-governance.aspx](http://www.savills.com/en/company-information/corporate-governance.aspx).

The Board and Committee meetings are structured to allow open discussion. To enable the Board to discharge its duties, each Director receives appropriate and timely information. Board papers are circulated electronically via a secure portal, giving Directors sufficient time to consider and digest their contents. When unable to be present in person, Directors may attend by audio or video conference. When Directors are unable to attend a Board or Committee meeting, their views on the key items of business to be considered at that meeting are relayed in advance to the Chairman of that meeting in order that these can be presented at the meeting and be considered in the debate.

Regular attendance at Board meetings by the Heads of Principal Businesses on matters of significance ensures that the Board has the opportunity to discuss business risks and opportunities with leaders from across the Group. The Group Legal Director & Company Secretary provides the Board with updates and reports covering legal developments and regulatory changes. The Chairman, together with the Group Legal Director & Company Secretary, ensures that the Directors receive management information, including financial, operating and strategic reports, in advance of Board meetings.

At its meetings during the year, the Board discharged its responsibilities and received updates on the Group's financial performance, key management changes, material new projects, investment proposals, financial plans, and legal and regulatory updates.

### Board activity in 2017

The diagram below shows the key areas of Board activity during the year. One of the Board's meetings during the year was specifically devoted to the review and reconfirmation of the Group's strategy. This meeting benefited from presentations and discussions with a number of the Heads of the Principal Businesses. The delivery of strategic plans continues to be monitored and reviewed by the Board and periodic updates on progress and market developments will be presented by the Heads of the Principal Businesses as part of this continuous review process.



<b>Leadership and people</b>	<ul style="list-style-type: none"> <li>• Agreed the appointment of Mark Ridley as Group Chief Executive Officer (effective 1 January 2019) as successor to Jeremy Helsby and Mark Ridley's appointment to the Board as an additional Executive Director and Deputy Group Chief Executive Officer effective from 1 May 2018</li> <li>• Reviewed senior management succession plans</li> <li>• Considered long term incentive arrangements for the US, and introduced a new long term incentive plan (based on the models successfully implemented elsewhere in the Group) to incentivise and further motivate fee earners and to better align US fee earners and shareholders interests</li> <li>• Reviewed the composition of the Board and its Committees</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Reconfirmed the Group's strategy, in particular an in-depth review of Savills US future growth plans</li> <li>• Reviewed the Group's target delivery and achievement of goals</li> <li>• Evaluated the performance of acquisitions completed in 2016 against expectations, including GBR Phoenix Beard in the UK, and acquisitions made by Savills Studley in the US</li> <li>• Considered and approved significant acquisitions completed during the year, including the acquisitions of Aguirre Newman in Spain and Larry Smith in Italy</li> <li>• Reviewed the Group's Technology Strategy, including cyber strategy, and approved investments in two technology start-ups which are focussed on developing software which would enhance the Group's client offering</li> <li>• Considered and approved the Group's Going Concern and Viability Statements</li> </ul>
<b>Internal control and risk management</b>	<ul style="list-style-type: none"> <li>• Reviewed and confirmed the principal risks facing the Group which are described in detail in pages 25 to 29</li> <li>• Reviewed the Group's risk register and the effectiveness of the systems of internal control and risk management</li> <li>• Received updates on the risk and internal control environments within the Group's Asia Pacific, European and UK businesses and the Group's Tax &amp; Treasury functions</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Noted developments in legal and regulatory matters globally, and the revisions to the Group's established processes to reflect such developments, in particular the introduction of new anti-money laundering regulations across Europe and in China and the implementation of the UK regulations prohibiting the facilitation of tax evasion</li> <li>• Considered the output from the 2017 formal Board evaluation and effectiveness review and agreed improvement opportunities</li> </ul>
<b>Financial performance</b>	<ul style="list-style-type: none"> <li>• Considered the financial performance of the Group</li> <li>• Reviewed the half yearly and annual financial statements and approved the Annual Report</li> <li>• Considered the capital allocation, financing and funding of the Group</li> <li>• Considered and approved the 2017 interim and supplemental dividends, and recommended the final dividend to shareholders</li> </ul>

# Leadership continued

## Board of Directors



### Nicholas Ferguson CBE

Chairman of Savills plc and Chairman of the Nomination & Governance Committee

#### Appointment to the Board

Nicholas was appointed to the Board as a Non-Executive Director on 26 January 2016 and became Chairman in May 2016.

#### Background and relevant experience

Nicholas has held a number of leadership roles in the private equity and investment sectors. He was co-founder of Schroder Ventures (the private equity group which later became Permira) of which he served as Chairman from 1984 to 2001. He later served as Chairman of SVG Capital plc, a publicly quoted private equity group, from April 2005 to November 2012.

#### Other appointments

Nicholas was Chairman of Sky Plc from April 2012 to May 2016, having been appointed to the board as a Non-Executive Director in June 2004 and having previously served as Deputy Chairman and Senior Independent Non-Executive Director. Chairman of African Logistical Properties; and Chairman and founder of The Killinan Group, which provides mentoring by Chairmen and CEOs to heads of charities.

#### Committee Membership

Remuneration and Nomination & Governance Committees.



### Jeremy Helsby

Group Chief Executive

#### Appointment to the Board

Jeremy joined Savills in 1980 and was appointed to the Board in 1999.

#### Background and relevant experience

He was Chairman and Chief Executive Officer of Savills Commercial and Savills Europe for seven years until he was appointed as Group Chief Executive on 7 May 2008.

#### Other appointments

None

#### Committee Membership

Nomination & Governance Committee.



### Simon Shaw

Group Chief Financial Officer

#### Appointment to the Board

Simon joined Savills as Group Chief Financial Officer in March 2009.

#### Background and relevant experience

Simon is a Chartered Accountant. He was formerly Chief Financial Officer of Gyrus Group PLC, a position he held for five years until its sale to the Olympus Corporation. Simon was Chief Operating Officer of Profile Therapeutics plc for five years and also worked as a corporate financier, latterly at Hambros Bank Limited.

#### Other appointments

Non-Executive Chairman of Synairgen plc.

#### Committee Membership

None



### Charles McVeigh

Independent Non-Executive Director

#### Appointment to the Board

Charles was appointed to the Board as a Non-Executive Director on 1 August 2000.

#### Background and relevant experience

Formerly, he was Co-Chairman of Citigroup's European Investment Bank and served on the Boards of Witan Investment Company plc, Clearstream, the London Stock Exchange, LIFFE, British American Business Inc and was a member of both the Development Board and Advisory Council of the Prince's Trust, he was also a Non-Executive Director of Petropavlovsk plc until mid 2015. He was appointed by the Bank of England to serve on the City Capital Markets Committee and the Legal Risk Review Committee and was a member of the Fulbright Commission. Charles has recently become Chairman of Rubicon Fund Management, a successful London based hedge fund. He is Vice Chairman of the European Advisory Board as well as senior Advisor to the private bank of Citigroup.

#### Other appointments

A Senior Adviser at Citigroup, Charles is a Trustee of the Landmark Trust and the Natural History Museum Development Board, he is on the Board of the Countryside Alliance and is a former Board member of EFG-Hermes.

#### Committee Membership

None



**Tim Freshwater**

Independent Non-Executive Director  
Senior Independent Director

**Appointment to the Board**

Tim was appointed to the Board as a Non-Executive Director on 1 January 2012.

**Background and relevant experience**

Tim is Chairman of Goldman Sachs Asia Bank Limited and was formerly Chairman of Corporate Finance for Goldman Sachs (Asia). He was also Chairman of Grosvenor Asia Pacific Limited until 2013. Before joining Goldman Sachs, Tim worked at Jardine Fleming, becoming Group Chairman in 1999, and was a partner at Slaughter and May from 1975 to 1996.

**Other appointments**

Non-Executive Director of Swire Pacific Limited, Corney & Barrow Group Limited, Chelsfield Asia Limited (former name: Dymon Asia Real Estate Limited) and Hong Kong Exchanges and Clearing Limited.

**Committee Membership**

Audit, Remuneration and Nomination & Governance Committees.



**Liz Hewitt**

Independent Non-Executive Director and Chair of the Audit Committee

**Appointment to the Board**

Liz was appointed to the Board as a Non-Executive Director on 24 June 2014.

**Background and relevant experience**

Liz previously held senior executive roles at Smith & Nephew plc and 3i Group plc having spent her early career with Gartmore, CVC and 3i as a private equity investor. She qualified as a Chartered Accountant with Arthur Andersen.

**Other appointments**

Non-Executive Director of Melrose Industries PLC and Novo Nordisk A/S. External member of the House of Lords Commission.

**Committee Membership**

Audit, Remuneration and Nomination & Governance Committees.



**Rupert Robson**

Independent Non-Executive Director and Chair of the Remuneration Committee

**Appointment to the Board**

Rupert was appointed to the Board as a Non-Executive Director on 23 June 2015.

**Background and relevant experience**

Rupert has held a number of senior roles in financial institutions, most recently Chairman of Charles Taylor plc and Non-Executive Director of London Metal Exchange Holdings Limited, Tenet Group Limited and OJSC Nomos Bank. Prior to that he was Global Head, Financial Institutions Group, Corporate Investment Banking and Markets at HSBC and Head of European Insurance, Investment Banking at Citigroup Global Markets.

**Other appointments**

Chairman of TP ICAP plc, Sanne Group plc, EMF Capital Partners & Governor of Sherborne School.

**Committee Membership**

Audit, Remuneration and Nomination & Governance Committees.

# Leadership continued

## Group Executive Board

### Jeremy Helsby

Group Chief Executive  
(See Board of Directors on pages 44 and 45 for photograph and full biography).



### Chris Lee

Group Legal Director & Company Secretary

#### Appointment to the Group Executive Board

Chris joined Savills in June 2008 and was appointed to the Group Executive Board in August 2008. He has ultimate responsibility for legal, regulatory and compliance issues globally.

#### Background and relevant experience

He held equivalent roles with Alfred McAlpine plc, Courts plc and Scholl plc between 1997 and 2008, prior to which he was Deputy Group Secretary of Delta plc from 1990 to 1997.

### Mark Ridley

Chief Executive – Savills UK and Europe

#### Appointment to the Group Executive Board

Mark was appointed to the Group Executive Board when it was formed in February 2008.

#### Background and relevant experience

He became Chief Executive of Savills UK and Europe in October 2014, previously holding the position of Chief Executive for Savills UK following the merger of the Commercial and L&P businesses in January 2013. He previously served as Chairman and Chief Executive of Savills Commercial Limited from January 2008 and prior to this was Head of the Manchester office which he opened for Savills from the time he joined in July 1996.

### Simon Shaw

Group Chief Financial Officer  
(See Board of Directors on pages 44 and 45 for photograph and full biography).



### Raymond Lee

Chief Executive – Hong Kong, Macau and Greater China

#### Appointment to the Group Executive Board

Raymond was appointed to the Group Executive Board in January 2011.

#### Background and relevant experience

He joined Savills in 1989. In 2003, Raymond became the Managing Director in Hong Kong and Macau and in 2010 was appointed CEO of Greater China. Raymond is a Fellow member of the Hong Kong Institute of Directors and holds an honorary fellowship at the Quangxi Academy of Social Science. Raymond is also an Honorary Doctor of Management at Lincoln University and holds a Fellowship at the Asian College of Knowledge Management (ACKM). He became a fellow member of the Royal Institute of Chartered Surveyors (RICS) in 2016.

### Simon Hope

Global Head of Capital Markets

#### Appointment to the Group Executive Board

Simon was appointed to the Group Executive Board when it was formed in February 2008.

#### Background and relevant experience

He joined Savills in September 1986 and he is Head of our Global Capital Markets business. He is also a member of the Board of the Charities Property Fund, Chairman of Tilstone LLP and co-founder and non-executive of the Warehouse REIT.



### Justin O'Connor

Chief Executive Officer – Savills Investment Management

#### Appointment to the Group Executive Board

Justin was appointed to the Group Executive Board in September 2010.

#### Background and relevant experience

He joined Savills Investment Management in January 2004 as Head of Business Development. He was subsequently appointed Chief Executive in January 2006. Justin previously held a number of senior positions at Henderson Global Investors, Lend Lease and the AMP Society.

### Mitch Steir

(alternate member with Michael Colacino)  
Chairman & CEO – Savills Studley

#### Appointment to the Group Executive Board

Mitch was appointed to the Group Executive Board when Studley, Inc. joined Savills in May 2014.

#### Background and relevant experience

He joined Studley, Inc. in 1988 after beginning his commercial real estate career at Huberth & Peters in New York.

#### Other appointments

Mitch serves on the Boards of The Museum of the City of New York, the Film Society of Lincoln Center, The Realty Foundation of New York, The Avenue of Americas Association, The Mount Sinai Hospital Surgery advisory board and the Citizens Budget Commission.

### Michael Colacino

(alternate member with Mitch Steir)  
President – Savills Studley

#### Appointment to the Group Executive Board

Michael was appointed to the Group Executive Board when Studley, Inc. joined Savills in May 2014.

#### Background and relevant experience

He joined Studley, Inc. in October 1991 and became president in 2002.

#### Other appointments

Michael serves on the Real Estate Board of New York's Board of Governors and the Advisory Board of the Zell-Lurie Real Estate Center at Wharton and is on the Harvard Alumni Real Estate Board.

### Christian Mancini

Chief Executive Officer – Asia Pacific (ex Greater China)

#### Appointment to the Group Executive Board

Christian was appointed to the Group Executive Board on 1 July 2016.

#### Background and relevant experience

Christian was made CEO of Savills Japan in 2007 and appointed CEO of Savills Northeast Asia in 2012.

#### Other appointments

Christian also serves as non-executive director in Savills Asset Advisory, the wholly-owned asset management subsidiary of Savills Japan Co, Ltd created in May 2012



# Effectiveness



## Nomination & Governance Committee Report

The Nomination & Governance Committee (“Committee”) has an important role to play in ensuring that the Board and its principal Committees have the right mix of skills, experience and diversity to deliver Group strategy and to create value. The Committee keeps under review and evaluates the composition of the Board and its Committees to maintain the appropriate balance of skills, knowledge and independence to be able to function effectively.

Committee Members	Key Objectives	Key responsibilities
<ul style="list-style-type: none"> <li>Nicholas Ferguson (Chair*)</li> <li>Tim Freshwater</li> <li>Liz Hewitt</li> <li>Rupert Robson</li> <li>Jeremy Helsby (Executive Director)</li> </ul> <p>* save in circumstances where the Chairman's succession is considered</p>	<p>The primary objectives of the Committee are</p> <ul style="list-style-type: none"> <li>to review the size and composition of the Board and its key Committees and to plan for the Board's progressive refreshing, with regard to balance and structure.</li> <li>to monitor of the Company's compliance with applicable codes and other requirements of Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>responsible for size, structure and composition of the Board</li> <li>reviewing and progressing appointments to the Board</li> <li>responsible for succession planning to ensure that the Board is refreshed progressively such that the balance of skills and experience available to the Board remains appropriate to the needs of the business</li> <li>makes recommendations to the Board on the membership of the principal Committees of the Board.</li> <li>to keep under review the Company's compliance with applicable Codes and other requirements of Corporate Governance</li> </ul> <p>More detailed information on the role and responsibilities of the Committee can be found in the Committee's Terms of Reference which can be accessed on the Company's website at <a href="http://www.savills.com">www.savills.com</a>.</p>

### Committee meetings

The Committee met three times during 2017 and each meeting had full attendance. Members of the Committee also attend the Company's AGM at which there is an opportunity to meet with Shareholders. Any other Director, the Group Legal Director & Company Secretary or an external advisor may be invited by the Committee to attend the meetings from time to time, as appropriate.

### Committee Terms of Reference

During the year the remit of the Committee was extended to include the monitoring of the Company's compliance with applicable Codes and other requirements of Corporate Governance and the Committee was renamed the Nomination & Governance Committee. The revised Terms of Reference for the Committee to this effect were submitted to the Board for formal approval and adopted on 15 June 2017.

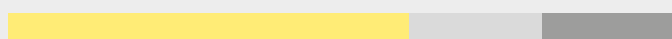
### Board composition and balance

#### Balance of Non-Executive Directors and Executive Directors



- Non-Executive Chairman – 1
- Non-Executive Directors – 4
- Executive Directors – 2

#### Length of tenure of Non-Executive Directors



- 0–4 years – 3
- 5–9 years – 1
- 10+ years – 1

At all times during the year at least half of the Board members, excluding the Chairman, were Independent Non-Executive Directors.

### Chairman and Chief Executive

The roles of Chairman and Group Chief Executive are distinct and separate and their roles and responsibilities are clearly established. The Chairman leads the Board and has particular responsibility for the effectiveness of the Group's governance. In promoting a culture of openness he ensures the effective engagement and contribution of all Executive and Non-Executive Directors. To help ensure a

proper dialogue with all Directors, the Chairman meets periodically with the Directors individually and the Non-Executive Directors as a group (and without the Executive Directors). The Group Chief Executive has responsibility for all Group businesses and acts in accordance with the authority delegated by the Board. There are a number of areas where the Board has delegated specific responsibility to management, including responsibility for the operational management of the Group's businesses as well as reviewing strategic issues and risk matters in advance of these being considered by the Board and/or its Committees. The Board considers that throughout the year the Company was in full compliance with the Code.

### Assessment of the Independence of Non-Executive Directors

The Chairman is committed to ensuring the Board comprises a majority of Independent Non-Executive Directors who objectively challenge management, balanced against the need to ensure continuity in the Board. On an annual basis, the Board reviews the independence of its Non-Executive Directors, particularly those with long service. The Non-Executive Directors are responsible for bringing independent and objective judgement and scrutiny to matters before the Board and its Committees. The Board considers that all of the Non-Executive Directors bring considerable expertise, strong independent oversight and continue to and are Independent Non-Executive Directors, being independent of management and having no business or other relationship which could interfere materially with the exercise of their judgement. In particular, notwithstanding his long service on the Board, the Board continues to consider that Charles McVeigh remains entirely independent in character and judgement. His experience provides valuable insight, knowledge and continuity. The Board recognises the benefit of progressively refreshing its membership and therefore is commencing the search for a Non-Executive Director in 2018.

### Time commitment and conflicts

The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during the year to enable them to fulfil their duties as Directors of the Company.

## Effectiveness continued

The Companies Act 2006 places a duty on each Director to avoid a situation in which he or she has or can have a direct or indirect interest which conflicts or may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised by the other Directors in accordance with the Articles. The Board has adopted a set of guiding principles on managing conflicts and approved a process for identifying current and future actual and potential conflicts of interest. The Nomination & Governance Committee review authorised conflicts at least annually or if and when a new potential conflict situation was identified or a potential conflict situation materialised. During 2017, actual and potential conflicts of interest that were identified by each Director were subsequently authorised by the Nomination & Governance Committee, subject to appropriate conditions in accordance with the guiding principles. Procedures adopted to deal with conflicts of interest continue to operate effectively and the Board's authorisation powers continue to be exercised properly in accordance with the Company's Articles of Association.

### Committee activities during the year

The Committee has standing items that it considers regularly under its Terms of Reference; for example, the Committee considered and approved Directors' potential conflicts of interest and reviewed its own Terms of Reference (which are reviewed at least annually or as required, eg to reflect changes to the Code or as a result of changes in regulations or best practice).

### Group Chief Executive Succession

On 16 January 2018 we announced that, after 11 years in the role, Jeremy Helsby would retire as Group Chief Executive Officer at the end of the 2018 financial year. During the 2017 financial year the Board, through the Committee, commenced the process to identify and appoint a new Group Chief Executive Officer who would succeed Jeremy Helsby effective 1 January 2019. The process, which included evaluation of the merits of selecting an external candidate, was undertaken by the Committee and led by the Chairman. The Committee undertook a series of reviews to scope out the key skills, experience, characteristics and requirements for the role. The Committee agreed that, taking into account all relevant available information, Mark Ridley, currently Chief Executive of Savills UK and Europe, was the strongest candidate. A meeting of the Committee formally considered Mark Ridley's suitability for the role. The Committee noted his considerable existing knowledge of the Group (as a member of the

Group Executive Board since its establishment in 2008) and its business and his proven track record as Chief Executive of Savills UK (since 2008) & Europe (since 2013). The Committee unanimously concluded that it should recommend that Mark Ridley be offered the role of Group Chief Executive Officer with effect from 1 January 2019, and that he should join the Board as an additional Executive Director and Deputy Group Chief Executive Officer effective from 1 May 2018. Further details on Mark Ridley's skills and experience is set out on page 46.

In addition, and specifically during the year, the Committee:

- reviewed the Group's senior level succession plans to ensure that these remained appropriate;
- reviewed and approved the succession plan for senior management in the UK businesses to be implemented on Mark Ridley's appointment to the Board as Deputy Group Chief Executive;
- considered Board succession planning including the tenure, mix and diversity of skills and experience of the existing Board Members in the context of the Group's strategy;
- considered the proposed reappointment of the Non-Executive Directors, before making a recommendation to the Board that each Non-Executive be proposed to shareholders for re-election at the 2018 AGM; and
- considered and authorised the Directors' actual and potential conflict of interests.

In consultation with the Chairmen of the Board Committees, the Nomination & Governance Committee will continue to monitor the needs of the Board and its Committees in the context of the delivery of the Group's strategy, with the aim of ensuring that the Group's succession planning policy evolves such that there is an identifiable supply of talent and experience available to the Board and its Committees from which to select successors.

### Board composition, succession planning and diversity

Board succession is a key topic at Committee meetings and we recognise the importance of planning for the future and of having succession plans in place which introduce new skills and perspectives to the Board and which complement the experience of the existing Board members. The Committee continues to keep the Board's composition under review and considers how that composition might be enhanced to ensure

that the Board continues to best meet the needs of the Company and its Shareholders. The biographies of the Board members appear on pages 44 and 45.

The Committee has sought to maintain a balance of skills and experience on the Board and its Committees. The Company adopts a formal, rigorous and transparent procedure for the appointment of new Directors and key senior executives and we continue to recruit based on merit with consideration given to diversity in its widest sense. Before making an appointment, the Committee assesses the balance of skills, knowledge, independence, experience and diversity of the Board and, in view of this assessment, will draw up a description of the role and competencies needed, with a view to appointing the best-placed individual for the role. In making a recommendation to the Board on a Non-Executive Director appointment, the Nomination & Governance Committee specifically considers the expected time commitment of the proposed Non-Executive Director and other commitments they may already have. The Company uses recruitment consultants to assist the Committee in delivering its objectives and responsibilities and the search firms are required to present a mix of suitable male and female candidates. No Director is involved in decisions regarding his or her own succession.

The Committee is aware that the number of women on Boards remains a topic for debate for companies and regulators. We fully agree with the spirit and aspirations of the Davies Report to increase the number of women on company Boards. All appointments to the Board are made on merit and within this context, whilst having regard to the recommendations of the Davies Report, the Board continues to view diversity in the widest sense, with a view to appointing the best-placed individual for the role. Appointing the best people to the Board is critical to the success of the Company and our focus remains on attracting the right talent and skills irrespective of gender or diversity.

We have noted the recommendation in the Hampton Alexander Review published in 2016 that a target of 33% female Board representation be achieved by FTSE 350 companies by 2020, and also the recommendations of the Parker Review Committee published in October 2017 relating to ethnic diversity on Boards.

In relation to the Non-Executive Directors, in 2018 we will commence the search for a further Non-Executive Director. In this search the Board is conscious of its objective of further strengthening diversity at Board level.

### Committee Effectiveness

I am pleased to report that the recent Board performance evaluation concluded that the Nomination & Governance Committee continues to operate effectively.

### Governance

The Committee reviewed the Company's compliance with the Code and was satisfied that the Company complied with the Code. The Committee would continue to receive updates on corporate governance developments and consider the impact of those developments on the Company

### Nicholas Ferguson CBE

Chairman of the Nomination & Governance Committee

14 March 2018

Board effectiveness review	This year's process
<p>The Board recognises that it continually needs to monitor and improve its performance. In line with the effective governance requirements of the Code, the Board reviews its own performance and that of the Directors and of its Committees annually.</p>	<p>An externally facilitated Board evaluation was carried out in 2016 facilitated by Alice Perkins of JCA. This year's annual review was facilitated by the Group Legal Director &amp; Company Secretary.</p> <p>In relation to the 2017 evaluation, each Director and the Group Legal Director &amp; Company Secretary completed a questionnaire and the Chairman collated and presented the responses of the evaluation for consideration by the Board.</p>
Conclusions from the 2017 review	Areas of focus for 2018
<p>The conclusion from this year's evaluation was that the Board and its Committees continued to operate to a high standard and continued to provide effective leadership and exert the required levels of governance and control.</p> <p>The review had reconfirmed the need to ensure that effective succession plans were in place at Board, Group Executive Board and Business Executive Committee level. This will be a key focus in 2018.</p>	<p>To ensure that the Board and Nomination &amp; Governance Committee have good visibility over the business leaders at Business Executive Committee level, the Board will meet with senior management at business level more regularly;</p> <p>To ensure that the Board maintains a good understanding of investor views, the Board will undertake formal six monthly reviews, facilitated by the Company's brokers, of the investor feedback after the Full and Half Year Results and the AGM. The Chairman and Senior Independent Director to continue to offer themselves to investors to receive feedback in relation to performance or governance issues following the publication of the Group's full year results and notice being given convening the AGM, in addition to being available as necessary to investors if concerns could not be addressed to the Executive Directors;</p> <p>The Board to continue to review its procedures, effectiveness and development and to seek to improve and evolve its standards of performance.</p>

As a result of the evaluation, the Board considers the performance of each Director to be effective and concluded that both the Board and its Committees continue to provide effective leadership and exert the required levels of governance and control. Shareholders would therefore be recommended to re-elect Board Members at the AGM in May.

### Board Development

To ensure a full understanding of Savills and its businesses, following their appointment to the Board, each Director undergoes a comprehensive and tailored induction programme which introduces the Director to the Group's businesses, its operations, strategic plans and key risks. New Directors are also provided with information on relevant share dealing policies, Directors' duties, Company policies and governance. The induction also includes one to one briefings from the Heads of the Principal Businesses and an introduction to each Group business's development strategy.

The Group Legal Director & Company Secretary, whose appointment is a matter reserved for the Board, is responsible for advising and supporting the Chairman and the Board on company law and corporate governance matters and for ensuring that Board procedures are followed, as well as ensuring that there is a smooth flow of information to enable effective decision making. The Group Legal Director & Company Secretary is further responsible for ensuring that the Directors receive regular updates on developments in legal and regulatory matters. All the Directors have access to the advice and services of the Group Legal Director & Company Secretary and through him have access, if required, to independent professional advice in respect of their duties at the Company's expense.

# Accountability

## Internal control and risk management

The principal risks and uncertainties faced by the Group and the associated mitigating actions for these are set out on pages 25 to 29.

The Board has overall responsibility for the Group's systems of risk management and internal control across the Group and for reviewing their effectiveness. This responsibility includes the determination of the nature and extent of the principal risks the Board is willing to take to achieve its strategic objectives and for ensuring that an appropriate culture has been embedded throughout the organisation. Risk management is implemented from the top down. The Board is supported by the Audit Committee in discharging its oversight duties with regard to internal control and risk management.

Whilst the Board is responsible for ensuring that an appropriate culture has been embedded throughout the organisation and establishing and maintaining the Group's system of risk management and internal control to safeguard Shareholders' investments and the Group's assets (and for reviewing the effectiveness of this system), such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has established an ongoing process for identifying, evaluating and managing the Group's principal risks. The Board's attitude and appetite to risk is communicated to the Group's businesses through the strategy planning processes. The Audit Committee monitors the ongoing status and progress of action plans against key risks on a regular basis and reports its findings to the Board.

## Going concern

The Group's business activities, together with the factors considered likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 35. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on page 23. In addition, Note 3 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources, including a £300m committed revolving credit facility (augmented by a £60m 'accordion' option which can be activated to increase the facility to £360m) that extends to December 2020. The Group has a broad geographic presence, service offering and extensive client spread ensuring that the Group is not over-dependent on one geography, service line or client. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern for at least 12 months from the date of this Report. Accordingly, they continue to adopt the going concern basis in preparing the Report and Accounts.

## Dialogue with Shareholders

In accordance with the Code, the Board recognises the importance of communication with its Shareholders and fully supports the principles encouraging dialogue between companies and their Shareholders in the Code. The Group Chief Executive and Group Chief Financial Officer have primary responsibility for investor relations and lead a regular programme of meetings and presentations with analysts and investors. This includes presentations following the publication of the Company's full and half year results. This programme maintains a continuous two-way dialogue between the Company and Shareholders, and helps to ensure that the Board is aware of Shareholders' views on a timely basis. The full Board is kept informed of any issues raised at these meetings and the views of Shareholders on a regular basis to ensure that they understand the views of Shareholders. The Board also normally receives feedback twice each year from its corporate brokers on investors' and the market's perceptions of the Company. The Chairman and the Senior Independent Director are also available to meet Shareholders if so required. The Company has enjoyed and is appreciative of the significant Shareholder support that it has had in recent years in relation to the Group's Remuneration Policy and continues to welcome Shareholder views with regard to the Group's Remuneration Policy.

The AGM provides the Board with a valuable opportunity to communicate with private Shareholders and is generally attended by all of the Directors. Shareholders are given the opportunity to ask questions before and during the meeting and to meet Directors following the conclusion of the formal part of the meeting. In accordance with the Code, the level and manner of voting of proxies lodged on each resolution at the AGM is declared at the meeting and published on the Company's website. The notice of the AGM is sent out at least 20 working days before the meeting and at least 14 working days notice is given before other general meetings in accordance with the Code.

Details of the resolutions to be proposed at the 2018 AGM in May can be found in the AGM Notice which accompanies this Report and Accounts.

In accordance with the Articles of Association, electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a general meeting.

The Group's website includes a specific investor relations section containing all RNS announcements, share price information and annual reports available for download. The Company has taken advantage of the provisions within the Companies Act 2006 which allow communications with Shareholders to be made electronically where Shareholders have not requested hard copy documentation. Details of the information available to Shareholders can be found on page 153.

# Audit Committee Report



As Chair of the Audit Committee (the “Committee”), I am pleased to present the Audit Committee’s report for the financial year ended 31 December 2017. The aim of this report is to explain the work undertaken by the Committee during the year and how it has met the disclosure requirements as set out in the 2016 Corporate Governance Code (the ‘Code’) and what it has done to address continued regulatory change. The key matters considered in the year are set out on pages 53 and 54. The report provides an overview of the significant issues that the Audit Committee assessed and details the Committee’s major considerations and activities during the 2017 financial year in ensuring that the Company’s governance processes remain appropriate, robust, of a high standard and are rigorously applied.

The Committee has a key role in ensuring the integrity of the Group’s financial statements, internal controls and the effectiveness of its risk management processes. The Committee also has a role in representing the interests of Shareholders by monitoring the activities and conduct of management and the auditors.

During the year, the Committee focused on the effectiveness of the Group’s internal controls and reviewed the principal risks, to ensure the alignment of these with the Company’s strategic objectives. It monitored the effectiveness of the control environment through the review of reports from Internal Audit, management and the External Auditor and ensured the quality of the Company’s financial reporting by reviewing the 2016 Report and Accounts and the 2017 Half Year Financial Statements. The Audit Committee also reviewed the Company’s 2017 Annual Report. The Committee also considered the processes supporting the assessment of the

Group’s longer-term solvency and liquidity in support of the viability statement. Looking ahead, the Committee will continue to monitor changes in regulation and continue to focus on the audit, assurance and risk processes within the Principal Businesses. The Committee considered its compliance with the Code and the FRC Guidance on Audit Committees. The Committee believes that it has addressed both the spirit and the requirements of both.

The members of the Committee need to have the right balance of skills and experience to deliver its responsibilities. During the year, the Board carried out an internally facilitated evaluation of its performance and that of its Committees. The Board is satisfied that the Committee members possess relevant experience and appropriate levels of independence and that its members have the depth of financial and commercial experience across various industries which is essential for the effective working of the Committee.

At the request of the Board, the Committee has reviewed the content of this year’s Annual Report and Accounts and has advised the Board that, in its opinion, the Report taken as a whole is fair, balanced and understandable and it provides the information necessary for Shareholders to assess the Group’s position, performance, business model and strategy.

The Committee noted the unqualified opinion from the External Auditor on the 2017 Annual Report.

## **Liz Hewitt**

Chair of the Audit Committee

# Audit Committee Report continued

## Role of the Committee

The Committee is authorised to investigate any matter within its Terms of Reference (a copy of which can be found in the governance section of the Company's website at [www.savills.com/en/company-information/corporate-governance.aspx](http://www.savills.com/en/company-information/corporate-governance.aspx)). The Terms of Reference were reviewed and updated in June 2017. The Committee has access to the services of the Group Legal Director & Company Secretary and, where necessary, the authority to obtain external legal or other independent professional advice to fulfil its duties.

The Committee's key role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control, the effectiveness of the risk management process and in making recommendations to the Board on the appointment of the External Auditor. The Committee is responsible for the scope and results of the External Audit work, its cost effectiveness and for ensuring the independence and objectivity of the External Auditor. The Committee is also responsible for reviewing the Group's whistle-blowing arrangements as they relate to matters of financial integrity, including ensuring that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of alleged financial improprieties and for ensuring that appropriate follow-up actions are taken.

## Composition

The Committee is a fundamental element of the Company's governance framework. The Committee is chaired by Liz Hewitt. Three Independent Non-Executive Directors, Liz Hewitt, Tim Freshwater and Rupert Robson are members of the Committee. Members of the Committee are appointed by the Board following recommendations by the Nomination & Governance Committee and membership is reviewed annually by the Nomination & Governance Committee as part of the annual Board performance evaluation. There were no changes to the membership of the Committee during the 2017 financial year. As at 31 December 2017 and up to the date of this Report, the Committee comprised entirely Independent Non-Executive Directors. The Committee members collectively have a broad range of financial and commercial experiences that enables them to provide oversight of both financial and risk matters, and to advise the Board accordingly. The Board considers that Liz Hewitt, as Chair of the Committee, possesses recent and relevant financial experience and that all Committee members have relevant financial experience as required by the Code. Biographical details of the Committee members are shown on pages 44 and 45.

The Company provides an induction programme for new Committee members which includes an overview of the business,

its financial dynamics and risks, and meetings with senior management. Committee members are expected to have an understanding of the principles of, and recent developments in, financial reporting and internal controls, risk management, and Internal and external audit roles and responsibilities.

## Engagement

The Chair of the Committee meets informally, and is in regular contact with the Group Chief Financial Officer, Group Director of Risk Assurance and the Group Legal Director & Company Secretary and prior to each Committee meeting, meets with each of them and the External Auditor individually.

In addition to its members, a standing invitation has been extended by the Committee to the Non-Executive Chairman and Group Chief Executive Officer to attend the Committee's meetings. The Group Chief Financial Officer, Group Financial Controller, Group Director of Risk & Assurance, Group Legal Director & Company Secretary and the External Auditor attend each of the Committee's meetings. Other senior executives from across the Group are invited to present reports to assist the Audit Committee in discharging its duties. At least once a year, the Committee meets with the External Auditor and the Group Director of Risk & Assurance without management being present.

The Chair of the Committee also attends the AGM to respond to shareholder questions on its activities.

The Committee met four times during the year and reports to the Board after each Committee meeting. Attendance at meetings during 2017 is shown in the table below:

Committee member	Member since	Meetings attended	Meetings eligible to attend	% of eligible meetings attended
Liz Hewitt	June 2014	4	4	100%
Tim Freshwater	January 2012	4	4	100%
Rupert Robson	June 2015	4	4	100%

During the year, in addition to its established review processes, the Committee considered and reviewed a number of other areas. These included updates on the risk and internal control environments within the Group's Asia Pacific, European and UK businesses as well as the effectiveness of the Tax & Treasury functions. In addition, with the increasing pace of technological change, the Committee considered and reviewed the Group's IT strategy, complementing the Board's review of the Group's Technology Strategy, with particular

focus on cyber security. The Committee specifically considered the processes and assessment of the Group's prospects and viability made by management to support the viability statement which can be found at page 29. The Committee's review included consideration of the time period adopted, the processes supporting the assessment of the Group's longer-term solvency and liquidity which support the viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks might

have an impact on the Group's longer-term solvency and liquidity. It also reviewed the results of management's scenario modelling, including severe downside modelling, and the stress testing of those financial models supporting the viability analysis and challenged management as to the appropriateness of the assumptions made.

## Activities of the Committee

To enable the Committee to carry out its duties and responsibilities effectively it works to a structured programme of activities and meetings aligned with the annual financial reporting cycle. This includes items that the Committee considers regularly in accordance with its Terms of Reference. In addition to its core work, the Committee undertakes additional work in response to the evolving audit and external reporting landscape.

The Committee relies on information and support from management across the business, receiving reports and presentations from business management, the Heads of Key Group functions, Internal Audit and the External Auditor, which it challenges as appropriate. Following each meeting, the Committee Chair reports on the main discussion points and any actions arising from these to the Board.

Responsibilities	How the Committee discharged its responsibilities	Mar	June	Aug	Dec
Financial Reporting	Reviewed and discussed the key accounting considerations and judgements reflected in the Group's results for the half year			X	
	Reviewed and discussed the key accounting considerations and judgements reflected in the Group's results	X			
	Reviewed going concern status and considered whether any asset impairments were required	X		X	
	Reviewed the viability statement and considered the processes supporting the assessment of the longer-term solvency and liquidity	X			X
External Audit	Agreed the external audit strategy and scope				X
	Considered and, where appropriate, approved the instruction of the Group's External Auditor on non-audit assignments	X			
	Reviewed and considered the External Auditor Report, including the External Auditor observations on the Group's internal control environment	X		X	
	Discussed the External Auditor performance				X
	Met with the External Auditor without management present to discuss their remit and any concerns	X		X	
	Discussed and agreed the External Auditor remuneration in respect of audit services provided				X
	Assessed the External Auditors' independence and recommended their reappointment to the Board				X
Compliance, Whistleblowing and Fraud	Reviewed the Group's arrangements by which staff can, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee also considers any reports made under these arrangements				X
Internal Audit	Considered and approved the remit of the Internal Audit function and the Internal Audit plan				X
	Received and considered reports from the Group's Internal Audit team covering various aspects of the Group's operations, controls and processes and monitored the progress made by management in addressing recommendations arising out of these reports		X		X
	Monitored and reviewed the effectiveness of the Group's Internal Audit function in the context of the Group's overall risk management arrangements				X
	Met with the Group Director of Risk & Assurance privately to discuss his remit and any concerns				X
Internal Controls and Risk Management Systems	Reviewed the effectiveness of the Group's risk management system and internal controls in place to manage the Group's principal risks				X
	Reviewed and considered the Group's risk register		X		X
	Reviewed risk management arrangements for the Group's regional businesses by receiving presentations from the Chief Operating/ Financial Officers of the Principal Businesses		X		X
	Reviewed the Committee's own performance, composition and Terms of Reference, and recommended any changes the Committee considers necessary for Board approval	X			

## Accountability continued

During the year the Financial Reporting Council's Corporate Reporting Review Team ('CRRT') carried out a review of the Company's Annual Report for the year ended 31 December 2016. The response by the Company to the request for information was discussed with the Chair of the Audit Committee prior to responding to the CRRT. Details of the enquiry raised by the CRRT and the Company's response thereto were also considered by the Committee. The CRRT have closed their enquiries with no requirements to restate any disclosures. Undertakings were given to enhance certain disclosures in the future in response to the CRRT review. The Committee was satisfied that the enhancements proposed and agreed with the CRRT have been appropriately incorporated in the Company's Annual Report for the year ended 31 December 2017.

As part of its monitoring of the integrity of the financial statements, the Committee considers the appropriateness of the accounting policies proposed for adoption and whether management has made appropriate estimates and judgements. To support its decision-making, the Committee seeks support from the External Auditor in these areas. The key reporting judgements considered by the Committee and discussed with the External Auditor during the year were:

Matter considered	Action
Impairment of goodwill	The Committee received reports from management on the carrying value of the Group's businesses, including goodwill. The Committee reviewed management's recommendations, which were also considered by the External Auditor. After review, the Committee was satisfied with the assumptions and judgements applied by management and, with the support of the External Auditor, concluded that, other than the impairment charge of £2.3m recognised against Sweden, no further impairment of carrying values was required.
Aguirre Newman acquisition	The Committee considered the accounting treatment of the acquisition of Aguirre Newman by the Group on 29 December 2017 for a total acquisition consideration provisionally 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 executive Shareholders remaining actively engaged in the business over a period of up to five years. With respect to management's fair value exercise (which is provisional at 31 December 2017), following review, the Committee was satisfied with the recognition of the £3.4m of separate intangible assets.
Provisions for litigation	The Committee reviewed the provisions held in relation to significant legal matters and assessed the appropriateness of these as at 31 December 2017 taking into account the Group's insurance cover and the advice received from external counsel to ensure that appropriate provision had been made. The Committee agreed with the position taken by management in respect of these matters.
Debtor recoverability	The Committee considered the recoverability of trader receivables and was satisfied that there were no issues arising
Compliance with regulatory requirements	During the year the Committee reviewed the Group's policies and procedures around regulatory risks including but not limited to: Whistleblowing reports; and Anti-bribery and corruption.  After review, the Committee was satisfied that no material regulatory fines or penalties had been incurred and that no significant issues had been identified in this area.

### Internal Audit

During 2017, Internal Audit services were delivered by the Group's Director of Internal Audit with support in delivery by EY. The Board's responsibility for internal control and risk is detailed on page 43 and is incorporated into this Report by reference.

The Committee approved the annual Group audit plan, and received progress against that plan during the year. The Committee ensured that Internal Audit was appropriately resourced with the skills and experience relevant to the operations of the Group and that information was made available to it to enable it to fulfil its mandate to the appropriate professional standards.

The Committee reviewed Internal Audit reports on a regular basis and the Group Director of Risk & Assurance attended meetings and presented to the Committee.

The Committee monitors the status of internal audit recommendations and management's responsiveness to their implementation and challenge both Internal Audit and management where appropriate to provide assurance that the control environment is robust and effective. In assessing the performance of Internal Audit, the Committee considered and monitored its effectiveness in the context of the Company's risk management system and took into account management's assessment of and responsiveness to the Internal Auditor's findings and recommendations and reports from the External Auditor on any issues identified during the course of their work.

### Internal Control and Risk Management

The Committee, on behalf of the Board, undertook a robust review of the effectiveness of the system of risk management and internal control.

In performing its review of effectiveness, the Committee reviewed and assessed the following reports and activities:

- Internal Audit reports on the review of the controls across the Group and its monitoring of management actions arising from these reviews;
- management's own assessment of risk and the performance of the system of risk management and internal control during 2017;
- reports from the Group Director of Risk & Assurance including reports on Group-wide risk assessment activity and annual self-assessment findings; and
- reports from the External Auditor on any issues identified during the course of their work.

The Committee and the Board considered that the information received was sufficient to enable a review of the effectiveness of the Group's internal controls in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.



## External Audit

The Committee has primary responsibility for overseeing the relationship with the External Auditor, including assessing the External Auditor's performance, independence and effectiveness, recommending the appointment, reappointment or removal of the External Auditor, and negotiating and agreeing the external audit fees. The Committee holds private meetings with the External Auditor at the March and August Committee meetings to provide additional opportunity for open dialogue and feedback to/from the Committee and the External Auditor without management being present. The Committee chair also meets with the external lead audit partner outside the formal Committee process throughout the year.

The Committee monitored the performance of the External Auditor during the year and carried out a review of the effectiveness of the External Audit process and considered the reappointment of PricewaterhouseCoopers LLP ('PwC') and the appropriateness of its fees. The review covers a broad range of matters including amongst other matters, the quality of staff, its expertise, resources and the independence of the audit. The Committee considered the External Audit plan for the year and assessed how the External Auditor had performed. In deciding whether to recommend the reappointment of PwC, the Committee considered the robustness of their challenge and findings on areas which require judgement, the strength and depth of the lead partners and feedback from the Group's management.

The Committee formally concluded the assessment of the performance of the External Auditor at the December Committee meeting and made a corresponding recommendation on the appointment of PwC for the forthcoming financial year to the Board. Shareholders formally appoint the External Auditor at the AGM in May. There were no significant findings arising from the evaluation this year and the Committee concluded that both the audit and the audit process were effective. The Committee considered the appropriateness of the reappointment of PwC as the Group's External Auditor and it was satisfied that it should recommend to the Board their reappointment as the Group's External Auditor.

In light of the assessment and review undertaken during the year, the Board endorsed the Committee's recommendation

that PwC be re-appointed as the External Auditor for a further year and that their re-appointment would be put to the shareholders at the 2018 AGM.

PwC has been the Company's Auditor since 2001, following a tender for the External Audit. The senior partner responsible is rotated every five years to ensure objectivity and the last lead partner change took place at the close of the 2015 audit. The Committee continues to review the auditor appointment and the need to tender the audit, ensuring compliance with the Code. The Committee has considered the timing of a potential External Audit tender timetable and processes and concluded that the tender process should take place at the end of the next lead audit partner term in 2020. The Committee is satisfied that the proposed retender of audit services in 2020 was in the best interests of the shareholders of the Company.

An important aspect of managing the External Auditor relationship, and of the annual effectiveness review, is ensuring that there are adequate safeguards to protect auditor objectivity and independence. In conducting its annual assessment, the Committee reviews the External Auditor's own policies and procedures for safeguarding its objectivity and independence. The Committee's assessment of PwC's independence is underpinned by the Group's policy on the use of PwC for the provision of non-audit services. In accordance with the Group's policy in place to 31 December 2017, the following non-audit services were not provided by the External Auditor:

- bookkeeping or other services related to the accounting records or financial statements;
- taxation services (except for de minimis amounts, outside of Europe and outside the scope of the Group audit);
- financial information systems design and implementation;
- Internal Audit outsourcing services;
- management functions or human resources advice; or
- advising on senior executive (including Executive Director) remuneration.

To further safeguard the independence of the Company's External Auditor and the integrity of the audit process, recruitment of senior employees from the External Auditor is not allowed for an appropriate period after they cease to provide services to the Company.

During the year, PwC was paid £1.8m for audit services and £0.8m for non-audit services, principally for advice on transaction-related matters. Details of the fees paid to the External Auditor can be found in Note 72 on page 108. During the financial year ending 31 December 2017, contracts for non-audit services in excess of £0.1m require Committee approval and the Chair of the Audit Committee is notified of new instructions for the delivery of non-audit services below this level.

The Committee was satisfied that in view of their knowledge and experience of the Company, that when PwC was used, it was best placed to provide such non-audit services and that their objectivity and independence had not been impaired by reason of this further work. In line with the Company's policy for the financial year ending 31 December 2017 on the provision of non-audit work, the Committee reviewed the provision of non-audit work provided by the External Auditor on a case-by-case basis. The Committee was satisfied that the overall levels of audit related and non-audit fees were not material relative to the income of the External Auditor firm as a whole.

The restrictions (FRC's Revised Ethical Standard for Auditors June 2016) on the supply of non-audit services that the External Auditor can provide, including the cap on the amount of non-audit fees that can be billed and a list of prohibited services, were effective for the Group from 1 January 2017. As a result the Group's policy on using the External Auditor for non-audit engagements was reviewed in 2016 and subsequently amended to reflect these additional restrictions. As part of the Group's monitoring system, all non-audit instructions with the External Auditor must be approved by either the Group Chief Financial Officer or the Group Financial Controller and management must seek approval from the Committee for all non-audit contracts in excess of £0.1m. The Group's policy also requires that non-audit fees must not exceed 70% of the average External Audit fees billed over the previous three years.

The Directors confirm that, insofar as they are each aware, there is no relevant audit information of which PwC is unaware and each Director has taken the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that PwC is aware of that information.

# Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2016 (the “Code”) is the standard against which we measured ourselves in 2017 and the Board fully supports the principles set out in the Code. The Main Principles have been applied as follows:

## A. Leadership

### A1 The Board’s Role

The Board met formally eight times during the year with specific focus on strategy, performance, leadership and risk, governance and finance. There is a schedule of matters reserved for the Board.

### A2 Clear Division of Responsibilities

The roles of the Chairman and Group Chief Executive are clearly defined. The Chairman, Nicholas Ferguson, is responsible for the leadership and effectiveness of the Board, and the Group Chief Executive, Jeremy Helsby is responsible for leading the day-to-day management of the Group within the strategy set by the Board.

### A3 Role of the Chairman

The Chairman sets the Board’s agenda, manages the meeting timetable (in conjunction with the Group Legal Director & Company Secretary) and promotes a culture of open and constructive dialogue during meetings.

The Chairman, on appointment, met and continues to meet the independence criteria set out in B.1.1 of the Code.

### A4 Role of the Non-Executive Directors

The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors’ views. The Non-Executive Directors provide objective, constructive and rigorous challenge to management and meet regularly in the absence of the Executive Directors.

## B. Effectiveness

### B1 The Board’s Composition

The Board is made up of a majority of Independent Non-Executive Directors, excluding the Chairman.

The Board has determined that each Non-Executive Director is independent in character and judgement, commits sufficient time and energy to the role, and continues to make a valuable contribution to the Board and its Committees, including Charles McVeigh, notwithstanding his long service.

The Nomination & Governance Committee’s primary objective is to review the composition of the Board. In making appointments to the Board, the Nomination & Governance Committee assesses the

balance of skills, knowledge, independence, experience and diversity required in order to maintain an effective Board.

### B2 Board appointments

The Nomination & Governance Committee leads the appointment of new Directors to the Board.

### B3 Time commitment

On appointment, Directors are notified of the time commitment expected of them.

The Non-Executive Directors have ensured that they have sufficient time to carry out their duties.

### B4 Development

To ensure a full understanding of Savills and its businesses, on appointment each new Director undergoes a comprehensive and tailored induction programme which introduces the Director to the Group’s businesses, its operations, strategic plans, key risks and its governance policies. The induction also includes one to one meetings with the Heads of the Principal Businesses and an introduction to each Group business’s development strategy.

### B5 Provision of information and support

To enable the Board to discharge its duties, each Director received appropriate and timely information, including detailed papers in advance of Board meetings.

Each Director has access to the advice and services of the Group Legal Director & Company Secretary and through him have access to independent professional advice in respect of their duties at the Company’s expense.

### B6 Board and Committee performance evaluation

During 2017, the Board’s annual evaluation was led by the Chairman and facilitated by the Group Legal Director & Company Secretary. The process and key findings are explained on page 49 of the Annual Report.

### B7 Re-election of the Directors

All Directors are subject to election by Shareholders at the AGM. All Directors will stand for re-election by Shareholders at the AGM on 8 May 2018. Directors’ biographies are set out on pages 44 to 45 of the Annual Report, enabling Shareholders to take an informed decision when determining their re-election

## C. Accountability

### C1 Financial and business reporting

The Strategic Report is set out on pages 2 to 35 of the Annual Report and provides information about the performance of the Group, the business model, strategy and the principal risks and uncertainties.

The Directors’ going concern statement is given on page 50 of the Annual Report.

### C2 Risk management and internal control

The Board sets out the Group’s risk appetite and, through the Audit Committee, annually reviews the effectiveness of the Group’s risk management and internal control systems.

The Directors carried out a robust assessment of the principal risks including those that would threaten the business model, future performance, solvency or liquidity. Those risks and how they are being managed or mitigated is set out in the Annual Report at pages 25 to 29.

Taking account of the Company’s current position and principal risks, the Directors assessed the viability of the Group over a three-year period. The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period. The viability statement is set out on page 29 of the Annual Report.

The Board monitors the Group’s risk management and internal control systems and, at least annually, carries out a review of the effectiveness of the Group’s systems of internal control, covering all material controls, including financial, operational and compliance. The activities of the Audit Committee are summarised on pages 51 and 55 of the Annual Report.

### C3 Audit Committee and Auditors

The Board has satisfied itself that Liz Hewitt has recent and relevant financial experience and is confident that the collective experience of the members enables it to be effective. The fact that a person has been identified as having recent and relevant financial experience does not impose additional duties, obligations or responsibilities on that Audit Committee member. The Committee also has access to the financial expertise of the Group and its external and internal auditors and can seek further professional advice at the Company’s expense, if required.

The Group Legal Director & Company Secretary ensures that it receives information and papers in a timely manner to enable full and proper consideration of agenda items. These agenda items are agreed in advance in its annual meeting activity plan.

The main roles and responsibilities of the Audit Committee are set out in written Terms of Reference which are available on our website. The Committee is authorised to investigate any matter within its Terms of Reference and has access to the services of the Group Legal Director & Company Secretary and, where necessary, the authority to obtain external legal or other independent professional advice in the fulfilment of its duties.

The Committee has responsibility for reviewing the Group's whistleblowing arrangements, including ensuring that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of alleged impropriety, and for ensuring that appropriate follow-up actions are taken.

The Audit Committee's role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control and in making recommendations to the Board on the appointment of the independent External Auditors. The Committee is responsible for the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the External Auditors.

#### **C4 Tenure of Auditor**

At the 2017 AGM, shareholders approved the re-appointment of PwC as the Company's External Auditor.

The Audit Committee has assessed whether suitable accounting policies have been adopted and whether management have made appropriate judgements and estimates. The main areas of judgement considered by the Committee during 2017 are presented on page 54 of the Annual Report. The Audit Committee keeps under review the independence and objectivity of the External Auditor, including the review of audit fee proposals and non-audit fees. The Committee reported on how the effectiveness of PwC was assessed for the 2017 financial year on page 55 of the Annual Report.

## **D. Remuneration**

### **D1 Levels and components of remuneration**

The Group's focus and business policy is founded on the premise that staff in the real estate advisory sector are motivated through highly incentive-based (and therefore variable) remuneration consistent with the Group's partnership style culture, which also ensures that the Group's reward arrangements are consistent with – and sensitive to – the cyclical nature of real estate markets.

The Group's Remuneration Policy is designed to deliver these objectives and to provide the reward potential necessary for the Company to attract, retain and motivate the high-calibre individuals on whom its continued growth and development depend. Reflecting this philosophy, the salaries for the Executive Directors, Group Executive Board members and senior fee-earners are set significantly below market medians for similar businesses, with a greater emphasis on the performance-related elements of profit share and/or, outside of the UK, commission in the total reward package.

The Committee is mindful of its responsibility to reward appropriately, but not excessively, and rigorously assesses competitive positioning in setting remuneration and determining targets to ensure that reward properly reflects performance, that it supports the delivery of our strategic and operational objectives and that it is fair to management and Shareholders alike.

The Remuneration Policy was reviewed in 2016/17 and approved by Shareholders at the 2017 AGM (as required by the Directors Remuneration Regulations 2013).

### **D2 Procedure**

The Remuneration Committee is principally responsible for determining Company policy on senior executive remuneration and for setting the remuneration arrangements of the Executive Directors and reviewing those of the members of the Group Executive Board. The Committee (excluding the Non-Executive Chairman) also determines the level of fees payable to the Non-Executive Chairman.

The Committee is advised by FIT Remuneration Consultants LLP, who provide an independent commentary on matters under consideration by the Committee and updates on market developments, legislative requirements and best practice, and internally by the Group Legal Director & Company Secretary.

The Remuneration Committee's terms of reference are available on our website. An overview of what the Committee has done during the year is provided on pages 58 to 73 of the Annual Report.

## **E. Relations with Shareholders**

### **E1 Shareholder engagement and dialogue**

The Group Chief Executive Officer and Group Chief Financial Officer lead a regular programme of meetings and presentations with analysts and investors, including presentations following the publication of the Company's full and half year results. This programme maintains a continuous two-way dialogue between the Company and Shareholders, and helps to ensure that the Board is aware of Shareholders' views on a timely basis. The Board also normally receives feedback twice each year from the Company's corporate brokers on investors' and the market's perceptions of the Company.

The Chairman and the Senior Independent Director are also available to meet with Shareholders if so required.

### **E2 Constructive use of the general meetings**

The AGM provides the Board with a valuable opportunity to communicate with private Shareholders and is generally attended by all of the Directors.

The Notice of Meeting and related papers for the AGM are sent to Shareholders at least 20 working days before the meeting.

# Directors' Remuneration Report

Annual statement



**“On behalf of the Board, I am pleased to introduce our 2017 Directors' Remuneration Report (the 'Report') which sets out Savills philosophy and policy in relation to Directors' remuneration and how this was implemented in the year ended 31 December 2017.”**

## Governance

This Report has been prepared on behalf of the Board by the Remuneration Committee (the 'Committee') in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('Regulations') and the auditable disclosures referred to in the External Auditor's Report on pages 78 to 84 as specified by the UK Listing Authority and the Regulations.

Included within this Report we have summarised the Remuneration Policy ('Policy') approved by shareholders at the 2017 AGM rather than reproduce the Policy in full. This gives an overview on the directors' annual remuneration framework and the full Policy is available on our website. The Annual Report on Directors' Remuneration will be presented to Shareholders for approval at the AGM on 8 May 2018.

## Our remuneration philosophy

As previously reported, our long-standing focus and business philosophy is founded on the premise that staff in our sector are motivated through highly incentive and performance based (and, therefore, variable) remuneration consistent with our partnership style culture. We firmly believe that this approach best aligns shareholders' and management's interests and incentivises superior performance and the creation of long-term shareholder value. This approach also ensures that our reward arrangements are consistent with and sensitive to the cyclical nature of real estate markets.

The Policy is designed to deliver these objectives and to provide the reward potential necessary for the Company to attract, retain and motivate the high-calibre individuals on whom its continued growth and development depend. Reflecting this philosophy, the salaries for the Executive Directors, Group Executive Board members and senior fee-earners are set significantly below market medians for similar businesses, with a greater emphasis on the performance-related elements of profit share and/or, outside the UK, commission in the total reward package.

The Committee is mindful of its responsibility to reward appropriately, but not excessively. As such, it places great emphasis on the calibration of Executive Director remuneration and structure against internal relativities, whilst also rigorously assessing competitive positioning in setting remuneration. Finally, it determines targets to ensure that reward properly reflects performance, that it supports the delivery of our strategic and operational objectives and that it is fair to management and Shareholders alike. Overall, we continue to expect employment costs over the cycle to be in the range of 65%–70% of revenues.

## 2013–2017 Overview

Underlying Profit

**+87%**

Dividend Payments to Shareholders\*

**+68%**

Executive Director Remuneration\*\*

**+1%**

Total Shareholder Return

**+74%**

\* The dividend cost for 2017 comprises the cost of the final dividend recommended by the Board (amounting to £14.3m), payment of which is subject to shareholder approval at the Company's Annual General Meeting ('AGM') scheduled to be held on 8 May 2018, the cost of the supplemental dividend (£20.6m) declared by the Board on 15 March 2018 (payable to shareholders on the Register of Members as at 13 April 2018) and the interim dividend (£6.3m) paid on 4 October 2017.

\*\* Executive Director remuneration comprises the remuneration paid to the Group Chief Executive Officer and Group Chief Financial Officer job holders between 1 January 2013 and 31 December 2017. Since 1 July 2010 the Executive Director representation on the Board has comprised these job holders.

## 2017 performance and remuneration

### Annual performance-related profit share

Savills delivered excellent performance in 2017, against the backdrop of heightened uncertainty over global economic prospects, geopolitical risks and rising interest rates, with particularly strong performances in our transactional businesses in the UK, and in a number of European and Asia Pacific markets and the relative resilience of Savills UK Residential transaction business is of particular note.

Key financial highlights for the year included:

- Revenue of £1.6bn, representing growth of 11% on 2016;
- Underlying profit before tax of £140.5m which represented 3.5% growth on 2016 and;
- Transaction Advisory revenues up 13%, Consultancy revenues by 14% and Property Management by 9%

We further progressed our strategy of being the leading advisor in the key markets in which we operate, by adding complementary businesses and teams to our strong core business. In particular during 2017 we:

- continued to build our US platform with the acquisition of Cresa Orange County, a tenant rep business in California, and the hire of a significant new capital markets team in New York;
- strengthened our investment sales teams in Beijing and Shanghai with significant new hires;
- in Europe, acquired Aguirre Newman in Spain, Larry Smith in Italy and SB Property Services in the Czech Republic, along with the recruitment of industrial teams in Amsterdam and Warsaw; and
- continued to invest in our own technology platform, and invested in promising external technology based businesses which have the potential to significantly enhance or disrupt traditional business models in the real estate sector.

At the beginning of 2017, the Committee set stretching financial targets for the 75% of the performance-related profit share relating to the delivery of Underlying Profit before Tax ('UPBT'). The Group delivered a very strong financial performance in 2017, notwithstanding the market uncertainties noted above. As such, the Executive Directors received 77% of the maximum potential award in relation to financial performance. This compares with an allocation of 100% of the maximum potential award in relation to financial performance in the previous year. The absolute amount of this element of the bonus is accordingly down by approximately 15%. In relation to the objectives-based element which accounts for

up to 25% of annual award, the Executive Directors were deemed to have performed towards the top end of their personal strategic and operational objectives. Full details of the annual performance-related profit share awards approved by the Committee for the Executive Directors are included along with the other elements of remuneration in the total remuneration table on page 62 of this Report.

### 2018 remuneration

We were very pleased that shareholders gave over 98% approval to our renewal of our Policy at the 2017 AGM and we are not seeking to amend our Policy at the 2018 AGM. An overview of the key decisions for 2018 is as follows:

- Base salaries: we have an established approach of offering low base salaries, relative to market medians (which approach applies to the Executive Directors, Group Executive Board Members and other senior fee earners). Salaries continue to be reviewed each year (although not necessarily increased; where an increase is agreed in principle but not implemented, the notionally increased base salary ("Reference Salary") will be used as the base when future salary increases are considered). For 2018, the Committee approved a 2.5% increase in base salaries (applied to the Executive Directors' Reference Salaries as at 1 March 2017) for the Executive Directors effective 1 March 2018.
- Benefits & pension: no changes are proposed and these continue to be set below market rates.
- Annual performance-related profit share: in line with our Policy, the maximum opportunity for 2018 is increased in line with the increase in RPI for 2017. For 2018, the cap on the profit share opportunity will therefore be, for the Group Chief Executive Officer, £2.134m and for the Group Chief Financial Officer, £1.6m, being 4.1% higher than the cap applying in 2017, reflecting year on year growth in RPI (2017 caps: Group CEO £2.05m; Group CFO £1.5375m). Annual awards will continue to be determined as follows:
  - 75% based on a Group UPBT performance
  - 25% on the achievement of pre-set personal strategic and operational objectives
- The Group UPBT payment scale will be adjusted for any acquisitions/disposals in the year which impact Group UPBT by more than 7.5% (on an annualised basis). In such cases the scale will be adjusted to neutralise the benefit of any overage above the 7.5% level.

- Performance Share Plan: annual grant to be made at the existing award levels of 200% of base salary for the Group Chief Executive Officer and the Group Chief Financial Officer. The EPS growth and relative total shareholder return targets will remain unchanged from those applying in 2017, but are subject to ongoing review to ensure that these continue to provide meaningful targets in the light of market developments and the Group's strategic objectives.

### Director changes

As announced on 16 January 2018, Mark Ridley, currently CEO of Savills UK and Europe, will become an Executive Director on 1 May 2018 joining the Board then as Deputy Group Chief Executive and will succeed Jeremy Helsby upon the latter's retirement as Group Chief Executive Officer effective 1 January 2019. As Deputy Group Chief Executive, effective 1 May 2018 the remuneration package will consist of a salary of £255k p.a. and an annual performance-related profit share maximum opportunity of £1.867m, with 75% based on a mixture of Group UPBT performance and 25% on the achievement of pre-set personal strategic and operational objectives (in 2018, both salary and the performance related profit share opportunity will be pro-rated to reflect the 1 May 2018 appointment date). He will also receive a Performance Share Plan grant in line with the other Executive Directors. Upon Mark Ridley's appointment as Group Chief Executive Officer, the package will be increased to the same level as that of the outgoing CEO (subject to any inflation-related adjustments to salary and/or bonus potential).

Following his retirement from the Board at the end of 2018, Jeremy Helsby will remain an advisor to the Company supporting the management team of the Savills US business.

### Governance developments

As a Committee, we continue to monitor best practice developments in executive remuneration and consider whether any amendments to the Policy are appropriate. The Committee is appreciative of the significant Shareholder support that it has enjoyed in recent years and welcomed Shareholders' endorsement of the 2016 Annual Remuneration Report along with the renewal of the Policy at the 2017 AGM. We hope that you find this year's Annual Remuneration Report equally clear and informative and that you will continue to support us by voting in favour of the resolution at this year's AGM on 8 May 2018.

### Rupert Robson

Chairman of the Remuneration Committee

# Directors' Remuneration Report continued

## Annual Report on Remuneration

### Role of the Committee

The principal role of the Committee is to support the Group to achieve its strategic objectives by designing a remuneration policy consistent with the Group's business model such that we have the ability to attract, recruit, retain and motivate the high-calibre individuals needed to deliver the Group's strategy while promoting the long-term interests of the Company. The Committee also considers the broader implications of the Policy to mitigate any potential environmental, social or governance implications. The Committee is responsible for the broad policy governing senior staff pay and remuneration. It sets the actual levels of all elements of the remuneration of the Executive Directors and reviews that of Group Executive Board members. The Policy remains under periodic review to ensure that it remains consistent with the Company's scale and scope of operations, supports business strategy and growth plans and helps drive the creation of shareholder value. The Committee also oversees the operation of Savills' employee share schemes.

### Committee members and attendees

As shown in the table below, the Committee comprises the Independent Non-Executive Directors:

Committee member	Position	Status
Rupert Robson	Chair of the Committee	Independent
Tim Freshwater	Member of the Committee	Independent
Liz Hewitt	Member of the Committee	Independent

Committee attendee	Position	Status
Nicholas Ferguson	Non-Executive Chairman	Attends by invitation (except when his own remuneration is discussed)
Jeremy Helsby	Group Chief Executive Officer	Attends by invitation (except when his own remuneration is discussed)
Chris Lee	Group Legal Director & Company Secretary	Provides advice and support (except when his own remuneration is discussed) as well as acting as Secretary to the Committee

Simon Shaw, Group Chief Financial Officer, may be invited to attend meetings to provide an overview of market conditions and the Group's prospective financial performance.

### Meetings

#### Attendance table

Committee member	Meetings attended	Meetings eligible to attend
Rupert Robson	4	4
Tim Freshwater	4	4
Liz Hewitt	4	4

As at 31 December 2017 and up to the date of this Report, the Committee comprises the Independent Non-Executive Directors. Biographical details relating to each of the Committee members are shown on pages 44 and 45.

The Committee met four times during the year. The principal agenda items considered by the Committee during the year were as follows:

- reconfirming the Group's Policy in the context of best practice and corporate governance developments;
- agreeing performance targets for both the annual performance-related profit share and Performance Share Plan awards;
- preparing an Annual Remuneration Report consistent with the legislation relating to executive remuneration;
- agreeing the remuneration packages of the Executive Directors, including the proposed package for the Deputy Group Chief Executive and reviewing those of Group Executive Board members; and
- approving the grant of Performance Share Plan awards.

### Advisors to the Committee

In determining Executive Director remuneration, the Committee has access to detailed external information and research on market trends and peer practice provided by its independent external advisor, FIT Remuneration Consultants. FIT Remuneration Consultants are members of the Remuneration Consultants Group, and adhere to the voluntary code of conduct in relation to executive remuneration consulting in the UK. FIT Remuneration Consultants' fees are based on a time and material basis, within the parameters of an overall annual budget. In 2017, FIT Remuneration Consultants received fees of £57,703 plus VAT in relation to advice provided to the Committee. FIT Remuneration Consultants provided no other services to the Group during the year.

The Committee is satisfied that the advice received from FIT Remuneration Consultants during the year was entirely objective and independent. The Committee will continue to keep these arrangements under review to ensure that they remain appropriate to the needs of the Committee in developing remuneration policy to support the delivery of Group strategy.

The Committee is also advised internally by the Group Legal Director & Company Secretary (save in relation to matters concerning his own remuneration).

Given the fundamental role that remuneration plays in the success of the Group, in terms of the recruitment, motivation and retention of high-quality staff, the Group Chief Executive Officer attends meetings by invitation and is consulted on the remuneration package of the Group Chief Financial Officer.

### Terms of Reference

The Committee's Terms of Reference, which are reviewed annually, or by exception to take account of regulatory changes or best practice, are available from the Group Legal Director & Company Secretary upon request or can be viewed on the Company's website ([www.savills.com](http://www.savills.com)).

# Directors' Remuneration Report continued

## Remuneration Policy

The Group's remuneration arrangements for the Executive Directors, Group Executive Board members and senior fee-earners are structured to provide a competitive mix of variable performance-related (ie annual performance profit share and longer-term incentives) and fixed remuneration (principally base salary) to reflect individual and corporate performance. The objective is to set targets which provide an appropriate balance between being achievable and stretching.

In determining the remuneration of the Executive Directors and reviewing that of the Group Executive Board members, the Committee reviews the role and responsibility of the individual, their performance, the arrangements applying across the wider employee group and internal pay relativities. It also considers sector and broader market practice in the context of the prevailing economic conditions and corporate performance on environmental, social and governance issues.

### Overview of the Policy

A summary of the Policy for Executive Directors and how it will be applied for 2018 is set out below.

Element	Summary of approach	Application of Policy for 2018
Base salary	Base salaries are set significantly below market median levels, in line with the Group's philosophy to place greater emphasis on variable, performance-related remuneration.	<ul style="list-style-type: none"> <li>The Committee has approved an increase in the base salaries of the Executive Directors of 2.5% (which will be applied to 2017 'Reference Salaries') effective 1 March 2018.</li> <li>Salaries in 2018 will therefore be as follows</li> <li>Group Chief Executive Officer: £289,000</li> <li>Deputy Group Chief Executive Officer (effective 1 May 2018): £255,000</li> <li>Group Chief Financial Officer: £221,000</li> </ul>
Pension	<p>Pension benefits are provided through a Group personal pension plan, as a non-pensionable salary supplement or as a contribution to a personal pension arrangement.</p> <p>The CEO receives a pension from the legacy defined benefit pension plan but no longer accrues benefits under the plan.</p>	<p>Pension contributions/salary supplements for 2018 are:</p> <ul style="list-style-type: none"> <li>Group Chief Executive Officer: 14% of salary</li> <li>Deputy Group Chief Executive Officer (effective 1 May 2018): 14% of salary</li> <li>Group Chief Financial Officer: 18% of salary</li> </ul>
Benefits	<p>Benefits include:</p> <p>Medical insurance benefits;</p> <p>Annual car/car allowance (up to £10,000)</p> <p>Permanent Health Insurance;</p> <p>Life Insurance; and</p> <p>Relocation expenses.</p>	Benefits in line with Policy.
Annual performance-related profit share	<p>Reflects the Group's annual profit performance and personal performance against pre-set objectives and overall contribution.</p> <p>In line with the Group's philosophy that there is greater emphasis (than under listed company norms) on variable performance-related pay. Consequently, 50% of any award payable above an amount equal to base salary is deferred into shares for three years.</p> <p>Malus and clawback provisions apply.</p>	<p>The maximum potential annual profit share awards for 2018 are:</p> <ul style="list-style-type: none"> <li>Group Chief Executive Officer: £2.134m</li> <li>Deputy Group Chief Executive Officer (effective 1 May 2018): £1.867m (pro-rated)</li> <li>Group Chief Financial Officer: £1.6m.</li> </ul> <p>For 2018 profit share awards, 75% will be based on the Group's annual profit performance and 25% will be based on the delivery of strategic and operational performance goals. The Committee reserves its ability to vary these proportions or apply different/additional measures in future years.</p>
Performance Share Plan	<p>Awards of shares are made subject to a three-year performance period. Any vested awards will then be subject to an additional two-year holding period.</p> <p>The maximum award potential remains at 200% of base salary, subject to an overall annual maximum of shares with a value of £1m on award per participant.</p> <p>Malus and clawback provisions apply.</p>	<p>The awards for 2018 will be up to 200% of base salary.</p> <p>For 2018 Performance Share Plan awards, 50% of the award will vest subject to Earnings Per Share performance and 50% will vest subject to relative TSR performance against the FTSE Mid 250 Index (excluding investment trusts).</p>
Share Ownership Guidelines	Achieved through share purchase and/or retention of any after-tax shares which vest pursuant to the Group's share plans until the guideline is met.	500% of base salary for the Group Chief Executive Officer, (effective 1 May 2018) Deputy Chief Executive Officer and Group Chief Financial Officer.

# Directors' Remuneration Report continued

## Annual Report on Remuneration

### Total remuneration for 2017

Set out below are details of Executive Director remuneration for 2017.

Executive Directors' 'single figure' for the financial year ended 31 December 2017 and as a comparison for the financial year ended 31 December 2016 (audited).

	Jeremy Helsby		Simon Shaw	
	2017 £	2016 £	2017 £	2016 £
Salary <sup>(1)</sup>	275,000	275,000	210,000	210,000
Benefits <sup>(2)</sup>	10,837	11,055	11,216	11,216
Pension: contribution	38,500	38,500	37,800	37,800
Annual profit share – cash <sup>(3)</sup>	961,000	1,314,800	723,000	1,040,000
Annual profit share – deferred shares <sup>(3)</sup>	686,000	598,200	513,000	435,000
<b>Near term remuneration</b>	<b>1,971,337</b>	<b>2,237,555</b>	<b>1,495,016</b>	<b>1,734,016</b>

The aggregate near term remuneration paid to the Executive Directors in the year ended 31 December 2017 was £3.47m (2016: £3.97m).

Notes:

1 Benefits comprise private medical insurance and car allowance.

2 The 2016 figures exclude any charity/pension waiver. Jeremy Helsby waived £45,000 and Simon Shaw waived £25,000 in favour of contributions to registered charities.

3 (See the table below) For 2017 the notional value of the PSP award with a performance period which ended on 31 December 2017 (ie where the award will vest in April 2018) has been valued based on the number of shares that will vest and the three month average share price for the period to 31 December 2017 (949.2p per share). For 2016, the value shown has been updated to reflect the actual market sale price at the date of vesting which was 868.1p per share and Dividend Shares. The estimates provided for long-term share-based reward in last year's report in respect of 2016 were: Jeremy Helsby £259,665 and Simon Shaw £144,256. The actual value has been split between the relevant value on the date of the original award of the relevant shares (the PSP – performance element) and subsequent increase in value (PSP – share price appreciation).

	Jeremy Helsby		Simon Shaw	
	2017 £ Notional	2016 £ Actual	2017 £ Notional	2016 £ Actual
<b>Gain on long-term share-based awards</b>				
Performance Share Plan – performance element <sup>(3)</sup> (for 2017: notional)	462,546	225,000	294,339	125,000
Performance Share Plan – share appreciation element <sup>(3)</sup> (for 2017: notional)	72,879	132,059	46,376	73,362
Long-term share-based reward (non-cash – for 2017: notional) <sup>(3)</sup>	535,425	357,059	340,715	198,362
Total ie 'Single Figure' (for 2017: part notional)	<b>2,506,762</b>	<b>2,594,614</b>	<b>1,835,731</b>	<b>1,932,378</b>

The information in this table has been audited by the Auditor, PricewaterhouseCoopers LLP.

### Performance-related remuneration for 2017

#### Annual performance-related profit share

##### UPBT performance-related element

The following near-term performance measures applied to the 2017 annual performance-related profit share arrangements:

75% of the award was based on profit performance, defined as UPBT performance. The Committee set targets at a level which were significantly higher than the previous year. The target range and Savills performance were as follows:

Minimum (0% of element)	Mid-point (62.5% of element)	Maximum target (100% of element)	Savills UPBT performance	Bonus award (% of element)
£96m	£128m	£160m	£140.5m	77%

There was straight-line vesting between minimum, mid-point and maximum.

Reflecting the Group's very strong performance in 2017, awards at 77% of the maximum potential were earned by the Executive Directors in respect of the UPBT performance-related element (2016: 100%).

The remaining 25% of annual performance-related profit share awards was based on individual performance against key strategic and operational objectives. The Executive Directors were each awarded 90% of this 25%.



The Committee set strategic and operational objectives for the Executive Directors which were aligned with value creation for Savills.

Details of Jeremy Helsby's achievement against the key objectives set included the following:

- building out the Group's US Capital Markets offering and driving the continued development of Savills Studley's tenant rep and occupier services platforms;
- developing a long-term incentive plan for senior management and fee earners in Savills Studley to align further fee earners' and shareholders' interests;
- further strengthening and broadening the management team across Asia;
- continuing the expansion of Savills European platform by strengthening teams and broadening its geographic and service line offerings through selective acquisitions, principally Aguirre Newman in Spain, Larry Smith in Italy and SB Property Services in the Czech Republic; and
- enhancing further the Group's cross-border offering, to ensure the provision of seamless servicing to clients seeking advice or support outside of their home market.

Details of Simon Shaw's achievement against the key objectives set included the following:

- the further development of the Group's own technology platform to deliver innovative solutions to our clients through data analysis and insight and to drive internal efficiencies;
- identifying and investing in external technology-based businesses with the capability of significantly enhancing or disrupting traditional business models in real estate services;
- playing a leading role in the identification of strategic acquisition opportunities and the execution of the Aguirre Newman acquisition in Spain; and
- developing and implementing management succession plans in Savills Investment Management; and
- delivering a targeted increase in the scale of Savills Investment Management, particularly through organic fund raising with £1.9bn of new equity raised in 2017.

For Jeremy Helsby and Simon Shaw, in line with the Policy, 50% of their overall awards, above an amount equal to their respective base salaries, was deferred for a further three-year period in the form of shares.

### Long-term incentives

The PSP award granted in 2015 will vest in April 2018, subject to performance in the three years to 31 December 2017. Following an assessment of Savills performance against targets set at grant, the Committee determined that 84.1% of the award should vest. The targets and Savills performance were as follows:

	Weighting	Threshold target (25% vesting)	Maximum target (100% vesting)	Savills performance	Vesting (% of maximum)
Relative TSR versus FTSE Mid 250 index (excluding investment trusts)	50%	Equal to index	Outperform index by 8% p.a.	Outperform index by 6.3% p.a.	83.7%
% EPS growth	50%	RPI plus 3% p.a. compounded	RPI plus 10% p.a. compounded	RPI plus 8.6% p.a. compounded	84.5%

### Non-Executive Directors fees (audited)

The Non-Executive Director fees for 2017 were as follows:

	Nicholas Ferguson (Chairman)	Tim Freshwater	Liz Hewitt	Charles McVeigh	Rupert Robson
Basic fee	£193,333	£51,000	£51,000	£51,000	£51,833
Additional fees					
Senior Independent Director		£6,500			
Remuneration Committee Chairman					£8,750
Audit Committee Chairman			£12,500		
2017 Total	£193,333	£57,500	£63,500	£51,000	£60,583
2016 Total	£149,406	£53,200	£60,000	£50,000	£57,500

The information in this table has been audited by the Auditor, PricewaterhouseCoopers LLP.

The fees payable to the Non-Executive Directors are determined by the Non-Executive Chairman and the Executive Directors after considering external market research and individual roles and responsibilities. The fees for the Non-Executive Chairman are determined by the Remuneration Committee.

# Directors' Remuneration Report continued

## Annual Report on Remuneration continued

The current fee payable to Nicholas Ferguson as Chairman is £200,000 p.a..

The current base fee for the Non-Executive Directors is £52,000 p.a., with additional fees payable to the Senior Independent Director (£8,000 p.a.), the Remuneration Committee Chairman (£10,000 p.a.) and the Audit Committee Chairman (£15,000 p.a.).

These fees have not been increased for 2018.

The Non-Executive Directors do not participate in incentive arrangements or share schemes.

### Operation of Policy in 2018

#### Base salary

The Committee approved a 2.5% salary increase (against 2017 Reference Salaries) for the Executive Directors for 2018, effective 1 March 2018. The base salaries of the Executive Directors effective 1 March 2018 are therefore as follows:

- Group Chief Executive Officer: £289,000 p.a.;
- Group Deputy Chief Executive Officer: £255,000 p.a. (effective 1 May 2018); and
- Group Chief Financial Officer: £221,000 p.a..

In line with our Policy, the base salaries for the Executive Directors continue to be positioned significantly below market median against the FTSE 250.

#### Variable remuneration

##### Annual performance-related profit share

The maximum annual performance-related profit share opportunity for 2018 will be:

- £2.134m for the Group Chief Executive Officer;
- £1.867m for the Group Deputy Chief Executive Officer (effective 1 May 2018); and
- £1.6m for the Group Chief Financial Officer.

For the 2018 performance-related profit share, 75% of award potential will reflect the Group's UPBT performance and 25% of award potential will reflect delivery against a mix of personal, strategic and operational objectives.

The Committee considers prospective disclosure of individual objectives to be commercially sensitive and disclosure will therefore be on a retrospective basis.

The Committee retains a general discretion to reduce the pay-out level to reflect exceptional events over the performance period.

##### Performance Share Plan

The remuneration policy is for maximum awards of 200% of base salary. The PSP awards for 2018 will be up to two times each Executive Director's base salary.

Awards will vest subject to the satisfaction of EPS targets for 50% of the award as follows:

- 25% (ie threshold) of the element to vest if the Company's EPS growth is RPI plus 3% p.a. compounded;
- 100% (ie the maximum) of the element to vest if the Company's EPS growth is RPI plus 8% p.a. compounded or more; and with straight-line vesting between the two points.

The Committee considers that if EPS growth of RPI plus 8% p.a. were achieved from the strong 2017 EPS base starting position, this would represent outstanding performance for shareholders.

The other 50% of the award will vest subject to the satisfaction of relative TSR performance versus the FTSE Mid 250 Index (excluding investment trusts) ('the Index') as follows:

- 25% (ie threshold) of the element to vest if the Group's TSR performance equals that of the Index;
- 100% (ie the maximum) of the element to vest if the Group's TSR performance outperforms the Index by 8% p.a.; and with straight-line vesting between the two points.

The awards made to Executive Directors will also be subject to a holding period so that any PSP awards for which the performance vesting conditions are satisfied will not normally be released for a further two years from the third anniversary of the original award date. Dividend accrual for PSP awards will continue until the end of the holding period.

### Relative spend on pay

To provide context and outline how remuneration for Executive Directors compares with other disbursements, such as dividends and general employment costs the table below illustrates general employment costs, Executive Director reward, tax charges and dividend payments to shareholders in 2017 and 2016.

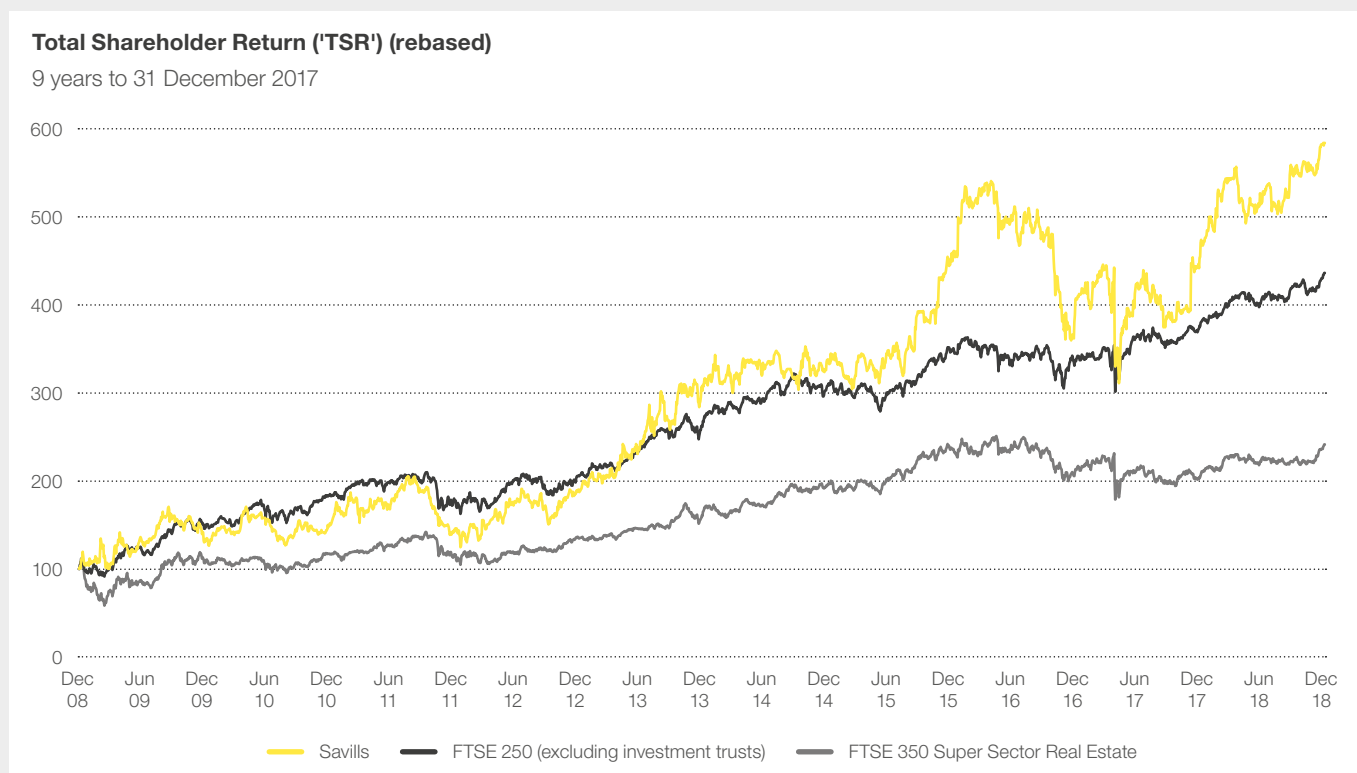
	2017 £m	2016 £m	% increase
Employment costs	1,061.7	948.6	12
Underlying profit before tax	140.5	135.8	3
Dividend payment to Shareholders	41.1	38.9	6
Executive Director remuneration	4.0	4.4	-10
Tax	103.7	99.9	4

The information in this table has been audited by the Auditor, PricewaterhouseCoopers LLP.

- Employment costs (excluding arrangements for Executive Directors) comprise basic salaries, profit share and commissions, social security costs, other pension costs and share-based payments.
- Tax comprises corporation tax, employers' social security and business rates and equivalent payments.
- The dividend cost for 2017 comprises the cost of the final dividend recommended by the Board (amounting to £14.3m), payment of which is subject to shareholder approval at the Company's AGM scheduled to be held on 8 May 2018, the cost of the supplemental dividend (£20.6m) declared by the Board on 15 March 2018 (payable to shareholders on the Register of Members as at 13 April 2018) and the interim dividend (£6.3m) paid on 4 October 2017 and is based on the number of shares in issue as at 31 December 2017.
- Executive Director remuneration is the remuneration paid to the Group Chief Executive Officer and Group Chief Financial Officer role holders and comprises basic salaries, profit share, social security costs, pension costs and share-based payments.

### Total shareholder return and Group Chief Executive Officer remuneration

The total shareholder return delivered by the Company over the last nine years is shown in the chart below. Over this period the Company has delivered total shareholder return of 22% per annum (FTSE 250 (excluding investment trusts): 18% per annum; FTSE 350 Super Sector Real Estate: 10% per annum). Savills was ranked 54th by TSR performance in the FTSE 250 (excluding investment trusts) and ranked second (of 18 companies) by performance in the FTSE 350 Super Sector Real Estate over the nine years to 31 December 2017.



The Board believes that the FTSE 250 Index (excluding investment trusts) remains the most appropriate index against which to compare TSR over the medium term as it is an index of companies of similar size to Savills. Savills TSR relative to that of the FTSE 350 Super Sector Real Estate Index is also shown, as this index better reflects conditions in real estate markets over recent years.

# Directors' Remuneration Report continued

## Annual Report on Remuneration continued

### Pay for performance

Year	Total Single Figure Remuneration £'000	UPBT £m	UPBT annual % change	Annual variable element: performance-related profit share – annual award against maximum potential %	Long-term Incentive fully vested (maximum potential of award) 100%
2017	2,507	140.5	+3.5	80	84
2016	2,595	135.8	+12	98	50
2015	2,298	121.4	+21	100	N/A
2014	3,279	100.5	+34	100	100
2013	2,630	75.2	+28	86	100
2012	1,786	58.6	+16	65	100
2011	1,268	50.4	+7	49	0

Total remuneration in the years 2012 to 2017 includes, as required, the notional value of PSP awards and executive share options which vested (but were not exercised) in those years (note that no PSP awards were made in 2013 with the consequent effect on Total Single Figure Remuneration in 2015 compared to the 2013, 2014, 2016 and 2017 years). The awards granted in 2008 lapsed in 2011.

### Group Chief Executive Officer pay increase in relation to all UK employees

	Percentage change in remuneration from 31/12/2016 to 31/12/2017		
	Percentage change in base salary %	Percentage change in benefits %	Percentage change in profit share award %
Group Chief Executive Officer	2.5%	2%	-13.9%
All UK employees	-0.3%	-2.4%	5.1%

Notes:

- Salary, benefits and bonus is compared against full-time equivalent UK employees. The UK workforce was chosen as a suitable comparator group as Jeremy Helsby is based in the UK (notwithstanding his global role and responsibilities) and is in line with Policy benefits which vary across the Group by reference to local market conditions and practice. (Audited information.)
- The base salary for the Group Chief Executive Officer continues to be positioned significantly below the market median against the FTSE 250.

### Pensions disclosure

From March 2015, the Group Chief Executive Officer has received a non-pensionable salary supplement equal to 14% of pensionable earnings. The Group Deputy Chief Executive Officer receives an equivalent salary supplement. For the Group Chief Financial Officer, the Company contributes 18% per annum of pensionable earnings to his personal pension plan.

The Group Chief Executive Officer no longer accrues a pension benefit under the Savills Defined Benefit Pension Plan (The 'Plan'). The value of the legacy benefit is shown below.

Executive Director	Defined benefit pension accrued at 31 december 2017	Defined benefit pension accrued at 31 December 2016	Defined benefit pensions value for 2017 remuneration table	Defined benefit pensions value for 2016 remuneration table
Jeremy Helsby	52,617	51,112	–	–

Notes

- Jeremy Helsby reached Plan retirement age on 9 July 2015 since which date his pension increases in line with the standard provisions of the Plan applicable to all pensioners.
- As Jeremy Helsby is now in receipt of pension benefits, no remuneration amount is applicable relating to the Plan.

## Share interests

Details of shares in the Company which the Directors beneficially held or had a beneficial interest in as at 31 December 2017 are shown below. Where any vested PSP awards in the future are subject to a holding period requirement, the vested PSP award shares (discounted for anticipated tax liabilities) will count towards the shareholding requirements:

Executive Directors	Number of shares (including beneficially held under the SIP)	Unvested shares subject to performance conditions (PSP)	Deferred share bonus plan awards (vesting not subject to performance conditions) (DSBP)	Extent to which shareholding guideline met
Jeremy Helsby	564,849	206,550	224,024	390%
Simon Shaw	155,864	125,366	161,210	141%

The Company currently applies shareholding requirements that the Group Chief Executive Officer and Group Chief Financial Officer hold shares to the value of five times their respective base salaries. New Executive Directors will be expected to build holdings to this level over time, principally through the retention of shares released to them (after settling any tax due) following the vesting of share awards.

Non-Executive Directors	At 31 December 2017
Nicholas Ferguson	29,286
Tim Freshwater	–
Liz Hewitt	3,400
Charles McVeigh	–
Rupert Robson	7,981

As at 14 March 2018, no Director had bought or sold shares since 31 December 2017.

## The Sharesave Scheme

No Directors hold outstanding options under the Sharesave Scheme and no options were exercised during the year.

## Scheme interests granted in 2017

The following table sets out details of awards made under the PSP in 2017.

	Type of award	Basis of award (face value)	Performance period	% vesting for threshold performance	% vesting for maximum performance	Performance criteria
Jeremy Helsby	Nil-cost options	£550,000	1 January 2017 to 31 December 2019	25%	100%	– 50% of award
						Earnings per share growth
Simon Shaw	Nil-cost options	£420,000				– 50% of award
						Relative total shareholder return against the FTSE 250 (excluding investment trusts)

Awards were also made during the year under the Deferred Share Bonus Plan. Details of awards under this plan are set out on page 68.

# Directors' Remuneration Report continued

## Annual Report on Remuneration continued

### The Performance Share Plan ('PSP')

#### Number of shares

Directors	At 31 December 2016	Awarded during year	Vested during year	Lapsed during year	At 31 December 2017	Closing mid- market price of a share the day before grant	Market value at date of vesting	First vesting date
Jeremy Helsby	75,000	–	37,500	37,500	–	600.0p	868.1p	12.08.17
	67,073	–	–	–	67,073	820.0p	–	23.04.18
	77,084	–	–	–	77,084	713.5p	–	27.04.19
	–	62,393	–	–	62,393	881.5p	–	22.05.20
Simon Shaw	41,666	–	20,833	20,833	–	600.0p	868.1p	12.08.17
	42,682	–	–	–	42,682	820.0p	–	23.04.18
	35,038	–	–	–	35,038	713.5p	–	27.04.19
	–	47,646	–	–	47,646	881.5p	–	22.05.20

Awards over 58,333 shares, together with a further 5,645 shares in lieu of dividends, vested under the PSP to Executive Directors during the year. A subscription cost of 2.5p nominal value per share is payable on actual receipt of shares. The total pre-tax gain on awards vested during the year was £553,822.

### The Deferred Share Bonus Plan ('DSBP')

#### Number of shares

Directors	At 31 December 2016	Awarded during year	Vested during year	At 31 December 2017	Closing mid-market price of a share the day before grant	Market value at date of exercising	Normal vesting date
Jeremy Helsby	70,767	–	70,767	–	653.0p	910.4p	13.05.17
	73,170	–	–	73,170	820.0p	–	24.04.18
	86,463	–	–	86,463	705.5p	–	14.03.19
	–	64,391	–	64,391	929.0p	–	18.04.20
Simon Shaw	53,048	–	53,048	–	653.0p	910.4p	13.05.17
	54,146	–	–	54,146	820.0p	–	24.04.18
	60,240	–	–	60,240	705.5p	–	14.03.19
	–	46,824	–	46,824	929.0p	–	18.04.20

Under the DSBP awards over 123,815 shares and 10,339 shares in lieu of dividends vested to Executive Directors during the year. The total pre-tax gain on awards vested during the year was £1,221,306. No DSBP awards lapsed.

During the year, the aggregate gain on the exercise of share options and shares vested was £1,775,128. The mid-market closing price of the shares at 29 December 2017, the last business day of the year, was 993p and the range during the year was 687p to 993p.

### Exit payments

No Executive Director left the Company during the year ended 31 December 2017. No payments for compensation for loss of office were paid to, or receivable by, any Director for that or any earlier year.

### External Directorships

Savills recognises that its Executive Directors may be invited to become non-executive Directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit Savills. Subject to approval by the Board and any conditions which it might impose, the Executive Directors and Group Executive Board members are allowed to accept external non-executive Directorships and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. For non-executive Directorships which are considered to arise by virtue of an Executive Director's or Group Executive Board member's position within Savills, the fees are paid directly to Savills.

During 2017, Simon Shaw received a fee of £30,000 in relation to his continuing appointment as Non-Executive Chairman of Synairgen plc which he was permitted to keep (as this appointment is not linked to his role within the Company).

## Service contracts

The Executive Directors have rolling service contracts which are terminable on 12 months' notice by either the Company or the Executive Director.

Directors	Contract date
Jeremy Helsby	1 May 1999
Mark Ridley	1 May 2018
Simon Shaw	16 March 2009

The Non-Executive Directors and the Chairman have letters of appointment. In line with the UK Corporate Governance Code, all Directors are subject to annual re-election at the AGM. The Chairman's letter of engagement allows for six months' notice. Appointment of other Non-Executive Directors may be terminated by either party with three months' notice.

Director	Date appointed to Board	End date of current letter of appointment
Nicholas Ferguson	26 January 2016	25 January 2019
Tim Freshwater	1 January 2012	31 December 2020
Liz Hewitt	25 June 2014	30 June 2020
Charles McVeigh	1 August 2000	AGM May 2019
Rupert Robson	23 June 2015	22 June 2018

The Directors' service contracts and letters of appointment are available for inspection at our City office, 15 Finsbury Circus, London EC2M 7EB.

## Shareholder votes on remuneration matters

The table below shows the voting outcomes for the 2016 Annual Remuneration Report and the Directors' Remuneration Policy at the AGM held on 9 May 2017.

	Number of votes 'For' and discretionary	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld'*
2016 Annual Directors' Remuneration Report	106,174,260	98.98%	1,089,770	1.02%	107,264,030	1,996,488
Directors' Remuneration Policy	104,842,007	98.35%	1,753,512	1.65%	106,595,519	2,665,000

\* A vote withheld is not a vote in law.

# Directors' Remuneration Report continued

## Annual Report on Remuneration continued

### Policy table extract from the Directors' Remuneration Policy approved by shareholders at the 2017 AGM

The following sets out the table of remuneration elements from the Remuneration Policy, which was approved by shareholders at the 2017 AGM. To provide consistency with the remainder of the Report, salaries shown are 2018 salaries and annual performance-related profit share levels have been updated for the operation of the Policy in 2018.

Purpose and link to strategy	Operation	Potential	Performance measures
<b>Base salary</b>			
<ul style="list-style-type: none"> <li>A core component of the total reward package, which package overall is designed to attract, motivate and retain individuals of the highest quality.</li> </ul>	<p>The Committee considers base salary levels annually taking into consideration:</p> <ul style="list-style-type: none"> <li>the Group's philosophy to place greater emphasis on variable performance-related remuneration</li> <li>the individual's experience</li> <li>the size and scope of the role</li> <li>the general level of salary reviews across the Group</li> <li>appropriate external market competitive data.</li> </ul>	<p>Set significantly below market median levels with greater emphasis on the performance-related elements of reward. For 2018, the Committee approved an increase in base salaries (which was applied to 2017 Reference Salaries) of 2.5% effective 1 March 2018 as follows:</p> <ul style="list-style-type: none"> <li>Group Chief Executive Officer: £289,000</li> <li>Deputy Group Chief Executive Officer: £255,000</li> <li>Group Chief Financial Officer: £221,000</li> </ul> <p>The Committee retains the flexibility to award base salary increases taking into consideration the factors considered as part of the annual review. Although base salaries are reviewed annually, in line with the Group's philosophy, the Committee may elect to only notionally rather than actually increase base salaries for Executive Directors. In such circumstances this notionally increased Reference Salary would be used as the base for future base salary increases.</p> <p>The annual base salary for any existing Executive Director shall not exceed £500,000.</p>	n/a
<b>Pension</b>			
<ul style="list-style-type: none"> <li>Provides appropriate retirement benefits.</li> <li>Rewards sustained contribution.</li> </ul>	<p>Defined contribution pension arrangements are provided.</p> <p>HMRC approved salary and profit share sacrifice arrangements are in place. Pension benefits are provided either through a Group personal pension plan, as a non-pensionable salary supplement, contribution to a personal pension arrangement, or equivalent arrangement for overseas jurisdictions.</p>	<p>For 2018 the pension contributions/supplements are:</p> <ul style="list-style-type: none"> <li>Group Chief Executive Officer: 14% of annual base salary.</li> <li>Deputy Group Chief Executive Officer: 14% of annual base salary.</li> <li>Group Chief Financial Officer: 18% of annual base salary.</li> </ul> <p>As part of the funding arrangements agreed when Savills' Defined Benefit Pension Plan ('the Plan') was closed to future accrual in 2010, the Group Chief Executive Officer receives a minimum contribution of 14%. The maximum contribution will be no more than the maximum contribution for all other former members of the plan. The maximum annual pension contribution for the current Chief Financial Officer is 18%.</p> <p>The Plan is closed to future accruals. However, legacy arrangements will be honoured.</p> <p>New recruits would normally participate in defined contribution arrangements or take a non-pensionable salary supplement.</p> <p>The level of contribution would be determined at the time of appointment and may be set at a higher level than that set out above, although a contribution limit of 20% of annual base salary per Executive Director has been set for the duration of this Policy. For international appointments, the Committee may determine that alternative pension provisions will operate, and when determining arrangements, the Committee will have regard to the cost of the arrangements, market practice in the relevant international jurisdiction and the pension arrangements received elsewhere in the Group.</p>	n/a



Purpose and link to strategy	Operation	Potential	Performance measures
<b>Benefits</b>			
<ul style="list-style-type: none"> <li>To provide market competitive benefits.</li> </ul>	<p>Benefits currently comprise:</p> <ul style="list-style-type: none"> <li>Medical insurance benefits</li> <li>Car/car allowance</li> <li>Permanent Health Insurance</li> <li>Life insurance</li> </ul> <p>Other benefits may be provided if the Committee considers it appropriate.</p> <p>Where an Executive Director is located in a different international jurisdiction, benefits may reflect market practice in that jurisdiction.</p> <p>In the event that an existing Executive Director or new Executive Director is required by the Group to relocate, other benefits may be provided including (but not limited to) a relocation allowance, housing allowance and tax equalisation.</p>	<p>Car allowance (currently up to a maximum of £9,000 p.a.).</p> <p>There is no overall maximum as the cost of insurance benefits depends on the individual's circumstances, but the provision of taxable benefits will normally operate within an annual limit of 30% of an Executive Director's annual base salary.</p> <p>The Committee will monitor the costs in practice and ensure that the overall costs do not increase by more than the Committee considers to be reasonable in all the circumstances</p> <p>Relocation expenses are subject to a maximum limit of £200,000 (£300,000 in the case of an international relocation) plus, if relevant, the cost of tax equalisation.</p>	n/a
<b>Annual performance-related profit share</b>			
<ul style="list-style-type: none"> <li>To encourage the achievement of challenging financial, strategic and/or operational targets.</li> <li>Further alignment with Shareholders' interests through deferral of a significant amount of any award into shares.</li> </ul>	<p>Annual profit share awards reflect the Group's annual profit performance and personal performance and contribution.</p> <p>Awards are delivered part in cash and part in shares subject to a minimum cash threshold of 100% of annual salary. Thereafter, 50% of any award is delivered in shares.</p> <p>The share element of any award is normally deferred for a period of three years.</p> <p>The number of shares in that part of the award deferred for three years is increased at the time of vesting to reflect the value of dividends declared over the deferral period. Alternatively the cash equivalent is paid.</p> <p>The Committee may exercise its judgement to adjust (on a downwards only basis) individual annual bonus payouts should they not reflect overall business performance or individual contribution.</p> <p>Malus/clawback provisions apply, allowing for the reduction of awards as explained in the notes to this table.</p>	<p>In line with the Group's philosophy, there is greater emphasis on variable performance-related pay, while base salaries are set significantly below market median levels.</p> <p>The maximum potential annual profit share awards for 2018 are:</p> <ul style="list-style-type: none"> <li>£2.134m for the Group Chief Executive Officer.</li> <li>£1.867m for the Deputy Group Chief Executive Officer.</li> <li>£1.6m for the Group Chief Financial Officer.</li> </ul> <p>For a new executive director the Committee would determine the appropriate normal maximum taking into account the role and responsibility, subject to a maximum of £2.134m p.a.</p> <p>Each of these caps will increase in line with the rate of any increase in RPI for the preceding financial year (if there is no increase in RPI, the cap will remain unchanged).</p>	<p>For 2018 the weighting will be 75% in relation to the Group's annual profit performance, defined as underlying profit before tax performance, and 25% in relation to delivery against a mix of personal, strategic and operational objectives. The Committee reserves the right to vary these proportions in subsequent years and/or to add additional or substitute measures to ensure that incentive remains appropriate to business strategy.</p> <p>The scale for the profit share element of any award will be disclosed annually in arrears.</p> <p>Unless the Committee determines otherwise, this scale will normally be adjusted for any acquisitions/disposals in a single year which impact (on an annualised basis) UPBT by more than 7.5%. In such cases the scale will be adjusted to neutralise the benefit of any overage above the 7.5% level.</p> <p>If there is significant transaction that results in the scale becoming inappropriate then Shareholders will be consulted about any adjustment to the scale.</p> <p>The award potential at threshold is 25%. As the arrangement is an annual profit share there is no pre-set award level for on-target performance.</p>

# Directors' Remuneration Report continued

## Annual Report on Remuneration continued

Purpose and link to strategy	Operation	Potential	Performance measures
<b>Performance Share Plan ('PSP')</b>			
<ul style="list-style-type: none"> <li>To drive and reward the delivery of longer-term sustainable shareholder value, aid retention and ensure alignment of senior management and shareholder interests.</li> </ul>	<p>Awards of shares subject to a performance period of normally no less than three years. A holding period will apply so that Executive Directors may not normally exercise vested PSP awards until the fifth anniversary of the award date.</p> <p>PSP awards may be in the form of nil cost options or conditional awards over shares. Awards may incorporate an award of tax-advantaged Company Share Option Plan options.</p> <p>The Committee awards dividend equivalents on a reinvested basis in respect of dividends paid over the vesting or any subsequent holding period.</p> <p>Malus/clawback provisions apply, allowing for the reduction of awards as explained in the notes to this table.</p> <p>The Committee may adjust vesting of awards if it considers that the outcome of the measurement of the performance conditions does not accurately reflect the underlying performance or financial health of the Company. In the event the Committee proposed to make an upward adjustment, the Committee would consult with major shareholders in advance. The Committee may adjust or amend awards in accordance with the PSP rules.</p>	<p>Maximum annual award potential of 200% of salary (plan rules limit).</p> <p>Subject to an overall maximum of £1m per annum per participant.</p> <p>For a new Executive Director, the Committee would determine the appropriate normal maximum taking into account the role and responsibility, subject to a maximum of 200% of base salary p.a. (or if lower £1m p.a.).</p>	<p>Performance conditions for future awards are reviewed annually to ensure that the measures and their targets remain appropriate to business strategy and are sufficiently challenging, and that the relative balance of the performance measures remains appropriate for properly incentivising and rewarding the creation of longer-term sustainable Shareholder value.</p> <p>Performance conditions are currently based on two measures:</p> <ul style="list-style-type: none"> <li>Relative TSR against the FTSE 250 (excluding investment trusts) or other appropriate comparator group</li> <li>Earnings per share.</li> </ul> <p>The Committee may review the performance measures for the PSP to ensure they remain aligned to the strategy. The Committee would consult with major shareholders in advance of a change in performance measures used for the PSP.</p> <p>No more than 25% of an award vests for threshold performance.</p>
<b>UK tax advantaged all-employee share plans</b>			
<ul style="list-style-type: none"> <li>Share plans available to all UK employees in the Group who satisfy the statutory requirements.</li> </ul>	<p>Executive Directors are eligible to participate in any of the Group's all-employee share plans on the same terms as other UK employees.</p>	<p>Maximum Partnership Shares in accordance with statutory limits. The Company does not presently offer Free Shares, Matching Shares or Dividend Shares.</p>	n/a
<b>Shareholding Guidelines</b>			
<ul style="list-style-type: none"> <li>To encourage share ownership by the Executive Directors and ensure interests are aligned.</li> </ul>	<p>Executive Directors are expected to purchase and/or retain all shares (net of tax) which vest under the Group's share plans (or any other discretionary long-term incentive arrangement introduced in the future) until such time as they hold a specified value of shares.</p> <p>Only beneficially owned shares and vested share awards (including PSP vested awards subject to a holding period discounted for anticipated tax liabilities) may be counted for the purposes of the guidelines. Share awards do not count towards this requirement prior to vesting.</p> <p>Once shareholding guidelines have been met, individuals are expected to retain these levels as a minimum. The Committee will review shareholdings annually in the context of this Policy.</p>	<p>500% of base salary for all Executive Directors.</p>	n/a

### Malus and clawback

Malus (being the forfeiture of unvested awards) and clawback (being the ability of the Company to reclaim paid amounts as a debt) provisions apply to the annual performance-related profit share and the PSP. These provisions may be applied where the Committee considers it appropriate to do so following: a material misstatement of the Group’s financial results; serious misconduct by the individual; a factual error in calculating an award or vesting; and other exceptional developments which have an actual or potential material adverse effect on the value or reputation of the Group as determined by the Committee.

Clawback will apply for a two-year period post the vesting of awards. In the event of a regulatory or criminal inquiry being ongoing at that point, the clawback period will be extended to a six-month period post the conclusion of such an inquiry.

### Remuneration Policy for Non-Executive Directors

Approach to fees	Operation	Other items
<p>Fees for the Chairman and other Non-Executive Directors are set at an appropriate level taking into consideration individual roles and responsibilities, the time commitment required and external market practice.</p> <p>Fees will generally be increased annually in line with increases in RPI over the previous 12 months.</p> <p>All fees for membership of the Board are subject to the maximum payable to Non-Executive Directors as stated in the Company’s Articles of Association (currently £500,000 for the Chairman and NED base fees) and within an additional limit determined by the Non-Executive Chairman and the Executive Directors on behalf of the Board of £200,000 for any additional responsibility or other special fees.</p>	<p>Fees payable to the Non-Executive Directors are determined by the Non-Executive Chairman and the Executive Directors on behalf of the Board.</p> <p>Fees payable to the Chairman are determined by the Committee.</p> <p>The Non-Executive Director fee policy is to pay:</p> <ul style="list-style-type: none"> <li>• a basic fee for membership of the Board</li> <li>• Committee chairmanship and Senior Independent Director fees to reflect the additional responsibilities and time commitment of the roles.</li> </ul> <p>The Chairman receives an all-inclusive fee for the role.</p> <p>Additional fees for membership of a Committee or chairmanship or membership of subsidiary boards or other fixed fees may be introduced, if considered appropriate.</p>	<p>Non-Executive Directors are not entitled to participate in any of the Group’s incentive arrangements or share schemes.</p> <p>Non-Executive Directors do not currently receive any taxable benefits (however, they are covered by Directors’ and Officers’ liability insurance).</p> <p>Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the benefits.</p> <p>Additional benefits may be provided in the future if the Board considered this appropriate.</p>

# Directors' Report

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' Report.

## Operations

The Company and its subsidiaries (together the 'Group') operate through a network of offices and associates throughout the Americas, the UK, Continental Europe, Asia Pacific, Africa and the Middle East.

## Results for the year

The results for the Group are set out in the consolidated income statement on page 85 which shows a reported profit for the financial year attributable to the shareholders of the Company of £80.1m (2016: £66.9m).

## Dividend

An interim dividend of 4.65p per ordinary share amounting to £6.3m (2016: £5.9m) was paid on 4 October 2017. It is recommended that a final dividend of 10.45p per ordinary share (amounting to £14.3m) is paid, together with a supplemental interim dividend of 15.1p per ordinary share (amounting to £20.6m) and to be declared by the Board on 15 March 2018, on 14 May 2018 to shareholders on the register at 13 April 2018. More details of the proposed dividend and the Company's performance can be found in the Chairman's statement on pages 4 to 7.

## Principal developments

The principal developments of the business are detailed in the Strategic Report on pages 4 to 35 and incorporated into this Report by reference.

The principal risks and uncertainties are detailed on pages 25 to 29 and incorporated into this Report by reference.

## Directors

Biographical details of the current Directors are shown on pages 44 and 45. All the Board members served throughout the year. As at 31 December 2017 the Board comprised the Non-Executive Chairman, two Executive Directors and five Independent Non-Executive Directors.

Interests in the issued share capital of the Company held at the end of the period under review and up to the date of this Report by the Directors or their families are set out on page 67 of the Remuneration Report. Details of share options held by the Directors pursuant to the Company's share

option schemes are provided in the Remuneration Report on page 67 and 68. It is the Board's policy that the GEB Members should retain at least 105,000 shares (value at 31 December 2017: £1,042,650) in the Company and that the Group Chief Executive Officer and Group Chief Financial Officer hold shares to the value of five times their respective base salaries (£1,375,000 and £1,050,000 respectively).

## Directors' interests in significant contracts

No Directors were materially interested in any contract of significance.

## Statement of Directors' responsibilities

In accordance with the Code and the Disclosure Guidance and Transparency Rules ('DTR') DTR4, the Directors' Responsibilities Statement is set out on page 76 and is incorporated into this Report by reference.

## Corporate Governance Statement

In accordance with the Code and DTR 7.2.9R, the Corporate Governance Statement on pages 38 and 39 is incorporated into this Report by reference.

## Management Report

This Directors' Report, on pages 74 and 75, together with the Strategic Report on pages 4 to 35, form the Management Report for the purposes of DTR 4.1.5R.

## Additional Information Disclosure

Pursuant to regulations made under the CA 2006 the Company is required to disclose certain additional information. Those disclosures not covered elsewhere within this Annual Report are as follows:

## Share capital and major shareholdings

The issued share capital of the Company as at 31 December 2017 comprised 141,931,341 2.5p ordinary shares, details of which may be found on pages 137 and 138.

The Company has only one class of share capital formed of ordinary shares. All shares forming part of the ordinary share capital have the same rights and each carries one vote.

Votes may be exercised for general meetings of the company, by members in person, by proxy or by corporate representatives (in relation to corporate members). The Articles provide a deadline for the submission of

proxy forms (electronically or by paper) of not less than 48 hours before the time appointed for the holding of the general meeting or the adjourned meeting (as the case may be).

There are no unusual restrictions on the transfer of ordinary shares. The Directors may refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; or (ii) in respect of only one class of shares.

The Directors may also refuse to register a transfer of a share (whether certificated or uncertificated), whether fully paid or not, in favour of more than four persons jointly.

As at 31 December 2017 the Company had been notified of the following interests in the Company's ordinary share capital in accordance with DTR 5:

Shareholders	Number of shares	%
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	12,270,237	8.65
Old Mutual Plc	6,685,646	4.71

Note:

No other changes to the above have been disclosed to the Company in accordance with DTR 5, between 31 December 2017 and 15 March 2018.

As at 31 December 2017, the Savills plc 1992 Employee Benefit Trust (the 'EBT') held 4,819,684 ordinary shares and the Savills Rabbi Trust held 800,000 ordinary shares. Any voting or other similar decisions relating to these shares held in trust are taken by the trustees, who may take account of any recommendation of the Company. During the year the EBT waived all but 0.01p per share of its dividend entitlement. In December 2017 the EBT Trust Deed was amended so that future Savills plc dividends will be waived in full.

The Savills Rabbi Trust does not currently waive Savills plc dividends. For further details of the trusts please refer to Note 2.21 to the financial statements.

### Purchase of own shares

In accordance with the Listing Rules, at the AGM on 9 May 2017 shareholders gave authority for a limited purchase of Savills shares of up to 10% of the issued share capital of the company. During the year, no shares were purchased under the authority.

The Board proposes to seek shareholder approval at the AGM on 8 May 2018 to renew the Company's authority to make market purchases of its own ordinary shares of 2.5p each for cancellation or to be held in treasury. Details of the proposed resolution are included in the Notice of AGM circulated to shareholders with this Annual Report (the 'AGM Notice').

### Change of control

There are no significant agreements which take effect, alter or terminate in the event of change of control of the Company except that under its banking arrangements, a change of control may trigger an early repayment obligation.

### Articles of Association

The Company's Articles are governed by relevant statutes and may be amended by special resolution of the shareholders in a general meeting.

The Company's rules about the appointment and replacement of Directors are contained in the Articles. The powers of the Directors are determined by UK legislation and the Articles in force from time to time.

Unless determined by ordinary resolution of the Company, the number of Directors shall be not less than three and not more than 18. A Director is not required to hold any shares in the Company by way of qualification. However, as more fully described on page 72, in accordance with Board policy, the members of the GEB (which includes the Executive Directors) are expected to build-up and maintain a shareholding in the Company. The Board may appoint any person to be a Director and such Director shall hold office only until the next AGM when he or she shall then be eligible for reappointment by the shareholders. The Articles provide that each Director shall retire from office at the third AGM after the AGM at which he or she was last elected. A retiring Director shall be eligible for re-election. However, in accordance with the Code, all Directors of the Company are subject to annual re-election.

### Annual General Meeting

The AGM is to be held at 33 Margaret Street, London W1G 0JD at 12 noon on 8 May 2018; details are contained in the AGM Notice circulated to shareholders with this Report.

### Half Year Report

Like many other listed public companies, we no longer circulate printed Half Year reports to shareholders. Instead, Half Year results statements are published on the Company's website. This is consistent with our target to reduce printing and distribution costs.

### Political contributions

The Company made no political contributions during the year (2016: £nil).

### Employees' policies and involvement

The Directors recognise that the quality, commitment and motivation of Savills staff are key elements to the success of the Group. See pages 31 and 32 for more information as to employee engagement.

The Group provides regular updates covering performance, developments and progress to employees through regular newsletters, video addresses, the Group's intranet, social media and through formal and informal briefings. These arrangements also aim at ensuring that all of our staff understand our strategy and to build knowledge on the part of employees of matters affecting the performance of the Group. The Group also consults with employees so as to ascertain their views in relation to decisions which are likely to affect their interests.

Employees are able to share in the Group's success through performance-related profit share schemes (see page 71 for more details) and for UK employees (including Executive Directors), share plans which include a Sharesave Scheme and a Share Incentive Plan ('SIP'). The Sharesave Scheme is an HMRC-approved save-as-you-earn share option scheme which allows participants to purchase shares out of the proceeds of a linked savings contract at a price set at the time of the option grant. Participants may elect to save up to £500 per month and options may normally be exercised in the six months following the maturity of the linked three-year savings contract. The potential for extending the Sharesave Scheme internationally remains under consideration. The SIP is also HMRC-approved and through which participants may make regular purchases of shares (up to the current statutory limit of £150 per month) from pre-tax income. Shares under the SIP normally vest after five years, free from income tax and national insurance contributions.

### Human rights and equal opportunities

We support the principles of the UN Universal Declaration of Human Rights and the Core Principles of the International Labour Organization.

It is Group policy to provide employment on an equal basis irrespective of gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age. In particular, the Group gives full consideration to applications for employment from disabled persons. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment and to provide training and career development and promotion to disabled employees.

### Independent Auditors

In accordance with Section 489 of the CA 2006, a resolution for the reappointment of PricewaterhouseCoopers LLP as Auditors of the Company will be proposed at the forthcoming AGM.

### Whistleblowing

The Group encourages staff to report any concerns which they feel need to be brought to the attention of management. Whistle-blowing procedures, which are published on the Group's intranet site, are available to staff who are concerned about possible impropriety, financial or otherwise, and who may wish to ensure that action is taken without fear of victimisation or reprisal.

### Greenhouse gas emissions

Details of the Group's global greenhouse gas emissions for the financial year under review can be found on page 34 and are incorporated into this Report by reference.

By order of the Board

#### Chris Lee

Group Legal Director & Company Secretary

14 March 2018

Savills plc  
Registered in England No. 2122174

# Directors' responsibilities

## Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group and parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 44 and 45 confirm that, to the best of their knowledge:

- the Group and parent Company 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 profit of the parent Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and parent Company'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 and parent Company's auditors are aware of that information.

On behalf of the Board

### Jeremy Helsby

Group Chief Executive

### Chris Lee

Group Legal Director & Company Secretary

## Forward-looking statements

Forward-looking statements have been made by the Directors in good faith using information up until the date on which they approved the Annual Report and Accounts. Forward-looking statements should be regarded with caution due to uncertainties in economic trends and business risks.

14 March 2018

# Financial statements

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# Independent auditor's report to the members of Savills plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Savills plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2017; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated and Company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

### Our audit approach

#### Context

Savills plc is listed on the London Stock Exchange and is structured across four business lines: Transactional Advisory, Property Consultancy, Property and Facilities Management, and Investment Management Services. The Group financial statements are a consolidation of reporting units that make up the four business lines, spread across four geographical regions: UK, North America, Europe and Asia Pacific.

#### Overview

##### Materiality

- Overall Group materiality: £7.0 million (2016: £6.8 million), based on 5% of Group underlying profit before tax as defined in note 2.2 to the financial statements.
- Overall parent company materiality: £2.3 million (2016: £2.3 million), based on 1% of total assets.

##### Audit scope

- We conducted audit work in the UK, Germany, Spain, US, Hong Kong, China, South Korea, Singapore, Japan and Australia, and across all four of the Group's business lines.
- Audits of the complete financial information were performed on the businesses in the UK, US, Hong Kong, Shanghai (China Central), Australia and South Korea, as well as the German Investment Management business.
- We carried out procedures on parts of the business which accounted for 86% (2016: 83%) of Group revenues and 91% (2016: 92%) of Group underlying profit before tax.

##### Key audit matters

- Goodwill impairment assessment – particularly for European businesses and the US (Group)
- Risk of fraud in revenue recognition in relation to cut-off for transaction income in the investment management and transactional advisory businesses (Group)

- Provisions for litigation (Group)
- Recoverability of trade receivables (Group)
- Regulatory compliance obligations (Group and Company)
- Accounting for acquisition of Aguirre Newman (Group)

### The scope of our audit

As part of planning our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including those relating to financial services and real estate services across the Group. Our tests included discussing compliance with internal legal counsel, reviewing correspondence with the Group's solicitors and examining litigation costs incurred by the Group over the financial year. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.



**Key audit matters**

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment assessment – particularly for European businesses and the US (Group)</b>                      Refer to page 54 (Audit Committee Report), page 94 and (Significant Accounting policies) and pages 119 to 121 (notes).</p> <p>The Group carried £351.3m of goodwill at 31 December 2017 (2016: £309.8m) of which £57.8m related to new acquisitions made during 2017.</p> <p>The carrying value of goodwill is contingent on future cash flows of the underlying cash generating units (‘CGUs’) and there is a risk that if these cash flows do not meet the Directors’ expectations, the goodwill will be impaired.</p> <p>The Group’s performance in Europe improved during 2017 with the exception of Sweden, where an impairment charge of £2.3m was recognised reflecting recent performance in challenging market conditions. After the impairment charge, the value of the Sweden CGU at 31 December 2017 was £2.7m. There was significant headroom in management’s impairment models for the other European CGUs.</p> <p>We focused our assessment on the US, which holds £148.1m of goodwill and other intangible assets, as the profitability of that business declined in 2017.</p>	<p>Focusing on the US and Sweden businesses, we evaluated and challenged the Directors’ future cash flow forecasts and the process by which they were drawn up, and tested the underlying value in use calculations. We compared management’s forecast with the latest Board-approved budget and found them to be consistent.</p> <p>We challenged:</p> <ul style="list-style-type: none"> <li>the key assumptions for short and long term growth rates in the forecasts by comparing them with historical results, as well as economic and industry forecasts for the relevant international property markets; and</li> <li>the discount rate used in the calculations by assessing the cost of capital for the Group and comparable organisations, and assessed the specific risk premium applied to each CGU in question.</li> </ul> <p>We performed sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows, and the short and longer term growth rates and profit margins. We ascertained the extent to which a reduction in these assumptions both individually or in aggregate would result in goodwill impairment, and considered the likelihood of such events occurring. We did not regard this to be reasonably possible.</p> <p>We were satisfied that the impairment charge recorded in Sweden was reasonable and that no other goodwill impairments were required in the 2017 financial statements.</p>
<p><b>Risk of fraud in revenue recognition in relation to cut-off for transaction income in the investment management and transactional advisory businesses (Group)</b>                      Refer to page 98 (note 2 to the financial statements) for the Directors’ disclosures of the related accounting policies, judgments and estimates.</p> <p>Our specific audit focus was on the risk that revenue may be recorded in the incorrect period in respect of transaction fees in the transactional advisory and investment management businesses, in light of the incentive schemes for management in those businesses designed to reward performance.</p> <p>The recognition of revenue is largely dependent on the date the underlying transaction is deemed to be completed, which is typically the point at which unconditional exchange has been achieved.</p>	<p>For material transactions, we evaluated the commercial rationale and the revenue recognition process adopted and determined that the related revenue had been recorded on a consistent basis across the Group in accordance with Group policies and applicable IFRSs.</p> <p>We tested a sample of revenue transactions to underlying contracts and third party completion documentation, for example, property sales completion statements, or asset or property management contracts, determining that these sales had taken place and were recorded in the correct period.</p> <p>There were no material issues identified by our testing of revenue recognition in the period.</p>

# Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Provisions for litigation (Group)</b> Refer to page 54 (Audit Committee Report), page 97 (Significant Accounting Policies) and page 105 (notes).</p> <p>The Group is subject to a number of legal claims in the normal course of business. The calculation of provisions against these claims is judgmental, given the range of possible outcomes on each claim. The number of new claims has continued to decline in recent years.</p> <p>Our audit procedures took into account both the potential exposure and the extent to which liabilities are likely to crystallise, as well as the adequacy of the insurance cover held by the Group.</p>	<p>In order to assess the accuracy and completeness of the provisions held at the balance sheet date, we performed the following procedures:</p> <ul style="list-style-type: none"><li>• Obtained and read the legal claim letters and accompanying third party documentation received by the Group;</li><li>• Obtained and read the legal insurance contract, and verified that the terms were appropriately accounted for;</li><li>• Met with the Group's internal and external legal counsels to consider in detail a number of cases, including the potential exposure after taking into account the Group's insurance cover;</li><li>• Checked the amounts and other details in respect of each new claim to the relevant supporting documentation;</li><li>• Reviewed the outcome of prior year estimates of litigation provisions to help assess the reliability of the estimates this year;</li><li>• Reviewed the legal cases settled during the year and, where relevant, traced the related cash payments to bank statements; and</li><li>• Examined board minutes, legal expenses incurred during the year and any litigation-related matters arising after the year-end.</li></ul> <p>We determined based on these procedures that the Directors had made reasonable judgments in their assessment process for determining the level of provision held.</p> <p>Our procedures did not identify any further legal cases other than those identified by management.</p>
<p><b>Recoverability of trade receivables (Group)</b> Refer to page 54 (Audit Committee Report), page 95 (Significant Accounting Policies) and page 130 (notes).</p> <p>The Group is exposed to a risk of default in respect of trade receivables, and there is therefore a risk that the net valuation of receivables could be overstated. This risk is factored into our audit approach with respect to the provision against trade receivables.</p> <p>In order to test the recoverability of trade receivables, we performed the following procedures:</p>	<ul style="list-style-type: none"><li>• Requested confirmations for a sample of client debtor balances;</li><li>• Where a response to our request was not received, we sought to agree the relevant trade receivables balances to post year end cash receipts;</li><li>• Where both a response and cash had not been received post year-end, we performed alternative procedures, by agreeing amounts recorded to underlying sales contracts and completion documentation;</li><li>• Discussed and assessed the reasons that the amounts were not yet paid with local management teams. We also evaluated the Group's credit control procedures, and assessed the ageing profile of trade receivables, focusing on older debts;</li><li>• We challenged management as to the recoverability of the older, unprovided amounts, corroborating management explanations with underlying documentation and correspondence with the customer; and</li><li>• We inspected management's bad debt provision calculations and ensured that these were consistent with Group policy, and that they provided appropriate cover over older uncollected debts</li></ul> <p>We did not encounter any issues through these audit procedures that indicated further provisioning against trade receivables was required.</p> <p>Based upon the above, we are satisfied that management had taken reasonable judgments that were supported by the available evidence in respect of the relevant receivables.</p>

**Key audit matter**

**Regulatory compliance obligations (Group and Company)**

The Group is subject to Financial Services, Chartered Surveyor, tax, anti-bribery and anti-money laundering laws and regulations across a number of jurisdictions in which it operates.

The Company is subject to those laws and regulations applicable in the UK.

Failure to comply with any of these applicable laws and regulations could have a material impact on the results of the Group and the reputation for integrity on which it relies.

The Directors did not identify any material instances of non-compliance in the year.

**How our audit addressed the key audit matter**

We updated our understanding of the legal and regulatory framework within which the Group operates, discussed the Group's approach to regulatory compliance with management and with internal legal counsel, and evaluated management's internal control procedures.

We considered that appropriate procedures are in place to identify any instances of non-compliance that would have a material impact on the results and reputation of the business.

We read relevant correspondence with regulators to support management's assertions, as well as board minutes and internal audit reports. We examined legal expense accounts and considered the results of our audit work in other areas to determine whether there was any evidence of non-compliance with applicable laws and regulations.

We identified no evidence of such instances of non-compliance with applicable laws and regulations.

**Accounting for acquisition of Aguirre Newman (Group)**

Refer to page 54 (Audit Committee Report), page 94 (Significant Accounting Policies) and page 126 (notes).

The Group completed the acquisition of Aguirre Newman, a Spanish real estate advisory business, on 29 December 2017.

The acquisition did not include Aguirre Newman's South American business, which was carved out of the acquisition balance sheet.

Accounting for the acquisition required a provisional fair value exercise, including valuing separately identifiable intangible assets.

This can be a particularly subjective process, given the range of assumptions that are adopted to determine the valuations, including the applicable discount rate used in the fair value calculations.

Based on an exercise performed by external valuation experts, the Directors identified £3.4m of intangibles relating to Aguirre Newman's brand, order back-log and its customer contracts and relationships.

In order to test the components of the acquisition, we performed the following procedures:

- Reviewed technical papers prepared by management in respect of the acquisition and inspected all relevant contracts and information;
- Tested the adjustments made to carve out the net assets of the Aguirre Newman South American business from the acquired balance sheet;
- Assessed the provisional fair value calculation of the assets acquired, including assessing the completeness and quantum of adjustments made by management;
- Reviewed the work performed on the purchase price allocations by management's external experts, to ensure that the relevant intangible assets have been appropriately identified and reasonably valued;
- Evaluated the competency and objectivity of management's external valuation expert;
- Challenged the key assumptions used in the valuation model, including the discount rate
- Challenged management's identification and valuation of other known and contingent liabilities associated with Aguirre Newman;
- Understood what management have done to assess the control environment of the entity and align accounting practices; and

Based upon the above, we are satisfied that the Directors had taken reasonable judgments in accounting for the acquisition of Aguirre Newman.

# Independent auditor's report continued

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Taken together, our full scope audit procedures accounted for 86% (2016: 83%) of Group revenues and 91% (2016: 92%) of Group underlying profit before tax.

The Group's accounting process is structured around a local finance function in each of the territories in which the Group operates. In Europe, these functions maintain their own accounting records and controls and report to a Head Office finance team in the UK through submission of management reporting packs. In Asia Pacific, these functions similarly report to a regional finance team in Hong Kong, and in the US the local functions report to the US finance team in New York. At a Group level, a separate finance team consolidates the reporting packs of Europe, Asia Pacific, UK, North America and the central functions.

In our view, due to their significance and/or risk characteristics, as defined in our areas of focus, those businesses in the UK and US, Hong Kong, Shanghai (China Central) and Australia within the Asia Pacific region, and the German Investment Management business, required an audit of their complete financial information. We used component auditors from PwC network firms who are familiar with the local laws and regulations in each of the identified territories outside the UK to perform this audit work.

Specific risk-based audit procedures were performed by local teams in Beijing, Chengdu, Tokyo and Singapore, focusing on revenue and receivables based on the audit risks we had identified in these areas. Specific audit procedures were also performed by a local team in Spain over the Aguirre Newman balance sheet, following the acquisition on 29 December 2017.

Based upon Group materiality, we did not carry out detailed audit procedures on Savills Europe other than Aguirre Newman. Local audit teams perform statutory audits of subsidiary companies in Europe where required by local legislation. These audits were carried out to the same timetable as the Group audit and, accordingly, we were able to incorporate the results of their work into our overall risk assessment.

In order to direct and supervise the Group audit, the Group engagement team sent detailed instructions to significant component audit teams. This included communication of the areas of focus above and other required communications. The Group engagement team held regular meetings throughout the year with all significant component audit teams. The Group team visited the audit teams located at the Savills Asia Pacific head office in Hong Kong, given the significance of this region to the Group, the US head office in New York, and also visited Savills regional offices in Shanghai and Beijing. This ensured that we had a comprehensive understanding of the results of their work – particularly insofar as it related to the identified areas of focus.

The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These included pensions, tax and share-based payments.

Taken together, these procedures gave us the evidence we needed for our opinion on the financial statements as a whole.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Overall materiality</b>	£7.0 million (2016: £6.8 million).	£2.3 million (2016: £2.3 million).
<b>How we determined it</b>	5% of Group underlying profit before tax as defined in note 2.2 to the financial statements.	1% of total assets of the Company.
<b>Rationale for benchmark applied</b>	Based on our professional judgment, we determined materiality by applying a benchmark of 5% of underlying profit before tax. We believe that underlying profit before tax is the most appropriate measure as it eliminates any disproportionate effect of exceptional charges and provides a consistent year-on-year basis for our work. It is the key measure used by management and the Group's investors.	We determined that as the Company is a non-trading holding company, total assets to be an appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.0 million and £5.7 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.3 million (Group audit) (2016: £0.3 million) and £0.3 million (Company audit) (2016: £0.3 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 26 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 29 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

# Independent auditor's report continued

## Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 76, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 54 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 76, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 30 April 2001 to audit the financial statements for the year ended 31 December 2002 and subsequent financial periods. The period of our total uninterrupted engagement is 16 years, covering the years ended 31 December 2002 to 31 December 2017.

## John Waters (Senior Statutory Auditor)

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory  
Auditors  
London

14 March 2018

# Consolidated income statement

## for the year ended 31 December 2017

	Notes	2017 £m	2016 £m
<b>Revenue</b>	6	<b>1,600.0</b>	1,445.9
<b>Less:</b>			
Employee benefits expense	9.1	<b>(1,061.7)</b>	(953.5)
Depreciation	16	<b>(13.5)</b>	(12.7)
Amortisation of intangible assets and impairment of goodwill	15	<b>(9.3)</b>	(6.9)
Other operating expenses	7.1	<b>(418.5)</b>	(382.7)
Other operating income	7.1	<b>0.9</b>	2.5
Profit on disposal of available-for-sale investments and joint ventures	8	<b>5.9</b>	0.5
Loss on disposal of available-for-sale investments	8	<b>–</b>	(0.4)
<b>Operating profit</b>		<b>103.8</b>	92.7
Finance income	11	<b>2.8</b>	1.6
Finance costs	11	<b>(4.1)</b>	(2.4)
		<b>(1.3)</b>	(0.8)
Share of post-tax profit from joint ventures and associates	17.1	<b>9.9</b>	7.9
<b>Profit before income tax</b>		<b>112.4</b>	99.8
Comprising:			
– underlying profit before tax	8	<b>140.5</b>	135.8
– restructuring and acquisition-related costs	8	<b>(29.0)</b>	(34.5)
– other underlying adjustments	8	<b>0.9</b>	(1.5)
		<b>112.4</b>	99.8
Income tax expense	12	<b>(31.3)</b>	(32.1)
<b>Profit for the year</b>		<b>81.1</b>	67.7
<b>Attributable to:</b>			
Owners of the parent		<b>80.1</b>	66.9
Non-controlling interests		<b>1.0</b>	0.8
		<b>81.1</b>	67.7
<b>Earnings per share</b>			
Basic earnings per share	14.1	<b>58.8p</b>	48.8p
Diluted earnings per share	14.1	<b>57.5p</b>	47.7p
<b>Underlying earnings per share</b>			
Basic earnings per share	14.2	<b>75.8p</b>	72.5p
Diluted earnings per share	14.2	<b>74.1p</b>	71.0p

# Consolidated statement of comprehensive income

## for the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Profit for the year		<b>81.1</b>	67.7
<b>Other comprehensive income/(loss)</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension scheme obligation	10.2	<b>14.1</b>	(35.2)
Tax on items that will not be reclassified	12	<b>(2.8)</b>	7.2
<b>Total items that will not be reclassified to profit or loss</b>		<b>11.3</b>	(28.0)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on available-for-sale investments	17.2	<b>0.3</b>	(0.6)
Currency translation differences		<b>(16.2)</b>	52.6
Tax on items that may be reclassified	12	<b>2.3</b>	(0.7)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(13.6)</b>	51.3
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(2.3)</b>	23.3
<b>Total comprehensive income for the year</b>		<b>78.8</b>	91.0
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		<b>77.8</b>	90.0
Non-controlling interests		<b>1.0</b>	1.0
		<b>78.8</b>	91.0

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company are not presented as part of these financial statements. The Company has produced its own income statement and statement of comprehensive income for approval by its Board. The Company receives dividends from subsidiaries and charges subsidiaries for the provision of Group-related services. The profit after income tax of the Company for the year was £64.0m (2016: £80.9m).



# Consolidated and Company statements of financial position

as at 31 December 2017

	Notes	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
<b>Assets: Non-current assets</b>					
Property, plant and equipment	16	68.2	59.7	1.7	1.9
Goodwill	15	351.3	309.8	–	–
Intangible assets	15	34.4	29.2	2.7	1.4
Investments in subsidiaries	17.3	–	–	123.7	118.7
Investments in joint ventures and associates	17.1	30.0	28.9	–	–
Deferred income tax assets	18	36.9	36.5	2.2	2.5
Available-for-sale investments	17.2	24.6	20.8	–	–
Retirement benefit surplus	10.2	1.3	–	–	–
Derivative financial instruments	23	–	0.1	–	–
Non-current receivables		15.7	9.6	–	–
		<b>562.4</b>	494.6	<b>130.3</b>	124.5
<b>Assets: Current assets</b>					
Work in progress		6.0	5.3	–	–
Trade and other receivables	19	490.6	419.4	7.9	16.5
Current income tax receivable		2.3	4.3	2.6	1.3
Derivative financial instruments	23	0.5	0.2	–	–
Cash and cash equivalents	20	208.8	223.6	90.8	88.3
		<b>708.2</b>	652.8	<b>101.3</b>	106.1
<b>Liabilities: Current liabilities</b>					
Borrowings	22	110.1	35.8	–	–
Derivative financial instruments	23	0.1	0.3	–	–
Trade and other payables	21	592.7	550.2	13.1	21.3
Current income tax liabilities		16.4	17.5	–	–
Employee benefit obligations	24.2	11.2	9.2	0.1	0.1
Provisions for other liabilities and charges	24.1	11.4	10.2	–	–
		<b>741.9</b>	623.2	<b>13.2</b>	21.4
<b>Net current (liabilities)/assets</b>		<b>(33.7)</b>	29.6	<b>88.1</b>	84.7
<b>Total assets less current liabilities</b>		<b>528.7</b>	524.2	<b>218.4</b>	209.2
<b>Liabilities: Non-current liabilities</b>					
Borrowings	22	0.1	–	–	–
Trade and other payables	21	35.6	44.9	–	–
Retirement and employee benefit obligations	10.2 and 24.2	35.5	57.0	1.1	2.3
Provisions for other liabilities and charges	24.1	12.9	11.7	0.6	1.9
Deferred income tax liabilities	18	2.9	3.6	–	–
		<b>87.0</b>	117.2	<b>1.7</b>	4.2
<b>Net assets</b>		<b>441.7</b>	407.0	<b>216.7</b>	205.0
<b>Equity:</b>					
Share capital	25	3.5	3.5	3.5	3.4
Share premium		91.1	91.1	91.1	91.1
Shares to be issued		–	11.3	–	11.3
Other reserves	27	98.4	103.9	38.2	26.9
Retained earnings	27	247.2	195.8	83.9	72.2
<b>Equity attributable to owners of the parent</b>		<b>440.2</b>	405.6	<b>216.7</b>	205.0
<b>Non-controlling interests</b>		<b>1.5</b>	1.4	<b>–</b>	–
<b>Total equity</b>		<b>441.7</b>	407.0	<b>216.7</b>	205.0

The consolidated and Company financial statements on pages 85 to 150 were authorised for issue by the Board of Directors on 14 March 2018 and were signed on its behalf by:

J C Helsby  
S J B Shaw

Savills plc  
Registered in England  
No. 2122174

# Consolidated statement of changes in equity

## for the year ended 31 December 2017

	Notes	Attributable to owners of the parent						Non-controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Shares to be issued £m	Other reserves* £m	Retained earnings** £m	Total £m		
<b>Balance at 1 January 2017</b>		<b>3.5</b>	<b>91.1</b>	<b>11.3</b>	<b>103.9</b>	<b>195.8</b>	<b>405.6</b>	<b>1.4</b>	<b>407.0</b>
Profit for the year		-	-	-	-	80.1	80.1	1.0	81.1
Other comprehensive income/(loss):									
Remeasurement of defined benefit pension scheme obligation	10.2	-	-	-	-	14.1	14.1	-	14.1
Fair value gain on available-for-sale investments	17.2	-	-	-	0.3	-	0.3	-	0.3
Tax on items directly taken to reserves	12	-	-	-	0.3	(0.8)	(0.5)	-	(0.5)
Currency translation differences		-	-	-	(16.2)	-	(16.2)	-	(16.2)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(15.6)</b>	<b>93.4</b>	<b>77.8</b>	<b>1.0</b>	<b>78.8</b>
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	13	-	-	-	-	(39.3)	(39.3)	(0.9)	(40.2)
<b>Balance at 31 December 2017</b>		<b>3.5</b>	<b>91.1</b>	<b>-</b>	<b>98.4</b>	<b>247.2</b>	<b>440.2</b>	<b>1.5</b>	<b>441.7</b>

	Notes	Attributable to owners of the parent						Non-controlling interests £m	Total equity £m
		Share capital £m	Share premium £m	Shares to be issued £m	Other reserves* £m	Retained earnings** £m	Total £m		
<b>Balance at 1 January 2016</b>		<b>3.4</b>	<b>91.1</b>	<b>22.9</b>	<b>39.1</b>	<b>207.8</b>	<b>364.3</b>	<b>0.7</b>	<b>365.0</b>
Profit for the year		-	-	-	-	66.9	66.9	0.8	67.7
Other comprehensive income/(loss):									
Remeasurement of defined benefit pension scheme obligation	10.2	-	-	-	-	(35.2)	(35.2)	-	(35.2)
Fair value loss on available-for-sale investments	17.2	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Tax on items directly taken to reserves	12	-	-	-	-	6.5	6.5	-	6.5
Currency translation differences		-	-	-	52.4	-	52.4	0.2	52.6
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>51.8</b>	<b>38.2</b>	<b>90.0</b>	<b>1.0</b>	<b>91.0</b>
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	13	-	-	-	-	(35.4)	(35.4)	(0.9)	(36.3)
Transfer between reserves		-	-	-	1.4	(1.4)	-	-	-
Transactions with non-controlling interests		-	-	-	-	(3.6)	(3.6)	0.6	(3.0)
<b>Balance at 31 December 2016</b>		<b>3.5</b>	<b>91.1</b>	<b>11.3</b>	<b>103.9</b>	<b>195.8</b>	<b>405.6</b>	<b>1.4</b>	<b>407.0</b>

\* Included within other reserves on the face of the statement of financial position are the capital redemption reserve, merger relief reserve, foreign exchange reserve and revaluation reserve as disclosed in Note 27.

\*\* Included within retained earnings on the face of the statement of financial position are treasury shares, share-based payments reserve and the profit and loss account as disclosed in Note 27.

# Company statement of changes in equity

## for the year ended 31 December 2017

	Attributable to owners of the Company									
	Notes	Share capital £m	Share premium £m	Shares to be issued £m	Capital redemption reserve* £m	Merger relief reserve* £m	Other reserves* £m	Share-based payments reserve** £m	Retained earnings** £m	Total equity £m
<b>Balance at 1 January 2017</b>		3.5	91.1	11.3	0.3	23.6	3.0	5.0	67.2	205.0
Profit for the year		-	-	-	-	-	-	-	64.0	64.0
Other comprehensive income:										
Remeasurement of defined benefit pension scheme obligation	10.2	-	-	-	-	-	-	-	0.7	0.7
Tax on items directly taken to reserves	12	-	-	-	-	-	-	-	0.3	0.3
<b>Total comprehensive income for the year</b>		-	-	-	-	-	-	-	65.0	65.0
Employee share option scheme:										
- Value of services provided		-	-	-	-	-	-	2.4	-	2.4
- Exercise of share options		-	-	-	-	-	-	(1.9)	(11.5)	(13.4)
Distribution for Employee Benefit Trust		-	-	-	-	-	-	-	(3.0)	(3.0)
Shares issued		-	-	(11.3)	-	11.3	-	-	-	-
Dividends	13	-	-	-	-	-	-	-	(39.3)	(39.3)
<b>Balance at 31 December 2017</b>		3.5	91.1	-	0.3	34.9	3.0	5.5	78.4	216.7

	Attributable to owners of the Company									
	Notes	Share capital £m	Share premium £m	Shares to be issued £m	Capital redemption reserve* £m	Merger relief reserve* £m	Other reserves* £m	Share-based payments reserve** £m	Retained earnings** £m	Total equity £m
<b>Balance at 1 January 2016</b>		3.4	91.1	22.9	0.3	12.0	3.0	3.5	56.9	193.1
Profit for the year		-	-	-	-	-	-	-	80.9	80.9
Other comprehensive income:										
Remeasurement of defined benefit pension scheme obligation	10.2	-	-	-	-	-	-	-	(1.9)	(1.9)
Tax on items directly taken to reserves	12	-	-	-	-	-	-	-	0.2	0.2
<b>Total comprehensive income for the year</b>		-	-	-	-	-	-	-	79.2	79.2
Employee share option scheme:										
- Value of services provided		-	-	-	-	-	-	2.4	-	2.4
- Exercise of share options		-	-	-	-	-	-	(0.9)	(10.3)	(11.2)
Distribution for Employee Benefit Trust		-	-	-	-	-	-	-	(23.2)	(23.2)
Shares issued		0.1	-	(11.6)	-	11.6	-	-	-	0.1
Dividends	13	-	-	-	-	-	-	-	(35.4)	(35.4)
<b>Balance at 31 December 2016</b>		3.5	91.1	11.3	0.3	23.6	3.0	5.0	67.2	205.0

\* Included within other reserves on the face of the statement of financial position are the capital redemption reserve, the merger relief reserve and other reserves as disclosed above.

\*\* Included within retained earnings on the face of the statement of financial position are share-based payments reserve and retained earnings as disclosed above.

# Consolidated and Company statements of cash flows

## for the year ended 31 December 2017

	Notes	Group		Company	
		2017 £m	2016 £m	2017 £m	2016 £m
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	145.1	117.8	49.9	70.3
Interest received		2.7	1.6	0.9	1.0
Interest paid		(2.1)	(1.3)	–	–
Income tax (paid)/received		(34.0)	(24.8)	1.5	3.9
<b>Net cash generated from operating activities</b>		<b>111.7</b>	<b>93.3</b>	<b>52.3</b>	<b>75.2</b>
<b>Cash flows from investing activities</b>					
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, associates and subsidiaries		–	1.2	3.6	–
Loans to joint ventures, associates and subsidiaries		(0.6)	–	(8.6)	(9.0)
Acquisition of subsidiaries, net of net cash acquired	17.4	(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	16	(23.1)	(12.8)	(0.9)	(0.5)
Purchase of intangible assets	15	(8.8)	(4.7)	(1.6)	(1.1)
Purchase of investment in joint ventures, associates and available-for-sale investments	17.1 and 17.2	(9.4)	(12.6)	–	–
<b>Net cash used in investing activities</b>		<b>(136.2)</b>	<b>(25.3)</b>	<b>(7.5)</b>	<b>(10.6)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of share capital		–	0.1	–	0.1
Proceeds from borrowings		181.5	144.6	–	–
Repayments of borrowings		(110.6)	(141.2)	–	–
Contribution to Employee Benefit Trust		–	–	(3.0)	(23.2)
Purchase of treasury shares	27	(17.2)	(23.2)	–	–
Purchase of non-controlling interests	17.4	–	(3.3)	–	–
Proceeds from disposal of non-controlling interests	17.4	–	0.3	–	–
Dividends paid	13	(40.2)	(36.3)	(39.3)	(35.4)
<b>Net cash received from/(used) in financing activities</b>		<b>13.5</b>	<b>(59.0)</b>	<b>(42.3)</b>	<b>(58.5)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>(11.0)</b>	<b>9.0</b>	<b>2.5</b>	<b>6.1</b>
Cash, cash equivalents and bank overdrafts at beginning of year		223.4	182.2	88.3	82.2
Effect of exchange rate fluctuations on cash held		(7.2)	32.2	–	–
<b>Cash, cash equivalents and bank overdrafts at end of year</b>	20 and 22	<b>205.2</b>	<b>223.4</b>	<b>90.8</b>	<b>88.3</b>

# Notes to the financial statements

Year ended 31 December 2017

## 1. General information

Savills plc (the 'Company') and its subsidiaries (together the 'Group') is a global real estate services Group. The Group operates through a network of offices in the UK, Continental Europe, Asia Pacific, North America, Africa and the Middle East. Savills is listed on the London Stock Exchange and employs 34,429 staff worldwide.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 33 Margaret Street, London W1G 0JD.

These consolidated financial statements were approved for issue by the Board of Directors on 14 March 2018.

## 2. Accounting policies

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

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee 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 are prepared on a going concern basis and under the historical cost convention as modified by the revaluation of available-for-sale investments and derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and for management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

### 2.2 Use of non-GAAP measures

The Group believes that the consistent presentation of underlying profit before tax, underlying effective tax rate, underlying basic earnings per share and underlying diluted earnings per share provides additional useful information to shareholders on the underlying trends and comparable performance of the Group over time. The 'underlying' measures are also used by Savills for internal performance analysis and incentive compensation arrangements for employees. All the adjustments made to the GAAP measures are considered exceptional and/or non-operational in nature. These terms are not defined terms under IFRS and may therefore not be comparable with similarly-titled profit measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The term 'underlying' refers to the relevant measure of profit, earnings or taxation being reported excluding the impact (pre and post-tax where applicable) of the following items:

- amortisation of acquired intangible assets (excluding software);
- the difference between IFRS 2 charges related to outstanding bonus-related deferred share awards and the estimated value of the current year bonus pool expected to be allocated to deferred share awards (refer to Note 8 for further explanation);
- items that are considered exceptional by size or nature including restructuring costs, impairments of goodwill, intangible assets and investments and profits or losses arising on disposals of subsidiaries and other investments; and
- significant acquisition costs related to business combinations.

The underlying effective tax rate represents the underlying income tax expense expressed as a percentage of underlying profit before tax. The underlying income tax expense is the income tax expense excluding the tax effect of the adjustments made to arrive at underlying profit before tax and other tax effects related to these adjustments.

Underlying basic earnings per share and underlying diluted earnings per share both utilise the underlying profit after tax measure instead of GAAP earnings. The weighted average number of shares remain the same as the GAAP measure.

A reconciliation between GAAP and underlying measures are set out in Note 8 (underlying profit before tax) and Note 14.2 (underlying basic earnings per share and underlying diluted earnings per share).

The Group also refers to revenue and underlying profit on a constant currency basis which are both non-GAAP measures. Constant currency results are calculated by translating the current year revenue and underlying profit using the prior year exchange rates. This measure allows the Group to assess the results of the current year compared to the prior year, excluding the impact of foreign currency movements.

# Notes to the financial statements continued

Year ended 31 December 2017

## 2. Accounting policies continued

### 2.3 Consolidation

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

#### (a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

#### (b) Acquisition of subsidiaries

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors. Payments dependent on future employment are expensed to the income statement over the relevant period of employment as required by IFRS 3 (revised). Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Acquisition-related costs are expensed as incurred.

#### (c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (d) Disposal of subsidiaries

When the Group ceases to control any retained interest in a subsidiary, the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 17.1).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement with a corresponding adjustment to the carrying amount of the investment. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of associates is tested for impairment in accordance with the policy described in Note 2.9.

#### **(f) Joint arrangements**

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of its joint venture's post-acquisition profits or losses is recognised in the income statement with a corresponding adjustment to the carrying amount of the investment. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of joint ventures is tested for impairment in accordance with the policy described in Note 2.9.

### **2.4 Segment reporting**

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

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

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

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

### **2.5 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is also the Company's functional and presentation currency.

#### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss and are recognised in the income statement, except for available-for-sale equity investments, which are recognised in other comprehensive income. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction.

#### **(c) Group entities**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency at foreign exchange rates ruling at the reporting date. Exchange differences arising from this translation of foreign operations are taken directly to the foreign exchange reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange reserve is transferred to the income statement.

The income and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

# Notes to the financial statements continued

Year ended 31 December 2017

## 2. Accounting policies continued

### 2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Freehold property	50 years
Short leasehold property (less than 50 years)	Over unexpired term of lease
Equipment and motor vehicles	3–10 years

Residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

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

### 2.7 Goodwill

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

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

Goodwill is carried at cost less accumulated impairment losses. Separately recognised goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate potential impairment. An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable amount. The recoverable amount is the higher of value-in-use and fair value less costs of disposal. Impairment losses on goodwill are not reversed.

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### 2.8 Intangible assets other than goodwill

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

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

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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



Amortisation charges are spread on a straight-line basis over the period of the assets' estimated useful lives as follows:

Customer relationships	3–15 years
Order backlogs	2 years
Contracts – investment, property management and other existing business contracts	2–20 years
Brands	2 years
Computer software	3–5 years

Acquired investment management contracts relating to open-ended funds have been attributed indefinite useful lives, reflecting the open-ended nature of the funds, the Group's intention to continue with the management of the funds for the foreseeable future and the expectation that these contracts are expected to generate net cash inflows for the Group for this foreseeable period.

### 2.9 Impairment of other non-financial assets

Assets that have indefinite useful lives are not subject to amortisation or depreciation and are tested annually for impairment or whenever an indicator of impairment exists. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever an indicator of impairment exists. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value-in-use. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Value-in-use is determined using the discounted cash flow method, with an appropriate discount rate to reflect market rates and specific risks associated with the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### 2.10 Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position at fair value when the Group becomes party to the contractual provisions of the instrument. Subsequent measurement depends on the classification and is discussed in paragraphs 2.11–2.16.

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of consideration received is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### 2.11 Available-for-sale investments

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

### 2.12 Trade receivables

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

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

# Notes to the financial statements continued

Year ended 31 December 2017

## 2. Accounting policies continued

### 2.13 Cash and cash equivalents

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

### 2.14 Bank borrowings

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

### 2.15 Trade payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### 2.16 Derivative financial instruments and hedging

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

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

### 2.17 Share capital

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

### 2.18 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.19 Pension obligations

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

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

The defined benefit scheme charge consists of net interest costs, past service costs and the impact of any settlements or curtailments and is charged as an expense as they fall due.

All actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise.

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

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

## 2.20 Share-based payments

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

All equity-settled share-based payments are measured at fair value at the date of grant. Fair value is predominantly measured by use of the Actuarial Binomial option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Any cash proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## 2.21 Employee Benefit Trust and Savills Rabbi Trust

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

## 2.22 Provisions

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

### (a) Professional indemnity claims

Provisions on professional indemnity claims are recognised when it is probable that the Group will be required to settle claims against it as a result of a past event and the amount of the obligation can be reliably estimated. The Group recognises a provision up to the limit of its self-insured liabilities in respect of any claim, with the excess of any self-insured element settled by professional indemnity insurance cover. The professional indemnity insurance cover is spread across a panel of insurers so that it is highly unlikely that the Group would be liable for any settlement in excess of the self-insured element of any given claim. As a result, the amount of the claim in excess of the self-insured element is not included in the professional indemnity claims provision.

# Notes to the financial statements continued

Year ended 31 December 2017

## 2. Accounting policies continued

### (b) Dilapidation provisions

The Group is required to perform dilapidation repairs and restore properties to agreed specifications on leased properties prior to the properties being vacated at the end of their lease term. Provision for such cost is made where a legal obligation is identified and the liability can be reasonably quantified.

### (c) Onerous leases

A provision is recognised where the costs of meeting the obligations under a lease contract exceed the economic benefits expected to be received and is measured as the net least cost of exiting the contract, being the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it.

### (d) Restructuring provision

A provision is recognised when there is a present constructive obligation to meet the costs of restructure. This arises when there is a detailed formal plan for the restructuring, identifying at least the business or part of the business concerned, principal locations affected and the location, function and approximate number of employees to be compensated for terminating their services and when the plan has been communicated to those affected by it, raising an expectation that the plan will be carried out.

## 2.23 Revenue

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

### (a) Residential transactional fees

Generally, where contracts are unconditional, revenue is recognised on exchange of contracts. However, for new home developments revenue is recognised on a staged basis, following the terms of the contract, to reflect the Group's obligations to find a buyer and to further support the client after exchange of contracts through to completion of the build and contract, which can be a number of years later. For these developments, revenue recognition commences when the underlying contracts are exchanged, with total revenue from the contract recognised by the date of completion.

### (b) Commercial transactional fees

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

### (c) Property consultancy

Revenue in respect of property consultancy represents commissions and fees recognised on a time basis, fixed fee or percentage of completion. Percentage of completion is principally measured by the proportion of actual costs incurred in relation to the best estimate of total costs expected for completion of the contract.

### (d) Property and facilities management

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

### (e) Investment management

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

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

### (f) Work in progress

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

### (g) Interest income

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

### (h) Dividend income

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

### (i) Other income

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

## 2.24 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. The assets are then depreciated over the lower of the lease terms or the estimated useful lives of the assets.

The capital elements of future obligations under finance leases are included as liabilities in the statement of financial position. Leasing payments comprise capital and finance elements and the finance element is charged to the income statement.

The annual payments under all other lease agreements (operating leases) are charged to the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into the operating lease are also spread on a straight-line basis over the lease term.

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

## 2.25 Dividends

Dividend distributions are recognised as a liability in the Group's financial statements in the period in which they are approved by the Company's shareholders.

Interim dividends are recognised when paid.

## 2.26 Adoption of standards, amendments and interpretations to standards

Standards, amendments and interpretations endorsed by the EU and mandatorily effective for the first time for the financial year beginning 1 January 2017 that are not relevant or considered to have a significant impact on the Group and its financial statements include the following:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The following standards and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2018, and have not been early adopted:

- IFRS 15, 'Revenue from contracts with customers' ('IFRS 15'), including amendments, is effective for accounting periods beginning on or after 1 January 2018. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. The implementation of IFRS 15 will result in some refinement in the timing of recognition of investment management performance fees and the amortisation period for contract costs however the impact of this refinement is not material.
- IFRS 9, 'Financial instruments', including amendments, effective for accounting periods beginning on or after 1 January 2018. This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group's available-for-sale investments will be renamed in accordance with IFRS 9, with the only change in accounting treatment being that fair value re-measurements in reserves will not be recycled to the income statement upon disposal of the investment. Otherwise, the application of IFRS 9 will not have a material impact on the amounts reported in the Group's consolidated financial statements.
- IFRS 16, 'Leases', effective for the accounting periods beginning on or after 1 January 2019. The standard addresses the classification, measurement and recognition of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard supersedes IAS 17 'Leases'. The standard is expected to have a significant impact on the consolidated financial statements of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the income statement on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges will replace the lease costs currently charged to the income statement. The Group continues to assess the full impact of IFRS 16, however, the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

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

# Notes to the financial statements continued

Year ended 31 December 2017

## 3. Financial risk management

### 3.1 Financial risk factors

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

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

### 3.2 Foreign exchange risk

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

The sensitivity analysis has been prepared for the major currencies to which the Group is exposed. Recent historical movements in these currencies has been considered and it has been concluded that a 5–10% movement in rates is a reasonable benchmark.

For the years ended 31 December, if the average currency conversion rates against sterling for the year had changed with all other variables held constant, the Group post-tax profit for the year would have increased or decreased as shown below:

£m	Movement of currency against sterling			
	-10.0%	-5.0%	+5.0%	+10.0%
<b>2017</b>				
Estimated impact on post-tax profit				
Euro	(1.0)	(0.5)	0.6	1.2
Hong Kong dollar	(1.5)	(0.8)	0.9	1.8
US dollar	0.9	0.5	(0.5)	(1.1)
Estimated impact on components of equity				
Euro	1.0	0.5	(0.6)	(1.2)
Hong Kong dollar	(12.3)	(6.5)	7.1	15.1
US dollar	(12.1)	(6.3)	7.0	14.8
<b>2016</b>				
Estimated impact on post-tax profit				
Euro	(1.3)	(0.7)	0.7	1.5
Hong Kong dollar	(0.5)	(0.3)	0.3	0.6
US dollar	0.8	0.4	(0.4)	(0.9)
Estimated impact on components of equity				
Euro	1.1	0.5	(0.6)	(1.3)
Hong Kong dollar	(13.7)	(7.2)	7.9	16.7
US dollar	(11.4)	(6.0)	6.6	13.9

### 3.3 Interest rate risk

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

For the year ended 31 December 2017, if the average interest rate for the year had changed with all other variables held constant, the Group's post-tax profit for the year and equity would have increased or decreased as shown below:

£m	Increase in interest rates			
	+0.5%	+1.0%	+1.5%	+2.0%
<b>2017</b>				
Estimated impact on post-tax profit and equity	<b>0.3</b>	<b>0.6</b>	<b>1.0</b>	<b>1.4</b>
<b>2016</b>				
Estimated impact on post-tax profit and equity	0.4	0.8	1.2	1.6

£m	Decrease in interest rates			
	-0.5%	-1.0%	-1.5%	-2.0%
<b>2017</b>				
Estimated impact on post-tax profit and equity	<b>(0.5)</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(0.6)</b>
<b>2016</b>				
Estimated impact on post-tax profit and equity	(0.5)	(0.5)	(0.2)	(0.2)

The rationale behind the 2.0% sensitivity analysis is based upon historic trends in interest rate movements and the short-term expectation that any increase or decrease greater than 2.0% is unlikely to occur.

### 3.4 Credit risk

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

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

As at the reporting date, no significant credit risk existed in relation to banking counterparties. No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties. There were no other significant receivables or individual trade receivable balances as at 31 December 2017. Refer to Note 19 for information on the credit quality of trade receivables and the maximum exposure to credit risk arising on outstanding receivables from clients.

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

Counterparty rating (provided by S&P)	2017 £m	2016 £m
AA-	<b>24.7</b>	23.1
A+	<b>30.2</b>	65.1
A	<b>96.6</b>	101.7
A-	<b>16.6</b>	13.7
BBB+ or below	<b>40.7</b>	20.0
Total	<b>208.8</b>	223.6

# Notes to the financial statements continued

Year ended 31 December 2017

## 3. Financial risk management continued

### 3.5 Liquidity risk

The Group maintains appropriate committed facilities to ensure the Group has sufficient funds available for operations and expansion. The Group prepares an annual funding plan approved by the Board which sets out the Group's expected financing requirements for the next 12 months.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facilities (Note 22) and cash and cash equivalents (Note 20) on the basis of expected cash flow. This is carried out at local level in the operating companies of the Group in accordance with Group practice as well as on a Group consolidated basis.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

£m	Less than a year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>2017</b>				
Borrowings	110.1	–	–	–
Finance leases	–	0.1	–	–
Derivative financial instruments	0.1	–	–	–
Trade and other payables	538.0	13.9	18.6	5.2
	<b>648.2</b>	<b>14.0</b>	<b>18.6</b>	<b>5.2</b>
<b>2016</b>				
Borrowings	35.8	–	–	–
Derivative financial instruments	0.3	–	–	–
Trade and other payables	497.8	18.6	24.2	2.1
	533.9	18.6	24.2	2.1

### 3.6 Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to provide returns for shareholders and benefits for other stakeholders; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group's overall strategy remains unchanged from 2016.

Savills plc is not subject to any externally-imposed capital requirements, with the exception of its regulated entities within the Savills Investment Management group and its FCA (Financial Conduct Authority) regulated entity, Savills Capital Advisors Ltd, in the UK. All regulated entities complied with the relevant capital requirements during the year ended 31 December 2017. The Savills Investment Management group has regulated entities in the UK, Jersey, Luxembourg, Germany, Italy, Japan, Singapore, Hong Kong and the US. For more information on Savills Investment Management group's regulated entities and regulatory requirements, please visit [www.savillsim.com](http://www.savillsim.com).

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

The Board has put in place a distribution policy which takes into account the degree of maintainability of the Group's different profit streams and the Group's overall exposure to cyclical Transaction Advisory profits, as well as the requirement to maintain a certain level of cash resources for working capital and corporate development purposes. The Board will recommend an ordinary dividend broadly reflecting the profits derived from the Group's less volatile businesses. In addition, when profits from the cyclical Transaction Advisory business are strong, the Board will consider and, if appropriate, recommend the payment of a supplemental dividend alongside the final ordinary dividend. The value of any such supplemental dividend will vary depending on the performance of the Group's Transaction Advisory business and the Group's anticipated working capital and corporate development requirements through the cycle. It is intended that, in normal circumstances, the combined value of the ordinary and supplemental dividends declared in respect of any year are covered at least 1.5 times by statutory retained earnings and/or at least 2.0 times by underlying profits after taxation. The Group complied with this policy throughout the year.



The Group's policy is to borrow centrally, if required, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are then on-lent or contributed as equity to certain subsidiaries. The Board of Directors monitors a number of debt measures on a rolling forward 12-month basis including: gross cash by location; gross debt by location; cash subject to restrictions; total debt servicing cost to operating profit; gross borrowings as a percentage of EBITDA (earnings before interest, tax, depreciation and amortisation); and forecast headroom against available facilities. These internal measures indicate the levels of debt that the Group has and are closely monitored to ensure compliance with banking covenants and to confirm that the Group has sufficient unused facilities. The Group complied with all banking covenants throughout the year and met all internal counterparty exposure limits set by the Board.

The capital structure is as follows:

£m	Group		Company	
	2017	2016	2017	2016
<b>Equity</b>	<b>441.7</b>	407.0	<b>216.7</b>	205.0
Cash and cash equivalents	<b>208.8</b>	223.6	<b>90.8</b>	88.3
Bank overdrafts	<b>(3.6)</b>	(0.2)	–	–
Borrowings	<b>(106.6)</b>	(35.6)	–	–
<b>Net cash</b>	<b>98.6</b>	187.8	<b>90.8</b>	88.3

### 3.7 Categories of financial instruments

	Financial asset at fair value 2017 £m	Available-for-sale financial assets 2017 £m	Loans and receivables 2017 £m	Total carrying amount 2017 £m	Financial asset at fair value 2016 £m	Available-for-sale financial assets 2016 £m	Loans and receivables 2016 £m	Total carrying amount 2016 £m
<b>Financial assets:</b>								
Available-for-sale investments	–	24.6	–	24.6	–	20.8	–	20.8
Trade and other receivables	–	–	440.0	440.0	–	–	363.0	363.0
Derivative financial instruments	0.5	–	–	0.5	0.2	–	–	0.2
Cash and cash equivalents	–	–	208.8	208.8	–	–	223.6	223.6
<b>Total financial assets</b>	<b>0.5</b>	<b>24.6</b>	<b>648.8</b>	<b>673.9</b>	0.2	20.8	586.6	607.6

	Financial liabilities at fair value 2017 £m	Financial liabilities at amortised cost 2017 £m	Total carrying amount 2017 £m	Financial liabilities at fair value 2016 £m	Financial liabilities at amortised cost 2016 £m	Total carrying amount 2016 £m
<b>Financial liabilities:</b>						
Borrowings	–	110.2	110.2	–	35.8	35.8
Trade and other payables	–	573.6	573.6	–	542.7	542.7
Derivative financial instruments	0.1	–	0.1	0.3	–	0.3
<b>Total financial liabilities</b>	<b>0.1</b>	<b>683.8</b>	<b>683.9</b>	0.3	578.5	578.8

# Notes to the financial statements continued

## Year ended 31 December 2017

### 3. Financial risk management continued

#### 3.8 Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017:

£m	Level 1	Level 2	Level 3	Total
<b>2017</b>				
<b>Assets</b>				
Available-for-sale investments				
– Unlisted	–	24.6	–	24.6
Derivative financial instruments	–	0.5	–	0.5
<b>Total assets</b>	–	25.1	–	25.1
<b>Liabilities</b>				
Derivative financial instruments	–	0.1	–	0.1
<b>Total liabilities</b>	–	0.1	–	0.1

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016:

£m	Level 1	Level 2	Level 3	Total
<b>2016</b>				
<b>Assets</b>				
Available-for-sale investments				
– Unlisted	–	20.8	–	20.8
Derivative financial instruments	–	0.2	–	0.2
<b>Total assets</b>	–	21.0	–	21.0
<b>Liabilities</b>				
Derivative financial instruments	–	0.3	–	0.3
<b>Total liabilities</b>	–	0.3	–	0.3

Level 1 instruments are those whose fair values are based on quoted market prices. The Group has no Level 1 instruments.

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

The fair value of derivative financial instruments is determined by using valuation techniques using observable market data. The fair value of derivative financial instruments is based on the market value of similar instruments with similar maturities. These instruments are included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group has no Level 3 instruments.

#### 4. Offsetting financial assets and financial liabilities

The table below shows the amounts of financial assets and financial liabilities before and after offsetting. The amounts offset in the balance sheet were established in accordance with IAS 32. The assets and liabilities offset stem from the multi-currency cash pooling implemented within the Group.

£m	Gross financial assets/ (liabilities)	Amounts offset in the balance sheet	Net amount in the balance sheet
<b>As at 31 December 2017</b>			
<b>Assets</b>			
Cash and cash equivalents	371.1	(162.3)	208.8
<b>Liabilities</b>			
Bank overdrafts	(165.9)	162.3	(3.6)
<b>As at 31 December 2016</b>			
<b>Assets</b>			
Cash and cash equivalents	375.7	(152.1)	223.6
<b>Liabilities</b>			
Bank overdrafts	(152.3)	152.1	(0.2)

#### 5. Critical accounting estimates and management judgements

##### 5.1 Accounting estimates

Estimates are continually evaluated and are based on historical experience, current market conditions and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (a) Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 10.2.

##### (b) Income taxes

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

##### (c) Deferred taxes

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised, especially with regard to the extent that future taxable profits will be available against which losses can be utilised.

##### (d) Valuation of intangible assets and useful life

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

##### (e) Provisions

The Group and its subsidiaries are party to various legal claims. Provisions made within these financial statements and further details are contained in Note 24.1. Additional claims could be made which might not be covered by existing provisions or by insurance as detailed in Note 28.

##### 5.2 Management judgements

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

# Notes to the financial statements continued

Year ended 31 December 2017

## 6. Segment analysis

Operating segments reflect internal management reporting to the Group's chief operating decision maker, defined as the Group Executive Board (GEB). The operating segments are determined based on differences in the nature of their services. Geographical location also strongly affects the Group and both are therefore disclosed. The reportable operating segments derive their revenue primarily from property-related services. Refer to the Group overview on page 3 and the segmental reviews on pages 18 to 21 for further information on revenue sources.

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

Within the UK, both commercial and residential services are provided. Other geographical areas, although largely commercial-based, also provide residential services, in particular Hong Kong, China, Vietnam, Singapore, Australia, Taiwan and Thailand.

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, significant restructuring costs, acquisition-related costs, amortisation of acquired intangible assets (excluding software) and impairments. Segmental assets and liabilities are not measured or reported to the GEB, but non-current assets are disclosed geographically on page 107.

The segment information provided to the GEB for revenue and underlying profit for the year ended 31 December 2017 is as follows:

2017	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
<b>Revenue</b>						
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
<b>Revenue</b>	<b>746.2</b>	<b>273.1</b>	<b>513.1</b>	<b>66.5</b>	<b>1.1</b>	<b>1,600.0</b>
<b>Underlying profit/(loss) before tax</b>						
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
<b>Underlying profit/(loss) before tax**</b>	<b>81.5</b>	<b>31.0</b>	<b>25.3</b>	<b>13.3</b>	<b>(10.6)</b>	<b>140.5</b>

The segment information provided to the GEB for revenue and underlying profit for the year ended 31 December 2016 is as follows:

2016	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Other £m	Total £m
<b>Revenue</b>						
United Kingdom – commercial	86.0	145.3	130.4	25.9	–	387.6
– residential	124.4	37.8	28.5	–	–	190.7
<b>Total United Kingdom</b>	<b>210.4</b>	<b>183.1</b>	<b>158.9</b>	<b>25.9</b>	<b>–</b>	<b>578.3</b>
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
<b>Total Asia Pacific*</b>	<b>167.8</b>	<b>37.9</b>	<b>273.8</b>	<b>6.4</b>	<b>–</b>	<b>485.9</b>
North America	211.1	–	–	–	–	211.1
<b>Revenue</b>	<b>660.8</b>	<b>240.3</b>	<b>472.8</b>	<b>72.0</b>	<b>–</b>	<b>1,445.9</b>
<b>Underlying profit/(loss) before tax</b>						
United Kingdom – commercial	14.7	16.3	8.7	6.4	(11.3)	34.8
– residential	17.5	5.9	2.6	–	–	26.0
<b>Total United Kingdom</b>	<b>32.2</b>	<b>22.2</b>	<b>11.3</b>	<b>6.4</b>	<b>(11.3)</b>	<b>60.8</b>
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
<b>Total Asia Pacific</b>	<b>23.9</b>	<b>2.4</b>	<b>14.5</b>	<b>1.8</b>	<b>–</b>	<b>42.6</b>
North America	18.9	–	–	–	–	18.9
<b>Underlying profit/(loss) before tax**</b>	<b>80.0</b>	<b>25.9</b>	<b>23.6</b>	<b>17.6</b>	<b>(11.3)</b>	<b>135.8</b>

\* Revenues of £243.7m (2016: £204.7m) are attributable to the Hong Kong and Macau region.

\*\* Transaction Advisory underlying profit before tax includes depreciation of £6.6m (2016: £5.7m), software amortisation of £0.8m (2016: £0.8m) and share of post-tax profit from joint ventures and associates of £2.2m (2016: £2.3m). Consultancy underlying profit before tax includes depreciation of £2.0m (2016: £2.0m), software amortisation of £0.4m (2016: £0.5m) and share of post-tax loss from joint ventures and associates of £nil (2016: £0.1m profit). Property and Facilities Management underlying profit before tax includes depreciation of £3.4m (2016: £3.4m), software amortisation of £1.3m (2016: £0.7m) and share of post-tax profit from joint ventures and associates of £7.7m (2016: £6.3m). Investment Management underlying profit before tax includes depreciation of £0.4m (2016: £0.4m) and software amortisation of £0.4m (2016: £0.5m). Included in Other underlying loss is depreciation of £1.1m (2016: £1.2m), software amortisation of £0.3m (2016: £0.4m) and share of post-tax loss from joint ventures and associates of £nil (2016: £0.1m).

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 profit before tax is provided in Note 8.

Inter-segmental revenue is not material. No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

Non-current assets by geography are set out below:

	2017 £m	2016 £m
<b>Non-current assets</b>		
United Kingdom	131.1	125.3
Continental Europe	96.7	45.1
Asia Pacific	87.6	87.4
North America	169.8	169.7
<b>Total non-current assets</b>	<b>485.2</b>	<b>427.5</b>

Non-current assets include goodwill and intangible assets, plant, property and equipment, investments in joint ventures and associates and retirement benefits. Available-for-sale investments, non-current receivables and deferred tax assets are not included.

# Notes to the financial statements continued

## Year ended 31 December 2017

### 7. Operating profit

#### 7.1 Operating profit

Operating profit is stated after charging/(crediting):

	Group	
	2017 £m	2016 £m
– Net foreign exchange losses/(gains) (excluding net losses on forward foreign exchange contracts)	0.3	(1.4)
– Net loss on forward foreign exchange contracts	0.2	–
– Provision for receivables impairment	7.2	7.2
– Restructuring costs*	7.7	5.8
– Acquisition-related costs**	21.3	28.7
– Operating lease costs	54.6	48.9
– Other income – dividend and investment income	(0.9)	(2.5)

\* Restructuring costs include staff related costs of £5.1m (2016: £3.7m) and an onerous lease charge of £2.3m (2016: £nil) arising from integration activities in relation to the acquisitions of Smiths Gore and GBR Phoenix Beard in the UK and Savills Investment Management's acquisition of SEB.

\*\* Refer to Note 8 for a further breakdown of acquisition-related costs.

#### 7.2 Fees payable to the Company's auditors, PricewaterhouseCoopers LLP, and its associates

	Group	
	2017 £m	2016 £m
<b>Audit services</b>		
Fees payable to the Company's auditors for the audit of parent Company	0.2	0.2
Fees payable to the Company's auditors for the audit of the Company's subsidiaries	1.6	1.4
	1.8	1.6
Taxation advisory services	–	0.2
Audit-related assurance services	0.2	0.1
Other assurance services	0.6	0.3
	0.8	0.6
<b>Total</b>	<b>2.6</b>	<b>2.2</b>

## 8. Underlying profit before tax

	2017 £m	2016 £m
<b>Statutory profit before tax</b>	<b>112.4</b>	99.8
Adjustments:		
Amortisation of acquired intangible assets (excluding software)	<b>3.9</b>	4.0
Impairment of goodwill	<b>2.3</b>	–
Share-based payment adjustment	<b>(1.2)</b>	(2.4)
Net profit on disposal of available-for-sale investments and joint ventures	<b>(5.9)</b>	(0.1)
Restructuring costs	<b>7.7</b>	5.8
Acquisition-related costs	<b>21.3</b>	28.7
<b>Underlying profit before tax</b>	<b>140.5</b>	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. Refer to Note 15 for further details.

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.

# Notes to the financial statements continued

Year ended 31 December 2017

## 9. Employees

### 9.1 Employee benefits expense

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Basic salaries and wages	530.5	497.6	8.2	7.7
Profit share and commissions	426.7	360.8	5.8	5.9
Wages and salaries	957.2	858.4	14.0	13.6
Social security costs	63.0	58.5	2.0	1.9
Other pension costs	27.0	23.2	0.3	0.4
Share-based payments	14.5	13.4	2.4	2.4
	<b>1,061.7</b>	953.5	<b>18.7</b>	18.3

### 9.2 Staff numbers

The monthly average number of employees (including Directors) for the year was:

	Group		Company	
	2017	2016	2017	2016
United Kingdom	5,554	5,136	125	122
Continental Europe	1,206	1,103	–	–
Asia Pacific	26,894	25,446	–	–
North America	775	676	–	–
	<b>34,429</b>	32,361	<b>125</b>	122

The average number of UK employees (including Directors) during the year included 96 employed under fixed-term and temporary contracts (2016: 139).

### 9.3 Key management compensation

	Group	
	2017 £m	2016 £m
Key management		
– Short-term employee benefits	28.0	20.1
– Post-employment benefits	0.2	0.2
– Share-based payments	3.3	3.3
	<b>31.5</b>	23.6

The key management of the Group for the year ended 31 December 2017 comprised Executive Directors and the GEB members. Details of Directors' remuneration is contained in the Remuneration report on pages 58 to 73.

During the year seven (2016: five) GEB members made aggregate gains totalling £3.5m (2016: £1.2m) on the exercise of options under PSP, DSP and DSBP schemes (2016: DSBP schemes).

Retirement benefits under the defined benefit scheme are accruing for three (2016: three) GEB members and benefits are accruing under a defined contribution scheme in Hong Kong for two (2016: two) GEB members.



## 10. Pension schemes

### 10.1 Defined contribution plans

The Group operates the Savills UK Group Personal Pension Plan, a defined contribution scheme, a number of defined contribution individual pension plans and a Mandatory Provident Fund Scheme in Hong Kong, to which it contributes. The total pension charges in respect of these plans were £26.9m (2016: £23.0m). The amount outstanding as at 31 December 2017 in relation to defined contribution schemes is £1.9m (2016: £1.5m).

### 10.2 Defined benefit plan

The Group operates two defined benefit plans.

The Pension Plan of Savills (the 'UK Plan') is a UK-based plan which provided final salary pension benefits to some employees, but was closed with regard to future service-based benefit accrual with effect from 31 March 2010. From 1 April 2010, pension benefits for former employees of the UK Plan are provided through the Group's defined contribution Personal Pension Plan.

The UK Plan is administered by a separate Trust that is legally separated from the Company. The board of the pension fund is composed of six trustees. The board of the pension fund is required by law and by its Article of Association to act in the interest of the fund and of all relevant stakeholders in the scheme. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund. The contributions are determined by an independent qualified actuary on the basis of triennial valuations.

A full actuarial valuation of the UK Plan was carried out as at 31 March 2016 and has been updated to 31 December 2017 by a qualified independent actuary.

The Savills Fund Management GMBH Plan (the 'SFM Plan') is a Germany-based plan which provides final salary benefits to 17 active employees and 97 former employees. The plan is closed to future service-based benefit accrual.

The SFM Plan is administered by an external Trust that is legally separated from the Company. The Trust Agreement requires the trustee to maintain the plan assets in the interest of the beneficiaries of the plan and to fulfil their pension entitlements in the event of insolvency to the extent of the plan assets held. The Investment Committee of the fund, advised by expert investment managers, is responsible for the investment policy with regards to the assets of the fund. The contributions are determined based on the annual valuations of an independent qualified actuary.

A full actuarial valuation of the SFM Plan was carried out as at 31 December 2017 by a qualified independent actuary.

The table below outlines the Group's and Company's defined benefit pension amounts in relation to the UK Plan:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Liability in the statement of financial position	<b>19.5</b>	40.8	<b>1.1</b>	2.3
Net interest cost included in finance costs	<b>1.0</b>	0.4	–	–
Actuarial (gain)/loss included in other comprehensive income	<b>(13.3)</b>	33.6	<b>(0.7)</b>	1.9

The amounts recognised in the statement of financial position in relation to the UK Plan are as follows:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Present value of funded obligations	<b>298.2</b>	298.4	<b>16.5</b>	16.5
Fair value of plan assets	<b>(278.7)</b>	(257.6)	<b>(15.4)</b>	(14.2)
Liability recognised in the statement of financial position	<b>19.5</b>	40.8	<b>1.1</b>	2.3

# Notes to the financial statements continued

Year ended 31 December 2017

## 10. Pension schemes continued

### 10.2 Defined benefit plan continued

The movement in the defined benefit obligation for the UK Plan over the year is as follows:

	Group			Company		
	Present value of obligation £m	Fair value of plan assets £m	Total £m	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1 January 2017</b>	<b>298.4</b>	<b>(257.6)</b>	<b>40.8</b>	<b>16.5</b>	<b>(14.2)</b>	<b>2.3</b>
Interest expense/(income)	7.8	(6.8)	1.0	0.4	(0.4)	–
Remeasurements:						
– Return on plan assets, excluding amounts included in interest income	–	(23.3)	(23.3)	–	(1.3)	(1.3)
– Loss from change in financial assumptions	10.2	–	10.2	0.6	–	0.6
– Gain from change in demographic assumptions	–	–	–	–	–	–
– Experience losses	(0.2)	–	(0.2)	–	–	–
Employer contributions	–	(9.0)	(9.0)	–	(0.5)	(0.5)
Benefit payments	(18.0)	18.0	–	(1.0)	1.0	–
<b>At 31 December 2017</b>	<b>298.2</b>	<b>(278.7)</b>	<b>19.5</b>	<b>16.5</b>	<b>(15.4)</b>	<b>1.1</b>

	Group			Company		
	Present value of obligation £m	Fair value of plan assets £m	Total £m	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1 January 2016</b>	<b>225.7</b>	<b>(209.9)</b>	<b>15.8</b>	<b>12.5</b>	<b>(11.6)</b>	<b>0.9</b>
Interest expense/(income)	8.3	(7.9)	0.4	0.4	(0.4)	–
Remeasurements:						
– Return on plan assets, excluding amounts included in interest income	–	(35.0)	(35.0)	–	(1.9)	(1.9)
– Loss from change in financial assumptions	65.7	–	65.7	3.6	–	3.6
– Gain from change in demographic assumptions	(0.8)	–	(0.8)	–	–	–
– Experience losses	3.7	–	3.7	0.2	–	0.2
Employer contributions	–	(9.0)	(9.0)	–	(0.5)	(0.5)
Benefit payments	(4.2)	4.2	–	(0.2)	0.2	–
<b>At 31 December 2016</b>	<b>298.4</b>	<b>(257.6)</b>	<b>40.8</b>	<b>16.5</b>	<b>(14.2)</b>	<b>2.3</b>

The table below outlines the Group's defined benefit pension amounts in relation to the SFM Plan:

	SFM Plan	
	2017 £m	2016 £m
(Asset)/liability in the statement of financial position	<b>(1.3)</b>	0.4
Current service cost included in employee benefits expense	<b>0.1</b>	0.2
Actuarial (gain)/loss included in other comprehensive income	<b>(0.8)</b>	1.6

Section 5.2 of the SFM Plan Trust Deed provides the Trustor (Savills Fund Management GmbH, Savills Fund Management Holding AG, and Savills Investment Management (Germany) GmbH respectively) with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business neither Trustor nor Trustee have any rights to unilaterally wind up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in the scheme is recognised in full.

The amounts recognised in the statement of financial position in relation to the SFM Plan are as follows:

	SFM Plan	
	2017 £m	2016 £m
Present value of funded obligations	<b>13.9</b>	14.4
Fair value of plan assets	<b>(15.2)</b>	(14.0)
(Asset)/liability recognised in the statement of financial position	<b>(1.3)</b>	0.4

The movement in the defined benefit liability/(asset) for the SFM Plan over the year is as follows:

	SFM Plan		
	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1 January 2017</b>	<b>14.4</b>	<b>(14.0)</b>	<b>0.4</b>
Current service cost	0.1	–	0.1
Interest expense/(income)	0.3	(0.3)	–
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	(0.2)	(0.2)
– Gain from change in financial assumptions	(0.5)	–	(0.5)
– Experience gains	(0.1)	–	(0.1)
Transfers	(0.3)	0.3	–
Employer contributions	–	(0.9)	(0.9)
Benefit payments	(0.4)	0.4	–
Exchange movement	0.4	(0.5)	(0.1)
<b>At 31 December 2017</b>	<b>13.9</b>	<b>(15.2)</b>	<b>(1.3)</b>

	SFM Plan		
	Present value of obligation £m	Fair value of plan assets £m	Total £m
<b>At 1 January 2016</b>	10.9	(12.2)	(1.3)
Current service cost	0.2	–	0.2
Interest expense/(income)	0.3	(0.3)	–
Remeasurements:			
– Loss on plan assets, excluding amounts included in interest income	–	0.2	0.2
– Loss from change in financial assumptions	1.6	–	1.6
– Experience gains	(0.2)	–	(0.2)
Benefit payments	(0.3)	0.3	–
Exchange movement	1.9	(2.0)	(0.1)
<b>At 31 December 2016</b>	<b>14.4</b>	<b>(14.0)</b>	<b>0.4</b>

The significant actuarial assumptions were as follows:

As at 31 December	SFM Plan		UK Plan	
	2017	2016	2017	2016
Expected rate of salary increases	<b>2.50%</b>	2.50%	<b>3.25%</b>	3.25%
Projection of social security contribution ceiling	<b>2.25%</b>	2.25%	–	–
Rate of increase to pensions in payment				
– Pension promise before 1 January 1986	<b>2.25%</b>	2.25%	–	–
– Pension promise after 1 January 1986	<b>1.75%</b>	1.75%	–	–
– accrued before 6 April 1997	–	–	<b>3.00%</b>	3.00%
– accrued after 5 April 1997	–	–	<b>3.30%</b>	3.40%
– accrued after 5 April 2005	–	–	<b>2.30%</b>	2.30%
Rate of increase to pensions in deferment				
– accrued before 6 April 2001	–	–	<b>5.00%</b>	5.00%
– accrued after 5 April 2001	–	–	<b>2.30%</b>	2.40%
– accrued after 5 April 2009	–	–	<b>2.30%</b>	2.40%
Discount rate	<b>2.06%</b>	1.84%	<b>2.50%</b>	2.70%
Inflation assumption	<b>1.75%</b>	1.75%	<b>3.40%</b>	3.50%

# Notes to the financial statements continued

Year ended 31 December 2017

## 10. Pension schemes continued

### 10.2 Defined benefit plan continued

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60:

		SFM Plan		UK Plan	
		2017	2016	2017	2016
Retiring at the end of the reporting year	– Male	<b>83.9</b>	84.1	<b>88.8</b>	88.7
	– Female	<b>88.4</b>	88.2	<b>90.3</b>	90.3
Retiring 20 years after the end of the reporting year	– Male	<b>86.6</b>	86.5	<b>91.0</b>	90.9
	– Female	<b>91.0</b>	90.8	<b>92.7</b>	92.7

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	SFM Plan	UK Plan
	Impact on present value of scheme obligations £m	Impact on present value of scheme obligations £m
0.1% increase in discount rates	<b>(0.2)</b>	<b>(7.1)</b>
0.1% increase in inflation rate	<b>0.2</b>	<b>4.0</b>
0.1% increase in salary increase rate	–	<b>0.7</b>
1 year increase in life expectancy	<b>0.6</b>	<b>11.6</b>

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

Plan assets are comprised as follows:

	SFM Plan				UK Plan			
	2017		2016		2017		2016	
	£m	%	£m	%	£m	%	£m	%
Equity instruments	–	–	–	–	<b>92.4</b>	<b>33%</b>	98.1	38%
Investment funds	<b>15.2</b>	<b>100%</b>	14.0	100%	<b>30.9</b>	<b>11%</b>	67.8	26%
Liability-driven investment (LDI)	–	–	–	–	<b>82.0</b>	<b>29%</b>	15.8	6%
Bonds	–	–	–	–	<b>72.6</b>	<b>26%</b>	74.9	29%
Cash and cash equivalents	–	–	–	–	<b>0.8</b>	<b>1%</b>	1.0	1%
Total	<b>15.2</b>	<b>100%</b>	14.0	100%	<b>278.7</b>	<b>100%</b>	257.6	100%

No Plan assets are the Group's own financial instruments or property occupied or used by the Group. The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets. Although the UK Plan does not invest directly in the Group's financial instruments, it does invest in passive equity funds, so will have some exposure to FTSE All Share, hence indirectly to the Savills share price.

Through the defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

**(a) Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of equities and investment funds, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term.

**(b) Changes in bond yields**

A decrease in corporate bond yields will increase the Plan's liabilities, although this will be partially offset by an increase in the value of the Plan's bond holdings.

**(c) Inflation risk**

Higher inflation will lead to higher liabilities. The majority of the Plan's assets are either unaffected by or are loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

**(d) Life expectancy**

The majority of the Plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plan's liabilities.

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are £9.0m. The Company expects to contribute £0.5m.

The weighted average duration of the defined benefit obligation is 22 years for the UK Plan and 18 years for the SFM Plan.

Expected maturity analysis of the undiscounted pension benefits:

At 31 December 2017	Less than a year £m	Between 1–2 years £m	Between 2–5 years £m	Over 5 years £m	Total £m
Pension benefit payments					
– UK Plan	3.8	4.6	16.3	594.4	619.1
– SFM Plan	0.4	0.5	1.4	19.1	21.4

**11. Finance income and costs**

	Group	
	2017 £m	2016 £m
Bank interest receivable	2.7	1.4
Fair value gain	0.1	0.2
Finance income	2.8	1.6
Bank interest payable	(2.1)	(1.3)
Unwinding of discounts on liabilities	(0.7)	(0.6)
Net interest on defined benefit pension obligation	(1.0)	(0.4)
Fair value loss	(0.3)	(0.1)
Finance costs	(4.1)	(2.4)
<b>Net finance cost</b>	<b>(1.3)</b>	<b>(0.8)</b>

# Notes to the financial statements continued

## Year ended 31 December 2017

### 12. Income tax expense

Analysis of tax expense for the year:

	Group	
	2017 £m	2016 £m
<b>Current tax</b>		
United Kingdom:		
Corporation tax on profits for the year	14.9	13.0
Adjustment in respect of prior years	0.5	1.1
	15.4	14.1
Overseas tax	23.9	17.5
Adjustment in respect of prior years	(0.7)	(1.4)
Total current tax	38.6	30.2
<b>Deferred tax</b>		
Representing:		
United Kingdom	(3.3)	(1.2)
Effect of change in UK tax rate on deferred tax	(0.1)	(0.2)
Overseas tax	(4.7)	5.2
Effect of change in overseas tax rate on deferred tax	1.0	–
Adjustment in respect of prior years	(0.2)	(1.9)
Total deferred tax (Note 18)	(7.3)	1.9
<b>Income tax expense</b>	<b>31.3</b>	<b>32.1</b>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the UK weighted average tax rate of 19.25% (2016: 20%) applicable to profits of the consolidated entities as follows:

	Group	
	2017 £m	2016 £m
Profit before income tax	112.4	99.8
Tax on profit at 19.25% (2016: 20%)	21.6	20.0
Effects of:		
Adjustment in respect of prior years	(0.5)	(2.2)
Adjustments in respect of foreign tax rates	2.2	2.8
Utilisation of previously unprovided tax losses	(0.4)	(0.7)
Expenses and other charges not deductible for tax purposes	9.7	14.1
Tax on joint ventures and associates	(2.3)	(1.7)
Effect of change in tax rates on deferred tax	1.0	(0.2)
<b>Income tax expense</b>	<b>31.3</b>	<b>32.1</b>

The effective tax rate of the Group for the year ended 31 December 2017 is 27.8% (2016: 32.1%), which is higher (2016: higher) than the UK weighted average applicable rate.

The UK corporate tax rate is to reduce to 17% on 1 April 2020. Deferred tax has been determined using the applicable effective future tax rate that will apply in the expected period of utilisation of the deferred tax asset or liability.

The tax (charged)/credited to other comprehensive income is as follows:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
<b>Tax on items that will not be reclassified to profit or loss</b>				
Deferred tax (charge)/credit on pension actuarial (gains)/losses	(2.8)	7.2	(0.1)	0.4
	(2.8)	7.2	(0.1)	0.4
<b>Tax on items that may subsequently be reclassified to profit or loss</b>				
Current tax credit/(charge) on employee benefits	3.1	2.5	0.5	(0.1)
Current tax (charge)/credit on foreign exchange reserves	(0.3)	0.1	–	–
Current tax credit on retirement benefits	1.7	1.8	0.1	0.1
Deferred tax on additional pension contributions	(1.7)	(1.8)	(0.2)	(0.1)
Deferred tax on pension – effect of tax rate change	0.1	(0.3)	–	–
Deferred tax on employee benefits	(0.8)	(2.9)	–	(0.3)
Deferred tax credit on revaluations of available-for-sale investments	0.1	0.2	–	–
Deferred tax credit/(charge) on foreign exchange reserves	0.1	(0.3)	–	–
	2.3	(0.7)	0.4	(0.2)
<b>Tax on items relating to components of other comprehensive income</b>	<b>(0.5)</b>	6.5	<b>0.3</b>	0.2

### 13. Dividends – Group and Company

	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.

Under the terms of the Savills plc 1992 Employee Benefit Trust (the 'EBT'), the Trustees have waived their dividend entitlement for all shares held by the Trust.

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).

# Notes to the financial statements continued

Year ended 31 December 2017

## 14. Earnings per share

### 14.1 Basic and diluted earnings per share

Basic earnings per share ('EPS') are based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 4,819,684 shares (2016: 5,706,307 shares) and the Rabbi Trust, 800,000 shares (2016: nil).

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

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

	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

### 14.2 Underlying basic and diluted earnings per share

Excludes profit on disposals, share-based payment adjustment, impairment and amortisation of goodwill and intangible assets (excluding software), impairment of available-for-sale investment and associate undertaking and restructuring costs.

	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	(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

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

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

The gross amounts of the above adjustments (Note 8) are amortisation of acquired intangible assets (excluding software) £3.9m (2016: £4.0m), impairment of goodwill of £2.3m (2016: £nil), share-based payment adjustment £1.2m credit (2016: £2.4m credit), restructuring costs of £7.7m (2016: £5.8m), net profit on disposals of £5.9m (2016: £0.1m), acquisition-related costs of £21.3m (2016: £28.7m).



## 15. Goodwill and intangible assets

	Group						Company	
	Goodwill £m	Customer/ business relationships £m	Investment and property management contracts £m	Order backlogs £m	Brands £m	Computer software £m	Total £m	Total £m
<b>Cost</b>								
At 1 January 2017	358.1	22.6	26.3	6.8	–	18.8	432.6	4.4
Additions through business combinations (Note 17.4)	57.8	1.5	0.9	0.3	1.3	–	61.8	–
Other additions	–	–	–	–	–	8.8	8.8	1.6
Disposals	–	–	–	–	–	(2.9)	(2.9)	(0.2)
Exchange movement	(15.2)	(0.5)	(0.1)	(0.6)	–	(0.3)	(16.7)	–
At 31 December 2017	400.7	23.6	27.1	6.5	1.3	24.4	483.6	5.8
<b>Accumulated amortisation and impairment</b>								
At 1 January 2017	48.3	19.9	10.3	3.9	–	11.2	93.6	3.0
Amortisation charge for the year	–	0.3	2.4	1.2	–	3.1	7.0	0.3
Impairment charge	2.3	–	–	–	–	–	2.3	–
Disposals	–	–	–	–	–	(2.8)	(2.8)	(0.2)
Exchange movement	(1.2)	(0.4)	0.1	(0.4)	–	(0.3)	(2.2)	–
At 31 December 2017	49.4	19.8	12.8	4.7	–	11.2	97.9	3.1
<b>Net book value</b>								
At 31 December 2017	351.3	3.8	14.3	1.8	1.3	13.2	385.7	2.7

The carrying amount of intangible assets with indefinite useful lives totals £3.2m as at 31 December 2017 (2016: £3.4m), which consists of investment management contracts in relation to open-ended funds.

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

The Company's intangible assets consist of computer software only.

	Group						Company
	Goodwill £m	Customer/ business relationships £m	Investment and property management contracts £m	Order backlog £m	Computer software £m	Total £m	Total £m
<b>Cost</b>							
At 1 January 2016	311.6	20.7	21.2	5.5	16.6	375.6	3.9
Additions through business combinations	5.3	–	3.3	0.1	–	8.7	–
Other additions	–	–	–	–	4.7	4.7	1.1
Disposals	–	–	–	–	(4.7)	(4.7)	(0.8)
Reclassification from property, plant and equipment (Note 16)	–	–	–	–	0.7	0.7	0.2
Exchange movement	41.2	1.9	1.8	1.2	1.5	47.6	–
At 31 December 2016	358.1	22.6	26.3	6.8	18.8	432.6	4.4
<b>Accumulated amortisation and impairment</b>							
At 1 January 2016	41.7	17.3	7.2	2.1	12.0	80.3	3.4
Amortisation charge for the year	–	0.9	1.8	1.3	2.9	6.9	0.4
Disposals	–	–	–	–	(4.7)	(4.7)	(0.8)
Exchange movement	6.6	1.7	1.3	0.5	1.0	11.1	–
At 31 December 2016	48.3	19.9	10.3	3.9	11.2	93.6	3.0
<b>Net book value</b>							
At 31 December 2016	309.8	2.7	16.0	2.9	7.6	339.0	1.4

# Notes to the financial statements continued

Year ended 31 December 2017

## 15. Goodwill and intangible assets continued

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

	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Total £m
2017					
United Kingdom	26.0	9.3	27.4	2.0	64.7
Continental Europe	59.6	16.2	8.7	5.2	89.7
Asia Pacific	15.1	4.7	30.6	2.3	52.7
North America	147.4	–	–	–	147.4
Total goodwill and indefinite life intangible assets	248.1	30.2	66.7	9.5	354.5

	Transaction Advisory £m	Consultancy £m	Property and Facilities Management £m	Investment Management £m	Total £m
2016					
United Kingdom	26.0	9.3	26.2	2.0	63.5
Continental Europe	32.6	–	6.0	5.1	43.7
Asia Pacific	15.8	5.0	30.6	2.4	53.8
North America	152.2	–	–	–	152.2
Total goodwill and indefinite life intangible assets	226.6	14.3	62.8	9.5	313.2

### 15.1 Method of impairment testing

All recoverable amounts were determined based on value-in-use calculations. These calculations use discounted cash flow projections based on financial budgets and strategic plans approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal value. There was a £2.3m impairment charge recognised against goodwill and intangible assets arising from the annual impairment tests conducted (2016: £nil).

### 15.2 Assumptions

#### (a) Market conditions

In general, the models used assume that the property markets in which the Group operates (which drive its revenue growth) will remain stable.

#### (b) Discount rate

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

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

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

	2017 Discount rate range	2016 Discount rate range
United Kingdom	10.0%	10.0%
Continental Europe	10.0%	10.0%
Asia Pacific	11.2%–18.1%	11.6%–18.1%
North America	10.0%	10.0%

### (c) Long-term growth rate

To forecast beyond the five years covered by detailed forecasts, a terminal value was calculated, using average long-term growth rates. The rates are based on the long-term growth rate in the countries in which the Group operates. The long-term growth rates used in each region for impairment testing are as follows:

	2017 Long-term growth rate range	2016 Long-term growth rate range
United Kingdom	2.0%	1.5%
Continental Europe	1.4%–2.6%	1.5%
Asia Pacific	0.8%–5.7%	0.8%–5.7%
North America	2.3%	2.3%

### 15.3 Impairment charge

Following impairment testing, a £2.3m charge has been recognised through the income statement (2016: £nil) relating to goodwill on the Group's Swedish property management business. The Swedish business operates under the European transactional and property management segments. Key assumptions of the discounted cash flow analysis are consistent with the above assumptions in Note 15.2. The residual value of goodwill relating to the Group's Swedish business is not material.

### 15.4 Sensitivity to changes in assumptions

The level of impairment is a reflection of best estimates in arriving at value-in-use, future growth rates and the discount rate applied to cash flow projections. Nonetheless, there are no CGUs for which management considers a reasonable possible change in a key assumption would give rise to an impairment apart from the Group's Swedish business, which was partially impaired during the year.

Future impairments on goodwill and intangible assets relating to any of the Group's investments may be impacted by the following factors:

Market conditions – the expectations for future market conditions are key assumptions in the determination of the cash flow projections. For the purposes of the impairment tests, management expects the markets to remain stable.

Cost base – the cost base assumptions reflect 2017's costs with limited growth in the fixed cost base going forward. Commissions and profit shares are correlated to the Group's revenue and profits and the percentage payout. These are assumed to be consistent with existing rates.

## 16. Property, plant and equipment

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>				
At 1 January 2017	0.1	55.4	60.8	116.3
Additions through business combinations (Note 17.4)	–	–	0.4	0.4
Additions	–	15.8	7.3	23.1
Disposals	–	(0.4)	(8.4)	(8.8)
Exchange movement	–	(1.1)	(1.8)	(2.9)
At 31 December 2017	0.1	69.7	58.3	128.1
<b>Accumulated depreciation and impairment</b>				
At 1 January 2017	–	18.5	38.1	56.6
Charge for the year	–	5.5	8.0	13.5
Disposals	–	(0.4)	(8.4)	(8.8)
Exchange movement	–	(0.1)	(1.3)	(1.4)
At 31 December 2017	–	23.5	36.4	59.9
<b>Net book value</b>				
At 31 December 2017	0.1	46.2	21.9	68.2

The Directors consider that the fair value of property, plant and equipment approximates carrying value.

# Notes to the financial statements continued

## Year ended 31 December 2017

### 16. Property, plant and equipment continued

Group	Freehold property £m	Short leasehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>				
At 1 January 2016	0.1	50.0	54.9	105.0
Additions through business combinations	–	–	0.1	0.1
Additions	–	4.4	8.4	12.8
Disposals	–	(0.4)	(8.8)	(9.2)
Reclassification to intangible assets (Note 15)	–	(0.5)	(0.2)	(0.7)
Exchange movement	–	1.9	6.4	8.3
At 31 December 2016	0.1	55.4	60.8	116.3
<b>Accumulated depreciation and impairment</b>				
At 1 January 2016	–	13.5	34.5	48.0
Charge for the year	–	4.8	7.9	12.7
Disposals	–	(0.4)	(8.6)	(9.0)
Exchange movement	–	0.6	4.3	4.9
At 31 December 2016	–	18.5	38.1	56.6
<b>Net book value</b>				
At 31 December 2016	0.1	36.9	22.7	59.7

Company	Freehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>			
At 1 January 2017	0.1	6.6	6.7
Additions	–	0.9	0.9
Disposals	–	(0.3)	(0.3)
At 31 December 2017	0.1	7.2	7.3
<b>Accumulated depreciation and impairment</b>			
At 1 January 2017	–	4.8	4.8
Charge for the year	–	1.1	1.1
Disposals	–	(0.3)	(0.3)
At 31 December 2017	–	5.6	5.6
<b>Net book value</b>			
At 31 December 2017	0.1	1.6	1.7

Company	Freehold property £m	Equipment and motor vehicles £m	Total £m
<b>Cost</b>			
At 1 January 2016	0.1	8.1	8.2
Additions	–	0.5	0.5
Disposals	–	(1.8)	(1.8)
Reclassification to intangible assets (Note 15)	–	(0.2)	(0.2)
At 31 December 2016	0.1	6.6	6.7
<b>Accumulated depreciation and impairment</b>			
At 1 January 2016	–	5.4	5.4
Charge for the year	–	1.2	1.2
Disposals	–	(1.8)	(1.8)
At 31 December 2016	–	4.8	4.8
<b>Net book value</b>			
At 31 December 2016	0.1	1.8	1.9

## 17. Investments and transactions

### 17.1 Group – Investments in joint ventures and associates

	Joint ventures			Associates		
	Investment £m	Loans £m	Total £m	Investment £m	Loans £m	Total £m
<b>Cost or valuation</b>						
At 1 January 2017	9.3	–	9.3	2.1	0.3	2.4
Additions	0.3	–	0.3	0.3	–	0.3
Disposals	(0.1)	–	(0.1)	(0.2)	–	(0.2)
Loans advanced	–	0.6	0.6	–	–	–
Exchange movement	(0.3)	–	(0.3)	(0.1)	–	(0.1)
At 31 December 2017	9.2	0.6	9.8	2.1	0.3	2.4
<b>Share of profit</b>						
At 1 January 2017	10.4	–	10.4	6.8	–	6.8
Group's share of profit from continuing operations	6.2	–	6.2	3.7	–	3.7
Dividends received	(5.3)	–	(5.3)	(3.0)	–	(3.0)
Exchange movement	(1.0)	–	(1.0)	–	–	–
At 31 December 2017	10.3	–	10.3	7.5	–	7.5
<b>Total</b>						
At 31 December 2017	19.5	0.6	20.1	9.6	0.3	9.9

	Joint ventures			Associates		
	Investment £m	Loans £m	Total £m	Investment £m	Goodwill £m	Total £m
<b>Cost or valuation</b>						
At 1 January 2016	8.9	1.2	10.1	2.4	0.3	2.7
Additions	–	–	–	0.2	–	0.2
Disposals	(0.7)	–	(0.7)	(0.8)	–	(0.8)
Loans repaid	–	(1.2)	(1.2)	–	–	–
Exchange movement	1.1	–	1.1	0.3	–	0.3
At 31 December 2016	9.3	–	9.3	2.1	0.3	2.4
<b>Share of profit</b>						
At 1 January 2016	8.2	–	8.2	5.7	–	5.7
Group's share of profit from continuing operations	5.9	–	5.9	2.0	–	2.0
Dividends received	(5.6)	–	(5.6)	(1.9)	–	(1.9)
Exchange movement	1.9	–	1.9	1.0	–	1.0
At 31 December 2016	10.4	–	10.4	6.8	–	6.8
<b>Total</b>						
At 31 December 2016	19.7	–	19.7	8.9	0.3	9.2

The Group does not have any joint ventures or associates that are individually material.

The joint ventures and associates have no significant liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities or capital commitments in relation to its interests in the joint ventures and associates.

# Notes to the financial statements continued

## Year ended 31 December 2017

### 17. Investments and transactions continued

#### 17.2 Group – Available-for-sale investments

	Group	
	2017 £m	2016 £m
<b>At 1 January</b>	<b>20.8</b>	13.2
Additions	8.8	12.4
Disposals	(5.3)	(5.5)
Additions through business combinations (Note 17.4)	0.1	–
Net fair value gain/(loss) transferred to other comprehensive income	0.3	(0.6)
Exchange movement	(0.1)	1.3
<b>At 31 December</b>	<b>24.6</b>	20.8

Available-for-sale investments comprise the following:

		Group	
		2017 £m	2016 £m
Unlisted securities	UK – equity securities	14.2	10.0
	UK – investment funds	2.3	3.0
	European – equity securities	0.1	–
	European – investment funds	1.9	2.4
	Asia Pacific – equity securities	0.4	0.4
	Asia Pacific – investment funds	5.7	5.0
		<b>24.6</b>	20.8

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

	Group	
	2017 £m	2016 £m
Sterling	16.5	13.0
Euro	2.0	2.4
Other	6.1	5.4
	<b>24.6</b>	20.8

At 31 December 2017, the Group held the following principal available-for-sale investments:

Investment	Holding	Principal activity
YOPA Property Ltd (registered in England and Wales)*	22.80%	Digital hybrid agency
Vucity Ltd (registered in England and Wales)*	33.33%	Digital architectural design and planning
Proportunity Ltd (registered in England and Wales)	5.11%	Digital real estate valuation
Cordea Savills Dawn Syndication LP (registered in England and Wales)	3.70%	Investment property fund
Serviced Land No. 2 LP (registered in England and Wales)	1.97%	UK land investment fund
Cordea Savills Nordic Retail Fund (registered in Luxembourg)	11.33%	Retail investment property fund
Cordea Savills UK Property Ventures No. 1 LP (registered in England and Wales)	4.17%	UK land investment fund
Prime London Residential Development Fund (registered in England and Wales)	0.86%	London residential development fund
Prime London Residential Development Fund II (registered in England and Wales)	1.12%	London residential development fund
Aomi Project TMK (registered in Japan)	3.50%	Real estate investment
Greater Tokyo Office Fund (registered in Jersey)	3.25%	Investment property fund
Pegaxis Pte Ltd (registered in Singapore)	15.00%	Digital property management services

\* The Group holds more than 20% of the equity interest in YOPA Property Ltd and Vucity Ltd, however does not have the power to participate in the financial and operational decisions of these entities, does not have representation on the Board of Directors of these entities and does not participate in major policy-making processes of the entities. As a result, the Group's investments in YOPA Property Ltd and Vucity Ltd are treated as available-for-sale investments.

The Group recognised £nil profit on disposal in the income statement in relation to the part disposal of its investment in YOPA Property Ltd in September 2017, with its shareholding as at 31 December 2017 now at 22.80% (2016: 30.28%), £0.6m profit on disposal of its 1.94% shareholding in the Cordea Savills German Retail Fund and £5.3m profit on disposal of its 19.99% shareholding in SPF Private Clients Limited. Disposals in the year also included capital distributions from the Group's investments in the Cordea Savills Nordic Retail Fund, Cordea Savills UK Property Ventures No. 1 LP and Serviced Land No. 2 LP

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

The fair value of unlisted securities is based on underlying asset values and price earnings models. The fair value of investment funds is determined by the Fund Manager's annual audited financial statements.

At 31 December 2017 the Group held conditional commitments to co-invest £0.3m (2016: £0.7m) in the Greater Tokyo Office Fund, £0.2m (2016: £0.2m) in the Cordea Savills UK Property Ventures Fund No. 1 LP, and £0.1m in the Prime London Residential Development Fund II (2016: £0.2m).

### 17.3 Company – Investments in subsidiaries

	Shares in Group undertaking £m	Loans to Group undertakings £m	Total £m
<b>Cost</b>			
At 1 January 2016	57.2	52.5	109.7
Loans advanced	–	9.0	9.0
At 31 December 2016	57.2	61.5	118.7
Loans advanced	–	<b>8.6</b>	<b>8.6</b>
Loans repaid	–	<b>(3.6)</b>	<b>(3.6)</b>
<b>At 31 December 2017</b>	<b>57.2</b>	<b>66.5</b>	<b>123.7</b>

Refer to Note 33 for a full list of the Group's subsidiaries.

# Notes to the financial statements continued

Year ended 31 December 2017

## 17. Investments and transactions continued

### 17.4 Acquisitions of subsidiaries

The fair values of the assets acquired and liabilities assumed as part of the Group's acquisitions in the year 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	Cresa Partners Orange County	Larry Smith	Other	Total
		£m	£m	£m	£m	£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
<b>Net assets acquired</b>		<b>14.6</b>	<b>0.4</b>	<b>1.1</b>	<b>0.8</b>	<b>16.9</b>
Goodwill		40.5	9.2	6.0	2.1	57.8
<b>Purchase consideration</b>		<b>55.1</b>	<b>9.6</b>	<b>7.1</b>	<b>2.9</b>	<b>74.7</b>
Consideration satisfied by:						
Cash paid		48.2	4.7	6.0	2.3	61.2
Deferred consideration owing at the reporting date		6.9	4.9	1.1	0.6	13.5
		<b>55.1</b>	<b>9.6</b>	<b>7.1</b>	<b>2.9</b>	<b>74.7</b>

#### (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 five 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 consequently 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 six 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 has provisionally been 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 will be 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 will be 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.

# Notes to the financial statements continued

Year ended 31 December 2017

## 18. Deferred income tax

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

The movement on the deferred tax account is shown below:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Deferred tax assets				
– Deferred tax asset to be recovered after more than 12 months	29.5	29.9	1.5	1.6
– Deferred tax asset to be recovered within 12 months	7.4	6.6	0.7	0.9
	<b>36.9</b>	36.5	<b>2.2</b>	2.5
Deferred tax liabilities				
– Deferred tax liability to be recovered after more than 12 months	(2.2)	(3.1)	–	–
– Deferred tax liability to be recovered within 12 months	(0.7)	(0.5)	–	–
	<b>(2.9)</b>	(3.6)	–	–
<b>Deferred tax asset – net</b>	<b>34.0</b>	32.9	<b>2.2</b>	2.5

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
At 1 January – asset	32.9	30.7	2.5	1.8
Amount credited/(charged) to the income statement (Note 12)	8.2	(2.1)	–	0.7
Effect of tax rate change within the income statement (Note 12)	(0.9)	0.2	–	–
Tax credited/(charged) to other comprehensive income				
– Pension asset on actuarial (gain)/loss	(2.8)	7.2	(0.1)	0.4
– Pension asset on additional contributions	(1.7)	(1.8)	(0.2)	(0.1)
– Pension asset – effect of UK tax rate change within other comprehensive income	0.1	(0.3)	–	–
– Employee benefits	(0.8)	(2.9)	–	(0.3)
– Revaluations of available-for-sale investments	0.1	0.2	–	–
– Movement on foreign exchange reserves	0.1	(0.3)	–	–
Additions through business combinations (Note 17.4)	(0.8)	(0.6)	–	–
Exchange movement	(0.4)	2.6	–	–
At 31 December – asset	<b>34.0</b>	32.9	<b>2.2</b>	2.5

Deferred income tax assets have been recognised for tax loss carry-forwards and other temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at the reporting date the Group did not recognise deferred tax income tax assets of £1.4m (2016: £0.4m) in respect of losses amounting to £5.9m (2016: £1.2m) that can be carried forward indefinitely against future taxable income.

Deferred tax assets – Group	Accelerated capital allowances £m	Other including provisions £m	Tax losses £m	Retirement benefits £m	Employee benefits £m	Total £m
At 1 January 2016	0.5	13.4	9.7	3.0	6.8	33.4
Amount credited/(charged) to the income statement (Note 12)	0.8	2.6	(7.2)	0.1	1.5	(2.2)
Effect of UK tax rate change within income statement (Note 12)	0.1	0.1	–	–	–	0.2
Tax charged/(charged) to other comprehensive income (Note 12)	–	–	–	5.4	(2.9)	2.5
Effect of tax rate change charged to other comprehensive income (Note 12)	–	–	–	(0.3)	–	(0.3)
Transfer (from)/to deferred tax assets	–	(1.7)	–	1.7	–	–
Exchange movement	–	1.6	1.0	0.3	–	2.9
<b>At 31 December 2016</b>	<b>1.4</b>	<b>16.0</b>	<b>3.5</b>	<b>10.2</b>	<b>5.4</b>	<b>36.5</b>
Amount credited/(charged) to the income statement (Note 12)	<b>0.5</b>	<b>5.2</b>	<b>(0.9)</b>	<b>–</b>	<b>2.3</b>	<b>7.1</b>
Effect of tax rate change within income statement (Note 12)	<b>–</b>	<b>(1.0)</b>	<b>(0.2)</b>	<b>0.1</b>	<b>–</b>	<b>(1.1)</b>
Tax charged to other comprehensive income (Note 12)	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4.5)</b>	<b>(0.8)</b>	<b>(5.3)</b>
Effect of tax rate change charged to other comprehensive income (Note 12)	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.1</b>	<b>–</b>	<b>0.1</b>
Transfer to/(from) deferred tax assets	<b>0.3</b>	<b>(0.1)</b>	<b>–</b>	<b>(0.2)</b>	<b>–</b>	<b>–</b>
Additions through business combinations (Note 17.4)	<b>–</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.1</b>
Exchange movement	<b>–</b>	<b>(0.6)</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>(0.5)</b>
<b>At 31 December 2017</b>	<b>2.2</b>	<b>19.6</b>	<b>2.5</b>	<b>5.7</b>	<b>6.9</b>	<b>36.9</b>

Deferred tax liabilities – Group	Accelerated capital allowances £m	Other including provisions £m	Revaluations £m	Intangible assets £m	Total £m
At 1 January 2016	(0.2)	(0.6)	(0.3)	(1.6)	(2.7)
Amount credited/(charged) to the income statement (Note 12)	0.1	(0.6)	–	0.6	0.1
Tax (charged)/credited to other comprehensive income (Note 12)	–	(0.3)	0.2	–	(0.1)
Additions through business combinations	–	–	–	(0.6)	(0.6)
Exchange movement	–	(0.1)	–	(0.2)	(0.3)
<b>At 31 December 2016</b>	<b>(0.1)</b>	<b>(1.6)</b>	<b>(0.1)</b>	<b>(1.8)</b>	<b>(3.6)</b>
Amount credited to the income statement (Note 12)	<b>–</b>	<b>0.6</b>	<b>–</b>	<b>0.5</b>	<b>1.1</b>
Effect of tax rate change within the income statement (Note 12)	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.2</b>	<b>0.2</b>
Tax credited to other comprehensive income (Note 12)	<b>–</b>	<b>0.1</b>	<b>0.1</b>	<b>–</b>	<b>0.2</b>
Additions through business combinations (Note 17.4)	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.9)</b>	<b>(0.9)</b>
Exchange movement	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.1</b>	<b>0.1</b>
<b>At 31 December 2017</b>	<b>(0.1)</b>	<b>(0.9)</b>	<b>–</b>	<b>(1.9)</b>	<b>(2.9)</b>

Net deferred tax asset	Total £m
At 31 December 2017	<b>34.0</b>
At 31 December 2016	<b>32.9</b>

# Notes to the financial statements continued

## Year ended 31 December 2017

### 18. Deferred income tax continued

Deferred tax assets – Company	Accelerated capital allowances £m	Other including provisions £m	Retirement benefits £m	Employee benefits £m	Total £m
At 1 January 2016	0.1	0.5	0.1	1.1	1.8
Amount credited to the income statement	0.2	0.2	–	0.3	0.7
Tax credited/(charged) to other comprehensive income (Note 12)	–	–	0.3	(0.3)	–
At 31 December 2016	0.3	0.7	0.4	1.1	2.5
Amount (charged)/credited to the income statement	–	(0.4)	–	0.4	–
Tax charged to other comprehensive income (Note 12)	–	–	(0.3)	–	(0.3)
<b>At 31 December 2017</b>	<b>0.3</b>	<b>0.3</b>	<b>0.1</b>	<b>1.5</b>	<b>2.2</b>
<b>Net deferred tax asset</b>					
At 31 December 2017					<b>2.2</b>
At 31 December 2016					<b>2.5</b>

### 19. Trade and other receivables

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade receivables	391.2	333.2	–	–
Less: provision for impairment of receivables	(19.9)	(19.3)	–	–
Trade receivables – net	371.3	313.9	–	–
Amounts owed by subsidiary undertakings	–	–	5.3	13.1
Other receivables	53.0	39.5	0.1	0.7
Prepayments and accrued income	66.3	66.0	2.5	2.7
	<b>490.6</b>	<b>419.4</b>	<b>7.9</b>	<b>16.5</b>

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

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of clients internationally dispersed with no individual client owing a significant amount. The credit quality of receivables is managed at a local subsidiary level with uncollectible amounts being impaired where necessary.

Amounts owed by subsidiary undertakings are unsecured, interest-free and generally cleared within the month.

As at 31 December 2017, trade receivables of £280.6m (2016: £232.0m) were neither past due nor impaired and fully performing.

As at 31 December 2017, trade receivables of £19.9m (2016: £19.3m) were impaired and provided for. The individually impaired receivables mainly relate to receivables from clients that have been affected by the uncertain economic conditions where funding and completion have been delayed and cash flow has become uncertain.

The ageing of these receivables is as follows:

	Group	
	2017 £m	2016 £m
Up to 3 months	1.6	3.4
3 to 6 months	4.9	1.9
Over 6 months	13.4	14.0
	<b>19.9</b>	<b>19.3</b>

As at 31 December 2017, trade receivables of £90.7m (2016: £81.9m) were past due but not impaired. These relate to trade receivables which are past due at the reporting date but are not considered impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

## 19. Trade and other receivables continued

The ageing of these receivables is as follows:

	Group	
	2017 £m	2016 £m
Up to 3 months	69.4	59.1
3 to 6 months	16.1	16.9
Over 6 months	5.2	5.9
	<b>90.7</b>	<b>81.9</b>

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

	Group	
	2017 £m	2016 £m
Sterling	207.6	178.4
Euro	90.3	65.8
US dollar	54.9	35.3
Hong Kong dollar	39.7	50.9
Australian dollar	31.4	39.8
Other*	66.7	49.2
	<b>490.6</b>	<b>419.4</b>

\* Other currencies include Chinese renminbi, South Korean won, Singapore dollar, Japanese yen, New Zealand dollar, Indonesian rupiah, Philippine peso, Malaysian ringgit, Macau pataca, New Taiwan dollar, Thailand baht, Polish zloty, Swedish krona and Canadian dollar.

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

	Group	
	2017 £m	2016 £m
At 1 January	(19.3)	(15.4)
Provisions for receivables impairment	(7.2)	(7.2)
Receivables written off during the year as uncollectible	2.9	2.4
Unused provisions released	3.0	2.7
Exchange movements	0.7	(1.8)
At 31 December	<b>(19.9)</b>	<b>(19.3)</b>

The creation and release of the provision for impaired receivables have been included in other operating expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

# Notes to the financial statements continued

## Year ended 31 December 2017

### 20. Cash and cash equivalents

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Cash at bank and in hand	198.1	210.1	90.8	88.3
Short-term bank deposits	10.7	13.5	–	–
	<b>208.8</b>	223.6	<b>90.8</b>	88.3

The carrying value of cash and cash equivalents approximates their fair value.

The effective interest rate on short-term bank deposits as at 31 December 2017 was 1.35% (2016: 1.21%); these deposits have an average maturity of 53 days (2016: 49 days).

Cash subject to restrictions in Asia Pacific amounts to £41.6m (2016: £50.6m) which is cash pledged to banks in relation to property management contracts and cash remittance restrictions in certain countries. These amounts are consolidated.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Sterling	5.1	(6.3)	90.8	88.2
Hong Kong dollar	61.5	55.8	–	–
Euro	56.1	49.2	–	–
Chinese renminbi	37.9	48.6	–	–
US dollar	10.1	38.8	–	0.1
Japanese yen	8.6	6.2	–	–
Australian dollar	7.7	9.3	–	–
South Korean won	6.8	6.3	–	–
Singapore dollar	4.3	7.1	–	–
Other currencies*	10.7	8.6	–	–
	<b>208.8</b>	223.6	<b>90.8</b>	88.3

\* Other currencies include Canadian dollar, Czech koruna, New Taiwan dollar, Macau pataca, Thai baht, Vietnamese dong, New Zealand dollar, Philippine peso, Polish zloty and Swedish krona.

### 21. Trade and other payables

#### 21.1 Trade and other payables – current

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Deferred consideration (Note 21.3)	19.3	59.1	–	–
Trade payables	111.6	80.9	1.7	2.9
Amounts owed to subsidiary undertakings	–	–	2.4	2.3
Other taxation and social security	46.4	44.8	0.9	7.2
Other payables	46.5	30.9	–	–
Accruals and deferred income*	368.9	334.5	8.1	8.9
	<b>592.7</b>	550.2	<b>13.1</b>	21.3

\* Includes accruals for profit shares.

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

Amounts due to subsidiary undertakings are unsecured, interest-free and repayable on demand.

## 21.2 Trade and other payables – non-current

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Deferred consideration (Note 21.4)	21.6	23.5	–	–
Other payables	14.0	21.4	–	–
	<b>35.6</b>	44.9	–	–

## 21.3 Deferred consideration – current

	2017 £m	2016 £m
At 1 January	59.1	3.8
Reclassification from non-current deferred consideration (Note 21.4)	16.4	42.3
Additions through business combinations (Note 17.4)	2.2	–
Deferred consideration linked to employment accrued during year	4.2	17.8
Interest unwind	0.4	–
Deferred consideration paid	(60.4)	(6.8)
Exchange movements	(2.6)	2.0
At 31 December	<b>19.3</b>	59.1

## 21.4 Deferred consideration – non-current

	2017 £m	2016 £m
At 1 January	23.5	53.0
Reclassification to current deferred consideration (Note 21.3)	(16.4)	(42.3)
Additions through business combinations (Note 17.4)	11.3	1.9
Deferred consideration linked to employment accrued during year	6.3	2.8
Interest unwind on discounted deferred consideration	0.3	0.6
Deferred consideration paid	(2.8)	–
Exchange movements	(0.6)	7.5
At 31 December	<b>21.6</b>	23.5

# Notes to the financial statements continued

Year ended 31 December 2017

## 22. Borrowings

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

The Company does not have any borrowings as at 31 December 2017 and 31 December 2016.

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 remaining unsecured bank loans due within one year or on demand includes a £0.4m working capital loan in Thailand and a £0.1m bank loan in Portugal. The working capital loan in Thailand is payable on demand, denominated in Thailand baht and has an effective interest rate of 4.3%. The bank loan in Portugal is due within one year, denominated in euros and has an effective interest rate of 2.0%.

Movements in borrowings are analysed as follows:

	Group	
	2017 £m	2016 £m
Opening amount as at 1 January	35.8	31.4
Additional borrowings	184.9	144.7
Borrowings acquired through business combinations (Note 17.4)	0.1	0.7
Repayments of borrowings	(110.6)	(141.2)
Foreign exchange	–	0.2
Closing amount as at 31 December	<b>110.2</b>	35.8

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

	Group	
	2017 £m	2016 £m
Less than 1 year	110.1	35.8
Between 2 and 5 years	0.1	–
	<b>110.2</b>	35.8

The effective interest rates at the reporting date were as follows:

	Group	
	2017 %	2016 %
Bank overdrafts	2.62	7.85
Bank loans	1.51	1.27

The carrying amounts of borrowings are approximate to their fair value.



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

	Group	
	2017 £m	2016 £m
Sterling	109.4	34.0
Australian dollar	–	1.4
Other	0.8	0.4
	<b>110.2</b>	<b>35.8</b>

The Group has the following undrawn borrowing facilities:

	Group	
	2017 £m	2016 £m
Floating rate – expiring within 1 year or on demand	33.5	23.2
Floating rate – expiring between 1 and 5 years	194.2	216.0
	<b>227.7</b>	<b>239.2</b>

### 23. Derivative financial instruments

2017	Group	
	Assets £m	Liabilities £m
Forward foreign exchange contracts – at fair value	0.5	0.1
	<b>0.5</b>	<b>0.1</b>

2016	Group	
	Assets £m	Liabilities £m
Forward foreign exchange contracts – at fair value	0.2	0.3
Interest rate cap contract – at fair value	0.1	–
	<b>0.3</b>	<b>0.3</b>

The Company does not have any derivative financial instruments as at 31 December 2017 and 31 December 2016.

#### Forward foreign exchange contracts

The gross notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2017 were £94.1m (2016: £52.3m). All contracts mature within one year and are classed as current.

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

#### Interest rate cap contract

The interest rate cap contract matures in December 2020.

Gains and losses on the interest rate cap are recognised in net finance costs in the income statement.

# Notes to the financial statements continued

Year ended 31 December 2017

## 24. Provisions

### 24.1 Provisions for other liabilities and charges

	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Restructuring provision £m	Group total £m	Company £m
At 1 January 2017	13.3	6.1	0.6	1.9	21.9	1.9
Additions through business combinations (Note 17.4)	–	–	–	0.1	0.1	–
Provided during the year	6.4	1.3	2.0	3.6	13.3	–
Utilised during the year	(6.1)	–	(0.4)	(1.6)	(8.1)	–
Released during the year	(2.3)	(0.3)	(0.2)	(0.1)	(2.9)	(1.3)
Exchange movements	–	(0.1)	–	0.1	–	–
Total	11.3	7.0	2.0	4.0	24.3	0.6
Less non-current portion	6.2	5.6	1.1	–	12.9	0.6
Current portion	5.1	1.4	0.9	4.0	11.4	–

2016	Professional indemnity claims £m	Dilapidation provisions £m	Onerous leases £m	Restructuring provision £m	Group total £m	Company £m
Current	6.2	1.7	0.4	1.9	10.2	–
Non-current	7.1	4.4	0.2	–	11.7	1.9
Total	13.3	6.1	0.6	1.9	21.9	1.9

#### (a) Professional indemnity claims

These arise from various legal actions, proceedings and other claims that are pending against the Group and are based on reasonable estimates, taking into account the opinions of legal counsel. The nature of the amounts provided in respect of legal actions, proceedings and other claims is such that the extent and timing of cash flows can be difficult to estimate and the ultimate liability may vary from the amounts provided. The non-current portion of these provisions is expected to be utilised within the next two to five years. Included are provisions for claims relating to subsidiaries prior to their disposal.

#### (b) Dilapidation provisions

The Group is required to perform dilapidation repairs and in certain instances restore properties to agreed specifications prior to the properties being vacated at the end of their lease term. These amounts are based on estimates of repair and restoration costs at a future date and therefore a degree of uncertainty exists over the future outflows, given that these are subject to repair and restoration cost price fluctuations and the extent of repairs to be completed. The majority of the non-current portion of these provisions is expected to be utilised within the next two to nine years.

#### (c) Onerous leases

A provision is recognised where the costs of meeting the obligations under a lease contract exceed the economic benefits expected to be received and is measured as the net least cost of exiting the contract, being the lower of the cost of fulfilling it and any compensation or penalties arising from the failure to fulfil it. The majority of the non-current portion of these provisions is expected to be utilised within the next two to five years.

#### (d) Restructuring provision

This provision comprises termination payments to employees affected by restructuring and lease termination penalties.

## 24.2 Employee benefit obligations

In addition to the defined benefit obligation pension scheme disclosed in Note 10.2, the following are included in employee benefit obligations:

Group	Total £m
At 1 January 2017	25.0
Additions through business combinations (Note 17.4)	1.2
Provided during the year	9.2
Utilised during the year	(7.2)
Exchange movements	(1.0)
At 31 December 2017	27.2

The above provisions relate to holiday pay and long service leave in the UK, Asia Pacific and Continental Europe. Profit shares are included within accruals (Note 21).

The Company had £0.1m of employee benefit obligations as at 31 December 2017 (2016: £0.1m), relating to holiday pay and long service leave.

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

	Group	
	2017 £m	2016 £m
Current	11.2	9.2
Non-current	16.0	15.8
	27.2	25.0

## 25. Share capital – Group and Company

	2017 Number of shares	2016 Number of shares	2017 £m	2016 £m
Authorised and allotted				
Ordinary shares of 2.5p each:				
Authorised	202,000,000	202,000,000	5.1	5.1
Issued, called up and fully paid	141,931,341	139,809,677	3.5	3.5

Movement in issued, called up and fully paid share capital:

	2017		2016	
	Number of shares	£m	Number of shares	£m
At 1 January	139,809,677	3.5	137,861,283	3.4
Issued to direct participants on exercise of options under the Sharesave Scheme	6,891	–	702	–
Issued to satisfy final instalment of shares due to former Studley, Inc. stockholders in relation to the acquisition in 2014	1,947,976	–	–	–
Issued to satisfy second instalment of shares due to former Studley, Inc. stockholders in relation to the acquisition in 2014	–	–	1,947,692	0.1
Issued to direct participants under the Performance Share Plan	166,797	–	–	–
At 31 December	141,931,341	3.5	139,809,677	3.5

Each issued, called up and fully paid ordinary share of 2.5p is a voting share in the capital of the Company, is entitled to participate in the profits of the Company and on winding-up is entitled to participate in the assets of the Company.

# Notes to the financial statements continued

Year ended 31 December 2017

## 25. Share capital – Group and Company continued

As at 31 December 2017, the EBT held 4,819,684 shares (2016: 5,706,307 shares) and the Rabbi Trust held 800,000 shares (2016: nil). These shares are held as 'treasury shares'. Any voting or other similar decisions relating to these shares are taken by the trustees of the EBT and the Rabbi Trust, who may take account of any recommendation of the Company. The EBT waives all of its dividend entitlement. For further details of the EBT and the Rabbi Trust refer to Note 2.21.

At the Annual General Meeting (AGM) held on 9 May 2017, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 13,967,033 of its own ordinary shares (AGM held on 11 May 2016: 13,786,130). Such authority remains valid until the conclusion of the next AGM or 11 November 2018, whichever is the earlier.

## 26. Share-based payment

The Group operates four equity-settled share-based payment arrangements, namely the Sharesave Scheme, the Performance Share Plan (PSP), the Deferred Share Plan (DSP) and the Deferred Share Bonus Plan (DSBP). The Group recognised total expenses relating to equity-settled share-based payment transactions of £14.5m in 2017 (2016: £13.4m). Of the total share-based payments charge, £0.6m (2016: £0.8m) relates to the Sharesave schemes, £0.6m (2016: £1.1m) relates to PSP schemes, £4.7m (2016: £3.9m) relates to DSP schemes and £8.6m (2016: £7.6m) relates to DSBP schemes.

Refer to the Remuneration Report for details of the various schemes, pages 58 to 73.

### 26.1 Movements in share schemes

2017 number of awards ('000)	Sharesave awards	PSP awards	DSP awards	DSBP awards
Outstanding at 1 January	1,066	690	2,333	3,992
Granted	–	172	297	1,053
Exercised/cancelled	(42)	(152)	(854)	(954)
Forfeited/lapsed	(57)	(152)	(54)	(41)
Outstanding at 31 December	967	558	1,722	4,050
Exercisable at 31 December	–	–	–	–
Weighted average exercise price for awards outstanding at end of the year (pence)	666.2	–	–	–
Weighted average remaining contractual life (years)	0.5	1.9	1.8	1.7
Weighted average share price at the date of exercise for awards exercised in the year (pence)	652.6	868.1	912.5	918.2

2016 number of awards ('000)	Sharesave awards	PSP awards	DSP awards	DSBP awards
Outstanding at 1 January	1,110	490	2,251	3,633
Granted	80	200	763	1,521
Exercised/cancelled	(73)	–	(591)	(1,062)
Forfeited/lapsed	(51)	–	(90)	(100)
Outstanding at 31 December	1,066	690	2,333	3,992
Exercisable at 31 December ('000)	–	–	–	–
Weighted average exercise price for awards outstanding at end of the year (pence)	665.7	–	–	–
Weighted average remaining contractual life (years)	1.4	1.3	1.7	1.8
Weighted average share price at the date of exercise for awards exercised in the year (pence)	665.7	n/a	670.6	722.0

## 26.2 Fair value of options

For all the DSP and DSBP schemes the fair value of awards is the closing share price before award date. The Actuarial Binomial model of actuaries Lane Clark & Peacock LLP is used to fair value awards granted under the PSP and Sharesave schemes. The key inputs to determine the fair value of the awards granted under the PSP scheme during 2017 are shown below.

Performance Share Plan: Awards in the year ended 31 December 2017	22 May 2017
Share price at grant date	887.5p
Risk-free rate	0.4%
Volatility of Savills share price	25% per annum
Correlation of Savills share price to index	46%
Employee turnover	Zero

The expected volatility is measured over the three years prior to the date of grant to match the vesting period of the award. The risk-free rate is the yield on a zero coupon UK government bond at each grant date, with term based on the expected life of the option or award.

The fair values of options granted in the period are shown below.

Grant	Grant date	Deferred period	Fair value pence
DSBP 2017	18 April 2017	3 – 4 years	929.0
DSP 2017	18 April 2017	1 – 5 years	929.0
DSP 2017	18 September 2017	3 – 4 years	885.5
PSP 2017	22 May 2017	5 years	728.4

## 27. Retained earnings and other reserves

	Share-based payments reserve £m	Treasury shares £m	Profit and loss account* £m	Total retained earnings* £m	Capital redemption and capital reserve £m	Merger relief reserve £m	Foreign exchange reserve £m	Revaluation reserve £m	Total other reserves £m
<b>Balance at 1 January 2017</b>	<b>28.9</b>	<b>(37.9)</b>	<b>204.8</b>	<b>195.8</b>	<b>1.7</b>	<b>23.6</b>	<b>77.6</b>	<b>1.0</b>	<b>103.9</b>
Profit attributable to owners of the Company	–	–	80.1	80.1	–	–	–	–	–
Other comprehensive income/(loss)	–	–	13.3	13.3	–	–	(16.1)	0.5	(15.6)
Employee share option scheme:									
– Value of services provided	14.5	–	–	14.5	–	–	–	–	–
– Exercise of options	(10.1)	13.4	(3.3)	–	–	–	–	–	–
– Withdrawal of options	(0.1)	–	0.1	–	–	–	–	–	–
Purchase of treasury shares	–	(17.2)	–	(17.2)	–	–	–	–	–
Dividends	–	–	(39.3)	(39.3)	–	–	–	–	–
Shares issued	–	–	–	–	–	11.3	–	–	11.3
Disposal of available-for-sale investments	–	–	–	–	–	–	(0.5)	(0.7)	(1.2)
<b>Balance at 31 December 2017</b>	<b>33.2</b>	<b>(41.7)</b>	<b>255.7</b>	<b>247.2</b>	<b>1.7</b>	<b>34.9</b>	<b>61.0</b>	<b>0.8</b>	<b>98.4</b>

\* Included within profit and loss account is tax on items taken directly to equity (Note 12) as disclosed above.

# Notes to the financial statements continued

Year ended 31 December 2017

## 27. Retained earnings and other reserves continued

	Share-based payments reserve £m	Treasury shares £m	Profit and loss account* £m	Total retained earnings* £m	Capital redemption reserve £m	Merger relief reserve £m	Foreign exchange reserve £m	Revaluation reserve £m	Total other reserves £m
Balance at 1 January 2016	23.0	(26.0)	210.8	207.8	0.3	12.0	25.2	1.6	39.1
Profit attributable to owners of the Company	–	–	66.9	66.9	–	–	–	–	–
Other comprehensive (loss)/income	–	–	(28.7)	(28.7)	–	–	52.4	(0.6)	51.8
Employee share option scheme:									
– Value of services provided	13.4	–	–	13.4	–	–	–	–	–
– Exercise of options	(7.5)	11.3	(3.8)	–	–	–	–	–	–
Purchase of treasury shares	–	(23.2)	–	(23.2)	–	–	–	–	–
Dividends	–	–	(35.4)	(35.4)	–	–	–	–	–
Shares issued	–	–	–	–	–	11.6	–	–	11.6
Transfer between reserves	–	–	(1.4)	(1.4)	1.4	–	–	–	1.4
Transactions with non-controlling interests	–	–	(3.6)	(3.6)	–	–	–	–	–
Balance at 31 December 2016	28.9	(37.9)	204.8	195.8	1.7	23.6	77.6	1.0	103.9

\* Included within profit and loss account is tax on items taken directly to equity (Note 12) as disclosed above.

## 28. 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.

## 29. Operating lease commitments – minimum lease payments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Amounts due within:				
Within 1 year	<b>51.1</b>	43.9	<b>7.0</b>	7.8
Between 1 to 5 years	<b>136.8</b>	122.5	<b>28.1</b>	31.4
After 5 years	<b>123.0</b>	124.3	<b>70.3</b>	86.2
	<b>310.9</b>	290.7	<b>105.4</b>	125.4

Significant operating leases relate to the various property leases for Savills offices in the UK, Continental Europe, Asia Pacific and North America. There are no significant non-cancellable sub-leases.

### 30. Cash generated from operations

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Profit for the year	81.1	67.7	64.0	80.9
Adjustments for:				
Income tax (Note 12)	31.3	32.1	(2.1)	(2.2)
Depreciation (Note 16)	13.5	12.7	1.1	1.2
Amortisation of intangible assets (Note 15)	7.0	6.9	0.3	0.4
Impairment of goodwill (Note 15)	2.3	–	–	–
Net profit on disposal of available-for-sale investments and joint ventures	(5.9)	(0.1)	–	–
Net finance cost/(income) (Note 11)	1.3	0.8	(0.8)	(1.0)
Share of post-tax profit from joint ventures and associates (Note 17.1)	(9.9)	(7.9)	–	–
Decrease in employee and retirement obligations	(7.9)	(6.3)	(0.5)	(0.5)
Exchange movement on operating activities	(0.2)	2.4	–	–
Increase/(decrease) in provisions	2.3	(3.0)	(1.3)	0.6
Charge for share-based compensation (Note 26)	14.5	13.4	2.4	2.4
Exercise of share options	–	–	(13.4)	(11.2)
Operating cash flows before movements in working capital	129.4	118.7	49.7	70.6
(Increase)/decrease in work in progress	(0.7)	0.3	–	–
(Increase)/decrease in trade and other receivables	(44.1)	(17.1)	8.6	4.4
Increase/(decrease) in trade and other payables	60.5	15.9	(8.4)	(4.7)
Cash generated from operations	145.1	117.8	49.9	70.3

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).

### 31. Analysis of cash net of debt

	At 1 January £m	Cash flows £m	Additions through business combinations £m	Exchange movement £m	At 31 December £m
Cash and cash equivalents	223.6	(7.6)	–	(7.2)	208.8
Bank overdrafts	(0.2)	(3.4)	–	–	(3.6)
	223.4	(11.0)	–	(7.2)	205.2
Bank loans	(35.6)	(70.9)	–	–	(106.5)
Finance leases	–	–	(0.1)	–	(0.1)
Cash and cash equivalents net of debt	187.8	(81.9)	(0.1)	(7.2)	98.6

	At 1 January £m	Cash flows £m	Exchange movement £m	At 31 December £m
Cash and cash equivalents	182.4	9.0	32.2	223.6
Bank overdrafts	(0.2)	–	–	(0.2)
	182.2	9.0	32.2	223.4
Bank loans	(31.2)	(4.1)	(0.3)	(35.6)
Cash and cash equivalents net of debt	151.0	4.9	31.9	187.8

# Notes to the financial statements continued

Year ended 31 December 2017

## 32. Related party transactions

There were no significant related party transactions during the year.

### (a) Loans to related parties

Loans to joint ventures are disclosed in Note 17.1.

### (b) Company transactions

The Company provided corporate function services to its subsidiaries at an arm's length value of £19.4m (2016: £18.9m).

Dividends of £60.0m were received from subsidiaries during the year (2016: £80.0m). Amounts outstanding to and from subsidiaries as at 31 December 2017 are disclosed in Notes 19, 21.

## 33. Group – Investments

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates and joint ventures, the registered office and the percentage of equity owned by the Group, as at 31 December 2017, are disclosed below. All subsidiary undertakings are consolidated into the Group financial statements. Unless otherwise stated the share capital is wholly comprised of ordinary shares which are indirectly held by the Company.

Fully-owned subsidiary	Country of incorporation	Registered office
Corporate Real Estate Services Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Incoll Group Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Incoll Management Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Moores Cost Consulting Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (ACT) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (Aust) Holdings Pty Ltd	(ii) Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (Aust) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (NSW) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (QLD) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (SA) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (TAS) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (VIC) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills (WA) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills Investment Management (Australia) Pty Ltd	Australia	Level 36, Gateway, 1 Macquarie Place, Sydney, NSW 2000
Savills Project Management Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills Project Services (SA) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills Property Management (NSW) Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills Valuations Pty Ltd	Australia	Level 25, 1 Farrer Place, Sydney, NSW 2000
Savills Canada Inc	Canada	181 Bay Street - Suite 200, Toronto, ON M5J 2T3
Savills Studley Services Inc	Canada	181 Bay Street - Suite 200, Toronto, ON M5J 2T3
Savills Studley Inc (Canada)	Canada	181 Bay Street - Suite 200, Toronto, ON M5J 2T3
Guardian Property Services (Shanghai) Company Ltd	China	Room 220, Block 1, No.100 Jinyu Road, Pu Dong, Shanghai
Larry Smith Consulting Asia Ltd	China	Room 340, 3/F, No.150 Liu Lin Road, Huangpu District, Shanghai
Savills Property Services (Beijing) Company Ltd	China	2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022
Savills Property Services (Chengdu) Company Ltd	China	Room 2106, Yanlord Landmark, No.1 Section 2, Renmin South Road, Chengdu 610016
Savills Property Services (Guangzhou) Company Ltd	China	Room 906, R&F Center, No.10 Hua Xia Road, Zhujiang New Town, Guangzhou 510623
Savills Property Services (Hengqin) Ltd	China	Room 105-19233, No. 6 Baohua Road, Hengqin New Area, Zhuhai
Savills Property Services (Shanghai) Company Ltd	China	Unit 212, No.286 Dong Fang Road, Pu Dong, Shanghai
Savills Property Services (Tianjin) Company Ltd	China	Unit 4607, Tianjin World Financial Center, No.2 Dagu North Road, Xiaobailou Street, Heping District, Tianjin
Savills Property Services (Zhuhai) Company Ltd	China	Room 2204, 22/F, Tower B, China Overseas Building, Midtown, No. 2021 Jiuzhou West Avenue, Zhuhai
Savills Real Estate Valuation (Beijing) Company Ltd	China	Unit 01, 21/F, East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022
Savills Real Estate Valuation (Guangzhou) Company Ltd	China	Room 2105, R&F Center, No.10 Hua Xia Road, Zhujiang New Town, Guangzhou 510623
Savills Valuation and Professional Services (BJ) Ltd	China	Unit 07, 21/F, East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022



Fully-owned subsidiary	Country of incorporation	Registered office
Savills Valuation and Professional Services (GZ) Ltd	China	Room 2105, R&F Centre, No.10 Hua Xia Road, Zhujiang New Town, Guangzhou
Shenzhen Guardian Property Management Ltd	China	Room 3, Unit A, 5/F, Anlian Plaza, No.4018 Jintian Road, Futian District, Shenzhen 518026
Swan Property Services (Beijing) Company Ltd	China	2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District, Beijing 100022
Savills CZ s.r.o.	Czech Republic	V Celnici 1031/4, 110 00 Prague 1
SB Property Services a.s.	Czech Republic	Vaclavske Namesti 793/36, Nove Mesto, 110 00 Prague 1
Savills Investment Management ApS	Denmark	Østergade 13, 2/F, 1100, København K
Savills Investment Management SAS	France	54-56 Avenue Hoche, 75008 Paris
Piccadilly General Partner GmbH	Germany	Rotfeder-Ring 7, D-60327 Frankfurt-am-Main
Savills Advisory Services Germany GmbH & Co. KG	Germany	Taunusanlage 19, 60325 Frankfurt-am-Main
Savills Advisory Services GmbH	Germany	Taunusanlage 19, 60325 Frankfurt-am-Main
Savills Fund Management Holding AG	Germany	Rotfeder-Ring 7, D-60327 Frankfurt-am-Main
Savills Immobilien Beratungs GmbH	Germany	Taunusanlage 19, 60325 Frankfurt-am-Main
Savills Immobilien Beteiligungs GmbH	Germany	Taunusanlage 19, 60325 Frankfurt-am-Main
Savills Immobilien Management GmbH	Germany	Hardenbergstraße 27, 10623 Berlin
Savills Investment Management (Germany) GmbH	Germany	Sonnenstrasse 19, Munich
Savills Guernsey Ltd	Guernsey	22 Smith Street, St Peter Port, Guernsey, GY1 2JQ
Asia Protection Security Associates Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Bridgewater Management Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
BTHK Property Management Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Champion Insurance and Computer Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Dominion Office Centre Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
East Full Company Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Eco-Guardian Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Express Engineering Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Express Maintenance Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Gateway Contractors Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Greenscape Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
GRVM Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guard Able Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guardian Care Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guardian Management Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guardian Mandarin Management Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guardian Partners Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guardian Property Agencies Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Guardian Property Management Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Hip Kwan Property Management Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Kenda Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Kwik Park Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Larry Smith Asia Ltd	Hong Kong	Unit 1009, 10/F, Chinachem Golden Plaza, 77 Mody Road, Tsim Sha Tsui East, Kowloon
Mount Link Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Quartey Properties Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills (China) Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills (Hong Kong) Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Asia Pacific Ltd	(ii) Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Associates Ltd	Hong Kong	Whole Block, No.3 Norfolk Road, Kowloon Tong, Kowloon
Savills Building Services Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Design Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Engineering Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Guardian (Holdings) Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing

# Notes to the financial statements continued

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## 33. Group – Investments continued

Fully-owned subsidiary	Country of incorporation	Registered office
Savills India Holding Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Indonesia Holding Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Investment Management (Hong Kong) Ltd	Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East
Savills Investment Management Asia Ltd	Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East
Savills Management Services Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Philippines Holding Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Project Consultancy Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Property Management Holdings Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Property Management Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Realty Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Regional Services Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Residence Ltd	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Valuation and Professional Services Ltd	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Security and Safety Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Swan Hygiene Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Swan Pest Control Services Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Tarrayon Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
The Peninsular Centre Retailers Association Ltd	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
FPD Property Services (India) Private Ltd	India	133/3 Brigade Road (Raheja Chancery Building) Richmond Town, Bangalore, Karnataka 560025
Savills Realty (India) Private Ltd	India	No. 65/6, Sarjapur Ring Road, Agara, Bangalore, Karnataka 560102
Actium	(ii) Ireland	33 Molesworth Street, Dublin 2
Anateo Ltd	(ii) Ireland	33 Molesworth Street, Dublin 2
HOK Financial Services	Ireland	33 Molesworth Street, Dublin 2
Liffey Valley Management Ltd	Ireland	33 Molesworth Street, Dublin 2
Mahon Point Management Ltd	Ireland	33 Molesworth Street, Dublin 2
Savills Advisory Services (Ireland) Limited	Ireland	33 Molesworth Street, Dublin 2
Savills Commercial (Ireland) Ltd	(ii) Ireland	33 Molesworth Street, Dublin 2
Savills Management Resource Ireland Ltd	Ireland	33 Molesworth Street, Dublin 2
Savills Residential (Ireland) Ltd	Ireland	33 Molesworth Street, Dublin 2
White Water (Newbridge) Ltd	Ireland	33 Molesworth Street, Dublin 2
White Water Management Ltd	Ireland	33 Molesworth Street, Dublin 2
White Water Residential DAC	Ireland	33 Molesworth Street, Dublin 2
Larry Smith S.r.l.	Italy	Viale Vittorio Veneto 20, 20124 Milan
Savills Italy S.r.l.	Italy	Via San Paolo 7, 20121 Milan
Savills Asset Advisory Company Ltd	Japan	Yurakucho ITOCIA 15/F, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006
Savills Investment Architecture Design GK	Japan	3/F BPR Place Kamiyacho, 1-11-9 Azabudai, 1 Chome-11 Azabudai, Minato-ku, Tokyo 106-0041
Savills Japan Company Ltd	Japan	Yurakucho ITOCIA 15/F, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006
Greater Tokyo Office Fund (Jersey) GP Ltd	Jersey	3/F Walker House, 28-34 Hill Street, St Helier, JE4 8PN
Prime London Residential Development Jersey GP Ltd	Jersey	3/F Walker House, 28-34 Hill Street, St Helier, JE4 8PN
Prime London Residential Development Jersey II GP Ltd	Jersey	3/F Walker House, 28-34 Hill Street, St Helier, JE4 8PN
Savills (Jersey) Ltd	Jersey	19 Halkett Place, St Helier, JE2 4WG
Savills Investment Management (Jersey) Ltd	Jersey	3/F Walker House, 28-34 Hill Street, St Helier, JE4 8PN
Cordea Savills Italian Opportunities No.2 S.a.r.l.	Luxembourg	10, rue C.M. Spoo
CS Italian Opportunities No.1 S.a.r.l.	Luxembourg	10, rue C.M. Spoo
Savills IM European Fund V GP S.a.r.l.	Luxembourg	10, rue C.M. Spoo
Savills (Macau) Ltd	Macau	Suite 1309-1310, 13/F Macau Landmark, 555 Avenida da Amizade
Savills Project Consultancy (Macau) Ltd	Macau	Suite 1309-1310, 13/F Macau Landmark, 555 Avenida da Amizade
Savills Property Management (Macau) Ltd	Macau	Suite 1309-1310, 13/F Macau Landmark, 555 Avenida da Amizade
Savills (Myanmar) Ltd	Myanmar	No. 8, Unit 8-A, Centerpoint Towers, No. 65, Corner of Sule Pagoda Road & Merchant Street, Kyauktada Township, Yangon
Savills B.V.	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Savills Holdings B.V.	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD

Fully-owned subsidiary	Country of incorporation	Registered office
Savills Investment Management B.V.	Netherlands	Vida Building, Kabelweg 57, 1014 BA Amsterdam
Savills (NZ) Ltd	New Zealand	Level 8, 33 Shortland Street, Auckland Central, Auckland, 1010
Savills (NI) Ltd	Northern Ireland	1/F, Lesley Studios, 32-36 May Street, Belfast, BT1 4NZ
FPD Management Services Philippines Inc	Philippines	Sun Life Centre, 5th Avenue Corner Rizal Drive, Bonifacio Global City, Philippines 1634
Savills Investment Management Sp Zoo	Poland	Ul. Miła 2, 00-180 Warsaw
Savills Property Management Sp Zoo	Poland	Ul. Żłota 59, 00-120 Warsaw
Savills Sp Zoo	Poland	Ul. Żłota 59, 00-120 Warsaw
Aguirre Newman Portugal Consultoria Lda	Portugal	Praça Marquês de Pombal, 16 – 7º, 1250163 Lisbon
Aguirre Newman Portugal Mediacao Imobiliaria Lda	Portugal	Praça Marquês de Pombal, 16 – 7º, 1250163 Lisbon
Savills (SEA) Pte Ltd	Singapore	30 Cecil Street #20-03 Prudential Tower, 049712
Savills (Singapore) Pte Ltd	Singapore	30 Cecil Street #20-03 Prudential Tower, 049712
Savills Asset Management Pte Ltd	Singapore	20 Martin Road #03-01/02 Seng Kee Building, 239070
Savills Investment Management Pte Ltd	Singapore	80 Robinson Road, #02-00, 068898
Savills Property Management Pte Ltd	Singapore	20 Martin Road #03-01/02 Seng Kee Building, 239070
Savills Residential Pte Ltd	Singapore	30 Cecil Street #20-03 Prudential Tower, 049712
Savills Valuation & Professional Services (S) Pte Ltd	Singapore	30 Cecil Street #20-03 Prudential Tower, 049712
Studley (Singapore) Pte Ltd	Singapore	190 Middle Road #15-01 Fortune Centre, 188979
Savills Asset Management Pte Ltd	South Korea	13F Seoul Finance Center, 136 Sejong-daero Jung-gu, Seoul
Savills Korea Advisors Realty Company Ltd	South Korea	15F Tower8, 7 Jongro5-gil Jongno-gu, Seoul
Savills Korea Company Ltd	South Korea	13F Seoul Finance Center, 136 Sejong-daero Jung-gu, Seoul
Aguirre Newman Arquitectura Barcelona SAU	Spain	Avda. Diagonal 609-615, Barcelona
Aguirre Newman Arquitectura SAU	Spain	Calle General Lacy 23, 28045 Madrid
Aguirre Newman Madrid SAU	Spain	Calle General Lacy 23, 28045 Madrid
Savills Aguirre Newman SAU	Spain	Calle General Lacy 23, 28045 Madrid
Aguirre Newman Valoraciones y Tasaciones SAU	Spain	Avda. Diagonal 609-615, Barcelona
Aguirre Newman Urbanismo SAU	Spain	Calle General Lacy 23, 28045 Madrid
Auirre Newman Barcelona SAU	Spain	Avda. Diagonal 609-615, Barcelona
Savills Consultores Inmobiliarios SA	Spain	José Abascal, 45 - 1ª planta, 28003 Madrid
Savills Investment Management S.L	Spain	Calle Velazquez 78 1, 28001 Madrid
Zaphir Asset Management SLU	Spain	Calle General Lacy 23, 28045 Madrid
Loudden Bygg-och Fastighetsservice AB	Sweden	Box 6317, 102 35 Stockholm
Savills Förvaltning AB	Sweden	Sergels Torg 12, 111 57 Stockholm
Savills Investment Management AB	Sweden	Kungsgatan 56, 111 22 Stockholm
Savills Sweden AB	Sweden	Sergels Torg 12, 111 57 Stockholm
Savills (Taiwan) Ltd	Taiwan	21/F, No. 68, Sec. 5, Zhong-Xiao East Road, Taipei 110
Savills Residential Services (Taiwan) Ltd	Taiwan	21/F, No. 68, Sec. 5, Zhong-Xiao East Road, Taipei 110
Savills Valuation & Professional Services (Taiwan)	(iii) Taiwan	21/F, No. 68, Sec. 5, Zhong-Xiao East Road, Taipei 110
Savills (Thailand) Ltd	Thailand	990 Abdulrahim Place Building, 26/F, Rama IV Road, Silom Subdistrict, Bang Rak District, Bangkok
Savills Security and Safety Company Ltd	Thailand	990 Abdulrahim Place Building, 26/F, Rama IV Road, Silom Subdistrict, Bang Rak District, Bangkok
Blair Kirkman LLP	United Kingdom	33 Margaret Street, London, W1G 0JD
Buckleys Estate Agents Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Chesterfield & Co (Rentals) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Christopher Rowland Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Collier & Madge Holdings Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Collier & Madge plc	United Kingdom	33 Margaret Street, London, W1G 0JD
Cordea Savills SLP GP Ltd	United Kingdom	Wemyss House, 8 Wemyss Place, Edinburgh, EH3 6DH
Cordea Savills SLP II LP	United Kingdom	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Cordea Savills SLP LP	United Kingdom	Wemyss House, 8 Wemyss Place, Edinburgh, EH3 6DH
Cordea Savills Investments Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
GBR Phoenix Beard Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
GBR Phoenix Beard Group Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD

# Notes to the financial statements continued

Year ended 31 December 2017

## 33. Group – Investments continued

Fully-owned subsidiary	Country of incorporation	Registered office
GBR Phoenix Beard Holdings Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
GBR Phoenix Beard Residential Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
GBR Property Consultant Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Granville Residential Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Grosvenor Hill Ventures Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
GTOF Co-Investment GP LLP	United Kingdom	Citypoint, 65 Haymarket Terrace, Edinburgh, Scotland, EH12 5HD
GTOF Co-Investment LP	United Kingdom	Citypoint, 65 Haymarket Terrace, Edinburgh, Scotland, EH12 5HD
Hanover Facilities Management Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Hepher Dixon Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Holden Matthews Estate Agents Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Humphriss & Ryde Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Jago Dean PR Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
LIBRA Housing Advisory Services Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Mansfield Elstob Main Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Moor House Management Services Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Optic Asset Management Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
PCA Holdings Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
PCA Management Consultants Limited	United Kingdom	33 Margaret Street, London, W1G 0JD
Phoenix Beard Landscaping Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Phoenix Beard Manpower Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Phoenix Beard Trustees Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Portnalls Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Prime London Residential Development Co-Investment GP LLP	United Kingdom	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Prime London Residential Development Co-Investment II GP LLP	United Kingdom	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Prime London Residential Development Co-Investment II LP	United Kingdom	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Prime London Residential Development Co-Investment LP	United Kingdom	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Prime London Residential Development GP LLP	United Kingdom	33 Margaret Street, London, W1G 0JD
Prime London Residential Development II GP LLP	United Kingdom	33 Margaret Street, London, W1G 0JD
Prime Purchase Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Rickitt Grant & Company Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
S F Securities Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM SLP II GP LLP	United Kingdom	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ
Savills IM UK Income and Growth General Partner LLP	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills (Europe) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills (L&P) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills (Overseas Holdings) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills (UK) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Advisory Services (L&P) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Advisory Services Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Asset Warehouse 1 Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Asset Warehouse 2 Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Capital Advisors Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Commercial (Leeds) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Commercial Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Finance Holdings plc	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Financial Services Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Holding Company Ltd	(i) United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM Dawn GP Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM Holdings Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM Investco Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM SLP General Partner LLP	United Kingdom	Wemyss House, 8 Wemyss Place, Edinburgh, EH3 6DH
Savills IM SLP III GP LLP	United Kingdom	Citypoint, 65 Haymarket Terrace, Edinburgh, Scotland, EH12 5HD

Fully-owned subsidiary	Country of incorporation	Registered office
Savills IM SLP III LP	United Kingdom	Citypoint, 65 Haymarket Terrace, Edinburgh, Scotland, EH12 5HD
Savills IM UK One Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM UK Property Ventures No.1 GP Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills IM UK Two Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Investment Management (UK) Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Investment Management LLP	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Investment Management Overseas Holdings Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Italy Holding Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Lending Solutions Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Management Resources Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Nominee Company Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Savills Telecom Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Serviced Land No.1 GP Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Serviced Land No.2 GP Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Serviced Land No.2 JV GP Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Smith Woolley Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Stratland Management Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
The London Planning Practice Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
Wellington Holdings Ltd	United Kingdom	33 Margaret Street, London, W1G 0JD
BTR Capital Advisors I LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
BTR Capital Advisors II Inc	United States	399 Park Avenue - 11/F, New York, NY 10022
BTR Capital Advisors III Inc	United States	399 Park Avenue - 11/F, New York, NY 10022
Gravitas Lease Audit Services LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
Gravitas Real Estate Solutions LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
Kelly, Legan & Gerard Inc	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills (L&P) Inc	United States	Unex House, 132-134 Hills Road, Cambridge CB2 8PA
Savills America Ltd	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills Investment Management (USA) Inc	United States	251 Little Falls Drive, Wilmington, DE 19808
Savills Investment Management Inc	United States	251 Little Falls Drive, Wilmington, DE 19808
Savills LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills Studley (GA) Inc	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills Studley Inc	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills Studley Occupier Services Inc	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills Studley Securities LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
SSOC LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
Studley Asia Holdings	United States	399 Park Avenue - 11/F, New York, NY 10022
Studley Gravitas Real Estate Solutions LLC	United States	399 Park Avenue - 11/F, New York, NY 10022
The Great Studley Stamp Company	United States	399 Park Avenue - 11/F, New York, NY 10022
Savills Vietnam Company Ltd	Vietnam	6/F, Sentinel Place building, 41A Ly Thai To, Hoan Kiem District, Hanoi City

# Notes to the financial statements continued

Year ended 31 December 2017

## 33. Group – Investments continued

Subsidiaries of which the Group owns less than 100%	% owned	Country of incorporation	Registered office
Savills Belux Group SA	99.90	Belgium	Avenue Louise 81, 1050 Brussels
Savills Property Services (Shenzhen) Company Ltd	85.00	China	Unit A, 5/F Anlian Plaza, No.4018 Jintian Road, Futian District, Shenzhen 518026
Savills SA	99.97	France	21 Boulevard Haussmann 75009, Paris
Savills Valuation SAS	99.97	France	21 Boulevard Haussmann, 75009 Paris
Savills Fund Management GmbH	94.00	Germany	Rotfeder-Ring 7, D-60327 Frankfurt-am-Main
Savills Investment Management (KVG) GmbH	94.90	Germany	Rotfeder-Ring 7, D-60327 Frankfurt-am-Main
Absolute Result Ltd	80.20	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
Savills Billion Property Management Ltd	80.00	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Savills Showcase Ltd	65.00	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
PT Savills Consultants Indonesia	80.40	Indonesia	Indonesia Stock Exchange Building, Tower I, Lt. 12, Jl. Jend. Sudirman, Kav. 52-53, Senayan, Kebayoran Baru, Jakarta Selatan
Savills Investment Management SGR S.p.A	75.00	Italy	Via San Paolo 7, 20121 Milan
Savills Investment Management (Luxembourg) S.à.r.l.	94.90	Luxembourg	10, rue C.M. Spoo
Savill Asset and Property Management BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Savills Agency BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Savills Consultancy BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Savills Investments BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Savills Nederland Holdings BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Savills Retail BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Tagis BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
Tagis Property Management BV	90.25	Netherlands	Viñoly Building, Claude Debussylaan 48, Amsterdam 1082 MD
SGDN Ltd	51.00	United Kingdom	Stuart House, City Road, Peterborough, PE1 1QF
<b>Joint Ventures</b>	<b>% owned</b>	<b>Country of incorporation</b>	<b>Registered office</b>
Anlian Savills Property Management (Shenzhen) Ltd	25.5	China	Unit B02(b), 19/F, Anlian Plaza, No.4018, Jintian Road, Futian District, Shenzhen
Beijing BHG Savills Retail & Property Management Company Ltd	30.00	China	Room 107, Block 1, No 208, Lane 4, North Xiangyun Road, Daxing District, Beijing
Beijing CCP & Savills Property Services Management Company Ltd	25.00	China	A6 West Da Wang Road, Chaoyang District, Beijing
Beijing China Railway Savills Property Management Services Company Ltd	49.00	China	Room 926, 15 Guang An Road, Feng Tai District, Beijing
Beijing Financial Street Savills Property Management Company Ltd	30.00	China	B1/F, Tong Tai Building, 33 Financial Street, West District, Beijing
Beijing Haizhi Savills Property Management Company Ltd	40.00	China	Room 0006, 1/F, 18 Zhong Guan Cun Avenue, Haidian District, Beijing
Beijing Jiaming Savills Property Management Company Ltd	35.00	China	B2 Floor, No. 27 East 3rd Ring Rd North, Chaoyang District, Beijing
Beijing Oriental Savills Asset Management Company Ltd	30.00	China	Unit 303, 3/F No, 9 West Street Wangfujing, Dongcheng District, Beijing
Beijing Tianrun Savills Property Management Company Ltd	49.00	China	Unit 3501A, 35/F, No. 8 Jianguomenwai Dajie, Chaoyang District, Beijing
Beijing Zhaotai Savills Property Services Company Ltd	30.00	China	B1 Floor, 11 Fenghui Yuan, Tai Ping Avenue, Xicheng District, Beijing
Beijing Zhong Bao Savills Property Management Company Ltd	10.00	China	603 China Life Tower, 16 Chao Wai Street, Chaoyang District, Beijing
COSCO FPDSavills Property Development Company Ltd	25.00	China	East Kang Qiao Road No.1, Nanhui District, Shanghai
Everbright Savills Property Management Company Ltd	45.00	China	Room E-266, 3/F, Ru Shan Road No.227, Pilot Free Trade Zone, Shanghai
Fuzhou Hengli & Savills Property Management Company Ltd	45.00	China	Unit B, 4/F Zhongliu City, No.171, Hu Dong Road, Gu Lou District, Fuzhou

Joint Ventures	% owned	Country of incorporation	Registered office
Gohigh Savills (Shanghai) Property Management Company Ltd	49.00	China	Room 203D, 2/F, No. 21, Lane 596 Middle Yanan Road, Jingan District, Shanghai
Guangzhou Nansi & Savills Property Management Company Ltd	49.00	China	Room 1304, Feng Ze Dong Road No.106, Nan Sha Area, Guangzhou
Savills BM Property Services Company Ltd	40.00	China	Room 115, No.53, Lane 749, Middle Tianmu Road, Zhabei District, Shanghai
Savills Raycom Property Management (Beijing) Company Ltd	30.00	China	B1-023 Raycom Center, 2 South Road, Ke Xue Yan, Haidian District, Beijing
Shanghai No.1 and FPD Savills Property Management Company Ltd	51.00	China	Room 308-C, No.727, Zhangjiang Rd, Zhangjiang Town, Pudong District, Shanghai
Shanghai Poly Savills Property Management Company Ltd	30.00	China	N24/F, 528 South Pu Dong Road, Pu Dong, Shanghai
Shanxi Zhidi Savills Property Services Company Ltd	30.00	China	4/F, block 3, No.42 Xing Shan Temple, Xi'an City
Shenzhen Qianhai Savills Property Services Company Ltd	40.00	China	Unit 201, A Tower, No.1, Qian Wan Road, Qianhai Shengnan Cooperation District, Shenzhen
Suzhou Industrial Park Wanrun & FPD Savills Property Management Company Ltd	45.00	China	2/F, International Building, No.2 Suzhou Avenue West, Suzhou industrial Park
Tianjin TEDA Savills Property Services Company Ltd	10.00	China	8/F, B Building, No. 21 Hongda Street, Tianjin Economy & Technology Development Zone
Wuhan Yuexiu Savills Property Services Company Ltd Qiaokou District, Wuhan	40.00	China	Room 5-2, No 198 Hanzheng Street,
Zhongzheng Savills Property Management (Beijing) Co Ltd	49.00	China	Unit 16-04C, 16/F, Building 8, No, 91 Yard, Jianguo Road, Chaoyang District, Beijing
Zhuhai Hengqin Savills Assets Operation Management Company Ltd	51.00	China	Room 105-1460, No. 6 Baohua Road, Hengqin new area, Zhuhai
Greenmile Ventures Ltd	50.00	Hong Kong	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Greenwall Gateway Ltd	50.00	Hong Kong	7/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Jiayi Savills Property Services Ltd	51.00	Hong Kong	23/F, Two Exchange Square, 8 Connaught Place, Central
G.E.S. Holdings Ltd	50.00	Macau	Alameda Dr. Carlos D'Assumpcao, No. 181 - 187, Edf. Kong Fai Com. 7/F, K - P
G.E.S. Ltd	50.00	Macau	Alameda Dr. Carlos D'Assumpcao, No. 181 - 187, Edf. Kong Fai Com. 7/F, K - P
Savills Science Ltd	50.00	United Kingdom	33 Margaret Street, London, W1G 0JD

# Notes to the financial statements continued

## Year ended 31 December 2017

### 33. Group – Investments continued

Associates	% owned	Country of incorporation	Registered office
SAS Riviera Estates	44.40	France	11 Avenue Jean Medecin, 06000, Nice
Guardian Home Ltd	40.00	Hong Kong	Flat G&H, 55/F, Block 3, Metro Town, Tseung Kwan O, New Territories
KSH Guardian Property Management Ltd	50.00	Hong Kong	7th Floor, Cityplaza One, 1111 King's Road, Taikoo Shing
Lippo-Savills Property Management Ltd	50.00	Hong Kong	Room 2301, 23/F, Tower One, Lippo Centre, 89 Queensway
Savills Taiping Property Management Ltd	45.00	Hong Kong	Rooms 805-813, 8/F, Cityplaza One, 1111 King's Road, Taikoo Shing
Yuen Sang Property Management Company Ltd	50.00	Hong Kong	7th Floor, Cityplaza One, 1111 King's Road, Taikoo Shing
Cordea Nichani India Advisers Private Ltd	25.00	India	Ground Floor Front, 19 Kumarakrupa Road, Bangalore 560001
Savills (Johor) Sdn Bhd	45.00	Malaysia	No. 2 Jalan Raja Abdullah, Off Jalan Sultan Ismail, 50300 Kuala Lumpur
Savills (KL) Sdn Bhd	45.00	Malaysia	No. 2 Jalan Raja Abdullah, Off Jalan Sultan Ismail, 50300 Kuala Lumpur
Savills (Malaysia) Sdn Bhd	45.00	Malaysia	No. 2 Jalan Raja Abdullah, Off Jalan Sultan Ismail, 50300 Kuala Lumpur
Savills (Penang) Sdn Bhd	45.00	Malaysia	No. 2 Jalan Raja Abdullah, Off Jalan Sultan Ismail, 50300 Kuala Lumpur
Savills (Project Management) Sdn Bhd	45.00	Malaysia	No. 2 Jalan Raja Abdullah, Off Jalan Sultan Ismail, 50300 Kuala Lumpur
Rootcorp Ranganatha Ltd	25.00	Mauritius	4/F, Raffles Tower, 19 Cybercity, Ebene
Monaco Real Estates SARL	51.00	Monaco	10 Ter Boulevard Princesse Charlotte
Huttons Asia Pte Ltd	48.00	Singapore	3 Bishan Place, #02-01 CPF Bishan Building, S 579838

(i) Directly owned by Savills plc.

(ii) Both ordinary and redeemable shares owned by the Group.

(iii) Partnership interest.

The total non-controlling interest at the end of the year is £1.5m (2016: £1.4m). The non-controlling interests in respect of the above subsidiaries that the Group does not own a holding of 100% are not considered to be individually material.

There were no material transactions with non-controlling interests during the year. Refer to Note 20 for details on restrictions on the Group's ability to access cash in the Group's Asia Pacific operating subsidiaries.



# Shareholder information

## Key dates for 2018

Annual General Meeting	8 May 2018
Financial half year end	30 June 2018
Announcement of half year results	9 August 2018

## Website

Visit our investor relations website [www.savills.com](http://www.savills.com) for full up-to-date investor relations information, including the latest share price, recent Annual and Half Year Reports, results presentations and financial news.

## Shareholder enquiries

For shareholder enquiries please contact our Registrars, Equiniti (see below). For general enquiries please call our Shareholder Services helpline on: 0371 384 2018 (overseas holders need to call +44 (0)121 415 7047. Lines are open from 8.30am to 5.30pm, Monday to Friday, excluding bank holidays). For further administrative queries in respect of your shareholding, please access our Registrars' website at [www.shareview.co.uk](http://www.shareview.co.uk)

## Electronic communications

If you would prefer to receive shareholder communications electronically in future, including your Annual and half-yearly reports and notices of meetings, please visit our Registrars' website, [www.shareview.co.uk](http://www.shareview.co.uk) and follow the link to 'Register for e-communications' under the Shareholder Services section.

## Half Year Report

Like many other listed public companies, we no longer circulate printed Half Year Reports to shareholders. Rather, Half Year results' statements are published on the Company's website. We believe that this is of benefit to those shareholders who do not wish to be burdened with such paper documents, and to the Company, as it is consistent with our target of saving printing and distribution costs.

## Professional advisers and service providers

### Solicitors

**CMS Cameron McKenna LLP**  
 Cannon Place  
 78 Cannon Street  
 London EC4N 6AF

### Registrars

#### Equiniti

Aspect House  
 Spencer Road  
 Lancing  
 West Sussex BN99 6DA

### Auditor

#### PricewaterhouseCoopers LLP

1 Embankment Place  
 London WC2N 6RH

### Joint Stockbrokers

#### UBS Investment Bank

1 Finsbury Avenue  
 London EC2M 2PP

#### Numis Securities Ltd

The London Stock  
 Exchange Building  
 10 Paternoster Square  
 London EC4M 7LT

### Principal Bankers

#### Barclays Bank PLC

1 Churchill Place  
 London E14 5HP

### **Cautionary note regarding forward-looking statements**

Certain statements included in this Annual Report are forward-looking 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. Forward-looking statements can be identified by the use of relevant terminology including the words: 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'forecasts', 'plans', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations and those of our Officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses we operate.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to:

- Global economic business conditions;
- Monetary and interest rate policies;
- Foreign currency exchange rates;
- Equity and property prices;
- The impact of competition, inflation;
- Changes to regulations, taxes;
- Changes to consumer saving and spending habits; and
- Our success in managing the above factors.

Consequently, our actual future financial condition, performance and results could differ materially from the plans, goals and expectations set out in our forward-looking statements. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements which speak only at their respective dates.

The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.





**Savills plc**

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Registered in England  
No. 2122174